Banca Profilo

Company Update

TPS Group: back to M&A

October 12th, 2021, at 18:00

Above pre-pandemic revenue levels and better than expected both EBITDA margin and NFP

In the 1H21 TPS confirmed its resiliency and its ability to generate substantial operating cash flows even in a complex and uncertain economic scenario. Value of Production stood at €17.7mln, up 15% yoy, perfectly in line with our estimates; recording an even better performance, EBITDA stood at €4mln, up 56% yoy, implying an EBITDA margin of 22.5%, already above pre-Covid levels and comfortably above our estimate of 18%, with a consistent improvement driven by the reduction in the incidence of labor costs, while Net Income increased by 224% yoy to €2mln, also thanks to a reduction in D&A expenses as the Company postponed some CapEx. Thanks to the positive net result and the low Net Invested Capital needs, Net Cash showed a net improvement, from €5.1mln at the end of 2020 to €10.8mln at the end of June, reaching the best value ever recorded by the Company, liquidity that could allow the management to resume at full speed its expansion, including external growth through M&A.

ASI acquisition's numbers

In July, TPS announced the acquisition of 80% of Air Support International (ASI). The Company, based in Piedmont, is specialized in maintenance and installation of aeronautical equipment on Cessna and Beechcraft aircraft. The acquisition was an all-cash one, with a total payment of about €500k, implying an EV/Sales multiple of about 0.5x, with an approximately 50% discount compared to listed TPS' peers. According to our estimates, the main impacts of ASI's integration into TPS financial statements will be: i) an annual increase in revenues between €1mln and €2mln (ASI recorded revenue of €1.3mln last year, down 27% yoy), ii) a slight dilution of margins (ASI's EBITDA margin was on average equal to 4% between 2017 and 2020 vs 19% average of TPS), and iii) an increase of approximately €1mln in operating working capital, which breaks down into approximately €300k of inventories, €700k of trade receivables and €400k of trade payables. However, we expect the corporate perimeter may change again in 2022, even significantly, given the management's clear intentions of resuming a growth path through external lines.

2021E-2023E projections update

Since our previous Company Update (April 29th, 2021), besides the effects of integrating ASI numbers: i) we have revised downwards the incidence of labor costs, following a decrease in the average cost of wages, ii) we have slightly cut our estimates on FY21 D&A expenses, following a review in FY21 CapEx estimates, and, consequently, iii) we have revised upwards the estimates on EBITDA, Net Income and the Net Financial Position. Altogether, Value of Production is now expected to grow at a 20-23E 13% CAGR to €44.9mln in 2023 (vs our previous estimates of 11% and €42.5mln, respectively), while EBITDA should reach €9.2mln in 2023, with EBITDA margin estimated on average at 20% (vs our previous estimate of 19%). On the Balance Sheet side, Shareholders' Equity should grow at a 16% 20-23E CAGR, to €32.5mln, driven by a constantly growing net profit, while Net Cash is seen improving to €15.2mln at the end of 2023 (€5.1mln in 2020 and expected €7.5mln at the end of December 2021), including cash and cash equivalents of €19mln in 2023 (€9.5mln in 2020 and expected €11.8mln at the end of December 2021), liquidity available for potential M&A operations.

Valuation: TP at €8.8 from €7.8, BUY confirmed

We raised our 12-month Target Price to €8.8 from the previous €7.8, thus confirming a BUY recommendation. Our target price comes from the simple average between DCF fair value equal to €8.4/share (vs previous €8.0) and relative market multiple valuation equal to €9.1 (vs previous €7.6), coming a median 2021E-2022E EV/EBITDA of 7.6x vs previous 7.2x.

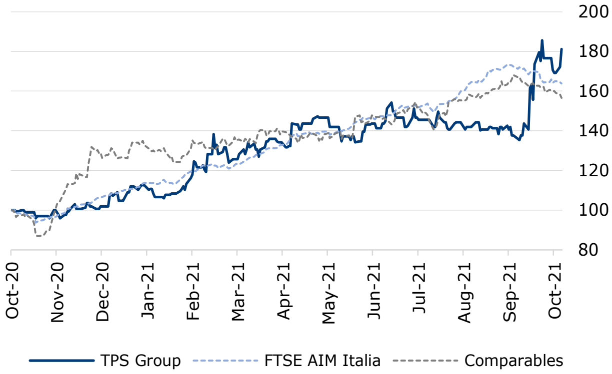
Target Price (€)	**€8.8 from €7.8**
Recommendation	**BUY**
Price as of October 12th, 2021	6.1
Number of shares (mln)	7.3
Market capitalization (€, mln)	43.9

Performance	**from IPO**
Absolute	+89%
Max / Min	6.5/3.0
Average daily volumes	5,599

(€mln)	2019	2020	2021E	2022E	2023E
VoP	**36.8**	**31.0**	**37.9**	**41.0**	**44.9**
yoy (%)	*53%*	*-16%*	*22%*	*8%*	*9%*
EBITDA	**7.0**	**5.3**	**7.4**	**8.1**	**9.2**
margin (%)	*19%*	*17%*	*20%*	*20%*	*20%*
EBIT	**4.0**	**2.5**	**5.4**	**5.5**	**5.9**
margin (%)	*11%*	*8%*	*14%*	*13%*	*13%*
Net income	**2.4**	**1.5**	**3.6**	**3.7**	**3.9**
margin (%)	*6%*	*5%*	*9%*	*9%*	*9%*
Net debt	**(2.9)**	**(5.1)**	**(7.5)**	**(11.1)**	**(15.2)**
Sh. Equity	19.3	20.8	24.5	28.4	32.5
Capex	3.7	1.2	1.4	2.5	2.7
FCFs	**(0.4)**	**3.6**	**2.4**	**3.2**	**3.8**

Source: Banca Profilo estimates and elaborations, Company data.

1Y normalized performance



Francesca Sabatini
Head of Equity Research
francesca.sabatini@bancaprofilo.it
+39 02 58408 461

Benedetta Sorge
Equity Research Analyst
benedetta.sorge@bancaprofilo.it
+39 02 58408 570

Sales Desk
+39 02 58408 478

Contents

Executive summary

Covid-19 impact, Company's Outlook and 2021E-2023E estimates

Above pre-pandemic revenue levels and better than expected both EBITDA margin and NFP

Despite a still difficult market environment, TPS has demonstrated its ability to face such a disruptive crisis so far, with FY20 and 1H21 results that proved both the resiliency of the Company and its ability to generate substantial operating cash flows even in bad economic times. After better-than-expected FY20 figures, also 1H21 results came in mostly in line or above our expectations, with an EBITDA margin of 22.5%, already back above pre-Covid levels and comfortably above our estimate of 18%, a 224% yoy increase in Net Income to €2mln, and a €5.7mln improvement in Net Financial Position, to -€10.8mln (net cash) at the end of June, reaching the best value ever recorded by the Company, liquidity that will allow the management to resume at full speed an expansion plan based also on M&A.

Post Covid-19: the time is ripe for TPS Group to resume its normal business expansion

The expansion strategy of TPS Group physiologically suffered a partial setback in 2020, which interrupted the growth process by external lines and caused a partial stop in automotive-related activities. As already demonstrated by the acquisition of ASI in July 2021, we believe the time is now ripe for TPS Group to resume its normal business expansion path, based on:

- diversification and geographical expansion, especially in the United States and in China;
- expansion of the range of services through technological innovations;
- M&A operations, mainly bolt-on acquisitions.

21E-23E estimates:
- *VoP growing at a 20-23E CAGR of 13%*
- *EBITDA margin at 20%*
- *Net cash seen at €15.2mln in 2023, available for M&A*

Our 2021E-2023E have been revised mostly upwards from our previous Company Update (April 29th, 2021), to incorporate ASI's financials (increase in revenues and margin dilution) and TPS 1H21 figures that primarily showed a lower-than-expected incidence of labor cost. According to our new estimates, Value of Production is expected to grow at a 20-23E 13% CAGR to €44.9mln in 2023 (vs our previous estimates of 11% and €42.5mln, respectively), while EBITDA is expected at €9.2mln in 2023, with EBITDA margin improving from 17% in 2020 to 20% on average (vs our previous estimate of 18%). On the Balance Sheet side, Shareholders' Equity should grow at a 16% 20-23E CAGR, to €32.5mln, driven by a constantly growing net profit, while Net Cash is seen improving to €15.2mln at the end of 2023 (€5.1mln in 2020 and expected €7.5mln at the end of December 2021), including cash and cash equivalents of €19mln (€9.5mln in 2020).

Back to M&A: TPS's new consolidation scope

Back to M&A

Before Covid-19 outbreak, TPS had been growing at a double-digit pace, driven not only by like-for-like growth – never lower than 7% since the IPO –, but also by an external growth path with bolt-on operations, namely acquisition of smaller companies targeted at creating strategic value, as well as conglomerate transactions aimed at diversifying the business and entering new markets. On July 5th, TPS announced the acquisition of 80% of Air Support International Srl, more briefly referred to as "ASI". ASI is a certified EASA Part 145 Company specialized in maintenance and installation interventions for aeronautical equipment on private aircraft, mainly Cessna and Beechcraft aircraft of the Textron Group. ASI offers a wide range of installation and maintenance services, such as the overhaul of internal combustion engines, the installation of avionics equipment or antennas and the installation of radio systems.

Potential revenue synergies coming from the acquisition of ASI

From a business point of view, there is complementarity between ASI's services and TPS's activities, since TPS is a manufacturer of several avionics kits (but not an installer), while ASI is an installer of the same kits (but not a manufacturer); the two companies are therefore in two consecutive phases of the value chain, thus creating potential revenue synergies for the TPS Group. Indeed, through this acquisition, TPS intends to offer its customers an integrated service that, starting from the design, certification, and production of aeronautical kits, might also extend to their installation on board.

Valuation: DCF and market multiples approach

Fair value unchanged at €8.4, up from €8.0

Since our previous Company Update (April 29th, 2021) we revised upwards by 16% our 2021E-2023E cumulative estimates on Free Cash Flows, mainly due to the upwards revision in Income Statement financials. Expected cumulative cash flows in the 2021-2023 explicit period are now estimated at €9.5mln (vs our previous estimate of €8.2mln), while we have confirmed the terminal value cash flow at €2.8mln and the WACC, at 6.8%. As Net Financial Position we have considered our estimate as of the end of the current fiscal, equal to -€7.5mln, in order to exclude intra-annual operating working capital's fluctuations. The DCF method leads us to an Enterprise Value of €53.8mln and an Equity Value of €61.3mln (vs our previous estimates of €53.4mln and €58.4mln, respectively) equal to a per share value of €8.4 (vs our previous estimate of €8.0).

Relative market multiples valuation up to €9.1/share from €7.6

As for the relative valuation, we excluded from our sample of "comparables" Meggit and Akka Technologies after the takeover bids announced by Parker Hannifin (implied FY21 EV/EBITDA of 22.4x) and Adecco Group (implied FY21 EV/EBITDA of 19.8x), respectively. With the new sample we got an average EV/EBITDA 2021-2022 multiple equal to 7.6x (vs previous 7.2x), and by applying an average 21E-23E TPS EBITDA equal to €7.8mln (+11% from our previous estimate) and an estimated FY21 Net Cash equal to €7.5mln (+48%), we derived an implied equity value per share of €9.1, up from the previous estimate of €7.6 (+20%).

12-months TP at €8.8 from €7.8; BUY confirmed

We then set our Target Price at €8.8/share (up from €7.8/share), equal to the average of the DCF Fair Value and relative valuation's output. We confirm our BUY recommendation.

Key risks

Estimates execution risks

Among the risk factors analysed, those with a significant probability of occurrence or a considerable potential impact on TPS' business are: the risk associated with customer concentration and the relative dependence of revenues on a few important customers, and the risk of contraction of demand or of economic downturns. The other risk factors implicit in TPS' business have a low probability of occurrence or a low potential impact on the business and we do not believe they could significantly affect our projections, unless exceptional events occur.

The risk associated with customer concentration:
- low probability
- very high impact

TPS' business is typically characterized by long-term relationships with the main national players which represent a significant portion of the reference market and of the Group's revenues. TPS is therefore potentially exposed to the risk of default, termination and non-renewal of existing contractual relationships with these customers. This risk is endogenous to the sectors in which TPS operates and is partially counterbalanced by the reliability of customers, consisting of primary industrial realities, and by the type of agreements signed, long-term contracts that guarantee a discreet flexibility of action and high solvency standards. We evaluate this risk with a low level probability of occurrence, but with a very high potential impact on the business.

The risk related to the contraction of demand:
- medium probability
- medium impact

The business of TPS, like any other company, is exposed to the potential risk of contractions in demand deriving from a reduction in the activity of the main customers or from potential exogenous events that could negatively impact the business. This risk is partially offset by the defensive nature of TPS' business, derived from the partial visibility of revenues, the defensive endogenous character of the A&D industry and the high entry barriers in the sectors of activity, but the Automotive industry, due to its cyclical nature, is more exposed to a potential contraction in demand. We evaluate this risk with a medium level probability of occurrence and with a medium potential impact on the business.

SWOT analysis

STRENGTHS	WEAKNESSES
• Very advanced management control and severe economic balance • Partial revenue visibility, thanks to multiannual agreements • A strong-long term relationship with Leonardo which has lasted since the years of TPS foundation • Resilience and defensive character of main end-market, the A&D industry • High entry barriers in the sectors of activity • Consolidated track-record in M&A operations	• Small size of the business • End-markets concentration and Value of Production's dependence on few customers • Absolute dependence on the Italian market which represents more than 90% of the Value of Production

OPPORTUNITIES	THREATS
• Full roll out of synergies from recent acquisitions • Strong spirit of innovation and investments in R&D that favour the discovery of cutting-edge systems and services • Geographical expansion opportunities in the United States, in the European markets and in China • Specialization in the design of "full electric" systems and exposure to the growing trend of electric vehicles • Potential increasing demand for virtual reality and augmented reality systems in a new normality characterized by social distancing	• Challenging market environment in the automotive sector, where chip shortage recovery may not happen until 2023 and may indirectly cause a decline in new projects

TPS's new consolidation scope

The core business in a nutshell

Brief summary of TPS core business activities

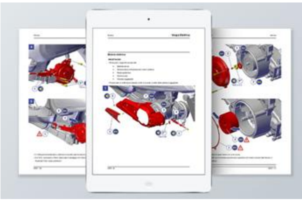
To better contextualize the acquisition of 80% of ASI in July 2021, we briefly recall TPS core business activities. However, we expect that the corporate perimeter may change again in 2022, even significantly, given the management's clear intentions of resuming a growth path through external lines through M&A, after the 2020 stop caused by the outbreak of the pandemic.

An innovative and sound gem in the Aerospace & Automotive industries of giants

The core business of TPS consists in providing a wide range of technical and consulting engineering services mainly to helicopter and automobile design and manufacturing companies. To a lesser extent, TPS also offers services to machinery manufacturers and players of the ropeway sectors. Among the many services offered, TPS drafts technical publications for complex machines, develops application software – from specific avionics software to innovative applications such as augmented reality ones –, designs industrial components, and trains and certifies aeronautical maintenance technicians. The different activities of TPS are collected in four different business units.

Figure 1: Examples of TPS' products and services

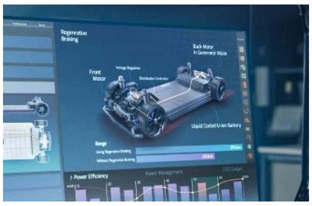
1° SBU
Technical Publishing & Training



TPS drafts technical manuals for complex machines, such as aircrafts and trucks. The technical publications are divided into descriptive manuals, maintenance manuals and manuals related to the supply of spare parts.

Through Aviotrace Swiss SA, an EASA Part 147 (AMTO) certified Swiss training organization, TPS trains and certifies aeronautical maintenance technicians.

2° SBU
Engineering & Cost Engineering



TPS designs and partly produces industrial components. In particular, it's specialized in designing and producing aviation mission equipments and gearbox systems based on full-powershift technology.

Through cost-engineering activities, TPS is able to analyze an already existing component in order to rework and redesign it in a way that is cheaper or of higher quality.

3° SBU
Avionic Services & Information Technologies

TPS develops proprietary complex aviation systems for both civil and military aircraft and verifies the correct functioning of the existing ones.

TPS tests software installed within the on-board systems of both civil and military aircraft.

4° SBU
Digital Content Management

TPS manages information and images on behalf of customers not only for technical purposes, but also for commercial projects, such as the preparation of marketing material.

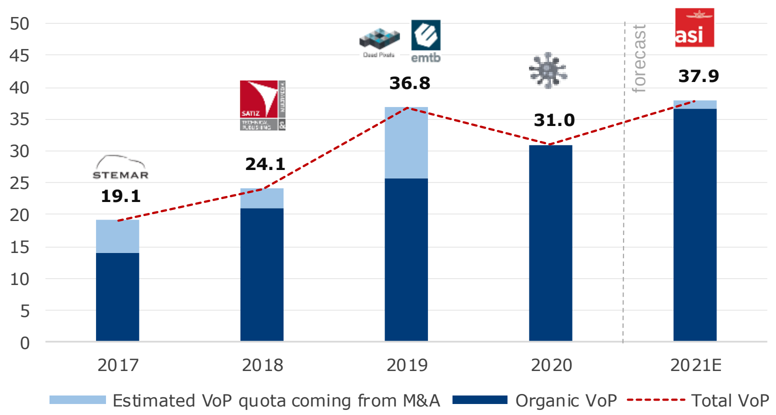
TPS develops Augmented, Virtual and Mixed reality projects that offer several business opportunities, from remote support, to training, from sales to marketing activities.

The acquisition of ASI and TPS's new consolidation scope

Historical double-digit growth of revenues

Before Covid-19 outbreak, TPS had been growing at a double-digit pace, driven not only by like-for-like growth but also by an external growth path with bolt-on operations, namely acquisition of smaller companies targeted at creating strategic value, as well as conglomerate transactions aimed at diversifying the business and entering new markets.

Figure 2: VoP annual trend from 2017 to 2021E, € mln



Source: Banca Profilo elaborations on Company data.

A deep dive into the latest TPS's acquisition

On July 5th, TPS announced the acquisition of 80% of Air Support International Srl, more briefly referred to as "ASI". Here below a deep dive into this acquisition, with a focus on:

1. the business purpose of the transaction,
2. the financial figures of ASI, and
3. the acquisition multiples.

1 - The business purpose: potential revenue synergies

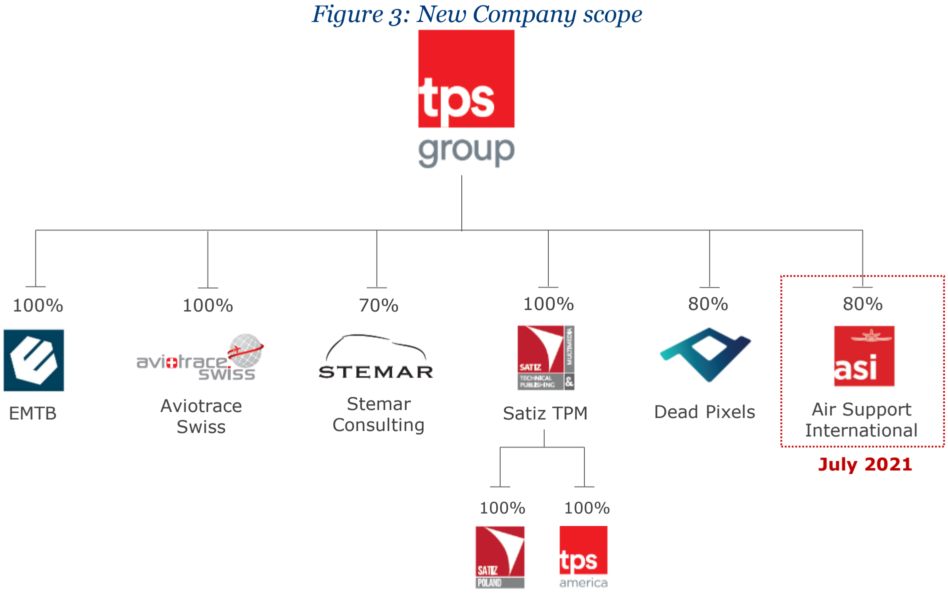
ASI is a certified EASA Part 145 Company specialized in maintenance and installation interventions for aeronautical equipment on private aircraft, mainly Cessna and Beechcraft aircraft of the Textron Group. ASI offers a wide range of installation and maintenance services, such as the overhaul of internal combustion engines, the installation of avionics equipment or antennas and the installation of radio systems. From a business point of view, there is complementarity between ASI's services and TPS's activities, since TPS is a manufacturer of several avionics kits (but not an installer), while ASI is an installer of the same kits (but not a manufacturer); the two companies are therefore in two consecutive phases of the value chain, thus creating potential revenue synergies for the TPS Group. Indeed, through this acquisition, TPS intends to offer its customers an integrated service that, starting from the design, certification, and production of aeronautical kits, might also extend to their installation on board. Moreover, interesting complementarity factors have been identified between the ASI structure and the Training Academy of the TPS Group.

2, 3 - Financial highlights:

- *All cash acquisition (€500k)*
- *EV/Sales of 0.5x*
- *Dilutive acquisition*

ASI employed about 18 people in 2020 and recorded revenue of €1.3mln in that year, down 27% yoy due to government restrictions on economic activity. The acquisition was an all-cash one, with a total payment of about €500k for 80% of ASI, with a put-call option on the remaining 20% by June 2026 on the basis of the economical-financial results reached by the Company in 2025. Considering that ASI's financial debts were equal to zero, the transaction implied an EV/Sales multiple of about 0.5x, with an approximately 50% discount compared to listed TPS' peers. The acquisition is dilutive in terms of EBITDA margin. We do not estimate goodwill as the price paid for the acquisition is, according to our estimates, in line with ASI shareholders' equity.

Figure 3: New Company scope



Source: Banca Profilo elaborations on Company data.

The Group structure

As for the corporate structure, in the first half of 2021 TPS completed the Group's reorganization project, with the merger by incorporation of the subsidiaries Neos Srl, Adriatech Srl and TPS Aerospace Engineering Srl into TPS SpA, the operating holding. To date, TPS SpA controls directly five subsidiaries, which will become six with the incorporation of ASI at the end of the year. Each subsidiary has its own specialization, of which we will provide a brief overview below.

TPS SpA, the operating holding

TPS SpA specializes in the creation of technical documentation and in the definition and the management of helicopters maintenance lifecycle (ILS, Integrated Logistic Support) in order to identify the most suitable and effective maintenance procedure during the life of the vehicle. The Company is also specialized in the development and the testing of aircraft software and in the design of aeronautical medical systems.

Aviotrace Swiss, an MTO Easa Part 147

Aviotrace Swiss is a Maintenance Training Organisation (MTO) EASA Part 147 for the training and certification of aeronautical maintenance technicians. The company offers tailor made training services, with both classical teaching method in the classroom and innovative methods such as training with multimedia and virtual systems.

Satiz TPM, a leading design Company for the Automotive industry

Satiz Technical Publishing & Multimedia Srl produces technical documentation, planning and communication services for companies operating in the Automotive, railway, naval and defense sectors. Within the Automotive sector, the company is also active in the design of mechanical, electrical components, and both external and internal vehicles' parts, with a specialization in the full-electric propulsion. The company is the most diversified among the group's subsidiaries, being active in all four strategic business units.

EMTB, complex systems design activities and engineering support

EMTB, Engineering Machinery Tooling Bolzano Srl, acquired in 2019, develops complex systems design activities and provides engineering support to national and international manufacturers of operating machinery for the agricultural, special vehicles, equipment and ropeway systems industries. EMTB has a long-lasting experience in engineering innovation, as demonstrated by a recently patented concept of gearbox for agricultural machines.

Dead Pixels, designers of augmented reality and virtual reality platforms

Dead Pixels Srl, acquired in 2019, is an innovative start-up specialized in the creation of augmented reality and virtual reality platforms. The portfolio of Dead Pixels today includes projects developed in the following areas: i) Industry 4.0, with VR/AR experiences to enable safe training and remote maintenance, ii) Marketing applications, with immersive VR/AR tours enabling users to explore the environment that surrounds them and to interact with it, and iii) Systems architecture, with 3D models of objects and 3D navigable applications.

ASI, the newly acquired

ASI, acquired in July 2021, is a certified EASA Part 145 Company specialized in maintenance and installation interventions for aeronautical equipment on private aircraft, mainly Cessna and Beechcraft aircraft of the Textron Group.

1H 2021 results

Income Statement: above pre-pandemic revenue levels and better than expected EBITDA margin

1H21 Income Statement figures in a nutshell

In the first half of 2021, TPS Value of Production stood at €17.7mln, up 15% yoy, perfectly in line with our estimates and equivalent to 49% of the VoP we estimated for FY21, equal to €36.4mln. Recording an even better performance, EBITDA stood at €4mln, up 56% yoy, implying an EBITDA margin of 22.5%, already back above pre-Covid levels and comfortably above our estimate of 18%, with a consistent improvement coming from the reduction in the incidence of labor costs. Net Income increase by 224% yoy, mainly due to a reduction in D&A expenses (€1mln), lower than both 1H20 figures (€1.4mln) and our estimates, as the Company postponed some CapEx.

Sectoral performance: aerospace industry in full swing, while uncertainty continues to partially affect automotive-related activities

TPS business activity has been affected by the pandemic and related government containment measures mostly in the Automotive sectors, while the Aerospace showed some resilience. Automotive-related activities, mainly cost-engineering and projects on new car models, have continued to suffer the absence of fairs and motor shows still in the first half of 2021, while Avionics and Aeronautics, where the Group mainly operates through recurring activities, have continued to guarantee business continuity. As for the semiconductor shortage, TPS has not suffered significant direct impacts to date, as its activities, except marginally, are not related to the production of components; however, should there be a sharp decline in sales of new cars, this decline may also translate into a decline in the demand for design services.

EBITDA margin at 22.5% (vs 16.6% in the 1H20 and 16% in the 1H19)

The EBITDA for the period stood at €4mln compared to €2.5mln in the first half of 2020, for an EBITDA margin of 22.5% (16.6% in the 1H20, 16% in the 1H19). An important contribution to this result came from the development project of an automatic gearbox system for a primary foreign manufacturer, whose related revenues were mostly concentrated in the first half of the year. The improvement in EBITDA margin is to be attributed, in addition to the increase in revenues, also to the reduction in the incidence of labor costs to 55% (60% in 1H20 and 58% in 1H19). This is to be attributed to: i) the use of the so called "Cassa Integrazione Covid" (a special Italian Redundancy Fund established after the Covid-19 outbreak), and ii) the reorganization of the staff that has seen several retirements replaced by new entrants with a lower average salary.

Table 1: TPS first-half Profit & Loss, 2018-2021

Profit & Loss (€/mln)	2018		2019		2020		2021
	1H	2H	1H	2H	1H	2H	1H
Revenue	**9.6**	**13.0**	**15.8**	**19.2**	**15.19**	**14.9**	**17.6**
yoy change (%)			*65%*	*48%*	*-4%*	*-23%*	*16%*
Value of production	**9.8**	**14.3**	**16.5**	**20.3**	**15.36**	**15.6**	**17.7**
yoy change (%)			*68%*	*42%*	*-7%*	*-23%*	*15%*
Cost of materials and purchased servic	(2.9)	(3.7)	(4.1)	(4.7)	(3.5)	(3.2)	(3.9)
Margin on VoP (%)	*29%*	*26%*	*25%*	*23%*	*23%*	*20%*	*22%*
Added Value	**7.0**	**10.5**	**12.4**	**15.6**	**11.9**	**12.5**	**13.8**
yoy change (%)			*78%*	*48%*	*-4%*	*-20%*	*16%*
Margin on VoP (%)	*71%*	*74%*	*75%*	*77%*	*77%*	*80%*	
Labour cost	(4.9)	(7.7)	(9.6)	(11.2)	(9.3)	(9.7)	(9.8)
yoy change (%)			*96%*	*46%*	*-4%*	*-14%*	*5%*
Margin on VoP (%)	*50%*	*54%*	*58%*	*55%*	*60%*	*62%*	*55%*
Margin on COGS (%)	*63%*	*67%*	*70%*	*70%*	*72%*	*75%*	*71%*
Other Operating Expenses	(0.0)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)
Margin on VoP (%)	*0%*	*0%*	*0%*	*0%*	*0%*	*1%*	*0%*
Comprehensive COGS	(7.8)	(11.5)	(13.8)	(16.0)	(12.8)	(12.9)	(13.7)
Margin on VoP (%)	*80%*	*81%*	*84%*	*79%*	*83%*	*83%*	*78%*
EBITDA	**2.0**	**2.8**	**2.7**	**4.3**	**2.5**	**2.7**	**4.0**
yoy change (%)			*33%*	*55%*	*-5%*	*-37%*	*56%*
EBITDA Margin (%) on VoP	*20%*	*19%*	*16.1%*	*21%*	*17%*	*17%*	*22%*
D&A	(0.5)	(0.8)	(1.0)	(2.0)	(1.4)	(1.4)	(1.0)
EBIT	**1.5**	**2.0**	**1.6**	**2.3**	**1.2**	**1.3**	**3.0**
yoy change (%)			*6%*	*16%*	*-27%*	*-44%*	*148%*
EBIT Margin (%) on VoP	*16%*	*14%*	*10%*	*11%*	*8%*	*8%*	*17%*
Net financial income (expenses)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)
Net extraordinary income (expense)	(0.0)	(0.3)	(0.3)	(0.3)	(0.2)	(0.3)	(0.1)
EBT	**1.5**	**1.6**	**1.2**	**1.9**	**0.9**	**0.9**	**2.8**
Tax Rate	*31%*	*29%*	*36%*	*24%*	*32%*	*53%*	*30%*
Income tax	(0.5)	(0.5)	(0.4)	(0.5)	(0.3)	(0.5)	(0.8)
Net Income Before Minority	**1.0**	**1.1**	**0.8**	**1.5**	**0.6**	**0.4**	**2.0**
yoy change (%)			*-23%*	*28%*	*-25%*	*-71%*	*224%*
Net Income Margin (%) on VoP	*11%*	*8%*	*5%*	*7%*	*4%*	*3%*	*11%*

Source: Banca Profilo elaborations on Company data

Balance Sheet: Net Cash equal to €10.8mln, the highest value ever recorded by TPS

The postponement of some CapEx led to lower than expected fixed assets

Fixed assets decreased more than expected, from €7.7mln at the end of 2020 to €7.1mln at the end of June, due to D&A of about €1mln and CapEx lower than expected (€0.3mln vs our estimate of about €0.8mln). Net working capital also fell considerably, due to the normal and recurring fluctuations in trade receivable of some primary customers that usually extend the payment of some receivables from the end of the year to the beginning of the following one (trade receivables deflate cyclically in the first half to then rise in the second half).

The Net Financial Position reached the best value ever

The increase in Shareholders' Equity, from €20.8mln to €22.7mln, is to be attributed to the Net Income recorded in the period. As a result of a decrease in Net Invested Capital (-€3.8mln) and an increase in Shareholder Equity (+€1.9mln), the Net *recorded by the Company*

Financial Position showed a net improvement, from -€5.1mln at the end of 2020 to -€10.8mln (net cash) at the end of June, reaching the best value ever recorded by the Company, liquidity that will allow the management to resume at full speed an expansion plan based on both organic and external growth.

Table 2: TPS first-half Balance Sheet, 2018-2021

Balance Sheet (€/mln)	2018	2019		2020		2021
	2H	1H	2H	1H	2H	1H
Total Fixed Assets	**5.2**	**5.8**	**9.2**	**8.7**	**7.7**	**7.1**
yoy	*41%*	*n.a.*	*76%*	*50%*	*-16%*	*-19%*
6m/6m		*11%*	*58%*	*-5%*	*-11%*	*-9%*
Intangible Assets	4.2		5.5		4.3	3.9
Property, Plant & Equipment_TPS	0.9	0.9	3.5	3.6	3.3	3.0
Financial Assets	0.1	0.2	0.2	0.2	0.2	0.2
Operating Working capital	**9.8**	**10.2**	**13.3**	**13.6**	**14.2**	**12.0**
yoy	*26%*	*5%*	*30%*	*33%*	*6%*	*-12%*
% on VoP	*43%*	*33%*	*36%*	*40%*	*46%*	*36%*
Trade Receivable	11.7	12.9	16.1	15.5	16.3	(2.5)
Days Sales Outstanding	*189*	*163*	*168*	*165*	*198*	*162*
% on Revenue	*52%*	*45%*	*46%*	*45%*	*54%*	*44%*
Trade Payable	(1.9)	(2.6)	(2.8)	(1.9)	(2.1)	(2.5)
Days Payables Outstanding w/o labour cost	*103*	*119*	*113*	*84*	*113*	*23*
% on COGS without w/o labour cost	*28%*	*33%*	*31%*	*23%*	*31%*	*24%*
Inventories	-	-	-	-	-	-
Other Assets & Liabilities	**(1.8)**	**(2.7)**	**(2.4)**	**(3.0)**	**(2.2)**	**(3.0)**
Other Assets	2.2	1.7	1.9	1.8	1.7	1.5
Other Liabilities	(4.0)	(4.4)	(4.3)	(4.8)	(3.9)	(4.6)
Funds	**(2.9)**	**(2.7)**	**(3.7)**	**(3.8)**	**(4.0)**	**(4.1)**
Provisions for risks and charges	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
TFR	(2.8)	(2.7)	(3.7)	(3.8)	(3.9)	(4.1)
Net Invested Capital	**10.4**	**10.6**	**16.5**	**15.4**	**15.8**	**11.9**
yoy	*45%*	*n.a.*	*58%*	*45%*	*-4%*	*-23%*
Consolidated Shareholders' Equity	**17.4**	**18.6**	**19.4**	**20.0**	**20.8**	**22.7**
Shareholders' equity	14.7	17.4	16.7	19.1	19.0	20.5
Group Net Income	2.3	0.8	2.3	0.6	1.5	1.9
Net Income attributable to third parties	0.1	0.0	0.0	0.0	0.0	0.1
Shareholders' equity attributable to third parties	0.3	0.4	0.3	0.3	0.3	0.3
Minority/Non Controlling Interest	0.1	0.0	0.0	0.0	0.0	0.0
Net Financial Position (Cash)	**(7.0)**	**(7.9)**	**(2.9)**	**(4.5)**	**(5.1)**	**(10.8)**
Financial Debt	2.5	1.8	2.3	0.8	1.6	0.7
Debt to credit institutions	0.3	0.2	0.2	0.1	0.1	0.0
Debt to other lenders	2.2	1.5	2.2	0.7	1.5	0.6
Cash and cash equivalents	(9.9)	(10.0)	(8.3)	(8.5)	(9.5)	(14.0)
Leasing debt	0.4	0.4	0.4	0.4	0.3	0.3
Payables for rights of use	-	-	2.7	2.8	2.5	2.2
Other financial receivables	(0.0)	(0.0)	-	-	-	-

Source: Banca Profilo elaborations on Company data

Other significant events

Acquisition of 80% of ASI	In July, TPS announced the acquisition of 80% of Air Support International (ASI). The Company, based in Piedmont, is specialized in maintenance and installation of aeronautical equipment on Cessna and Beechcraft aircraft. The acquisition was fully paid in cash for €0.5mln; there is a put-call option on the remaining 20% by June 2026 based on the economic and financial results achieved by the company in 2025.
Obtainement of the ISO/IEC 27001 certification	The Group has worked on the technological improvement of its IT infrastructure, necessary to deal with the new cybersecurity requirements. The project, which is still ongoing, has allowed TPS SpA to achieve the ISO/IEC 27001 certification that characterizes the information security management system.
The Group reorganization project has continued	As regards to the Company Profile, the beginning of the year has seen the completion of the Group reorganization project, with the merger through incorporation of the wholly-owned companies Neos Srl, Adriatech Srl and TPS Aerospace Engineering into TPS SpA.

Strategy and estimates

Corporate strategy

Post Covid-19: the time is ripe for TPS Group to resume its normal business expansion

The expansion strategy of TPS Group physiologically suffered a partial setback in 2020, which interrupted the growth process by external lines and caused a partial stop of automotive-related activities. Despite the pandemic, the Company demonstrated its ability to face such a disruptive crisis, with FY20 and 1H21 results that both proved the resiliency of the Company and its ability to generate substantial operating cash flows even in bad economic times. We believe the time is now ripe for TPS Group to resume its normal business expansion path, based on:

- diversification and geographical expansion, especially in the United States – where the Company already has a non-operational headquarters –, and in China, where TPS has recently signed an engineering service supply contract for CHANGFA, a large agricultural equipment manufacturer;
- expansion of the range of services through new solutions and technological innovations;
- M&A operations, mainly bolt-on acquisitions targeted at creating strategic value and increasing the degree of business diversification.

Three cardinal principles: diversification, innovation and M&A

The historical expansion plan of TPS, always based on the three cardinal principles of diversification, innovation and M&A, has shown so far an excellent track record, with organic growth historically higher than 7% per year since the IPO, except for 2020, and five successful acquisitions since 2016 which led the Value of Production to more than double in four years, from €14.6mln in 2016 to €36.8mln in 2019.

Our new 2021E-2023E estimates

Main impacts: approximately €1.5mln in additional revenues per year and a slight margin dilution

Our new 2021-2023E estimates include numbers from the recently acquired ASI, whose figures will be consolidated from the fiscal year 2021. The main impacts on the income statement of TPS will be:

- An annual increase in revenues between €1mln and €2mln (ASI's revenues were equal to €1.3mln in 2020 and €1.8mln in 2019)
- A reduction in the incidence of labor costs, having ASI an average labor cost per employee lower than TPS (€32k vs €44k in 2019)
- An increase in the incidence of raw material costs, as ASI is mainly a manufacturing company while TPS has only a minority part of its business that is linked to the production of components
- A slight margin dilution, considering that ASI's EBITDA margin was on average equal to 4% between 2017 and 2020 (vs 19% average of TPS)

As for the balance sheet level, we estimate an increase of approximately €1mln per year in working capital, which breaks down into approximately €300k of inventories, €700k of trade receivables and €400k of trade payables

Table 3: Cost structure comparison: TPS vs ASI

2019-2020 Average Cost structure			
	Var. vs Fixed	**TPS**	**ASI**
Cost of Materials	V	3%	35%
Changes in inventories	V	0%	-5%
Cost of Services	V	20%	21%
Cost of Labour	F+V	59%	38%
Other Costs	F+V	0%	7%
2019-20 Average EBITDA Margin		18%	4%

Source: Banca Profilo elaborations and estimates on Company data and public data

Estimates on TPS as it is today

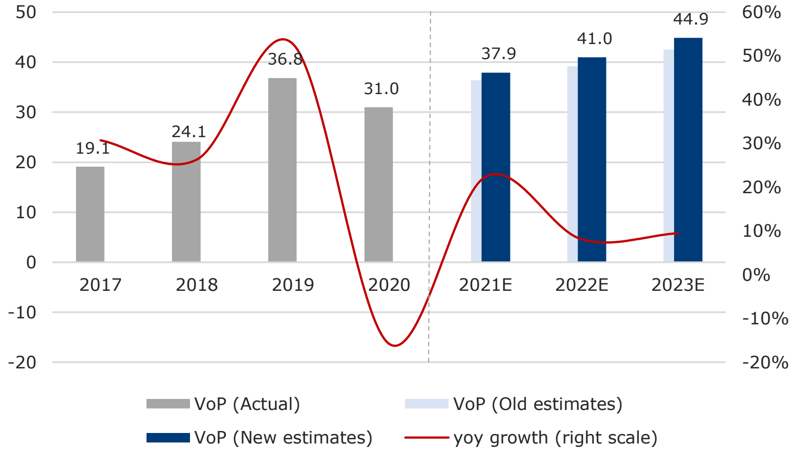
Our estimates for TPS Group as is, stand alone, are based on a forecasting methodology which includes both top-down and bottom-up assumptions.

- Top-down divers: i) trend of Italian GDP vs trend of European and global GDP (up from our previous Company update), ii) revenue growth of TPS's main customers, if listed, or of proxy companies (in line with our previous update), iii) CapEx growth of TPS's main customers, if listed, or of proxy companies (in line with our previous update);
- Bottom-up assumptions: 1H21 revenues were almost in line with our estimates, while EBITDA and Net Income were better-than-expected. We therefore intervened primarily on labor costs, which in 1H21 came in significantly below expectations; this translates into a higher estimated EBITDA margin for FY21, despite the integration of ASI numbers (dilutive acquisition).

Final output:
- *VoP: 13% CAGR 20-23E (vs previous 11%)*
- *20-23E avg EBITDA margin at 20%*
- *Net cash seen at €15.2mln in 2023, available for M&A*

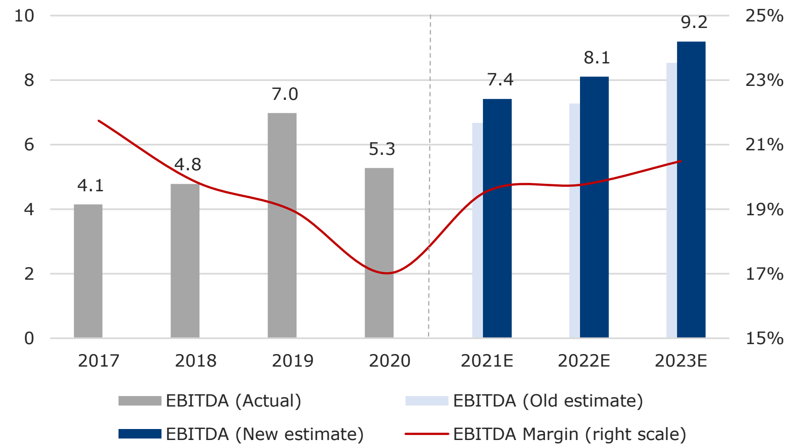
Altogether, Value of Production is expected to grow at a 20-23E 13% CAGR to €44.9mln in 2023 (vs our previous estimates of 11% and €42.5mln, respectively), while EBITDA is expected at €9.2mln in 2023, with EBITDA margin improving from 17% in 2020 to 20% on average (vs our previous estimate of 19%). On the Balance Sheet side, Shareholders' Equity should grow at a 16% 20-23E CAGR, to €32.5mln, driven by a constantly growing net profit, while Net Cash is seen improving to €15.2mln at the end of 2023 (€5.1mln in 2020 and expected €7.5mln at the end of December 2021), including cash and cash equivalents of €19mln (€9.5mln in 2020), liquidity available for potential M&A operations.

Figure 4: Value of Production trend 2018-2023E, € mln, and yoy growth (%)



Source: Banca Profilo elaborations and estimates on Company data

Figure 5: EBITDA and EBITDA margin trend 2017-2023E, € mln



Source: Banca Profilo elaborations and estimates on Company data

2021E-2023E estimates revisions

Since our previous Company Update (April 29th, 2021), besides the effects of integrating ASI numbers, these are the main revisions to our previous 2021E-2023E Income Statement estimates:

- Downward revision of the incidence of labor costs, following the partial reorganization that took place between the second half of 2020 and the first half of 2021, which saw a turnover between senior and junior figures that lowered the average labor cost (21E-23E average of 55% vs previous 57%)
- Consequent upward revision of the EBITDA margin (21E-23E average of 20% vs previous 19%);
- Downward revision of D&A expenses, following a cut in FY21 CapEx estimates (21E-23E annual average of €2.6mln vs previous €2.9mln);
- Consequent upward revision of Net Income (21E-23E annual average of €3.7mln vs previous €3.1mln).

Table 4: TPS Profit & Loss evolution 2018-2023E, € mln

Profit & Loss (€/mln)	2018	2019	2020	2021E		2022E		2023E	
				Old	New	Old	New	Old	New
Total revenue	**22.5**	**34.9**	**30.0**	**35.0**	**36.6**	**37.8**	**39.6**	**41.1**	**43.5**
yoy		*55%*	*-14%*	*16%*	*22%*	*8%*	*8%*	*9%*	*10%*
Value of production	**24.1**	**36.8**	**31.0**	**36.4**	**37.9**	**39.2**	**41.0**	**42.5**	**44.9**
yoy	*26%*	*53%*	*-16%*	*17%*	*22%*	*8%*	*8%*	*9%*	*9%*
Cost of materials and purchased services	(6.6)	(8.8)	(6.7)	(8.5)	(9.2)	(9.3)	(10.1)	(10.0)	(11.1)
% on VoP	*27%*	*24%*	*21%*	*23%*	*24%*	*24%*	*25%*	*23%*	*25%*
Added Value	**17.5**	**28.0**	**24.3**	**27.9**	**28.7**	**29.9**	**30.9**	**32.6**	**33.8**
% on VoP	*73%*	*76%*	*79%*	*77%*	*76%*	*76%*	*75%*	*77%*	*75%*
Labour cost	(12.6)	(20.9)	(18.9)	(21.0)	(21.1)	(22.5)	(22.5)	(23.9)	(24.3)
% on VoP	*52%*	*57%*	*61%*	*58%*	*56%*	*57%*	*55%*	*56%*	*54%*
Other Operating Expenses	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)	(0.2)	(0.3)
% on VoP	*0%*	*0%*	*0%*	*0%*	*1%*	*0%*	*1%*	*0%*	*1%*
COGS	(19.3)	(29.8)	(25.7)	(29.7)	(30.5)	(31.9)	(32.9)	(34.0)	(35.7)
% on VoP	*80%*	*81%*	*83%*	*82%*	*80%*	*81%*	*80%*	*80%*	*80%*
EBITDA	**4.8**	**7.0**	**5.3**	**6.7**	**7.4**	**7.3**	**8.1**	**8.5**	**9.2**
EBITDA Margin on VoP	*20%*	*19%*	*17%*	*18%*	*20%*	*19%*	*20%*	*20%*	*20%*
D&A	(1.2)	(3.0)	(2.8)	(2.3)	(2.0)	(2.8)	(2.6)	(3.5)	(3.3)
% on VoP	*5%*	*8%*	*9%*	*6%*	*5%*	*7%*	*6%*	*8%*	*7%*
EBIT	**3.5**	**4.0**	**2.5**	**4.4**	**5.4**	**4.5**	**5.5**	**5.0**	**5.9**
EBIT Margin on VoP	*15%*	*11%*	*8%*	*12%*	*14%*	*11%*	*13%*	*12%*	*13%*
Net financial income (expenses)	(0.2)	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	(0.1)
% on VoP	*1%*	*1%*	*1%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net extraordinary income (expense)	0.1	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)
% on VoP	*0%*	*1%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
EBT	**3.4**	**3.4**	**2.1**	**4.2**	**5.2**	**4.3**	**5.3**	**4.8**	**5.6**
EBT Margin on VoP	*14%*	*9%*	*7%*	*12%*	*14%*	*11%*	*13%*	*11%*	*13%*
Income Tax Expense	(1.0)	(1.1)	(0.6)	(1.3)	(1.6)	(1.3)	(1.6)	(1.5)	(1.7)
Tax rate	*29%*	*31%*	*29%*	*30%*	*31%*	*30%*	*31%*	*30%*	*31%*
Net Income	**2.4**	**2.4**	**1.5**	**3.0**	**3.6**	**3.0**	**3.7**	**3.4**	**3.9**
% on VoP	*10%*	*6%*	*5%*	*8%*	*9%*	*8%*	*9%*	*8%*	*9%*

Source: Banca Profilo elaborations and estimates on Company data

2021E-2023E Balance Sheet projections:
- *CapEx plan worth €6.6mln*
- *NOWC incidence on VoP at 44%*

Regarding our 2021E-2023E Balance Sheet projections we estimate:

- 21E-23E aggregate CapEx worth €6.6mln, down from our previous estimate of €7mln due to the downward revision of FY21 figure following lower than expected CapEx in 1H21, due to the postponement of some projects. In addition to reducing the absolute value for 2021, we have modified the distribution percentages between investments in tangible and intangible assets, due to the increase in the weight of the rights of use referred to the application of IFRS16;
- no significant changes in fixed assets, as D&A expenses should more than offset new investments; we did not consider goodwill coming from the acquisition of ASI since the transaction value was almost equal to ASI's Shareholder Equity;
- Increase of approximately €1mln per year in working capital, starting from 2021, after the acquisition of ASI. This breaks down into approximately €300k of inventories, €700k of trade receivables and €400k of trade payables; the incidence on the Value of Production is however in line with previous estimates (21E-23E average of 44%) due to the parallel upward revision of revenues.

As a result of the improvement in estimates on Net Income and, consequently, on Shareholders' Equity, Net Cash is expected to improve further to reach €15.2mln in 2023 (vs previous €13mln). No dividend distribution is included in in our estimates.

Table 5: TPS Balance Sheet evolution 2018-2023E, € mln

Balance Sheet (€/mln)	2018	2019	2020	2021E		2022E		2023E	
				Old	New	Old	New	Old	New
Intangible Assets	4.2	5.5	4.3	4.7	4.2	5.2	5.0	5.3	5.2
Property, Plant & Equipment	0.9	3.5	3.3	2.4	2.8	1.5	1.9	0.6	1.0
Financial Assets	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Fixed Assets	**5.2**	**9.2**	**7.7**	**7.3**	**7.2**	**7.0**	**7.1**	**6.2**	**6.5**
Trade Receivable	11.7	16.1	16.3	18.5	19.2	19.8	20.7	21.3	22.5
Inventories	-	-	-	-	0.4	-	0.4	-	0.5
Trade Payable	(1.9)	(2.8)	(2.1)	(2.6)	(2.8)	(2.7)	(3.0)	(2.9)	(3.3)
Net Operating Working Capital	**9.8**	**13.3**	**14.2**	**16.0**	**16.8**	**17.1**	**18.1**	**18.4**	**19.7**
% on VoP	*41%*	*36%*	*46%*	*44%*	*44%*	*44%*	*44%*	*43%*	*44%*
Trade receivables (% on VoP)	*48%*	*44%*	*53%*	*51%*	*51%*	*51%*	*51%*	*50%*	*50%*
Inventories (% on VoP)	*0%*	*0%*	*0%*	*0%*	*1%*	*0%*	*1%*	*0%*	*1%*
Trade payables (% on services & materials)	*28%*	*31%*	*31%*	*30%*	*30%*	*29%*	*29%*	*29%*	*29%*
Other Assets	2.2	1.9	1.7	1.9	2.0	2.1	2.2	2.3	2.4
Other Liabilities	(4.0)	(4.3)	(3.9)	(4.0)	(4.3)	(4.4)	(4.8)	(4.7)	(5.3)
Funds	(2.9)	(3.7)	(4.0)	(4.3)	(4.6)	(4.6)	(5.3)	(5.0)	(6.0)
Invested Capital	**10.4**	**16.5**	**15.8**	**16.9**	**17.0**	**17.2**	**17.4**	**17.2**	**17.3**
Capex	**3.4**	**3.7**	**1.2**	**1.7**	**1.4**	**2.5**	**2.5**	**2.7**	**2.7**
Intangible	3.2	3.5	0.3	1.6	0.8	2.3	2.3	2.5	2.4
Tangible	0.2	0.2	0.9	0.1	0.6	0.2	0.2	0.2	0.2
% on VoP	*14%*	*10%*	*4%*	*5%*	*4%*	*6%*	*6%*	*6%*	*6%*
Shareholders' equity	14.7	16.7	19.0	20.5	20.5	23.4	24.2	26.4	27.9
Shareholders' equity attributable to third parties	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.5
Net Income	2.4	2.4	1.6	3.0	3.7	3.0	3.8	3.4	4.1
Minority/Non Controlling Interest	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Consolidated Shareholders' Equity	**17.6**	**19.4**	**20.8**	**23.8**	**24.6**	**26.8**	**28.4**	**30.2**	**32.5**
Financial Debt	2.5	2.3	1.6	1.6	1.6	1.6	1.6	1.6	1.7
Cash and cash equivalents	(9.9)	(8.3)	(9.5)	(11.3)	(11.8)	(14.1)	(15.2)	(17.5)	(19.3)
Leasing debt	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Payables for rights of use	-	2.7	2.5	2.5	2.3	2.5	2.2	2.5	2.1
Other financial receivables	(0.0)	-	-	-	-	-	-	-	-
Net Financial Position (Cash)	**(7.0)**	**(2.9)**	**(5.1)**	**(6.9)**	**(7.5)**	**(9.6)**	**(11.1)**	**(13.0)**	**(15.2)**

Source: Banca Profilo elaborations and estimates on Company data

Free Cash Flow: €9.5mln in three years

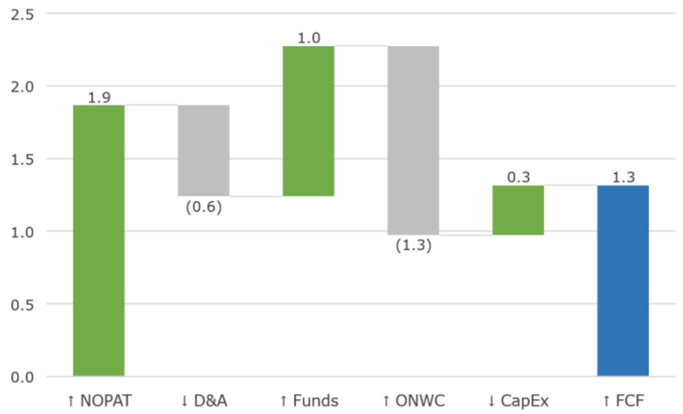
According to our Profit & Loss and Balance Sheet estimates, the Group will keep being cash generative in 2021E-2023E. We estimate €9.5mln of aggregated Free Cash Flows, up from our previous estimates of €8.2mln (+€1.3mln improvement, mainly thanks to a €1.9mln upwards revision in NOPAT).

Table 6: TPS Free Cash Flow evolution 2018-2023E

Cash Flow (€/mln)	2018	2019	2020	2021E		2022E		2023E	
				Old	New	Old	New	Old	New
EBIT	3.5	4.0	2.5	4.4	5.4	4.5	5.5	5.0	5.9
Tax rate	29%	31%	29%	30%	31%	30%	31%	30%	31%
NOPAT	**2.5**	**2.7**	**1.8**	**3.1**	**3.8**	**3.1**	**3.8**	**3.5**	**4.1**
D&A	1.2	3.0	2.8	2.3	2.0	2.8	2.6	3.5	3.3
Changes in Funds	0.1	0.1	0.3	0.3	0.6	0.3	0.7	0.4	0.7
Changes in Operating NWC	2.7	(2.6)	(0.9)	(1.8)	(2.5)	(1.1)	(1.4)	(1.3)	(1.6)
Capex	(3.4)	(3.7)	(1.2)	(1.7)	(1.4)	(2.5)	(2.5)	(2.7)	(2.7)
Free Cash Flow	**3.2**	**(0.4)**	**2.8**	**2.2**	**2.4**	**2.6**	**3.2**	**3.4**	**3.8**

Source: Banca Profilo elaborations and estimates on Company data

Figure 6: Breakdown of the €1.3mln 2021E-2023E cumulative Free Cash Flow improvement (€, mln)



Source: Banca Profilo elaborations and estimates on Company data

Key risks

Estimates execution risks

The main risks related to the TPS business are: i) the Group customer concentrations, ii) the potential demand contraction and the worsening of macro-economic scenario, iii) the risk of losing qualified personnel, iv) potential problems of product liability, v) potential changes in the regulatory framework, vi) potential non-renewal of authorizations and certifications, and vii) the risk associated with the success of M&A operations.
Among these, we believe the risks with higher probability and significant potential impact on the business are only: i) the risk associated with customer concentration and the relative dependence of revenues on a few important customers, and ii) the risk of contraction of demand during bad economic times.

The risk associated with customer concentration:
- low probability
- very high impact

The Group's business is typically characterized by long-term relationships with the main national players which represent a significant portion of the reference market and of the Group's revenues. TPS is therefore potentially exposed to the risk of default, termination and non-renewal of existing contractual relationships with these customers. This risk is endogenous to the sectors in which TPS operates and is partially counterbalanced by the reliability of customers, consisting of primary industrial realities, and by the type of agreements signed, long-term contracts that guarantee a discreet flexibility of action and high solvency standards. We evaluate this risk with a low level of probability, but with a very high potential impact on the business.

The risk related to the contraction of demand:
- medium probability
- medium impact

The business of TPS, like any other company, is exposed to the potential risk of contractions in demand deriving from a reduction in the activity of the main customers or from potential exogenous events that could negatively impact the business. This risk is partially offset by the defensive nature of TPS' business, derived from the partial visibility of revenues, the defensive endogenous character of the A&D industry and the high entry barriers in the sectors of activity. However, TPS is also exposed to some more cyclical sectors, like the Automotive, where the Company has recorded an estimated 20% yoy contraction in revenue in FY20. Therefore, we evaluate this risk with a medium probability and with a medium potential impact on the business.

Table 7: Risk matrix

Impact	Very high	**Risk associated with customer concentration**				
	High					
	Medium	Risk related to product liability	Risk associated with M&A operations	**Risk of contraction of demand or of economic downturns**		
	Medium-Low	Risk of losing qualified personnel; Potential non-renewal of certifications				
	Low		Risk related to the regulatory framework			
Potential impact on the business VS likelihood of occurrence		Low	Medium-Low	Medium	High	Very high
		Likelihood				

Source: Banca Profilo elaborations and estimates on Company data

Valuation: increase in Target Price and BUY confirmed

Valuation methods used and final output

DCF method and market multiple

Given TPS cash generating business model, a two-stage DCF model well adapts as a valuation approach. Furthermore, we have carried out a relative valuation on market multiples of highly specialized engineering services companies mainly active in the Avionics and Automotive industries.

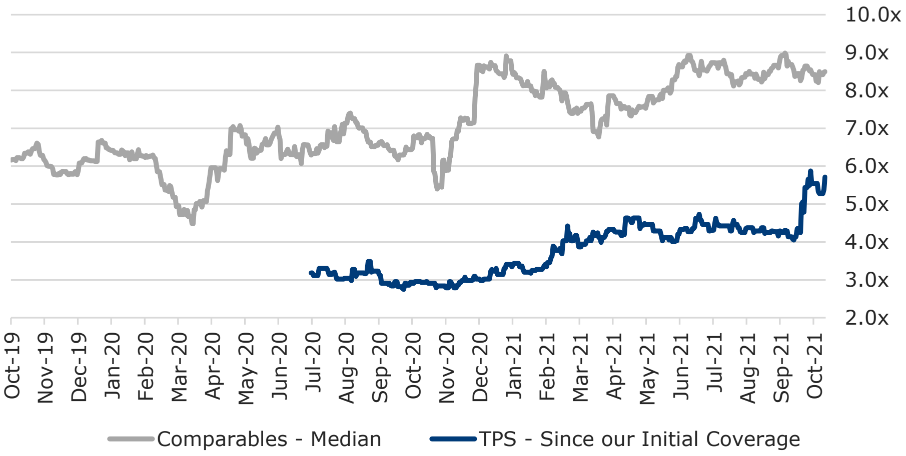
Fair value at €8.4/share, up from €8.0

Since our previous Company Update (April 29th, 2021), we revised upwards our 2021E-2023E estimates on cumulative Free Cash Flow, now estimated at €9.5mln, up €1.3mln or 16%. Instead, we confirmed the terminal value cash flow at €2.8mln, as well as the WACC at 6.8%. As Net Financial Position we considered our FY21 estimate, equal to -€7.5mln (vs previous FY20 figure of -€5.1mln), as 1H21 data is, in our view, skewed by the significant decline in trade receivables that occurred in the first half and that should reverse in the second half. As a result of the upward revision of both FCF and NFP estimates, the new fair value came in at €8.4, +5% from our previous estimated fair value of €8.0.

Relative market multiples valuation up to €9.1/share from €7.6

As for the relative valuation, since our previous Company Update (April 29th, 2021) we excluded from our sample of "comparables" Meggit and Akka Technologies after the takeover bids announced by Parker Hannifin (implied FY21 EV/EBITDA of 22.4x) and Adecco Group (implied FY21 EV/EBITDA of 19.8x), respectively. With the new sample we got and average EV/EBITDA 2021-2022 multiple equal to 7.6x (vs previous 7.2x), and by applying an average 21E-23E TPS EBITDA equal to €7.8mln (+11% from our previous estimate) and estimated FY21 Net Cash equal to €7.5mln (+48%), we derived an implied equity value per share of €9.1, up from the previous estimate of €7.6 (+20%).

Figure 7: FY21 comparables' EV/EBITDA over the last 2 years

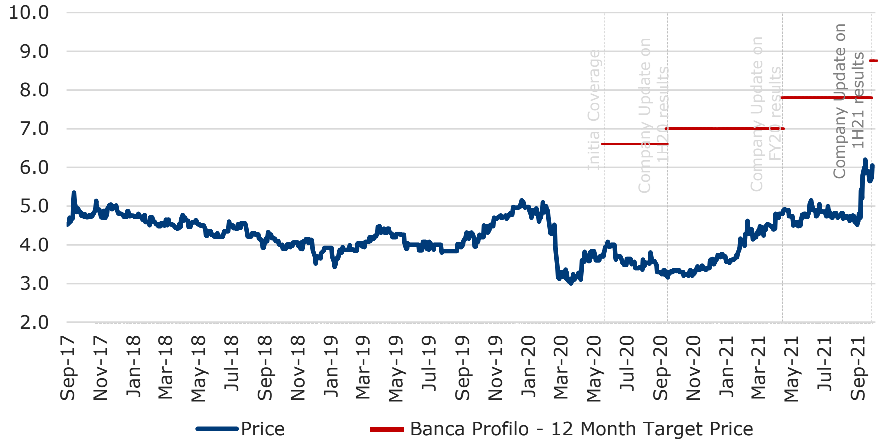


Source: Banca Profilo elaborations on FactSet data, as of October 12th

Target Price revised upwards to €8.8; BUY confirmed

We thus confirm our BUY recommendation with a 12-month Target Price of €8.8, computed as the simple average of the fair value from DCF, equal to €8.4/share (vs previous €8.0), and the share price implicit in market multiples equal to €9.1/share (vs previous €7.6).

Figure 8: Banca Profilo's Target Prices since TPS IPO



Source: Banca Profilo elaborations on FactSet data, as of October 12th

DCF Valuation

DCF assumptions: €3.2mln 2021E-2023E yearly FCF on average (up from €2.7mln)

To run a DCF model, we used our projections of unlevered FCFs for the 2021E-2023E explicit period equal to a cumulated value of €9.5mln (up from our previous estimate of €8.2mln), already including cumulated capex of €6.6mln (vs our previous estimate of €7mln) and cumulated NOWC needs of €5.5mln (vs our previous estimate of €4.2mln). Lastly, for the Net Financial Position, we have considered our estimate as of the end of the current fiscal, equal to -€7.5mln, in order to exclude intra-annual operating working capital's fluctuations (trade receivables deflate cyclically in the first half to then rise in the second half, all other things being equal).

In order to assess the Terminal Value, we factored in:

- an average yearly unlevered FCF of €3.2mln (vs previous average of €2.7mln)
- 2% perpetual growth rate.

Table 8: Unlevered FCFs

Cash flow (€/mln)	2018	2019	2020E	2021E	2022E	2023E	Over
EBIT	3.5	4.0	2.5	5.4	5.5	5.9	
Tax Rate	29%	31%	29%	31%	31%	31%	
NOPAT	**2.5**	**2.7**	**1.8**	**3.8**	**3.8**	**4.1**	
D&A	1.2	3.0	2.8	2.0	2.6	3.3	
Changes in Funds	0.1	0.1	0.3	0.6	0.7	0.7	
Changes in Operating NWC	2.7	(2.6)	(0.0)	(2.5)	(1.4)	(1.6)	
Capex	(3.4)	(3.7)	(1.2)	(1.4)	(2.5)	(2.7)	
Free Cash Flow (FCF)	**3.2**	**(0.4)**	**3.6**	**2.4**	**3.2**	**3.8**	**2.8**

Source: Banca Profilo estimates and elaborations

DCF assumptions: WACC at 6.8%

We use a WACC of 6.8% (in line with our previous estimates) derived from:

- risk free rate equal to 3.0%, as implicitly expected by consensus on the 30Y Italian BTP yield curve (moving average of the last 100 days) with an estimated increase in interest rates (in line with our previous estimates);
- market risk premium equal to 5.5% (in line with our previous estimates);
- beta of 0.9, coming from the average of chosen listed peers to TPS (in line with our previous estimates);
- target debt to equity structure, with 80% weight of Equity (in line with our previous estimates).

Table 9: WACC calculation

WACC Calculation	
Perpetual growth rate	2.0%
WACC	**6.8%**
Risk free rate (Italy 30 + Projected increase)	3.0%
Equity Risk Premium	5.5%
Beta	0.90
Cost of Equity	8.0%
After tax cost of Debt	2.4%
Tax rate	31%

Source: Banca Profilo estimates and elaborations

DCF Fair Value: up from €8.0 to €8.4

The DCF method leads us to an Enterprise Value of €53.8mln and an Equity Value of €61.3mln (vs our previous estimates of €53.4mln and €58.4mln, respectively) equal to a per share value of €8.4 (vs our previous estimate of €8.0).

Table 10: DCF valuation

DCF Valuation (€ mln, except for the target price)	2020	2021E	2022E	2023E	Over
Free Cash Flow (FCF)	**3.6**	**2.4**	**3.2**	**3.8**	**2.8**
Years		1	2	3	
Discount factor		0.94	0.88	0.81	
NPV Cash flows		2.3	2.8	3.1	
Sum of NPVs		2.3	5.1	8.2	
Terminal Value					56.3
NPV Terminal Value					45.5
Enterprise Value					53.8
Net Financial Position (cash) FY21E					(7.5)
Minorities FY2020					0.0
Equity Value					61.3
Current outstanding shares					7.3
Target Price (€)					**8.4**

Source: Banca Profilo estimates and elaborations

Relative market multiples valuation

TPS selected competitors

To assess a relative valuation of TPS through the market multiples approach, we selected a sample of listed European companies, "comparables" to TPS, which offer highly specialized engineering services, mainly to the Avionics and Automotive industries: Alten, Sogeclair, Bertrandt, EDAG Engineering Group, FIGEAC-Aero and TXT e-solutions. Since our previous Company Update (April 29th, 2021) we have excluded Meggit from the sample of comparables after the company had agreed a $8.7bn offer from Parker Hannifin, a US based company specializing in motion and control technologies, corresponding to an implied FY21 EV/EBITDA equal to 22.4x. For the same reason we have excluded also Akka Technologies, after Adecco Group has launched a takeover on the Belgique engineering consulting service company, with a transaction consideration of €2.0bn of Enterprise Value, equivalent to a 19.8x FY21 EV/EBITDA multiple.

Implicit share price from market multiple (EV/EBITDA 7.6x) equal to €9.1

From an average EV/EBITDA 2021-2022 multiple equal to 7.6x (+4%), and by applying an average 21E-23E TPS EBITDA equal to €7.8mln and a FY21 est. Net Cash equal to €7.5mln, we derived an average Equity Value of €66.0mln, equivalent to a per share value of €9.1, up from €7.6 (+20%) at the time of our latest Company Update.

Table 11: Sample benchmarking on sales growth and EBITDA margin

Company	Currency	Market Cap (Mln)	EV	Sales growth					EBITDA margin				
		11/10/2021		2019	2020E	2021E	2022E	2023E	2019	2020E	2021E	2022E	2023E
Alten SA	FR	4,216	4,191	16%	-11%	20%	8%	6%	12%	9%	12%	12%	12%
Sogeclair	FR	71	86	16%	-33%	0%	11%	8%	9%	7%	9%	12%	12%
Bertrandt AG	DE	538	739	2%	-19%	8%	22%	-5%	8%	7%	8%	10%	12%
EDAG Engineering Group AG	CH	298	404	-1%	-17%	5%	7%	4%	8%	10%	9%	11%	12%
FIGEAC-AERO	FR	175	523	8%	-42%	12%	11%	15%	20%	19%	8%	14%	15%
TXT e-solutions SpA	IT	110	88	48%	16%	32%	12%	7%	13%	12%	13%	14%	14%
Mean				**15%**	**-18%**	**13%**	**12%**	**6%**	**12%**	**11%**	**10%**	**12%**	**13%**
Median				**12%**	**-18%**	**10%**	**11%**	**6%**	**11%**	**9%**	**9%**	**12%**	**12%**
TPS	**EUR**	**41.7**	**34.3**	**53%**	**-16%**	**22%**	**8%**	**9%**	**19%**	**17%**	**20%**	**20%**	**20%**

Source: Banca Profilo elaborations on FactSet data, as of October 11th

Table 12: Market multiple

Company	EV / EBITDA			EV / Sales			P / E		
11/10/2021	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Alten SA	12.5x	11.3x	10.6x	1.5x	1.4x	1.3x	21.8x	18.8x	17.2x
Sogeclair	7.8x	5.4x	4.9x	0.7x	0.6x	0.6x	28.9x	12.4x	10.7x
Bertrandt AG	9.5x	6.7x	5.7x	0.8x	0.7x	0.7x	55.9x	13.9x	12.4x
EDAG Engineering Group AG	6.4x	4.9x	4.4x	0.6x	0.6x	0.5x	25.9x	12.6x	10.4x
FIGEAC-AERO	22.2x	11.7x	9.3x	1.8x	1.6x	1.4x	N.A.	N.A.	21.1x
TXT e-solutions SpA	7.4x	6.3x	5.9x	1.0x	0.9x	0.8x	16.7x	13.4x	13.0x
Mean	**11.0x**	**7.7x**	**6.8x**	**1.1x**	**1.0x**	**0.9x**	**29.8x**	**14.2x**	**14.1x**
Median	**8.7x**	**6.5x**	**5.8x**	**0.9x**	**0.8x**	**0.8x**	**25.9x**	**13.4x**	**12.7x**
TPS	**4.6x**	**4.2x**	**3.7x**	**0.9x**	**0.8x**	**0.8x**	**10.2x**	**10.0x**	**9.3x**

Source: Banca Profilo elaborations on FactSet data, as of October 11th

Table 13: Implicit price per share

Valuation on EV/EBITDA market multiple (€ mln, except for the target price)		
	2021E	2022E
Median EV/EBITDA best peers	8.7x	6.5x
Average EV/EBITDA 2022-2023	**7.6x**	
EBITDA	7.4	8.1
Enteprise Value	64.1	52.9
Net Financial Position (cash) FY21E	(7.5)	
Current Minorities	0.0	0.0
Equity Value	71.6	60.4
Average Equity Value	66.0	
Current outstanding shares	7.3	
Price per share (€)	**9.1**	

Source: Banca Profilo elaborations on FactSet data, as of October 11th

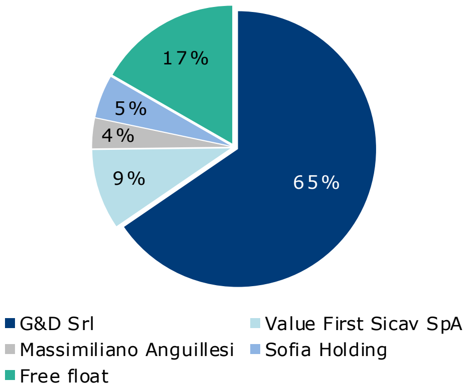
APPENDIX

The ownership structure and the management

65% of TPS is controlled by G&D srl

TPS is controlled by G&D srl, an holding company wholly owned by Patrizia Ghione; 9% is held by Value First Sicaf, an Italian investment company; 5% is held by Sofia Holding, a financial services company; 4% is held by Ing. Massimiliano Anguillesi, member of the Board of Directors. The Free Float stands at 17%.

Figure 9: Ownership structure



Source: Banca Profilo elaborations on Company data, Borsa Italiana

TPS corporate governance

TPS Board of Directors includes seven members, whereas the Board of Statutory Auditors is made up of five members, who will remain in office until the approval of the 2022 financial statements. Since our previous Company Update, there has been a change within the Board of Directors. After the resignation of Andrea Faraggiana, Managing Partner at Smart Capital, the Board of TPS appointed by co-optation Di Meo Stefano who will remain in charge until the next Shareholders' Meeting.

Figure 10: Composition of the Board of Directors

Board of Directors	Position	Executive	Independent	Minority	Birth year	Gender	Nationality
Alessandro Rosso	Chairman and CEO	x			1964	M	Italian
Massimiliano Anguillesi	General Manager	x			1971	M	Italian
Alessandro Scantamburlo	Director				1963	M	Italian
Giovanni Mandozzi	Director				1952	M	Italian
Stefano Di Meo	Director				n.a.	M	Italian
Raffaella Pallavicini	Director		x		1969	F	Italian
Stefano Pedrini	Director		x		1983	M	Italian
Other important roles	Position				Birth year	Gender	Nationality
Rossella Sanna	Investor Relator					F	Italian

Source: Banca Profilo elaborations on Company data

TPS Board of Directors: long experience and sound track record

TPS Group is managed by people who have gained significant experience in the industries and in the geographical areas in which the Group operates. The Board of Directors is composed as follows.

Alessandro Rosso: President and CEO. Graduated in Electronic Engineering from the Polytechnic of Turin, he subsequently obtained a master's in business administration from New York University. He started his experience in the sector of technical services and industrial production at ILTE SpA, becoming first general manager and then chief executive officer. He has also developed experiences in the field of renewable energy, in the technical industrial field, and in automotive engineering.

Massimiliano Anguillesi: Director. After graduating in Aerospace Engineering at the University of Pisa, he started working in the logistics. In 2007, he co-founded a start-up specialized in the project management of RAMS (Reliability Availability Maintainability Safety) and LSA (Logistic Support Analysis). He participated to some relevant international projects in the aeronautical field, including the construction of the Eurofighter and NH90 aircrafts.

Giovanni Mandozzi: Director. After obtaining his diploma as an industrial expert with a specialization in telecommunications, in 1973 he started his career at the Breda Nardi Costruzioni Aeronautiche as designer and planner until 1982, the year in which he attended a specialization course for helicopter instructors. He then started to work for Augusta SpA, where, in 1986, he became head of the NH500-AMI program. Since 1997 he had held the position of technical and administrative director of the S.T.F. Srl, a company he co-founded. Since 2015 he has been the technical and administrative director of Adriatech Srl, a TPS Group company, in which he also holds the position of vice-chairman of the Board of Directors.

Alessandro Scantamburlo: Director. After graduating with honors in Industrial Design at the Faculty of Architecture of the Polytechnic of Turin, in 1988 he started his activity at Telemecanique SpA as technical editor. From 1989 to 1997 he worked firs as an after sales manager and then as head of the pre-press production center at ILTE SpA. Since 1998 he had worked at Fiat SpA, before returning to ILTE SpA in 2002, first as pre-press manager and after-sales director and subsequently as chief operating officer of the human resource sector. Since 2010 he has actively collaborated with the TPS Group.

Stefano Di Meo: Director. Chief Financial Officer at First Capital, with previous experience in Private Equity (Abacus Invest, Absolute Ventures), Corporate Finance and M&A (Pigreco), and Finance & Accounting (Abitare In). He graduated in Accounting, Financial Management and Control at the Bocconi University.

Raffaella Pallavicini: Independent Director. After graduating with honors in Law from the University of Rome "La Sapienza", she began practicing the profession of lawyer at the Court of Milan. In 2000 he joined L'Espresso Publishing Group, initially as head of litigation and, since 2010, as head of corporate affairs.

Stefano Pedrini: Independent Director. After a master's degree in Engineering Management at the University of Bergamo and a Ph.D. in Economics and Management of Technology at an Italian University Consortium, he began his academic career in 2006, first at the University of Bergamo and then at the Milan Polytechnic and the Turin Polytechnic. At the same time, starting from 2008, it provides consultancy services in various areas including M&A operations, creation of industrial plans and budgeting.

Board of Statutory Auditors

The Board of Statutory Auditors is composed by five members: the President, Luigi Gagliardi, and the standing auditors Marco Curti and Nicola Miglietta, as well as the deputy auditors Stefania Barsalini and Alessandro Maruffi.

FY20 Sustainability Report

ESG and the Sustainability of Competitive Advantage

Every active investor seeking value should be aware of how companies deal with environment, social and governance issues, since are factors which can improve or erode security value. In a world where companies are increasingly confronted with environmental issues, such as climate change and pollution, as well as social factors such as diversity and inclusion, gender balance and product safety, attention to ESG issues is increasingly becoming a competitive advantage.

The first Sustainability Report

In March 2021, TPS published its first Sustainability Report, which represents an important step in involving stakeholders more and transparently communicating the Company's environmental, social and governance commitments. The Sustainability Report, which relates to the FY20 period, is certified by the auditing company Audirevi and has been drawn up in accordance to the guidelines defined by the IIRC (International Integrated Reporting Council) and to a series of principles provided for by GRI Sustainability Reporting Standards.

Sustainability for TPS

SDGs vs 2021 corporate goals

Beyond sustainability objectives TPS has set itself, the Company, thanks to its technical engineering services for various industrial sectors, contributes to the general efficiency for the industry; in fact, among its main activities, TPS is engaged in the design of innovative systems, such as full-electric propulsion systems or technologies systems for agricultural vehicles, contributing to significant technological advancement, more efficient, also in terms of consumption, compared to traditional technologies.

In addition to the positive externalities automatically generated with its core activities, in line with the 2030 Agenda for Sustainable Development, TPS has defined a series of corporate programs and objectives related to the 17 SDGs. The SDGs most represented in those objectives are:

1. GOAL 8: Decent Work and Economic Growth (mainly through support for youth employment, support for the development and training of its employees and the application of the principles of equal opportunities and gender equality, among others)
2. GOAL 11: Sustainable Cities and Communities (mainly through social projects for the territory, the commitment to achieve greater energy efficiency, and waste reduction projects);
3. GOAL 4: Quality Education (mainly through training programs for employees and support for youth development, with the under 30s representing 21% of the workforce in 2020 and 53% of new hires),
4. GOAL 12: Responsible Consumption and Production and
5. GOAL 9: Industry, Innovation and Infrastructure.

Materiality Assessment

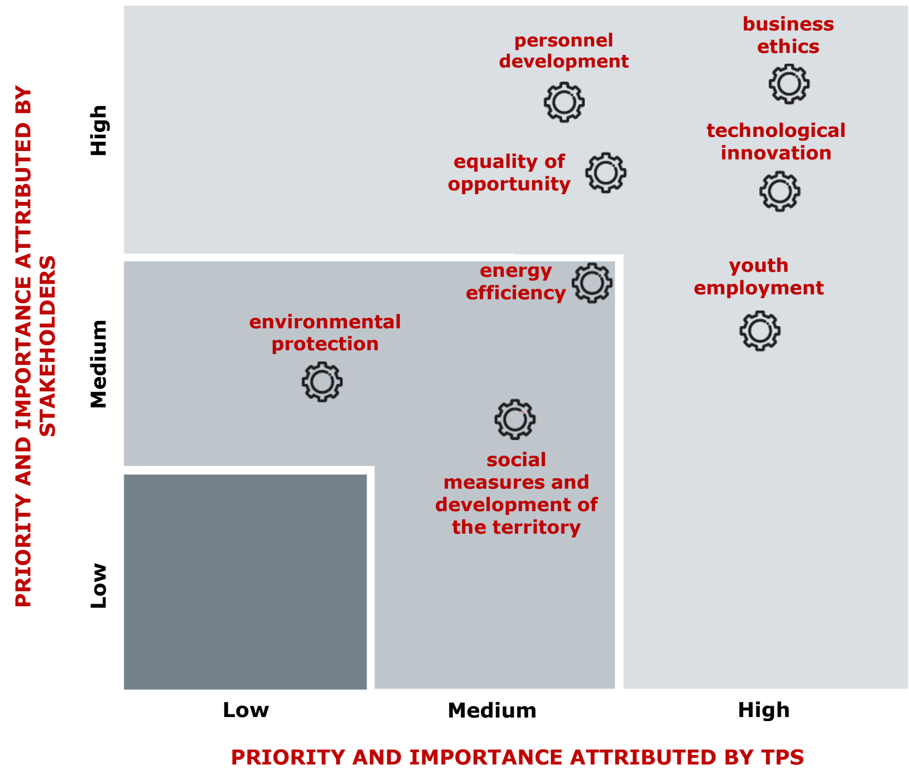
The Company has also carried out a Materiality Assessment to identify priority sustainability disclosure items. The different material items have been defined taking into account the business perimeter of the Company and the sector in which it operates. For TPS, the ethical management of the business, the development of people, and the social initiatives also connected to the development of the territory are in the spotlight.

Figure 11: SDGs vs 2021 corporate goals

	12	11	10	9	8	7	5	4	3
technological innovation				⚙	⚙				
business ethics			⚙		⚙		⚙		
equality of opportunity					⚙		⚙		
youth employment					⚙			⚙	
personnel development					⚙			⚙	
well-being in the workplace initiatives					⚙			⚙	
employees' health and safety management					⚙				⚙
social measures and development of the territory		⚙							
digitalization of business processes	⚙	⚙			⚙				
energy efficiency	⚙	⚙		⚙	⚙	⚙			
reduction of plastic use	⚙	⚙							

Source: Banca Profilo elaborations on Company data

Figure 12: Materiality Assessment



Source: Banca Profilo elaborations on Company data

TPS "ID Card"

Recommendation	Target Price	Upside
BUY	**8.8 €**	**45%**

Company Overview

The TPS Group was founded 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. With more than 50 years of experience, TPS Group stands out as the leading Italian player in the field of technical and engineering services for the Aerospace & Defense (~55% of revenues) and Automotive industries (~35% of revenues): in residual part the Group is also active in the Oil & Gas, Railway, and machinery sectors. TPS capabilities range from technical manuals to augmented reality and from the design of avionics software to the production of components and multimedia training platforms, among others. After its corporate governance reorganization started in 2008, the Company began a process of business diversification and expansion, also driven by a path of successful acquisitions which increased both the range of services and the customer base. After having obtained the Elite certification by Borsa Italiana in 2016, TPS Group went public on AIM Italia in March 2017. Since then, the Group has acquired and consolidated five companies active in various industrial fields, and its Value of Production has more than doubled, from €14.6mln in 2016 to €36.8mln in 2019 (+36% CAGR). Net of acquisitions, TPS has historically recorded an organic growth of at least 7% yoy, thanks also to the consolidation of commercial relations with important industrial groups such as Leonardo, Iveco and FCA. After a 2020 in which the Company focused on the management of ordinary activities amid the pandemic, we think TPS will be soon ready to resume its growth plans, based on both organic and external growth. According to our 2021E-23E estimates, which already include ASI's figures, the Value of Production is expected to grow at a 20-23E 13% CAGR to €43.5mln in 2023, while EBITDA is expected at €9.2mln in 2023, with EBITDA margin improving from 17% in 2020 to 20%. On the Balance Sheet side, Shareholders' Equity should grow at a 16% 20-23E CAGR, to €32.5mln, driven by a constantly growing net profit, while Net Cash is seen improving to €15mln at the end of 2023 (€5.1mln in 2020 and expected €7.5mln at the end of December 2021), including cash and cash equivalents of €19mln (€9.5mln in 2020), liquidity available for potential M&A operations.

SWOT Analysis

Strengths

- Very advanced management control and severe economic balance
- Partial revenue visibility, thanks to multiannual agreements
- Strong-long term relationship with Leonardo which has lasted since the years of TPS foundation
- Resilience and defensive character of main end-market
- High entry barriers in the sectors of activity
- Consolidated track-record in M&A operations

Weaknesses

- Small size of the business
- End-markets concentration and value of production's dependence on few customers
- Absolute dependence on the Italian market which represents more than 90% of the VoP

Opportunities

- Strong spirit of innovation and investments in R&D that favor the discovery of cutting-edge systems and services
- Geographical expansion opportunities in the United States and in the European markets
- Specialization in the design of "full electric" systems and exposure to the growing trend of electric vehicles
- Potential increasing demand for virtual reality and A.R. systems in a new normality characterized by social distancing
- Full roll out of synergies from recent acquisitions

Threats

- Challenging market environment in the automotive sector, where chip shortage recovery may not happen until 2023 and may indirectly cause a decline in new projects

Main catalysts

Full grounding of the potential deriving from the latest acquisitions
M&A operations expected to continue in the coming years
Potential internationalization in Europe and the United States

Main risks

Risk associated with customer concentration and the relative dependence of revenues on a few important customers
Risk related to product liability

TPS "ID Card"

12/10/2021, 17:45

Recommendation	Target Price	Upside
BUY	**8.8 €**	**45%**

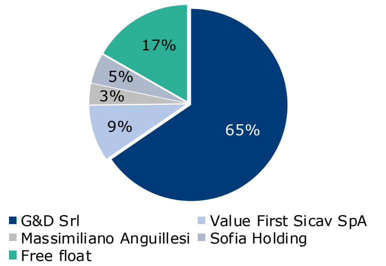
Main Financials

(€ mln)	2018	2019	2020	2021E	2022E
Value of production	**24.1**	**36.8**	**31.0**	**37.9**	**41.0**
yoy change	*26%*	*53%*	*-16%*	*22%*	*8%*
Added Value	17.5	28.0	24.3	28.7	30.9
Margin on VoP (%)	*73%*	*76%*	*79%*	*76%*	*75%*
EBITDA	**4.8**	**7.0**	**5.3**	**7.4**	**8.1**
yoy change	*15%*	*46%*	*-24%*	*41%*	*9%*
EBITDA margin on VoP (%)	*20%*	*19%*	*17%*	*20%*	*20%*
EBIT	**3.5**	**4.0**	**2.5**	**5.4**	**5.5**
EBIT margin on VoP (%)	*15%*	*11%*	*8%*	*14%*	*13%*
EBT	3.4	3.4	2.1	5.2	5.3
Margin on VoP (%)	*14%*	*9%*	*7%*	*14%*	*13%*
Net income	**2.4**	**2.4**	**1.5**	**3.6**	**3.7**
Margin on VoP (%)	*10%*	*6%*	*5%*	*9%*	*9%*
Net debt (cash)	**(7.0)**	**(2.9)**	**(5.1)**	**(7.5)**	**(11.1)**
Shareholders Equity	14.7	16.7	19.0	20.5	24.2
Net OWC	9.8	13.3	14.2	15.8	17.7
Capex	(3.4)	(3.7)	(1.2)	(1.4)	(2.5)
Free Cash Flow	3.2	(0.4)	3.6	2.4	3.2

Company Description

Company Sector	Aerospace & Defense
Price as of 44481	6.1
Number of shares (mln)	7.3
Market Cap (€ mln)	43.9
Reference Index	FTSE AIM ITALIA
Main Shareholders	G&D srl
Main Shareholder stake	65%
Free Float	17%
Daily Average Volumes	5,599
Sample of comparables	Alten, Sogeclair, Akka Technologies, Bertrandt, EDAG Engineering, FIGEAC-Aero, TXT e-solutions

Ownership structure



Solvibility Ratios

	2018	2019	2020	2021E	2022E
Net Debt (cash)/Equity	-0.4x	-0.2x	-0.2x	-0.3x	-0.4x
Net Debt (cash)/EBITDA	-1.5x	-0.4x	-1.0x	-1.0x	-1.4x
EBIT Interest Coverage Ratio	18.7x	26.1x	14.1x	37.2x	38.6x

Data of peers

	2019	2020	2021E	2022E
Revenue Growth (yoy)	*15%*	*-18%*	*13%*	*12%*
EBITDA Margin	*12%*	*11%*	*10%*	*12%*

Financial and Operative ratios

	2018	2019	2020	2021E	2022E
Operating WC Turnover	2.5	2.8	2.2	2.3	2.3
Asset Turnover	0.8	1.0	0.9	1.0	0.9
Tax rate	*29%*	*31%*	*29%*	*30%*	*30%*
ROE	*14%*	*12%*	*7%*	*15%*	*13%*
ROIC	*24%*	*17%*	*11%*	*22%*	*22%*
Capex/VoP	*14%*	*10%*	*4%*	*4%*	*6%*
D&A/Capex	48%	140%	228%	142%	104%

Multiples of peers

	2021E	2022E
Average EV/EBITDA	11.0x	7.7x
Median EV/EBITDA	8.7x	6.5x

Source: FactSet, Banca Profilo estimates and elaborations

DISCLAIMER

ANALYST'S AND BANK'S INFORMATION

THIS DOCUMENT CONCERNING NEODECORTECH S.P.A, (THE "ISSUER" OR THE "COMPANY") HAS BEEN DRAFTED BY FRANCESCA SABATINI WHO IS EMPLOYED BY BANCA PROFILO S.P.A. ("THE BANK") AS FINANCIAL ANALYST; FRANCESCA SABATINI IS RESPONSIBLE FOR THE DRAFTING OF THE DOCUMENT.

BANCA PROFILO S.P.A. IS A BANK AUTHORISED TO PERFORM BANKING AND INVESTMENT SERVICES; IT IS PART OF BANCA PROFILO BANKING GROUP (THE "GROUP") AND IT IS SUBJECT TO THE MANAGEMENT AND CO-ORDINATION OF AREPO BP S.P.A. (THE "PARENT COMPANY"). SATOR PRIVATE EQUITY FUND "A" LP (THE "PARENT ENTITY") HOLDS INDIRECT CONTROL PARTICIPATION INTERESTS IN BANCA PROFILO.

THE BANK IS REGISTERED WITH THE ITALIAN BANKING ASSOCIATION CODE NO. 3025 AND IS SUBJECT TO THE REGULATION AND SURVEILLANCE OF THE BANK OF ITALY AND OF CONSOB (COMMISSIONE NAZIONALE PER LE SOCIETÀ E LE BORSA). THE BANK HAS PREPARED THIS DOCUMENT FOR ITS PROFESSIONAL CLIENTS ONLY, PURSUANT TO DIRECTIVE 2004/39/EC AND ANNEX 3 OF THE CONSOB REGULATION ON INTERMEDIARIES (RESOLUTION N. 16190). THIS DOCUMENT IS BEING DISTRIBUTED AS OF OCTOBER 13TH, 2021.

THE ANALYST FRANCESCA SABATINI WHO HAS DRAFTED THIS DOCUMENT HAS SIGNIFICANT EXPERIENCE IN BANCA PROFILO S.P.A. AND OTHER INVESTMENT COMPANIES. THE ANALYST AND ITS RELATIVES DO NOT OWN FINANCIAL INSTRUMENTS ISSUED BY THE ISSUER AND SHE DOES NOT ACT AS SENIOR MANAGER, DIRECTOR OR ADVISOR FOR THE ISSUER. THE ANALYST DOES NOT RECEIVE BONUSES, INCOME OR ANY OTHER REMUNERATION CORRELATING, DIRECTLY OR INDIRECTLY, TO THE SUCCESS OF THE INVESTMENT BANKING OPERATIONS OF BANCA PROFILO S.P.A.

A REDACTED VERSION OF THIS REPORT HAS BEEN DISCLOSED TO THE ISSUER TO PERMIT TO IT TO REVIEW AND COMMENT ON FACTUAL INFORMATION RELATING TO THE ISSUER AND THIS REPORT HAS BEEN AMENDED FOLLOWING SUCH DISCLOSURE PRIOR TO ITS FINAL DISSEMINATION.

THIS DOCUMENT IS BASED UPON INFORMATION THAT WE CONSIDER RELIABLE, BUT THE BANK HAS NOT INDEPENDENTLY VERIFIED THE CONTENTS HEREOF. THE OPINIONS, ESTIMATES AND PROJECTIONS EXPRESSED IN IT ARE AS OF THE DATE HEREOF AND ARE SUBJECT TO CHANGE WITHOUT NOTICE TO THE RECIPIENT. PAST PERFOMANCE IS NOT GUARANTEE OF FUTURE RESULTS.

THIS REPORT HAS BEEN PREPARED BY ITS AUTHORS INDEPENDENTLY OF THE COMPANY AND ITS SHAREHOLDERS, SUBSIDIARIES AND AFFILIATES. THE BANK HAS NO AUTHORITY WHATSOEVER TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION OR WARRANTY ON BEHALF OF THE COMPANY, ANY OTHER PERSON IN CONNECTION THEREWITH. IN PARTICULAR, THE OPINIONS, ESTIMATES AND PROJECTIONS EXPRESSED IN IT ARE ENTIRELY THOSE OF THE AUTHOR HEREOF.

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE AS TO AND NO RELIANCE SHOULD BE PLACED ON THE FAIRNESS, ACCURACY, COMPLETENESS OR REASONABLENESS OF THE INFORMATION, OPINIONS AND PROJECTIONS CONTAINED IN THIS DOCUMENT, AND NONE OF THE BANK, THE COMPANY, NOR ANY OTHER PERSON ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM ANY USE OF THIS DOCUMENT OR ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION THEREWITH.

NO DUPLICATION

NO PART OF THE CONTENT OF THE DOCUMENT MAY BE COPIED, FORWARDED OR DUPLICATED IN ANY FORM OR BY ANY MEANS WITHOUT THE PRIOR CONSENT OF THE BANK. BY ACCEPTING THIS REPORT, YOU AGREE TO BE BOUND BY THE FOREGOING LIMITATIONS.

NO OFFER OR SOLICITAION

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION OR FORM PART OF AN OFFER, SOLICITATION OR INVITATION TO PURCHASE ANY SECURITIES, AND NEITHER THIS DOCUMENT NOR ANYTHING CONTAINED HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER.

RECIPIENTS

THIS DOCUMENT IS GIVEN TO YOU SOLELY FOR YOUR INFORMATION ON A CONFIDENTIAL BASIS AND MAY NOT BE REPRODUCED OR REDISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON. IN PARTICULAR, NEITHER THIS DOCUMENT NOR ANY COPY HEREOF MAY BE TAKEN OR TRANSMITTED IN OR INTO THE UNITED STATES (THE "U.S."), AUSTRALIA, CANADA OR JAPAN OR REDISTRIBUTED, DIRECTLY OR INDIRECTLY, IN THE U.S., AUSTRALIA, CANADA OR JAPAN. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF U.S., AUSTRALIAN, CANADIAN OR JAPANESE SECURITIES LAWS.

THIS DOCUMENT IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED ONLY AT, PERSONS WHO ARE QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(1) (E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC) (ALL SUCH PERSONS BEING REFERRED TO AS "RELEVANT PERSONS"). THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

IN CASE THAT THIS DOCUMENT IS DISTRIBUTED IN ITALY IT SHALL BE DIRECTED ONLY AT QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 100(1) (A) OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998, AS AMENDED, AND ARTICLE 34-TER, PARA. 1, LETT B), OF CONSOB REGULATION NO. 11971 OF 1999, AS AMENDED. THIS DOCUMENT IS NOT ADDRESSED TO ANY MEMBER OF THE GENERAL PUBLIC IN ITALY. IN NO CIRCUMSTANCES SHOULD THIS DOCUMENT CIRCULATE AMONG OR BE DISTRIBUTED TO (I) A MEMBER OF THE GENERAL PUBLIC, (II) INDIVIDUALS OR ENTITIES FALLING OUTSIDE THE DEFINITION OF "QUALIFIED INVESTORS" AS SPECIFIED ABOVE OR (III) TO DISTRIBUTION CHANNELS THROUGH WHICH INFORMATION IS OR IS LIKELY TO BECOME AVAILABLE TO A LARGE NUMBER OF PERSONS.

THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTION. ANY FAILURE TO COMPLY WITH THESE RESTRICTIONS MAY CONSTITUTE A VIOLATION OF THE LAWS OF ANY SUCH OTHER JURISDICTION.

CONFLICTS OF INTEREST

THE BANK MAY, FROM TIME TO TIME, DEAL IN, HOLD OR ACT AS MARKET MAKER OR ADVISER, BROKER OR BANKER IN RELATION TO THE FINANCIAL INSTRUMENTS, OR DERIVATIVES THEREOF, OF PERSONS, FIRMS OR ENTITIES MENTIONED IN THIS DOCUMENT, OR BE REPRESENTED IN THE GOVERNING BODIES OF THE COMPANY. IN FACT, THE BANK IS PRESENTLY CORPORATE BROKER OF THE ISSUER.

BANCA PROFILO S.P.A. HAS ADOPTED INTERNAL PROCEDURES FOR THE PREVENTION AND AVOIDANCE OF CONFLICTS OF INTEREST WITH RESPECT TO THE RECOMMENDATIONS, WHICH CAN BE CONSULTED ON THE RELEVANT SECTION OF ITS WEBSITE (WWW.BANCAPROFILO.IT, IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA).

EQUITY RESEARCH PUBLICATIONS IN LAST 12M

THE BANK PUBLISHES ON ITS WEBSITE WWW.BANCAPROFILO.IT, ON A QUARTERLY BASIS, THE PROPORTION OF ALL RECOMMENDATIONS THAT ARE 'BUY', 'HOLD', 'SELL' OR EQUIVALENT TERMS OVER THE PREVIOUS 12 MONTHS, AND THE PROPORTION OF ISSUERS CORRESPONDING TO EACH OF THOSE CATEGORIES TO WHICH SUCH PERSON HAS SUPPLIED MATERIAL SERVICES OF INVESTMENT FIRMS SET OUT IN SECTIONS A AND B OF ANNEX I TO DIRECTIVE 2014/65/EU OVER THE PREVIOUS 12 MONTHS.

ADDITIONAL INFORMATION

THE BANK PROVIDES ALL OTHER ADDITIONAL INFORMATION, ACCORDING TO ARTICLE 114, PARAGRAPH 8 OF LEGISLATIVE DECREE 58/98 ("FINANCIAL DECREE") AND COMMISSION DELEGATED REGULATION (EU) 2016/958 AS OF 9 MARCH 2016 (THE "COMMISSION REGULATION") ON THE RELEVANT SECTION OF ITS WEBSITE (WWW.BANCAPROFILO.IT, IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA").