

TMP: Technology for corporate communication across universes



March 31st, 2023 at 15:00

Facilitating the technological upgrade of corporate media centers

TMP provides digital communications solutions and designs hybrid events with high technological content. The Group organizes physical, digital and hybrid events through its Experience division (42% of Revenues); it provides technological services in relation to NFTs, metaverse, VR and AR, through its Technology division (31% of Revenues); it carries out marketing activities as a digital agency with its Digital unit (15% of Revenues) and creates video and podcasting content with its Production department (11% of Revenues). The Company's transversal capabilities enable cross-divisional synergies, up-selling different services as well as gaining new potential clients given the extensive range of offering. Clients' portfolio is highly diversified; client's acquisition is carried out both indirectly, through digital marketing agencies, and directly by the Company sales force (70% of turnover). TMP's headquarter, Hangar21, is in Milan; the Company has also two commercial offices in Italy as well as commercial partnerships in London, Paris and Tokyo.

Solid marginality, low debt and ample room for growth

TMP Group published its FY22 results on the 29th of March. Total revenues were €6.5mln (+14% yoy vs FY21 pro-forma), in line with Company's indications during the prelisting roadshow. EBITDA increased by 50% yoy to €2.4mln, with the margin expanding to 37% (+9pp yoy) thanks to the yoy decrease in cost of services. EBIT declined by 19% yoy to €1.2mln with the margin contracting to 18% mainly in relation to receivables write-off. At the end of FY22 net debt decreased to €353k from €635k, which comprises €0.7mln of liquidity, €0.7mln Long-term debt and €0.4mln Short term debt.

Strategic development and our 2023E-2025E estimates

Several market trends support TMP Group investment case. In particular, the Media&Entertainment industry is expected to grow at a 4.9% 2021-25 CAGR in Italy; Advertising spending on social media channels at 14.8% CAGR in 2021-24; AR & VR market at 36.9% CAGR 2021-28. We believe these projections should be read as the lower growth bound across TMP's different divisions thanks to 1) its technological know-how; 2) cross- and up-selling potential; 3) relatively small scale of operations.

According to our estimates, Total revenues are expected to grow at a 34% 2022-2025E CAGR driven primarily by the Experience division, with a divisional revenue breakdown somewhat in line with FY22 results. EBITDA is projected at 34% 2022-2025E CAGR, reaching €5.7mln with a 37% margin. We expect cumulated 2023E-2025E FCFs at €4.0mln or a yearly average of €1.3mln, including €3.4mln of cumulated capex and €2.7mln of NOWC needs. Given the recent listing, we expect TMP to land on a net cash position of €4.1mln at the end of 2023.

Valuation: BUY; TP €16.5

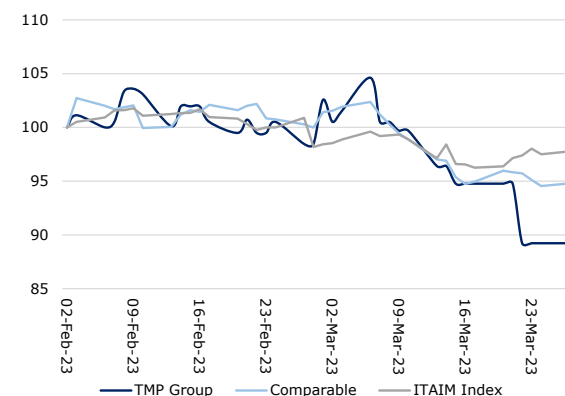
We carried out a valuation of TMP Group based on DCF and multiples. Our estimates point to an annual average FCFs of €1.3mln and WACC of 8.2%, leading to a fair value of €17.1/share. To assess a relative valuation, we selected a sample of listed companies specialized in marketing services, advertising, events organization, and digital content production. Considering the sample of peers, the average EV/EBITDA 2023E is 6.9x, which compares to 2.5x at which TMP trades. Given TMP thin trading volumes, we apply a 15% liquidity discount, leading to a fair value of €15.9/share. Based on the average of the DCF and Market Multiples approach, we end up with a TP of €16.5/sh. Considering the significant potential upside on TMP Group closing price, we set a BUY recommendation.

Target Price (€)	€ 16.5
Recommendation	BUY
Company Profile	
Ticker	TMP IM (BBG), TMP-IT (FactSet)
Reference Industry	Advertising & Marketing
Stock exchange	Euronext Growth Milan
Reference Index	FTSE Italia Small Cap
Market Data	
Last Closing Price	€ 8.7
Number of shares (mln)	1.4312
Market cap. (mln)	€ 12.2
Performance from IPO	
Absolute	-13.4%
Max / Min	10.2/8.7
Average daily volumes	3,500

(€mln)	2021PF	2022	2023E	2024E	2025E
Total revenues	5.7	6.5	9.0	12.1	15.5
yoy (%)		14%	38%	34%	29%
EBITDA	1.6	2.4	3.2	4.3	5.7
margin (%)	28%	37%	35%	36%	37%
EBIT	1.4	1.2	2.7	3.6	4.6
margin (%)	25%	18%	30%	30%	30%
Net profit	1.1	0.6	1.8	2.8	3.2
margin (%)	19%	9%	20%	23%	21%
Net Debt	0.6	0.4	(4.1)	(5.6)	(7.1)
Sh. Equity	1.6	2.2	8.3	11.1	14.3
Capex	(0.4)	(1.0)	(0.8)	(1.1)	(1.5)
FCFs	(0.4)	0.1	1.0	1.3	1.8

Source: Banca Profilo estimates and elaborations, Company data.

1Y relative performance



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

Michele Calusa
 Equity Research Analyst
 michele.calusa@bancaprofilo.it

Sales Desk
 +39 02 58408 478

Contents

Executive summary	3
<i>TMP in a nutshell.....</i>	<i>3</i>
<i>Main financial data and estimates (2022-2025E)</i>	<i>3</i>
<i>Route to valuation</i>	<i>4</i>
SWOT analysis.....	5
The reference Industry	6
<i>The Media & Entertainment Industry</i>	<i>6</i>
<i>Digital Advertising</i>	<i>7</i>
<i>Metaverse primer</i>	<i>8</i>
<i>Augmented & Virtual Reality market</i>	<i>10</i>
<i>NFTs market.....</i>	<i>12</i>
Group’s history, structure and people	14
<i>Company’s evolution</i>	<i>14</i>
<i>Group structure</i>	<i>15</i>
<i>Top Management</i>	<i>16</i>
TMP Group: a technology backed media company	18
<i>Digital</i>	<i>18</i>
<i>Production</i>	<i>19</i>
<i>Experience</i>	<i>20</i>
<i>Technology.....</i>	<i>22</i>
<i>Complementarity of business lines</i>	<i>23</i>
<i>Business Model and Value Chain</i>	<i>23</i>
TMP Group: competitive arena.....	27
<i>Listed Competitors</i>	<i>27</i>
<i>Key financials</i>	<i>28</i>
Historical operating and financial performance	30
<i>Main operating and financial data 2021-2022</i>	<i>30</i>
2023-2025 Strategy and Financial Estimates	35
<i>Corporate strategies and main risks</i>	<i>35</i>
<i>Our 2023E-2025E estimates</i>	<i>36</i>
Valuation.....	40
<i>DCF valuation.....</i>	<i>40</i>
<i>Market multiples</i>	<i>41</i>
<i>DISCLAIMER.....</i>	<i>44</i>

Executive summary

TMP in a nutshell

Digital marketing and events with a technological soul

TMP Group provides digital communications solutions and hybrid events creation characterized by high technological content. TMP takes B2B clients towards their transition to new communication solutions through a technological shift which also include the Metaverse and NFTs.

4 business units: Experience (42%) Technology (31%) Digital (15%) and Production (11%)

TMP Group operates through four business units:

- Experience (42% of Revenues), organization and creation of physical, digital and hybrid events;
- Technology (31% of Revenues), activities based on NFTs, metaverse and blockchain as well as the organization of Virtual and Augmented Reality projects.
- Digital (15% of Revenues), digital agency business consisting in Brand Strategy & Social Media, Performance Marketing and Influencer Marketing;
- Production (11% of Revenues), related to content creation such as video and podcasts;

Thanks to its transversal capabilities the Group enables synergies between the operational activities, up-selling different services from its catalogue as well as gaining new potential clients given the extensive range of offering.

Typical contracts last 6-12 months

TMP Group organizational structure oversees the entire value chain, articulated from R&D to After-sales assistance. R&D is a focus point for TMP, which in 2021 invested €0.9mIn (o/w €0.3mIn capitalized) for its digital platforms. Similarly, after-sales activities are a building block of the cross-selling strategy and are useful to build a proper understanding of the future needs of customers. Once a contract is signed it usually lasts from 6 to 12 months even though TMP also has long-term contracts (36-48 months).

Direct sales channels prevail

Client acquisition is carried out through either the indirect channel thanks to long-lasting relationship with leading digital marketing agencies or directly by the company sales force. Over the years TMP Group increased the stake of revenues coming from direct selling, which now represent the bulk of sales at about 70%. This is beneficial in terms of marginality and receivables turnover.

Top brands from heterogenous sectors

The Company has a highly diversified clients portfolio, serving Italian and international top brands in industries such as finance, pharmaceuticals, media, defence, sport and tech.

Hangar21 as a digital factory

Hangar21 is TMP headquarter, a digital production hub, located in Milan dedicated to the conception, development, production, and diffusion of digital and creative content through its technological infrastructure. Moreover, Hangar21 can host events and fairs, with an exposition area for 200 people.

Main financial data and estimates (2022-2025E)

FY22 Total revenues €6.5mIn up by 14% yoy

In December 2021 TMP acquired Sportelligence, to ensure a like-for-life comparison we consider the FY21 Pro-forma and FY22. In FY22, Total revenues came in at €6.5mIn (up by 14% yoy compared to the pro-forma of FY21), in line with the indications during the prelisting roadshow. Being a service company with a lean structure, the main operating expenses were cost of services followed by labour cost at 38% and 16% of FY22 revenues respectively. EBITDA increased by 50% yoy to €2.4mIn, with the margin expanding to 37% (+9pp yoy) thanks to lower

cost of services in absolute terms. EBIT declined to €1.2m (vs €1.4m in 2021) with the margin contracting to 18% mainly in relation to a receivable write-off. Net income declined to €0.6m from €1.1m. At the end of FY22 net debt decreased to €353k from €635k, which comprises €0.7m of liquidity, €0.7m Long-term debt and €0.4m Short term debt.

IPO completed in February 2023

The IPO was carried out entirely through a capital increase, TMP issued 431k new shares raising ~€4.3m.

Supportive market trends from media, social media spending and AR&VR sector

There are several positive market trends supporting TMP Group's business model, M&E markets are expected to grow at a 4.9% 2021-25 CAGR in Italy, advertisement spending on social media channels at 14.8% CAGR 2021-24 (while also becoming the main advertising expense area from 2022), AR & VR market at 36.9% CAGR 2021-28. We believe these growth rates should be regarded as the lower growth bound across TMP's different divisions as the Company should be able to exceed its reference market trends thanks to 1) technological know-how, 2) cross- and up-selling, 3) relative small size of the company.

Our estimates: Total revenues CAGR 22-25E at 34%

According to our estimates, Total revenues are expected to grow at a 34% 2022-2025E CAGR reaching €15.5m in 2025. Sales CAGR is driven primarily by the Experience division, we do not see major changes in Revenues breakdown compared to TMP's FY22 results. EBITDA is forecasted at 34% CAGR 22-25, reaching €5.7m in 2025E and landing on a 37% margin. We expect cumulated 2023E-25E FCFs at €4.0m or a yearly average of €1.3m, including €3.4m of cumulated capex and €2.7m of NOWC needs. Given the recent listing, we expect TMP to land on a net cash position of €4.1m at the end of 2023.

Route to valuation

We provide some suggestions on how to carry out a valuation using a DCF method and a relative valuation through market multiples.

DCF assumptions: €4.0m of cumulated FCFs in 2023-2025; WACC at 8.2%

To run a DCF model, we use our projections of FCFs for the 2023E-25E explicit period: €4.0m of cumulated FCFs. We consider the average FCF of €1.3m as the Terminal Value cash flow and an 8.2% WACC, derived from risk free rate at 4.7%, market risk premium equal to 5.5%, beta of 0.8 coming from the average of chosen listed peers, target Debt to Equity structure with 80% weight of Equity.

DCF valuation: €17.1/share

The DCF method leads us to an Enterprise Value of €20.4m and to an Equity Value of €24.5m showing a fair value of €17.1/share.

EV/EBITDA FY23 5.9x after 15% liquidity discount

To assess a relative valuation of TMP Group through the market multiples approach, we selected a sample of listed national and international companies specialized in marketing services, advertising, events organization, and content production. Our selected sample comprises: Alkemy, Dentsu Group, Digital360, Entravision Communications, Interpublic Group, Publicis Groupe, S4 Capital, SG Company, Websolute and WPP. Considering the sample of peers, the EV/EBITDA 2023E is 6.9x (as of 30 March), given the small capitalization we apply a 15% liquidity discount to the multiple, obtaining a 5.9x EV/EBITDA multiple.

Relative valuation: €15.9/share

The relative method leads us to an Enterprise Value of €18.7m and to an Equity Value of €22.8m or €15.9/share.

TP €16.5/sh, BUY

We took the simple average of the DCF and multiple valuation and end up with a TP of €16.5/sh. Given the significant potential upside on TMP Group closing price (as of 30 March 2023), we set a BUY recommendation.

SWOT analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Process management aimed at profitability • Superior marginality compared to competition • Over 40% turnover with recurring fees • Internal know-how allows wide spectrum of services that can be provided • High sectorial diversification • Advanced digital technology know-how • Financial firepower thanks to recent capital increase 	<ul style="list-style-type: none"> • Still non-well-structured processes • Declining, but sizeable portion of sales from related parties • Small company size might preclude TMP from participating in tenders with strict requirements • Still too long DSO

OPPORTUNITY	THREATS
<ul style="list-style-type: none"> • Strong underlying market trends, as digital and social media are becoming the main communication asset • Fragmented competition • Metaverse and NFT platforms in worldwide development • Upselling and cross selling of services • Replication and scalability of Hangar21 model in new geographies • Growth strategy by external lines 	<ul style="list-style-type: none"> • Larger company size could bring increased complexity • Necessity to stay “on the edge” of digital technology • Keeping significant growth might squeeze marginality

The reference Industry

TMP Group: delivering digital and communication solutions with a high technological content

TMP Group is a Tech Media Company specialized in the development of corporate digital communication solutions, including the design of hybrid events and the production of contents, using on the edge technology. The services primarily focus on brand identity, business innovation and digital transformation, with specific skills matured in the Industry, Fintech, Sport, Culture and Design sectors. TMP Group aims at supporting the technological upgrade of its customers' media centres.

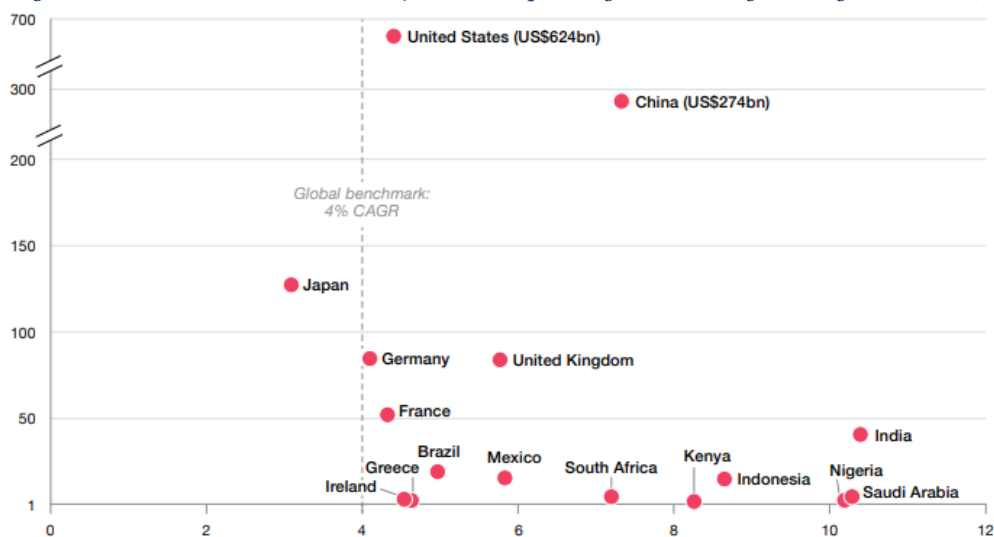
The Media & Entertainment Industry

Global M&E Industry: 4.3% expected CAGR21-25E

In 2021, the Media & Entertainment Industry saw drastic changes driven by the technological progress, as the global pandemic brought generational evolutions. Amid recurring Covid-19 surges, people sought more media and entertainment at home, while often avoiding larger in-person events. Digital media engagement remained strong even after the improvement of the sanitary conditions, highlighting that the pandemic accelerated pre-existing underlying trends toward the digital world. During 2022, Media & Entertainment is expected to continue to evolve quickly, as streaming video seems primed to fully transform linear TV and cable. Incumbents face competition to retain subscribers from other streaming services, as well as from social media and gaming. The global M&E market is expected to grow at a 4.3% CAGR 2021-2025E, reaching \$2.6tn of Revenues mainly driven by:

- Increasing importance of video streaming services;
- Implementation of an interactive shopping experience;
- Product innovation generated by NFTs and blockchain technology;
- Growing importance of metaverse and 3D experiences.

Figure 1: Global M&E market size (\$/bn) and expected growth (%) by country (2020-2025)



Source: Global Entertainment & Media Outlook 2021-2025, PwC

India is expected to grow at the highest rate

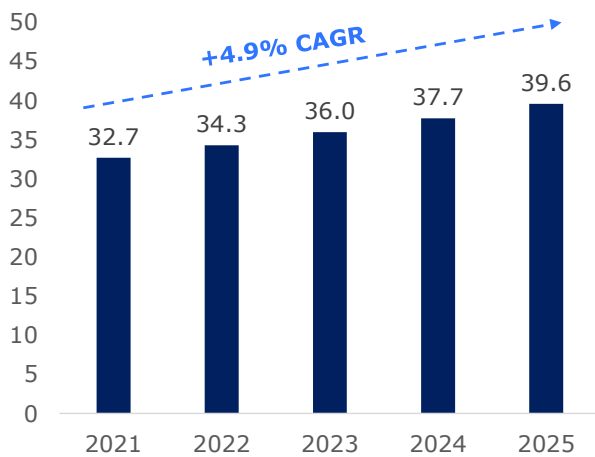
In the 2020-2025 period, no country's combined consumer and advertising revenue is expected to rise less than 3% CAGR, with Japan being the lowest at 3.1% and India the highest at 10.4%: despite the challenges related to Covid-19, India should

surpass China in 2022 to become world’s most populous country. Other outliers include Saudi Arabia, whose market has been strengthened by the removal of a 35-year ban on cinemas in 2018, and Nigeria, where booming video games and TV subscriptions should push growth to more than 10%.

Italian market expected to strongly recover from the Covid-19 impact

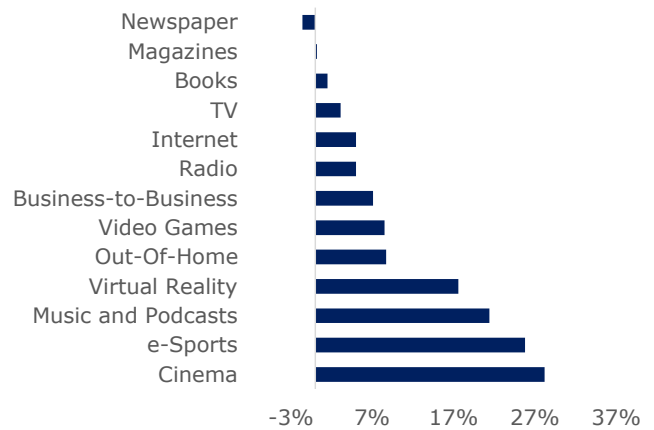
The Italian market showed 7.5% revenues decline in 2020 due to the impact of lockdowns and economic recession, but it is now expected to grow at a 4.9% CAGR 2021-2025E, reaching a value of €39.6bn. Some sectors, such as video games and OTT, benefited from the pandemic. Other sectors were negatively affected by the pandemic, such as cinema and music; nevertheless, they show strong signs of recovery following the reopening.

Figure 2: Italian M&E market size (€/bn)



Source: Banca Profilo elaborations on Entertainment & Media Outlook in Italy 2021-2025, PwC, 2021

Figure 3: Italian M&E revenues growth by segment (2020-2025)



Source: Banca Profilo elaborations on Entertainment & Media Outlook in Italy 2021-2025, PwC, 2021

Cinema and e-Sports will generate most of revenue growth

Within the Italian market, Cinema is expected to deliver the highest growth with a 28.2% CAGR 2020-2025E, followed by e-Sports at +25.8%, mainly driven by growing public awareness through high-profile crossovers with traditional sports, non-endemic sponsorship deals and increasing infrastructures of regular events and competitions. The Newspapers segment is projected to decline by 1.6%, despite the acceleration in digitalization.

Digital Advertising

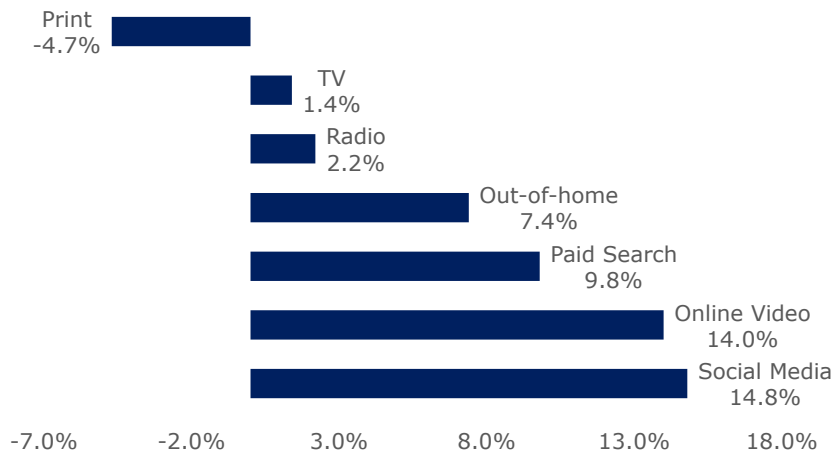
Social media ad spending expected to grow at 14.8% CAGR 2021-24

The global Advertising market has shown a strong recovery since 2020, expanding by 15.6% in 2021, a trend expected to continue in 2022 with a 9.1% projected growth.

Given the pace of digital transformation and the rising importance of social media, which are reflected in the spending decisions of marketers, market research (Digital advertising to exceed 60% of global adspend in 2022, Zenith Media, 6/12/21) points to 60% of global advertising expenses being directed across digital channels, with that figure projected to grow by 5pp to 65.1% by 2024.

Moreover, Social Media is expected to be the fastest-growing channel between 2021 and 2024, with a 14.8% CAGR 2021-24, followed by online video at 14.0% and paid search at 9.8%.

Figure 4: Global advertising market expected growth by channel (%) (2021-2024)



Source: Global ad market, Zenith Media, 2022

Metaverse primer

An overnight buzzword “Metaverse” is an umbrella term to define a three-dimensional internet populated by live people through digital avatars. An online multi-player videogame which allows gamers to interact with each other falls under the definition of metaverse.

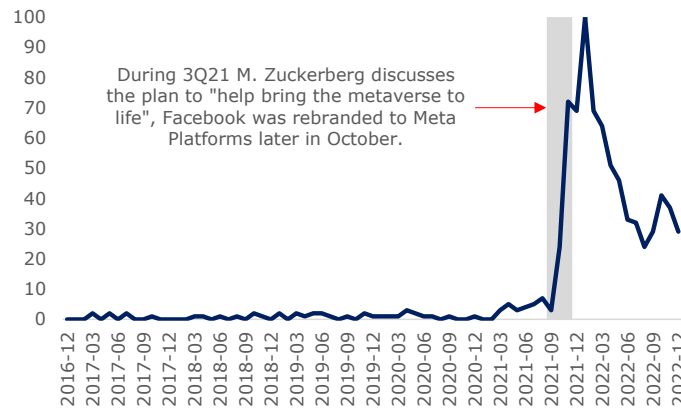
The term was coined in 1992 in a science fiction novel, but it has seldom been used since its inception. Tim Sweeney, CEO of a leading metaverse mentioned the word as early as 2017 (“Epic Games’ Tim Sweeney fears the Metaverse will be a proprietary technology”, Games Beat, 15/5/17), whereas specialized articles began adopting the term more frequently from 2020. “Metaverse” gained mainstream and Wall Street popularity since Mark Zuckerberg rebranded Facebook to Meta Platforms at the end of October 2021.

There are many metaverses and usually they overlap with online gaming There is not only one Metaverse, there are tens of metaverses which are not interoperable and given the nebulous definition of the concept, many “things” can end up being defined as a metaverse.

The most widespread metaverses are centralized, meaning that they are created and managed by a single entity (usually a company); these include multiplayer videogames such as Fortnite, Minecraft and Roblox.

VR headsets are optional Meta’s attempt at the metaverse is called Horizon Worlds, an online virtual reality universe, which is played with a head-mounted display such as the Meta Quest 2. While Meta envisions a metaverse accessed through virtual reality visors, most metaverses do not require them or are not compatible.

Figure 5: Google searches of the word “Metaverse” peaked when Facebook was rebranded Meta Platforms



Source: Banca Profilo elaborations on Google Trends. 100 indicates the highest frequency of search for the term

Decentralized metaverses are a niche

Metaverses developed on the blockchain are referred to as decentralized, as they are not governed by a single entity but rather controlled by the owners of the blockchain token associated with that world. Sandbox and Decentraland are two examples, which use the Ethereum blockchain.

Decentralized metaverses from an adoption stand-point are an exception, as their daily active users range in the tens of thousands range (“How many active users does decentraland really have?”, Stefan M, NFT News Today, 18/10/22) compared to leading centralized video games which are often played by millions of people on a daily basis (“Fortnite Usage and Revenue Statistics”, Mansoor Iqbal, Business of Apps, 9/1/23).

Metaverses allow for spending real money on virtual items

Users are often able to buy virtual items within the metaverses, in exchange for a real currency; this practice has been available on online games for decades.

The underlying assets used in decentralized metaverses are NFTs, while virtual items of centralized metaverses are not backed by an asset. From a technical standpoint NFTs can be deployed in centralized metaverses, but their adoption has been scarce.

Metaverse is a catchy expression to describe an existing trend

While there are several versions of “The Metaverse” and many of its characteristics are not groundbreaking from a technological standpoint, there is a real demand from companies to land on “The Metaverse”.

For instance, Louis Vuitton signed partnerships with the online game League of Legends as early as 2019 to sell virtual avatar skins wearing Louis Vuitton clothes, produce a capsule collection and create a trophy case for an e-sports tournament. Based on our research, specialized articles did not mention the term “Metaverse” when describing these agreements.

In September 2021, Balenciaga signed a similar partnership with Fortnite, as the term was gaining traction news often mentioned it in the body text. Vogue published an article titled “Balenciaga continues its journey into the Metaverse”.

Figure 6: Real Balenciaga x Fortnite garments...



Source: Vogue

Figure 7: ... Virtual Balenciaga-branded skins



Source: Epic Games

Companies from different sectors can benefit from joining the metaverses

Metaverses can be used as either new communication channels or additional revenue stream. Clear and already adopted ways to exploit them are:

- Selling branded virtual items, fashion brands are clearly at the forefront given their business model ability to move from physical to digital items. A clear example is Balenciaga x Fortnite, which adopted a hybrid strategy by creating a real capsule collection;
- Creating virtual branded spaces where users can interact and spend their time with mini games. Many have been hosted in Roblox and were primarily created by fashion houses such as Nikeland, Vans World, Gucci Town or Givenchy Beauty House. The benefit of this concept is that it unlocks opportunities even for companies not related to clothing brands, such as restaurants with Chipotle, automotive with the Hyundai Mobility Adventure or technology with Samsung Superstar Galaxy;
- Hosting live events to reach or fortify the relationship with targeted audience. Several world-famous artists such as Ariana Grande, Travis Scott, Lil Nas X held virtual concerts in metaverses, attracting, in some cases, tens of millions of attendees.

Metaverse as a professional tool

Finally, companies might see potential in creating metaverses for professional use case scenarios, such as training activities or to improve remote collaboration (Microsoft’s Mesh for Teams).

Augmented & Virtual Reality market

AR and VR market expected to rise at 36.9% CAGR21-28E

Augmented Reality (AR) technology integrates physical environment with digital live content. Through the addition of graphics, sounds, haptic feedback or even smell to natural world as it exists, AR can combine real life with a super-imposed image or animation using the camera on a mobile device or AR headset.

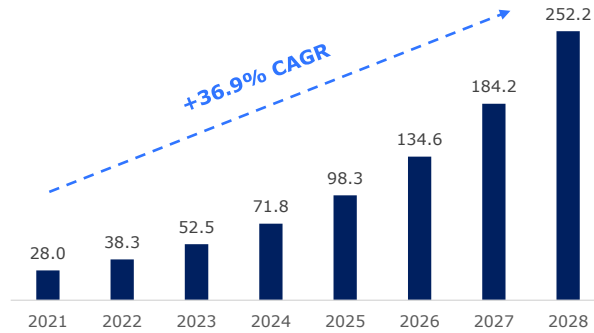
On the other hand, Virtual Reality (VR) is a completely immersive experience that replaces a real-life environment with a simulated one, using a head-mounted display and headphones to completely replace the real world with a virtual one.

Both technologies are often adopted in metaverse. Neither AR nor VR are new, but these are overarching trends, which are projected to experience considerable growth, given the attractive business benefits and improving user experience that they can deliver. Global AR and VR market size is worth \$28bn and it is expected to grow at a 36.9% CAGR 2021-2028E to \$252.2bn.

Main growth drivers are:

- Growing application of these technologies in different fields, such as education, medical, retail and training;
- Increasing number of partnerships among vendors to upgrade their product portfolios;
- Technological upgrades.

Figure 8: Global AR and VR market size (\$/bn)



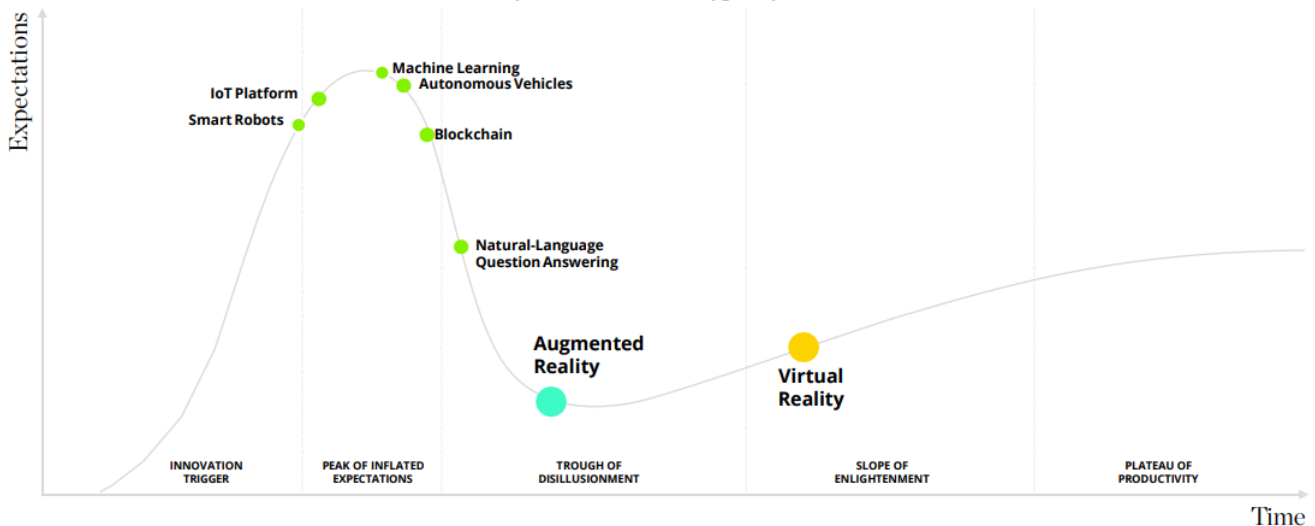
Source: Banca Profilo elaborations on Augmented Reality and Virtual Reality Market Forecast to 2028, The Insight Partners, 2022

Digital Reality is entering a development phase

Digital Reality is amongst main tech innovations that could impact everyday life. These technologies rely on the progress of graphics card, rendering techniques and processors, which are reaching a status that will eventually allow Digital Reality to exit from its start-up phase.

In fact, AR and VR have been eliminated from the 2020 Gartner Hype Cycle, signalling that they have entered a more mature phase, being no longer considered as new technologies.

Figure 9: Gartner Hype Cycle



Source: Digital Reality changes everything, Deloitte Digital, 2019









Europe to be the fastest-growing region driven by VR applications

In 2021, Asia Pacific accounted for the largest revenue share (40%), thanks to improvements in VR technology: in fact, China is one of the major distributors of Head-Mounted Displays (HMDs). On the other side, Europe is seen as the fastest-growing market with a 16.6% CAGR 2022E-2030E, thanks to the widespread application of VR technology, especially in gaming and automotive.

VR and AR very fragmented markets

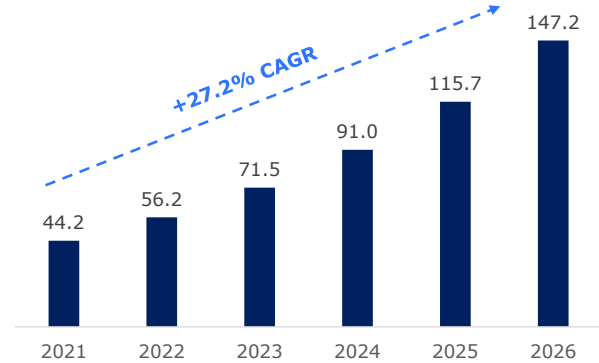
The AR and VR markets are fragmented. The continued trend of technology giants bringing commercial products into the market has prompted start-ups to partner on VR technologies. On the other side, key companies are pursuing M&A strategies and significant R&D investments to gain a competitive advantage.

Figure 10: AR/VR market key players

Metaverse Software Key Players	Virtual Reality Hardware Key Players
 Meta  NVIDIA  EPIC GAMES  Decentraland	 oculus  Google  VIVE  SAMSUNG

Source: Banca Profilo elaborations on Company data

Figure 11: Global NFTs market size (\$/bn)



Source: Banca Profilo elaborations on Technavio Non-Fungible Token (NFT) Market by Application and Geography – Forecast and Analysis 2022-2026

NFTs market

NFTs are blockchain-based digital objects

NFTs (Non-Fungible Tokens) are blockchain-based digital objects whose units are designed to be unique, unlike traditional cryptocurrencies which are meant to be interchangeable. NFTs can store data on the blockchain that can be associated with files containing media such as images, video, audio or even physical objects. NFTs are traded on specialized marketplaces

In 2022, trading volume of ETH based NFTs was above €15bn

Based on Nansen’s Trends & Indexes dashboard, during 2022 the Ethereum NFT sphere showed a trading volume of 8.2mln of Ethereum given an average price of 1850€/ETH; this leads to total trading volume worth €15.2bn. Most of the trades are carried out on the OpenSea platform.

Most of transactions are made by large collectors

The market is concentrated in ERC-721 and ERC-1155 cryptocurrencies, two types of Ethereum smart contracts associated with the NFTs market. The vast majority of NFT transactions occur at the retail level, i.e. with a value lower than \$10,000; however, retailers contribute with only 10% of trades value, while serial NFTs collectors weight 60%; the remaining 30% includes collectors with large holdings (transactions above \$100,000).

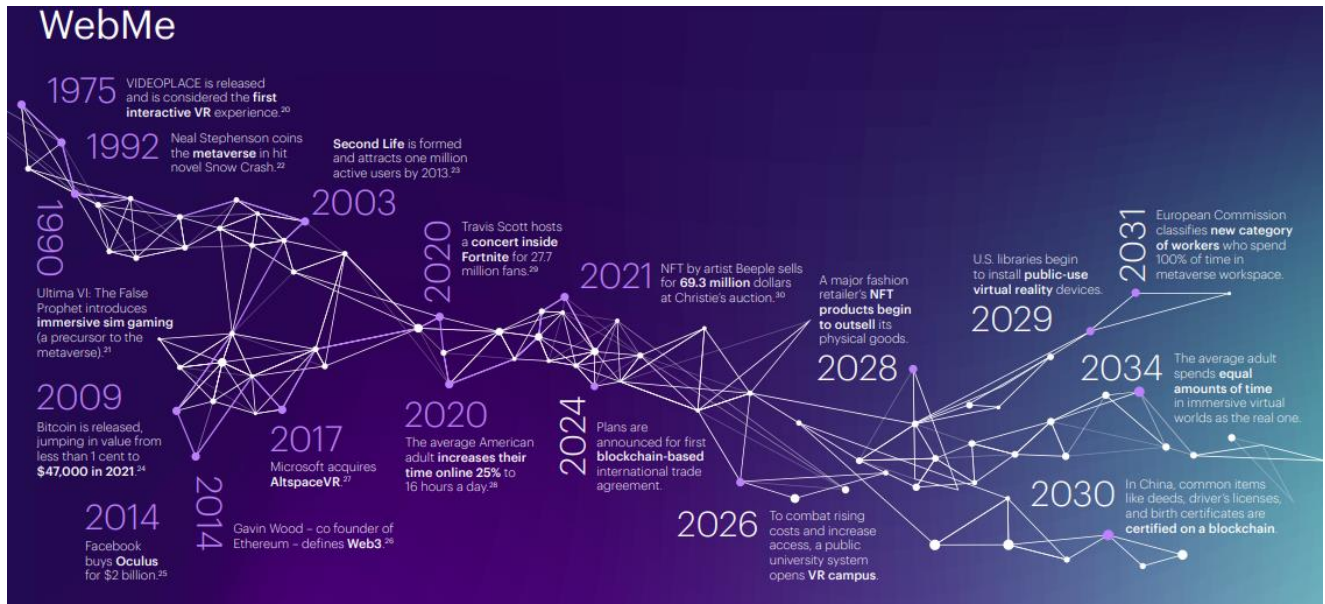
NFTs have been primarily used for collectibles and digital art

The primary use case for NFTs has been to collect different types of digital objects such as avatars, artworks, generative art, photography, and music.

An example is the VeVe marketplace, where licensed digital collectibles are sold. Users can acquire and showcase them in showrooms or in augmented reality, as well as trade them with other VeVe users. The list of brands that licensed their digital collectibles includes Disney, Warner Bros., Capcom, Marvel and DC Comics. The digital objects use the Immutable X blockchain based on Ethereum.

Christie’s Auction House sold more than \$150mln of NFTs during 2021.

Figure 12: Metaverse and NFTs timeline



Source: Meet me in the Metaverse, The continuum of technology and experience, reshaping business, Accenture, March 2022

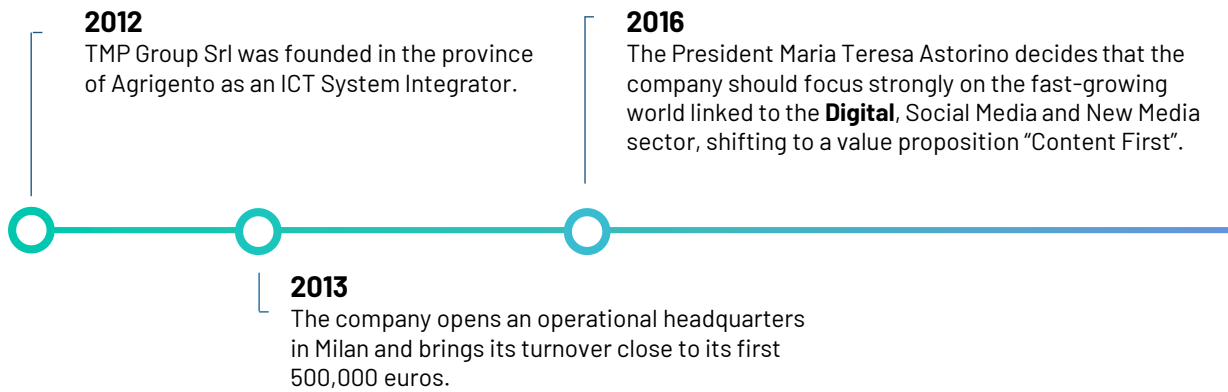
Group’s history, structure and people

Company’s evolution

An Innovative SME with a strong technological vocation

The Group is an Innovative SME (“PMI Innovativa”) founded in 2012 in the province of Agrigento as an ICT System Integrator. In 2013, the Company opened its operational headquarter in Milan and reached €500k of Revenue.

Figure 13: TMP Group was founded as an ICT System Integrator in 2012



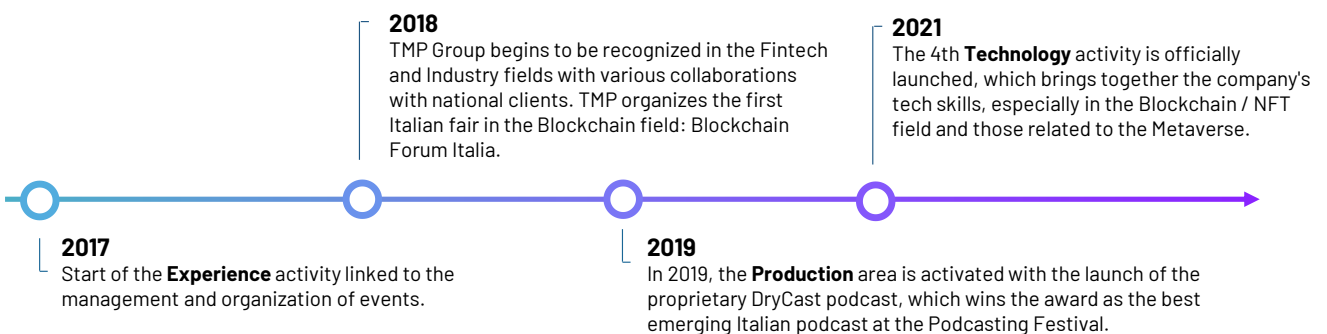
Source: Banca Profilo elaborations on Company data

TMP Group shifted toward digital communication from 2016

TMP Group business model follows the pivotal change made in 2016, when the Chairwoman and main shareholder Maria Teresa Astorino shifted the Company focus to Digital marketing and communication. The Digital Business Unit was created, and part of current management team was appointed.

During the subsequent years, the Company launched BUs carrying out potential complementary activities such as Experience Business, focused on the organization and management of events, as well as the Production Business Unit (2019) specialized in audio and video production. The latter created the DryCast podcast, which won the award for the best emerging Italian podcast at the Podcasting Festival.

Figure 14: TMP Group launched the Experience unit focused on events in 2017



Source: Banca Profilo elaborations on Company data

Roberto Rosati joined in 2020 bringing expertise in the events field

The Company further developed its Experience unit when current CEO Roberto Rosati joined the Company in 2020, bringing customers from the sports sector and his mastery in the field of large events, streaming platforms and sponsorship management. In April 2020, Roberto sold its 60% stake in the sport events company Sportellence to Maria Teresa Astorino.

In 2021, TMP Group set up the Hangar21 production hub which acts both as TMP Headquarter and as an integrated digital communication supply chain. During the year the Company also signed key collaborations with major corporates such as Netflix, Eurovision, Spotify, Eni, L’Oreal and Giro d’Italia. In the second half of the year, the Technology Business Unit started its operations and acquired the MUSA NFT Platform. Finally, at the end of the year the Company acquired Sportellence from Roberto Rosati (40%) and Maria Teresa Astorino (60%).

Group structure

IPO Completed in February and raising €4.3mln

The Company was listed on the Euronext Growth segment of the Milan Stock Exchange in February 2023. The IPO was carried out entirely through a capital increase, TMP issued 431k new shares raising ~€4.3mln. The share capital is now made of 1.43mln shares.

24-month lock-up period

Pre-money shareholders have a 24-month lock-up period.

Warrant distribution

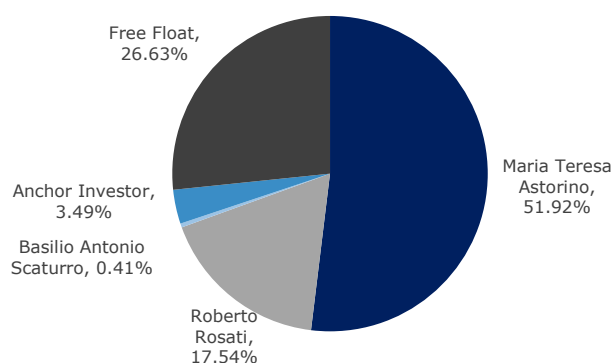
At the IPO, the Company issued a free warrant for every two shares held; a second round of warrants will be carried out upon FY22 approval (Shareholders’ meeting on the 26th April). The first warrant holds three exercise periods each at a higher strike price, proportional to the IPO price of €10: i) €11 (+10%) between October, the 2nd and the 31st 2023; ii) €11.5 (+15%) between October, the 1st and the 31st 2024; iii) €12 (+20%) between October, the 1st and the 31st 2025.

Maria Teresa Astorino 51.9%; the CEO owns 17.5%; the free float is 26.6%; an anchor investor has 3.5%

Maria Teresa Astorino, the BoD’s Chair, owns 51.92% of the Group; Roberto Rosati, CEO of the Company owns 17.54%; Basilio Antonio Scaturro, who has been the accountant of the Company for a long time and now CFO, owns 0.41%. The free float is 26.63%, while the remainder 3.49% is owned by an anchor investor with a lock-up agreement.

Since December 2021, the Group controls 100% of Sportellence S.r.l., engaged in the advertising, sponsorship, marketing and media production related to the sports sector.

Figure 15: Ownership Structure



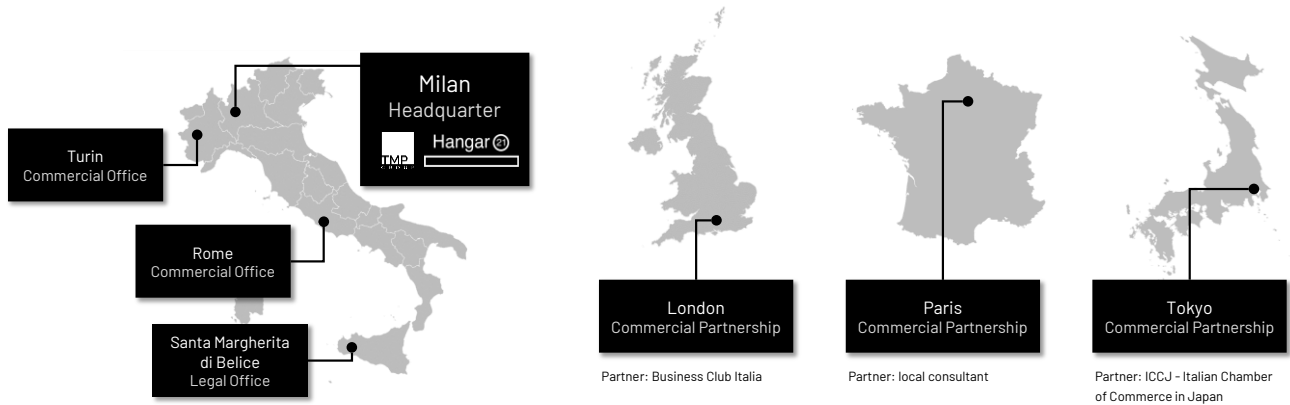
Source: Banca Profilo elaborations on Company data

Hangar21: production hub and headquarter

Hangar21 is TMP headquarter and production hub. It is a space of about 1,000sqm included in Superstudio Più, in Milan, via Tortona, which is a core area for design and fashion maisons.

Furthermore, the Group has commercial partnerships in London, Paris and Tokyo.

Figure 16: TMP's geographical presence

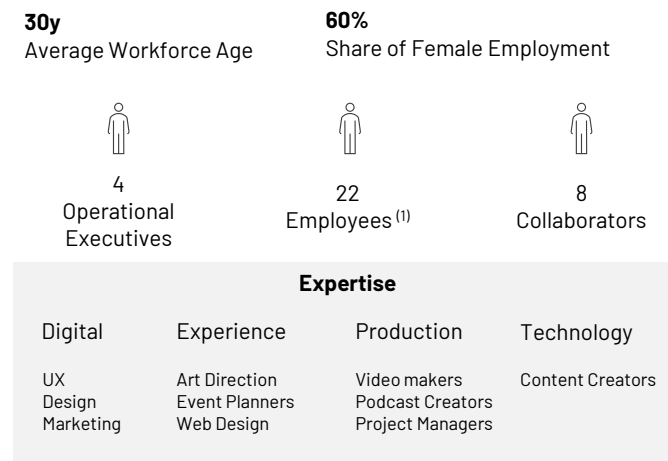


Source: Banca Profilo elaborations on Company data

A small, young and lean organizational structure

As of September 2022, the Group employs 22 people including 4 executives and 8 advisors, with an average age of about thirty years old and a 60% share of female.

Figure 17: TMP's staff organization



Source: Banca Profilo elaborations on Company data

Top Management

Top management

Roberto Rosati (CEO), Davide Maestri (GM) and Margherita Leder (COO) are the top management.

Roberto Rosati: the CEO

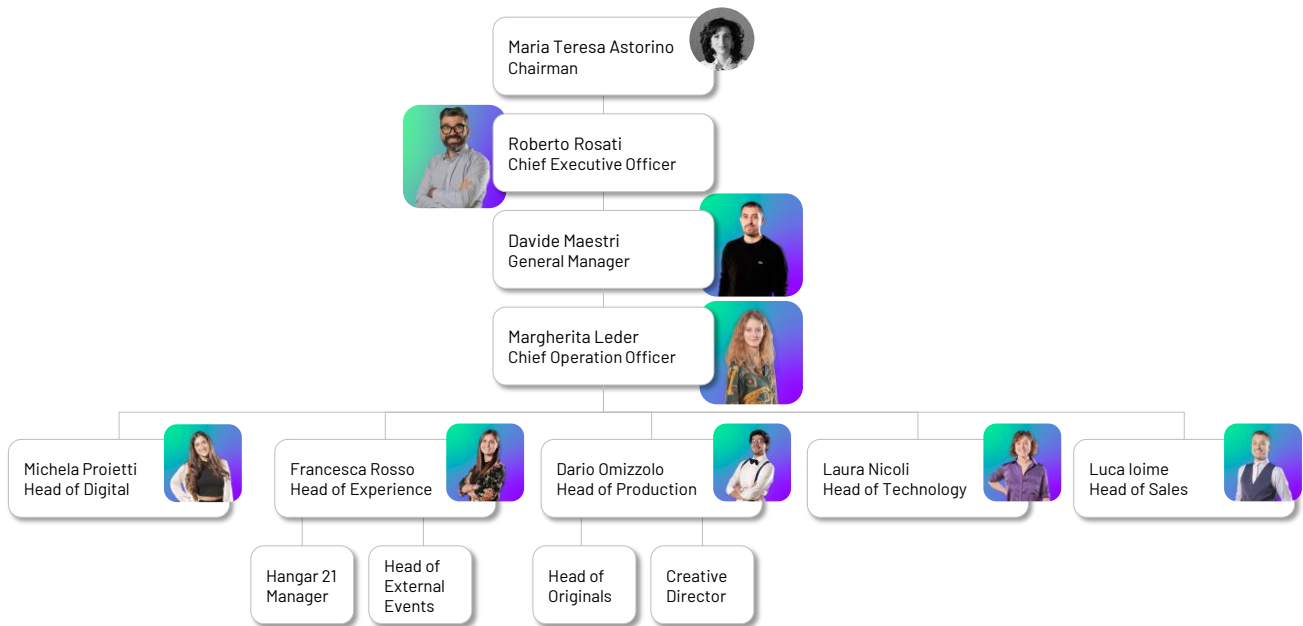
Roberto Rosati is the CEO and shareholder (17.5%) of TMP Group. He was born in 1987 and joined the Company in 2020 following years of entrepreneurial activity in the Experience & Events sector. He specialized in the organization of major Sport

events through its company Sportellence. Among others, he is a member of the Communication Commission of Confindustria Young Entrepreneurs.

Davide Maestri: the General Manager

Davide Maestri is the General Manager & Head of Media House of TMP Group, with proxy to marketing and human resources management. He was born in 1987 and brought managerial knowledge to the Company; he is also author of articles on Management. During his career he worked for multinational companies as Chief Operating Officer, Product and Marketing Manager in Fintech and Sports, gaining significant experience in the digital sector.

Figure 18: TMP's organizational structure



Source: Banca Profilo elaborations on Company data

Margherita Leder: the Chief Operating Officer

Margherita Leder oversees TMP Operations, guiding the execution part through the role of Chief Operating Officer. Born in 1994, she masters the technological field and its social dimension, thanks to her experiences in non-profit organizations and a collaboration with the UN for the implementation of the 2030 agenda. Currently she coordinates working groups within the European Commission in the Fintech and Blockchain sectors.

TMP Group: a technology backed media company

Intertwining media and technology

TMP focuses on digital communications solutions and hybrid events creation characterized by high technological content. The Company enables corporate media centres to set a digital positioning of their brands. TMP leads its corporate customers towards a technological upgrade of their media centres. TMP takes B2B clients towards their transition to new communication solutions through a technological shift which include the Metaverse and NFTs.

Thanks to its transversal capabilities the Group enables synergies between the operational activities, up-selling different services from its catalogue as well as gaining new potential clients given the extensive range of offering.

4 business units: Digital Production Experience and Technology

TMP acts through four business units:

- Digital, which is dedicated to Brand Strategy & Social Media, Performance Marketing and Influencer Marketing; this is a typical Digital Agency business;
- Production, which is related to content creation;
- Experience, where physical, digital and hybrid events are conceived and fulfilled;
- Technology, which includes activities based on NFTs, metaverse and blockchain as well as the organization of Virtual and Augmented Reality projects.

Digital

Digital focuses on digital advertising and social media

The Digital business line deals with:

- Brand Strategy & Social Media: development of a digital communication and promotion activities, using a multi-channel data-driven strategy in Italy and abroad. TMP Group manages social media channels for brands and companies, creating graphic, video and written content. Moreover, the Company produces KPI reports based on clients' requests.
- Performance marketing: digital marketing that focuses on finding and rewarding customers for taking a desired action. The activity is based on a pay-for-performance model, where marketers pay for successful outcomes only, such as sales or leads, rather than for clicks. This approach ensures marketers target the right audience and can measure the effectiveness of their campaigns.
- Influencer Marketing: TMP Group seeks social media influencers based on the clients' budget and reference sector. Furthermore, the Company bargains the contract with the chosen ambassador, programs the campaign and oversees the execution phase. Through the analysis carried out, the company has built an internal database named "Next Gen" which can be used to connect brands and potential ambassadors.

When the Company manages social channels and advertisement campaigns it usually employs a project manager, a social media manager, a graphic designer and an analyst.

Figure 19: Digital business line areas



Source: Banca Profilo elaborations on Company data

Award winning communication skills

In 2021, TMP Group carried out the advertisement campaign for the social media accounts of the Giro d'Italia. The aim was to increase traffic on social channels and on the official website during live streaming to increase the visibility of the specialty but also to highlight the exogenous components of the competition, such as landscape and tourism. The Company reached the given target as it was able to increase the client's Instagram followers from 600k to 1mln in sixty days and was awarded Best Case from TikTok for its TikTok campaigns.

Figure 20: Giro d'Italia was one of the main projects for the Digital business line



Source: Banca Profilo elaborations on Company data

Production

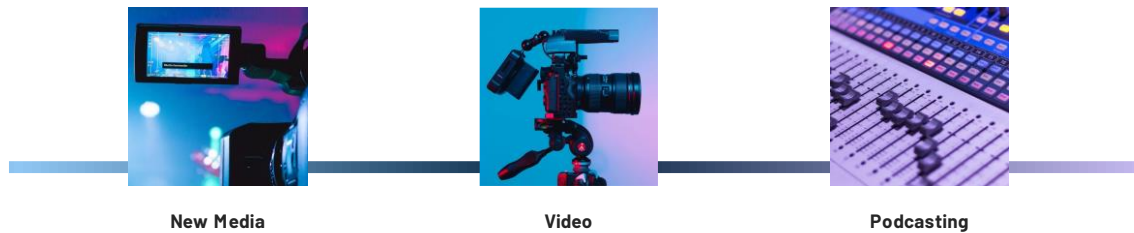
Production is dedicated to audiovisual content creation

Production business line operates in:

- New Media: creation of branded content to be shared on the main medias and reference channels thanks to the collaborations with authors and writers. Editorial concepts are developed in the form of videos or podcasts, tailored to the history of the brand, the channel to be exploited and the target to be reached;
- Video Production: creation of corporate videos, advertisements, documentaries, music videos and reports. The scope of the activities cover the entire project, including the production planning, script writing, logistics management, video editing and administrative aspects;
- Podcasting: creation of podcasts based on storytelling, brands, personalities, projects and initiatives. The Group handles the design and the production of podcasts, branded podcasts and corporate podcasts: services can vary from complete outsourcing to a limited project consultancy. During the creation of a podcast, the team involved includes: a project manager, an author, a sound engineer, a sound designer and a producer.

The Company can deliver both external and internal communication projects, with the first aimed at its customers and the second focused on delivering an innovative communication tool for employees and collaborators.

Figure 21: Production business line areas



Source: Banca Profilo elaborations on Company data

A strong offer for top brands

An explicative example of this Business Unit services was the production of the launch press conference dedicated to the Netflix movie "Il Divin Codino" along with the different sets and the final output of the streaming. The Company reached 10mIn audience share thanks to its marketing campaigns, currently the recordings are available in the special contents of the movie on the platform.

Figure 22: One of the main projects for Production business line



Source: Banca Profilo elaborations on Company data

Experience

Conception and organization of physical, digital and hybrid events

Experience business line is dedicated to:

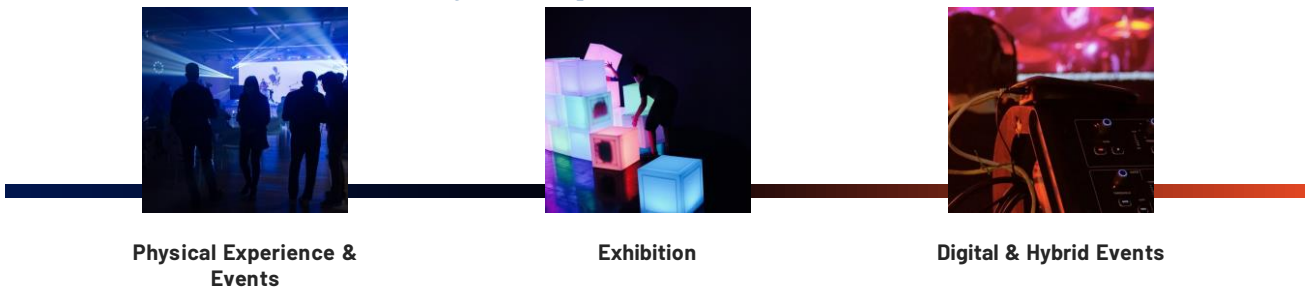
- Physical Experience & Events: planning and development of a physical event by defining the artistic line, creating a communication plan, producing ad-hoc content and managing external suppliers of the events. Each project is followed by a team of professionals including the artistic direction, a dedicated director, a team of lighting and audio technicians and camera operators. This allows the Group to create and take care of every aspect of the experience and to customize it;
- Exhibitions: full realization of an exhibition which sees the collaboration of partners in woodworking, carpentry, painting, electrical system construction and furniture rental. In addition, the Company takes care of the logistics, as well as it assists the customer for the setting up and dismantling. Fitters are led by architects specialized in exhibition and congress set-ups, which support the customer throughout the creative process. Finally, thanks to the headquarter Hangar21 (~1000sqm), TMP Group can host some fairs, events and exhibitions.

- Digital & Hybrid Events: conception and development of digital or hybrid events by setting up streaming services and by managing audio-video production. TMP Group enables interactive elements that increase engagement such as Q&A systems, remote conferencing integrated with 3D, AR and VR animated technologies.

During the development of an Experience contract TMP Group is also involved in the creation of a production plan, engagement of suppliers, development of web and graphic concepts, event production on selected days, drafting of reports based on established KPIs. Usually, the team allocated for the design and production of a hybrid event includes: a project manager, two event managers, a graphic designer, an analyst, a technical director, a streaming team and a helpdesk team.

Compared to competition, the division usually offers live events characterized by their degree of technological content, which usually consist of systems that increase engagement.

Figure 23: Experience business line areas



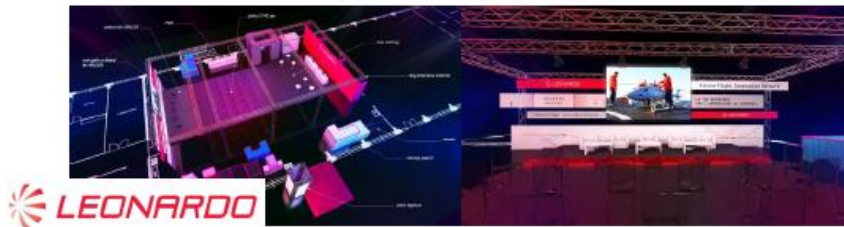
Source: Banca Profilo elaborations on Company data

Customers include leading Italian companies and international organization

One of the main projects in this segment involved the preparation of the Future Flight Leonardo Innovation Network event, with the management of live streaming of the event, direction management, audio and video production.

Moreover, TMP Group organized the media relations, digital communication activities and logistic partner for the Global Social Business Summit Media. The event was envisioned by Muhammad Yunus, a Nobel Peace Prize winner and creator of micro-credit Grameen Bank.

Figure 24: One of the main projects for Experience business line



Source: Banca Profilo elaborations on Company data

Technology

Technology uses on the edge platforms such as metaverse, NFTs and blockchain

- Metaverse: TMP Group develops interactive projects in virtual reality, thanks to its know-how which derived from working together with Museum and Culture institutions in AR and VR projects. The Company develops corporate communication contents, exploiting VR from the concept definition to the design, as well as the planning of the virtual spaces, objects and of the activities in virtual reality. Moreover, the Group manages the organization of promotional events in the virtual reality, creating Virtual Immersion Experience, 3D platforms for fairs, with virtual stands, e-house for metaverse and hybrid productions.
- Non-Fungible Tokens: TMP is specialized in the management of communication activities in the Fintech field for customers with verticality on the NFTs and blockchain environment. In partnership with companies in the industry, TMP Group creates NFTs for artists and creators, distributed also through the proprietary MusaNFT.io, a NFT marketplace developed on the energy efficient Algorand blockchain. BlockchainItalia.io one of the main partners of Algorand serves as external developer for the project. The MUSA platform aims to enable and facilitate the purchase and sale of NFT tokens. Each NFT on the platform corresponds to a specific content (photo, video, music+photo). The Company has completed several projects in the field, in its four lead areas: Sports with NFT and e-games; Fashion and Design with NFT, hybrid productions and metaverse; Industry and Fintech with Virtual Immersion Experience, 3D platforms for fairs and virtual stands.

The team for a project that involves the creation of a store on the metaverse includes a manager, a UX (User Experience) designer, two graphic designers, a team of developers and an analyst.

Virtual reality to ensure customer interaction

One of the most recent projects concerned the ideation of the NFTs strategy of “Il mondo di Leo”, an animated cartoon transmitted by Rai Yoyo. TMP created the NFTs which are sold on the MUSA platform and carried out the digital communication.

TMP was also involved in the ideation of the launch event for the weapon producer Beretta. The launch consisted in a virtual reality event, including gaming activities and interaction with the audience, boasting the position of first gaming and influencer activities in the industry.

Figure 25: One of the main projects for Technology business line



Source: Banca Profilo elaborations on Company data

Complementarity of business lines

Divisions collaborate to offer multidisciplinary services

While TMP Group organizes its business across four different areas, synergies emerge when the Company is involved in projects that require the combination of expertise from multiple divisions.

Digital and Experience were involved in the project management, streaming and creation of digital and physical B2B events for L’Oréal Professionel.

Digital and Production were involved during Turin’s application process to host the Eurovision by producing a video to present the City. Following the application of Turin, Eurovision now mandates to candidates the production of a video on the hosting city.

Business Model and Value Chain

Leveraging cross selling

Thanks to its transversal capabilities, TMP Group generates synergies between its business divisions, both through up selling its different services and to engage new potential clients.

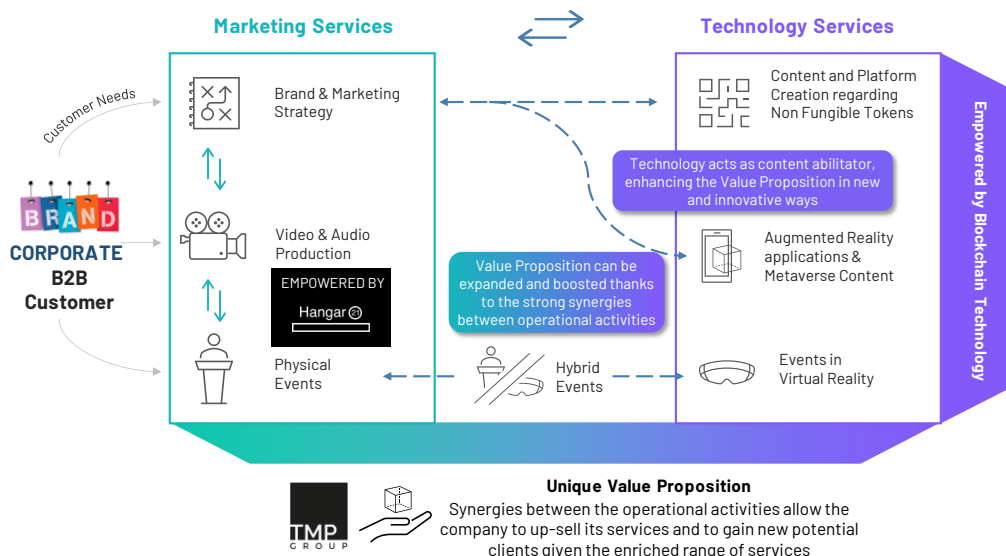
Direct selling channels are gradually replacing media agencies

Client acquisition is carried out through either the indirect channel thanks to long-lasting relationship with leading digital marketing agencies or directly by the company sales force.

TMP Group expands its direct network by participating at sector specific events, carrying out marketing strategies. Clients are mainly attracted by the tech core of the Company, which can offer integrated digital marketing solutions.

Over the years TMP Group increased the stake of revenue coming from direct selling, which now represent the bulk of sales at about 70%. This is beneficial in terms of marginality and receivables turnover.

Figure 26: TMP’s value proposition leverages cross selling



Source: Banca Profilo elaborations on Company data

Presence along the entire value chain

The Group has an organizational structure that allows it to oversee the entire value chain. The monitoring model adopted by the Company allows to maintain a commercial focus on the entire business perimeter, ensuring a high-level of customer satisfaction. TMP's value chain is articulated through different stages, ranging from R&D to After-sales assistance.

R&D at the base of tech-media solutions

Research & Development frames tech-media solutions, across all operating areas. In fact, in 2021 the company invested €0.9mIn (o/w €0.3mIn capitalized) for the digital platforms MUSA and Data Lake. The latter is a technology for digital events for tracking participants' biometric data remotely.

Contracts duration typically ranges from 6 to 12 months. Longer contracts have also been signed

Usually, contracts duration ranges from 6 to 12 months. However, the Company also signs long-term contracts (36-48 months). Experience, Production, and Technology often have a project execution and delivery duration that is agreed upon with the customer.

Figure 27: TMP's value chain



Source: Banca Profilo elaborations on Company data

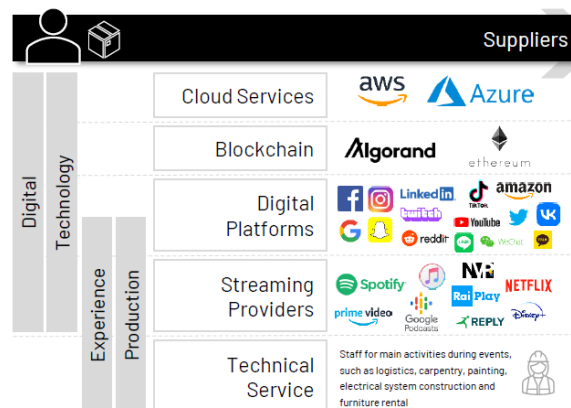
A wide range of providers makes TMP technology agnostic

TMP Group is agnostic for what concerns technology choice; the Group evaluates the best tools according to the client's need and objective.

In carrying out its activities, the Group takes advantage of the following technology providers:

- Cloud services from leading global technology vendors such as Amazon Web Services (AWS), Oracle Cloud Infrastructure and Microsoft Azure;
- Most popular media platforms and digital CMS such as Google, TikTok, Twitch, Amazon, Facebook, Instagram, LinkedIn, Magento and WOOcommerce, for its Digital and Technology business lines;
- Algorand and Ethereum for blockchain-based projects;

Figure 28: TMP's business system



Source: Banca Profilo elaborations on Company data

Multi-channel content transmission

The content created is conveyed through social media platforms for activities carried out in the Digital operational area, while services from the Production BU rely on streaming and podcasting platforms. Corporate events, contests and corporate websites are organized as part of services from the Experience operational area. Finally, the NFT platform MUSA and events in AR/VR are adopted for activities carried out in the Technology BU.

Post-sale assistance consolidates clients' relationships

After an agreement with a potential client, the Group performs a project analysis with an estimate of the activities to be carried out, related timing and associated costs. Once the contract is stipulated it typically includes the description of the project, the solution that will be developed or installed, the after-sales service commitments, the terms and conditions of payment, as well as further standard conditions.

Depending on the product sold, After-sales assistance is provided, ranging from the maintenance and update of the website and its functionality to all activities related to presence and communication, such as Google Adv and social marketing. The after-sales activity is also necessary for R&D and a stepping-stone for cross-selling, as well as for a better understanding of the future needs of customers.

Top brands from heterogenous sectors

The Company has a highly diversified client's portfolio, serving Italian and international top brands in numerous industries thanks to the variety and modularity of its tech-media solutions.

Figure 29: TMP's customer portfolio



Source: Company data

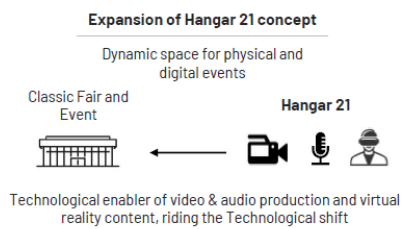
Efficient talent scouting and strong retention

Over the years, TMP has developed a scouting and selection process that takes advantage of the relationships with the academic system. This enables the Company to bring in highly valued and skilled human capital.

Hangar21 as a digital factory

Hangar21 is TMP headquarter. It is a digital production hub, located in Milan and dedicated to the conception, development, production, and diffusion of digital and creative content through its technological infrastructure for video and podcast recording, video streaming, postproduction, photo shootings. Finally, Hangar21 can host events and fairs, with an exposition area for 200 people. TMP group leased the building in January 2021 through a standard 6+6-year contract.

Figure 30: Hangar21 concept



Source: Banca Profilo elaborations on Company data

Figure 31: Hangar21 technological infrastructure



Source: Banca Profilo elaborations on Company data

TMP Group: competitive arena

Listed Competitors

A sample of ten listed companies

TMP Group faces competition from non-listed companies such as Caffeina, Triumph, We Are Social as well as the major global advertising agencies. Nevertheless, there are cases where TMP Group might operate in conjunction with some competitors that do not have a specific capability. Finally, single divisions of consulting companies such as Reply might also represent a source of competition.

We selected several listed companies that provide services which overlap with TMP Group offering, even though, to our knowledge, no comparable has the same level of in-house technical expertise as TMP Group. We see this reflected in TMP's vastly higher current and historical EBITDA margin. Based on these results, we selected ten comparable to TMP: Alkemy, Dentsu Group, Digital360, Entravision Communications, Interpublic Group, Publicis Groupe, S4 Capital, SG Company, Websolute and WPP.

Italian Companies

Alkemy (IT):

*FY21 sales €94mln;
EBITDA margin 10.1%*

Alkemy is an Italian company established in 2012 and specialized in providing digital transformation services. The Company also offers digital marketing, brand strategy and design. Alkemy was listed in 2017 on the Euronext Growth and in 2019, it was admitted to the MTA. It serves customers through its offices in Italy, Serbia, Spain, the USA and Mexico.

Digital360 (IT):

*FY21 sales €33.7mln;
EBITDA margin 20.5%*

Digital360 is an Italian company focused on marketing and digital transition services. Activities are divided into two units: Demand Generation, which provides digital marketing services, lead generation, physical and hybrid events organization; Advisory&Coaching, which supports companies on their path to digital transformation. The Company has several locations in Italy as well as offices in Spain and South America. It was listed on the Euronext Growth in 2017.

SG Company (IT)

*FY21: sales €11.4mln;
EBITDA margin 13.2%*

SG Company is an Italian Holding with more than 20 years of experience in events organization. It also offers video production, marketing, communication strategy and data services. SG was listed on the Euronext Growth in 2018.

Websolute (IT)

*FY21: sales €18.6mln;
EBITDA margin 15.8%*

Websolute is an Italian digital communication and marketing company, listed on the Euronext Growth since 2019. It provides a wide range of B2B digital services and solutions. Its offering includes web design, cloud and system integration, mobile apps, digital content creation and software training. Websolute is active mainly in Italy, where it serves SMEs mainly in the food, fashion & luxury, home & design, sports & leisure industries.

Leading international agencies

The list includes the leading international advertising agencies, large conglomerates providing a full spectrum of media services including creative, media planning, public relations, corporate communications, digital and interactive advertising, and direct marketing.

Dentsu (JP):

*FY21 sales €8.4bn;
EBITDA margin 19.8%*

Dentsu is a Japanese advertising and public relations company, founded in 1901. The Company is a leading global marketing and advertising agency with offices in more than 80 countries. It provides a wide range of B2B services, including media planning and buying, digital marketing, creative services, and public relations.

Interpublic Group of Companies (US):

*FY21 sales \$10.2bn;
EBITDA margin 19.6%*

Interpublic Group (IPG) is a global advertising and marketing agency founded in 1902 and headquartered in New York. The Company has offices in more than 100 countries and offers its services through three business units: Media, Data & Engagement Solutions, Integrated Advertising & Creativity Led Solutions, Specialized Communications & Experiential Solutions.

Publicis Groupe (FR):
 FY21 sales €11.7bn;
 EBITDA margin 19.5%

Publicis is a multinational advertising and public relations company which was founded in Paris in 1926. It operates through its four business divisions: Publicis Communications, Publicis Sapient, Publicis Media and Publicis Health. The Company is headquartered in Paris and has offices in over 100 countries across Europe, North America, Asia Pacific, Latin America Middle East & Africa.

WPP (UK):
 FY21 sales £12.8bn;
 EBITDA margin 13.7%¹

WPP is a British advertising and public relations company, headquartered in London. The Company was founded in 1985 when Martin Sorrel took a controlling stake of Wire and Plastic Products and began carrying out M&A transaction in the marketing sector.

Other International Agencies

Entravision Communications (US):
 FY21 sales \$760.2mln;
 EBITDA margin 12.1%

Entravision Communications is a US company primarily focused on advertising, but also on media and technology with operations in the US, Latin America, and Southern Asia. The Company business is divided in three units: 1) digital dedicated to advertising and marketing through digital channels, 2) television and 3) audio. The last two operate TV and radio stations with a focus on Spanish-speaking audience.

S4 Capital (UK):
 FY21 sales £686.6mln;
 EBITDA margin 14.7%

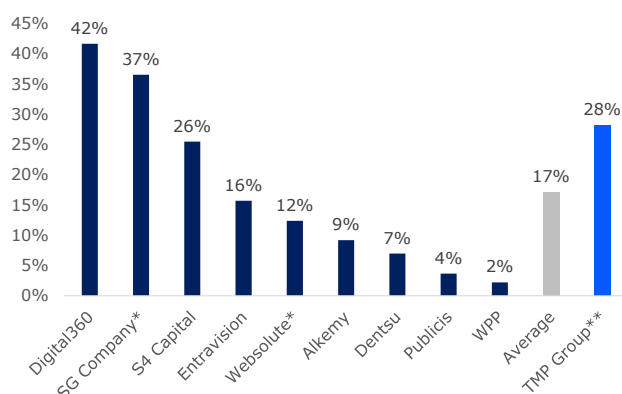
S4 Capital is a UK-based digital advertising and marketing company, with operations in more than 30 countries spread across three segments: Content, Data and Digital Media, and Technology Services. The Company was set up in 2018 by the former CEO of WPP (Martin Sorrel), by buying a listed vehicle on the LSEG, which later acquired MediaMonks and MightyHive. Since then, S4 Capital has acquired more than 25 companies.

Key financials

Sample average revenue CAGR 21-24 at 17%

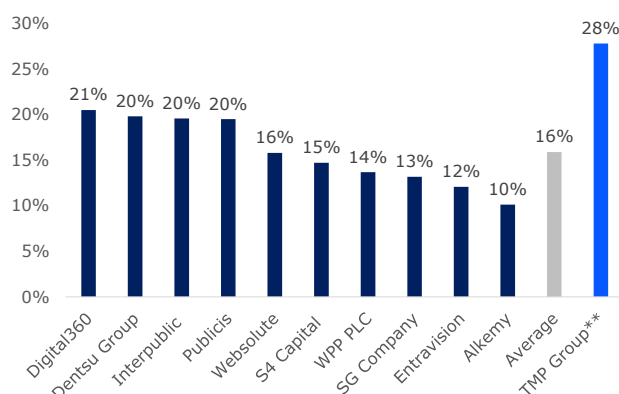
We conduct an analysis on main financial indicators of TMP’s selected competitors, which highlights TMP Group superior 2021 (Pro-forma) marginality and potential revenue growth. In terms of Revenue, the sample has an average revenue CAGR 2021-24 of 17%, whereas our estimate point to a 28% 2021-24E CAGR for TMP.

Figure 32: Sample revenue CAGR 2021-24



Source: Banca Profilo elaborations on Bloomberg data, Banca Profilo, *Based on a single estimate, **2021 Pro-forma

Figure 33: Sample 2021 EBITDA margin



Source: Banca Profilo elaborations on Bloomberg data, Company Data, **2021 Pro-forma

¹ Calculated using FY21 Headline EBITDA (including depreciation of right-of-use assets)

*Sample average
EBITDA margin at
15.9% in 2021*

In terms of EBITDA, the Sample average margin was 15.9% in 2021, well below TMP which achieved a 27.8% EBITDA margin (Pro-forma).

Historical operating and financial performance

Main operating and financial data 2021-2022

Under this first section we analyse FY21 and FY22 figures, as in December 2021 TMP acquired Sportellence and FY20 is not adequate for a like-for-life comparison; instead FY21 is pro-forma and includes Sportellence as if it was consolidated on the 1st of January 2021.

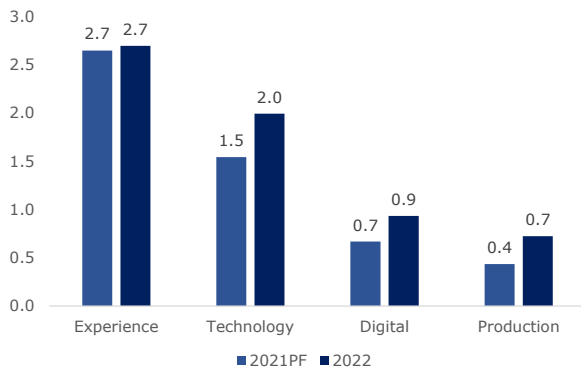
FY22 Total revenues in line with pre-listing guidance

On the 6th of March, TMP Group published its unaudited FY22 Total Revenues, which came in at €6.5mln (+14% yoy compared to pro-forma of FY21), in line with Company’s indications during the prelisting roadshow.

FY22 breakdown: Experience (42%) Technology (31%) Digital (15%) and Production (11%)

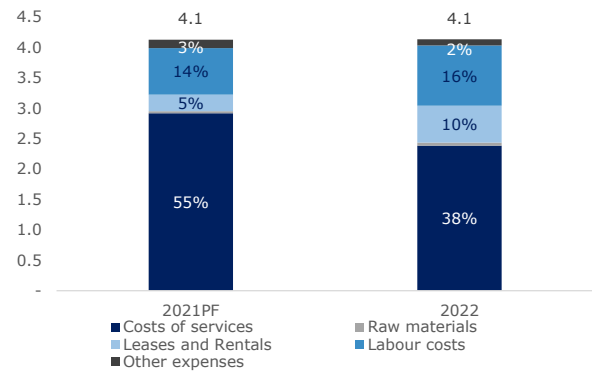
Full results were released on the 29th of March, FY22 revenues were driven by the Experience business which reached €2.7mln (+2% yoy, 42% of revenues). Among the four division, Technology reported the largest revenue growth in absolute terms, reaching €2mln (+29% yoy, 31% of revenues), Digital revenues were €0.9mln (+39% yoy, 15% of revenues) while Production came in at €0.7mln (+66% yoy, 11% of revenues).

Figure 34: revenues breakdown 21–22 (€/mln)



Source: Banca Profilo elaborations on Company data

Figure 35: Total costs (€/mln), weight of costs on sales (%)

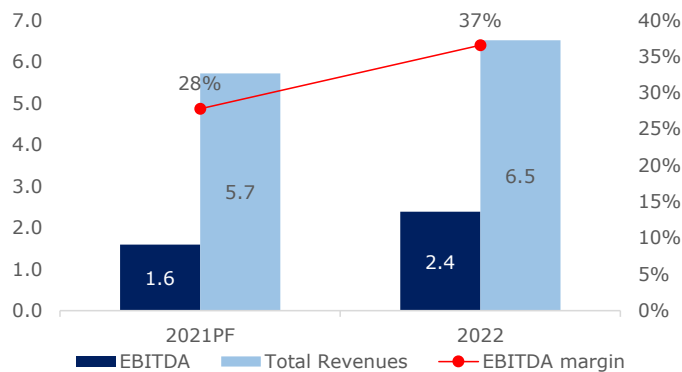


Source: Banca Profilo elaborations on Company data

Costs’ structure mainly impacted by cost of services

Cost structure is mainly impacted by cost of services, which represent more than 58% of total operating expenses. More precisely, cost of services was 38% of Revenues in 2022 declining by 17pp yoy. Labour cost follows with 16% of Revenues in 2022, up by ~1pp yoy. Given TMP’s service-based business, raw materials costs accounted only for ~1% in 2022 and 2021. Finally, in 2022 leases and rentals were €0.6mln (10% of sales), doubling yoy.

Figure 36: EBITDA, Total Revenues (€/mln) and EBITDA margin on Total Revenues 2021–2022



Source: Banca Profilo elaborations on Company data

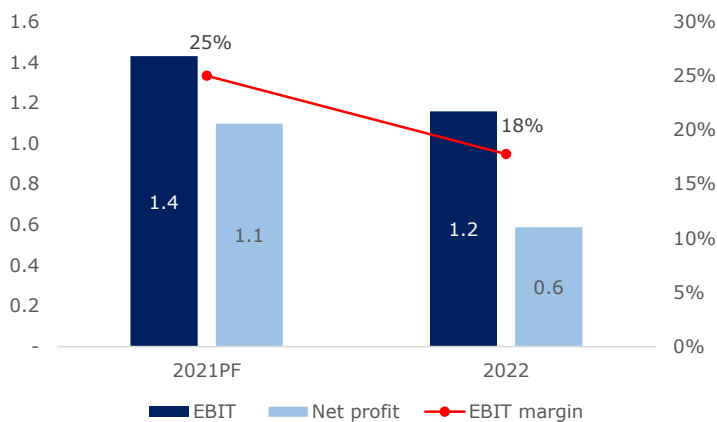
EBITDA margin reached 37% in FY22

In 2022, the Company reported an EBITDA of €2.4mln or 37% margin, expanding by 9pp yoy thanks to considerably lower cost of services in absolute terms.

FY22 EBIT marginality affected by write-off

Given the lean and service-oriented company structure, TMP Group has minor tangible assets; as such depreciation was ~€30k in FY22 and FY21. Most of TMP Group Fixed assets are intangible, therefore amortization is larger than depreciation at €0.1mln in 2021 and €0.3mln in FY22. In 2022, EBIT was €1.2mln down by 19% yoy with a margin of 18% (contracting by 7pp), impacted by €0.9mln write off primarily related to receivables, as well as higher amortization of intangibles. Finally, Net profit was €0.6mln down from €1.1mln in FY21.

Figure 37: EBIT and Net Profit (€/mln), EBIT margin 2021–2022



Source: Banca Profilo elaborations on Company data

Table 1: Income Statement 2021-2022

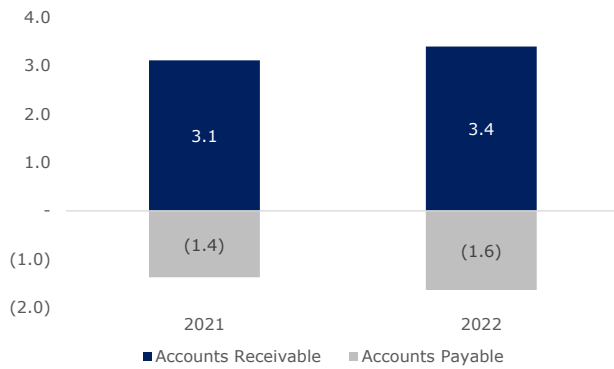
Profit & Loss (€/mln)		2021PF	2022
Experience		2.7	2.7
	yoy		2%
	% on revenues	50%	42%
Technology		1.5	2.0
	yoy		29%
	% on revenues	29%	31%
Digital		0.7	0.9
	yoy		39%
	% on revenues	13%	15%
Production		0.4	0.7
	yoy		66%
	% on revenues	8%	11%
Revenues		5.3	6.4
	yoy		20%
Total revenues		5.7	6.5
	yoy		14%
Costs and changes in raw, ancillary and consumable materials and goods		(0.0)	(0.0)
	% on revenues	1%	1%
Costs of services		(2.9)	(2.4)
	% on revenues	55%	38%
Leases and rentals		(0.3)	(0.6)
	% on revenues	5%	10%
External costs		(3.2)	(3.0)
Value added		2.5	3.5
	% on revenues	47%	55%
Labour costs		(0.8)	(1.0)
	% on revenues	14%	16%
Other operating expenses		(0.1)	(0.1)
	% on revenues	3%	2%
EBITDA		1.6	2.4
	margin	28%	37%
	yoy		50%
D&A		(0.1)	(0.3)
	yoy		174%
	Amortization	(0.1)	(0.3)
	Depreciation	(0.0)	(0.0)
Write off		(0.0)	(0.9)
Provisions for risks		(0.0)	-
EBIT		1.4	1.2
	margin	25%	18%
	yoy		-19%
Net financial expenses		(0.1)	(0.0)
EBT		1.4	1.1
	margin	24%	18%
	yoy		-16%
Taxes		(0.3)	(0.6)
Net profit		1.1	0.6
	margin	19%	9%

Source: Banca Profilo elaborations on Company data

FY22 ONWC stable at €1.8mln, shorter receivables collection and delayed payment terms

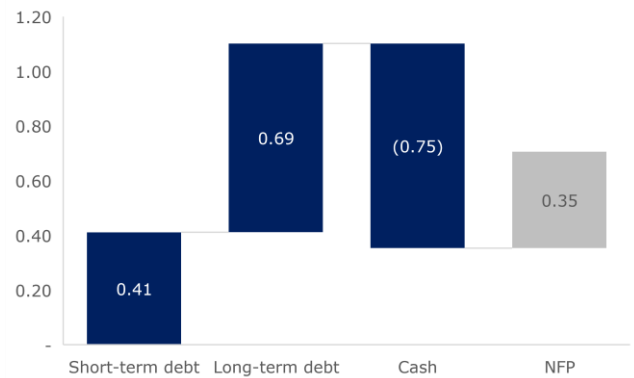
At the end of 2022 Operating Net Working Capital slightly increased to €1.8mln from €1.7mln in 2021, with €3.4mln of Accounts receivable and €1.6mln of Accounts payable. DSO improved by 19 days yoy, this partly reflects a quicker collection, coming from the increasing number of direct customers vs digital marketing agencies, but also the positive effects brought by the receivables write off. DPO extended by 40 days yoy to 189 days. Overall, at the end of 2022, ONWC weight on sales declined by 5pp to 28%.

Figure 38: Operating Net Working Capital breakdown (€/mln)



Source: Banca Profilo elaborations on Company data

Figure 39: FY22 net financial position (€/mln)



Source: Banca Profilo elaborations on Company data

€1.2mln of Fixed assets at the end of FY22

At the end of 2021, the Group showed €0.6mln of Fixed assets, including €305k of intangibles and €254k of tangibles. At the end of December, Fixed assets increased to €1.2mln: while Tangibles remained almost unchanged, Intangibles rose to €1.0mln, which represented the bulk of the Company's capex.

In FY22 Net debt improved by €0.3mln

At the end of December, Net debt was €353k down from €635k at the end of 2021. FY22 Net debt comprises primarily larger liquidity, that increased to €750k from €128k; the remainder includes €0.7mln Long-term debt and €0.4mln Short term debt.

Table 2: Balance Sheet 2021-2022

Balance Sheet (€/mln)		2021PF	2022
Stock		-	-
	<i>% on sales</i>	<i>0.0%</i>	<i>0.0%</i>
	<i>Inventory Days</i>	<i>0</i>	<i>0</i>
Accounts receivable		3.1	3.4
	<i>% on sales</i>	<i>59%</i>	<i>42%</i>
	<i>DSO</i>	<i>214</i>	<i>195</i>
Accounts payable		(1.4)	(1.6)
	<i>% on costs</i>	<i>41%</i>	<i>52%</i>
	<i>DPO</i>	<i>149</i>	<i>189</i>
Operating Net Working Capital		1.7	1.8
	<i>% on revenues</i>	<i>33%</i>	<i>28%</i>
Other current asset and liabilities		0.1	(0.3)
Net Working Capital		1.8	1.4
Intangibles		0.3	1.0
Tangibles		0.3	0.3
Fixed assets		0.6	1.2
Provision for risks and charges		(0.0)	-
Pensions		(0.1)	(0.1)
Labour costs		(0.8)	(1.0)
	<i>Labour costs variation %</i>		<i>39%</i>
Funds		(0.1)	(0.1)
Net Invested Capital		2.2	2.5
Share capital		0.5	0.5
Reserves		0.0	0.1
Share premium reserve		-	-
Accumulated profit (loss)		0.3	1.0
Net profit		0.9	0.6
Minority share		-	-
Equity		1.6	2.2
Net debt (cash)		0.6	0.4
Liquidity		(0.1)	(0.7)
Bank debt		0.8	1.1
	<i>o/w Current debt to banks</i>	<i>0.1</i>	<i>0.4</i>
	<i>o/w Non-current debt to banks</i>	<i>0.6</i>	<i>0.7</i>
Liabilities		2.2	2.5

Source: Banca Profilo elaborations on Company data

2023-2025 Strategy and Financial Estimates

Corporate strategies and main risks

Use of proceeds: 40-50% for technological infrastructure; 35-45% to strengthen publishing products; 10-15% to expand the commercial structure

The IPO proceeds will be used for both internal and external business expansion.

In particular:

- Development of new proprietary technological platform (40-50% of IPO proceeds): the Group intends to strengthen its positioning in the tech media sector by providing content for live interactions in virtual reality. In addition, the Group intends to improve and further develop the online platform for NFT creation (MusaNFT) to expand the userbase. TMP plans to either acquire ready technologies or develop them internally.
- Activities enlargement in the digital and media sector (35-45% of IPO proceeds): the Group intends to develop and expand its publishing products portfolio, by leveraging the know-how in digital, video podcasting, metaverse and NFT, to position itself as a carrier of a brand-new wave of journalism;
- Enlargement of direct and indirect commercial structure (10-15% of IPO proceeds). The Company would like to expand its direct sales structure with additional offices, a manager, and an operations team for each new location.
Furthermore, TMP Group intends to strengthen the indirect sales network by hiring additional resources with the aim of establishing agreements regulated by contracts and framework agreements.

Main risk relates to marginality sustainability

We believe that main risks to business strategies and execution derive from TMP Group's strong marginality. The Company has so far defended it, striking a balance between marginality and top line growth. Moreover, the Company is exposed to the typical risks of relatively small-scale operations.

Defending its strong marginality

- TMP Group aims at robust organic growth, but the Company will need to keep selecting most profitable contracts to preserve its top marginality;
- TMP profitability is mainly driven by the technological soul of the Company, therefore, TMP Group has to maintain its positioning by staying "on the edge" of digital technology as competition tries to catch up putting pressure on margins;

TMP Group is a small company

- The Company is relatively small with less than 30 employees and a quick growth will introduce additional management complexities;
- The Company might be precluded from participating in tenders with strict requirements on revenues or market capitalization;
- Loss of management figures could heavily impact the top line;

Other risks

- TMP Group has been showing declining, but still sizeable portion of sales from related parties (26% in 9M22);
- Receivables turnover is still too low and write off is still a risk;
- Contracts have mostly one-year maturity, impacting on top line growth visibility;
- While TMP Group is not involved in the trading of NFTs, we believe there is a not-so-loose relationship between NFTs market trends and interest from companies;

Our 2023E-2025E estimates

34% Total revenues CAGR 22-25E driven by supportive market trends and TMP strategic positioning

We expect TMP Group to significantly outperform market growth.

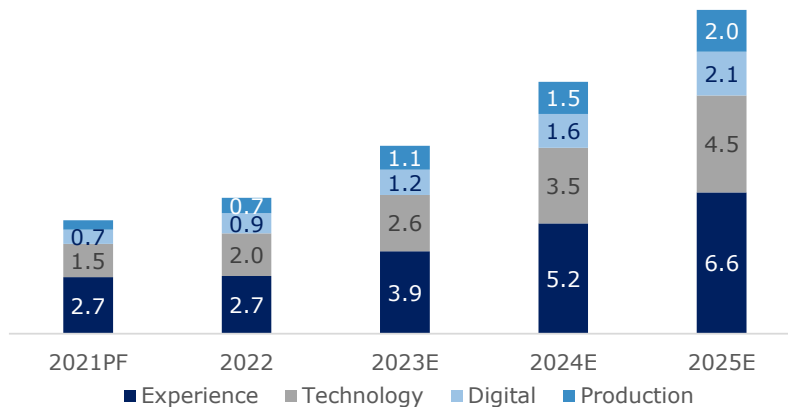
In particular:

- M&E markets are expected to grow at a 4.9% 2021-25 CAGR in Italy, starting from a value of €32.7bn in 2021;
- Regarding the Digital division, market research suggests that digital will be the main advertising expense area from 2022 (>60%), with spending on social media channels growing by 14.8% CAGR 2021-24;
- The Technology division is supported by an expected 36.9% CAGR 2021-28 of the AR & VR market.

We believe these growth rates should be regarded as the lower growth bound across TMP’s different divisions. TMP Group should be able to exceed its reference market trends thanks to its above-average tech skills which allow for either replacing or upgrading digital communication services offered by conventional digital marketing agencies. In addition, the wide spectrum of services provided should enable cross and upselling.

As such, during the explicit period, we estimate a 34% 2022-2025E Total revenues CAGR driven primarily by the Experience division which is expected to account for 44% of yearly sales, while Technology is projected to slightly decline its weight on sales from 31% in FY22 to 30%. Overall, we do not see major changes in revenue breakdown compared to TMP’s FY22 results.

Figure 40: TMP Group Revenues trend 2021-2025E (€ mln)



Source: Banca Profilo elaborations and estimates on Company data

External costs weight to decrease thanks to the declining weight of fixed costs

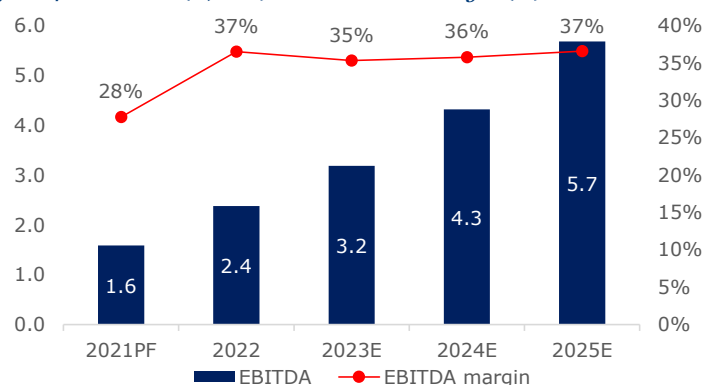
In terms of costs assumptions:

- Raw materials are projected at an average of 1% on revenues;
- Outsourced services are confirmed as main costs. Over the FY23-FY25E period we assume a 41% incidence on sales, a 15pp reduction vs FY21 but 3pp above FY22 to account for expected increase in costs charged by suppliers .
- Leases and rentals are estimated at €0.6mln in 2023 growing by 5% yoy, where the main cost is the Hangar21 lease;

Overall, external costs incidence on revenues is expected to decrease from 48% in FY22 to 46% in FY25E, thanks to the declining weight of fixed costs.

- Labour costs: according to our estimates, the incidence on revenues will slightly increase to 16% in 2023, as we believe TMP Group will hire additional personnel to support its growth.
- Other operating expenses are kept at a constant 2% weight on revenues.

Figure 41: EBITDA (€, mln) and EBITDA margin (%) trend 2021-2025E



Source: Banca Profilo elaborations and estimates on Company data

EBITDA to reach €5.7mln in 2025 or 37% margin

In 2023, we forecast EBITDA to increase to €3.2mln from €2.4mln in FY22, margin is expected to lose 1pp in 2023 as we estimate increasing service costs and an acceleration in hiring. According to our projections, EBITDA will recover FY22 marginality in 2025E, landing on 37% with €5.7mln, driven by revenue growth and operating leverage.

EBIT affected by receivables write off in 2022, marginality to jump in 2023E

Due to the receivable writeoff reported in FY22, we expect EBIT to jump in FY23E to €2.7mln, up by 11pp to 30%. Starting from FY23E, we expect D&A to gradually increase from €0.5mln as we estimate an investment plan of €3.4mln in 2023-2025E, excluding IPO costs (€0.7mln, of which €0.4mln paid in FY22), which have been capitalized. We do not expect further margin improvements beyond FY23E and EBIT is estimated at €4.6mln in FY25E.

Tax rate at 30% in the period 23-25E

Tax rate is estimated at 30% in 2023-2025E. In 2024E we reduce the income tax by 350k thanks to a 50% tax credit that can be used for the period after the completion of listing.

Net income to grow at 76% CAGR

We forecast a 76% Net income CAGR for the period 2022-2025E, with €1.8mln profit in FY23E growing up to €3.2mln in 2025. The strong growth is driven by the weak starting year as the FY22 effective tax rate was 49%. Considering the early stage of the Company, we assume that TMP Group will not pay dividends over the explicit period.

Table 3: TMP Group Profit & Loss 2021-2025E (€ mln)

Profit & Loss (€/mln)		2021PF	2022	2023E	2024E	2025E
Experience		2.7	2.7	3.9	5.2	6.6
	yoy		2%	43%	34%	28%
Technology	% on revenues	50%	42%	44%	44%	44%
		1.5	2.0	2.6	3.5	4.5
Digital	yoy		29%	32%	34%	28%
	% on revenues	29%	31%	30%	30%	30%
Production		0.7	0.9	1.2	1.6	2.1
	yoy		39%	26%	34%	30%
	% on revenues	13%	15%	13%	13%	14%
		0.4	0.7	1.1	1.5	2.0
	yoy		66%	55%	34%	30%
	% on revenues	8%	11%	13%	13%	13%
Revenues		5.3	6.4	8.8	11.8	15.1
	yoy		20%	38%	34%	29%
Total revenues		5.7	6.5	9.0	12.1	15.5
	yoy		14%	38%	34%	29%
Costs and changes in raw, ancillary and consumable materials and goods		(0.0)	(0.0)	(0.1)	(0.1)	(0.2)
	% on revenues	1%	1%	1%	1%	1%
Costs of services		(2.9)	(2.4)	(3.6)	(4.8)	(6.1)
	% on revenues	55%	38%	41%	41%	41%
Leases and rentals		(0.3)	(0.6)	(0.6)	(0.7)	(0.7)
	% on revenues	5%	10%	7%	6%	5%
External costs		(3.2)	(3.0)	(4.3)	(5.6)	(7.0)
Value added		2.5	3.5	4.8	6.5	8.5
	% on revenues	47%	55%	54%	55%	56%
Labour costs		(0.8)	(1.0)	(1.4)	(2.0)	(2.6)
	% on revenues	14%	16%	16%	17%	17%
Other operating expenses		(0.1)	(0.1)	(0.1)	(0.2)	(0.3)
	% on revenues	3%	2%	2%	2%	2%
EBITDA		1.6	2.4	3.2	4.3	5.7
	margin	28%	37%	35%	36%	37%
	yoy		50%	34%	36%	32%
D&A		(0.1)	(0.3)	(0.5)	(0.7)	(1.0)
	yoy		174%	70%	43%	40%
	Amortization	(0.1)	(0.3)	(0.5)	(0.6)	(0.9)
	Depreciation	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)
Write off		(0.0)	(0.9)	(0.0)	(0.0)	(0.0)
Provisions for risks		(0.0)	-	-	-	-
EBIT		1.4	1.2	2.7	3.6	4.6
	margin	25%	18%	30%	30%	30%
	yoy		-19%	130%	34%	30%
Net financial expenses		(0.1)	(0.0)	(0.1)	(0.1)	(0.1)
EBT		1.4	1.1	2.6	3.5	4.6
	margin	24%	18%	29%	29%	30%
	yoy		-16%	126%	35%	30%
Taxes		(0.3)	(0.6)	(0.8)	(0.7)	(1.4)
Net profit		1.1	0.6	1.8	2.8	3.2
	margin	19%	9%	20%	23%	21%

Source: Banca Profilo elaborations and estimates on Company data

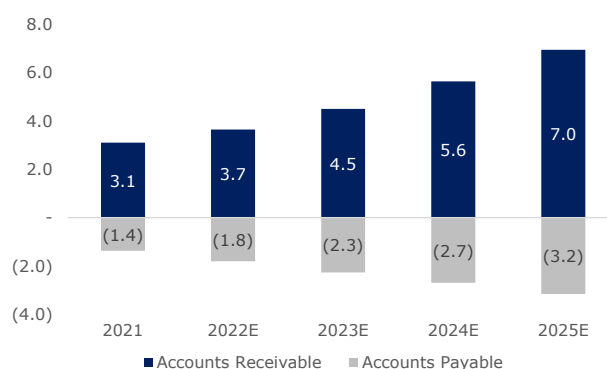
Balance Sheet projections 2023-2025E, gradual improvement of DSO

In FY23E we estimate NOWC to increase (vs 2022 yoy) to €2.3mln in 2022, with a weight of 27% on revenues. In fact, we expect a minor DSO improvement, from 195 in 2022 to 184 in 2025E; conversely, we estimate a deterioration in DPO from 189 in 2022 to 160 in 2025E, which should enable better pricing from suppliers. Thanks to the proceeds from the IPO carried out in February 2023, we expect the Company to move to a €4.1mln net cash position in 2023E and land on a €7.1mln Net Cash position in 2025E.

€3.4mln Capex plan focused on intangible assets

We project €3.4mln of cumulated capex during 2023-2025E, mainly on intangible assets excluding IPO costs. More precisely we forecast €0.8mln capex in 2023E, growing up to €1.5mln in 2025E. Therefore, we expect Fixed assets to grow from €1.2mln in 2022 to €2.6mln in 2025E.

Figure 42: Net Operating Working Capital projections 2021-2025E



Source: Banca Profilo elaborations and estimates on Company data

Table 4: TMP Group Balance sheet 2021-2025E (€ mln)

Balance Sheet (€/mln)	2021PF	2022	2023E	2024E	2025E
Stock	-	-	-	-	-
% on sales	0.0%	0.0%	0.0%	0.0%	0.0%
Inventory Days	0	0	0	0	0
Accounts receivable	3.1	3.4	4.6	6.0	7.6
% on sales	59%	42%	52%	51%	50%
DSO	214	195	190	187	184
Accounts payable	(1.4)	(1.6)	(2.2)	(2.7)	(3.2)
% on costs	41%	52%	49%	47%	44%
DPO	149	189	180	170	160
Operating Net Working Capital	1.7	1.8	2.4	3.3	4.4
% on revenues	33%	28%	27%	28%	29%
Other current asset and liabilities	0.1	(0.3)	0.1	0.2	0.4
Net Working Capital	1.8	1.4	2.5	3.6	4.8
Intangibles	0.3	1.0	1.5	1.7	2.1
Tangibles	0.3	0.3	0.3	0.5	0.6
Fixed assets	0.6	1.2	1.8	2.2	2.6
Provision for risks and charges	(0.0)	-	-	-	-
Pensions	(0.1)	(0.1)	(0.1)	(0.2)	(0.3)
Labour costs	(0.8)	(1.0)	(1.4)	(2.0)	(2.6)
Labour costs variation %	59%	39%	44%	38%	30%
Funds	(0.1)	(0.1)	(0.1)	(0.2)	(0.3)
Net Invested Capital	2.2	2.5	4.2	5.6	7.2
Share capital	0.5	0.5	0.7	0.7	0.7
Reserves	0.0	0.1	0.1	0.1	0.1
Share premium reserve	-	-	4.1	4.1	4.1
Accumulated profit (loss)	0.3	1.0	1.6	3.4	6.2
Net profit	0.9	0.6	1.8	2.8	3.2
Minority share	-	-	-	-	-
Equity	1.6	2.2	8.3	11.1	14.3
Net debt (cash)	0.6	0.4	(4.1)	(5.6)	(7.1)
Liquidity	(0.1)	(0.7)	(5.3)	(6.7)	(8.2)
Bank debt	0.8	1.1	1.2	1.1	1.1
o/w Current debt to banks	0.1	0.4	0.4	0.3	0.2
o/w Non-current debt to banks	0.6	0.7	0.7	0.8	0.8
Liabilities	2.2	2.5	4.2	5.6	7.2

Source: Banca Profilo elaborations and estimates on Company data

€4.0mln of cumulated FCFs in 2023-2025E

Based on our P&L and balance sheet assumptions, we estimate €4.0mln of cumulated FCFs in 2023E-2025E, including €3.4mln of capex and €2.7mln of NOWC needs.

Valuation

DCF method and market multiples

Given TMP Group's cash generating business model, a DCF method well adapts as a valuation approach. Furthermore, we have selected a sample of listed international companies "comparables" to TMP, to suggest an appropriate sample for the relative valuation through market multiples.

DCF valuation

DCF assumptions: €4.0mln of cumulated FCFs

To run a DCF model, we would use our projections of FCFs for the 2023E-25E explicit period: €4.0mln of cumulated FCFs. We would consider the average FCF of €1.3mln as the Terminal Value cash flow.

8.2% WACC

We would use an 8.2% WACC, derived from:

- risk free rate at 4.7%, 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 of 50bps;
- market risk premium equal to 5.5%;
- beta of 0.8 coming from the average of chosen listed peers;
- target Debt to Equity structure, with 80% weight of Equity

In order to get to the Equity Valuation we would consider the €4.1mln Net cash position which includes the IPO proceeds.

Table 5: WACC calculation

WACC Calculation	
Perpetual growth rate	2.0%
WACC	8.2%
Risk free rate (30Y)	4.7%
Equity risk premium	5.5%
Levered Beta	0.8
KE	9.3%
Cost of debt	5.0%
Tax rate	30%
KD	3.5%

Source: Banca Profilo estimates and elaborations

Table 6: TMP Group FCF 2023E-2025E (€ mln)

	2023E	2024E	2025E
EBIT	2.7	3.6	4.6
Taxes	(0.8)	(1.1)	(1.4)
NOPAT	1.9	2.5	3.3
D&A	0.5	0.7	1.0
Operating cash flow	2.4	3.2	4.3
Operating Net Working Capital change	(0.6)	(0.9)	(1.1)
Other funds	0.0	0.1	0.1
Capex	(0.8)	(1.1)	(1.5)
FCF	1.0	1.3	1.8

Source: Banca Profilo elaborations and estimates on Company data

DCF valuation: €17.1/share

The DCF method leads us to an Enterprise Value of €20.4mln and to an Equity Value of €24.5mln showing a fair value of €17.1/share.

Market multiples

EV/EBITDA the multiple to be used To assess a relative valuation of TMP Group through the market multiples approach, we selected a sample of listed national and international companies specialized in marketing services, advertising, events organization, and content production. We suggest using the 2023E EV/EBITDA multiple.

Our selected sample comprises: Alkemy, Dentsu Group, Digital360, Entravision Communications, Interpublic Group, Publicis Groupe, S4 Capital, SG Company, Websolute and WPP.

Table 7: Sample benchmarking on revenue growth and EBITDA margin

Company	Sales Growth				EBITDA margin			
	2021	2022E	2023E	2024E	2021	2022E	2023E	2024E
Websolute SpA	39.3%	13.0%	9.5%	14.8%	15.8%	12.9%	16.1%	20.5%
Digital360 SpA	29.0%	67.1%	52.2%	13.9%	20.5%	18.2%	19.7%	20.6%
Publicis Groupe SA	8.8%	20.9%	-8.7%	3.5%	19.5%	19.0%	22.1%	22.0%
Alkemy SpA	27.1%	10.7%	9.3%	7.6%	10.1%	11.0%	12.1%	12.7%
WPP PLC	6.7%	12.7%	-7.0%	4.9%	13.7%	13.0%	16.4%	16.3%
Interpublic Group of Cos Inc/T	13.0%	6.7%	-7.8%	4.0%	19.6%	17.6%	18.3%	18.4%
Entravision Communications Co	121.0%	21.5%	6.5%	11.3%	12.1%	11.0%	8.9%	10.9%
S4 Capital PLC	100.4%	42.0%	16.6%	19.4%	14.7%	12.4%	14.0%	14.9%
Dentsu Group Inc	15.6%	14.6%	2.3%	4.4%	19.8%	17.7%	18.9%	19.5%
SG Co SB SpA	13.6%	82.6%	21.2%	15.1%	13.2%	2.4%	4.4%	10.0%
Mean (ex SG Company)	43.2%	24.3%	8.8%	9.9%	15.7%	14.4%	16.0%	17.0%
TMP Group		19.8%	38.3%	33.9%	27.8%	36.6%	35.4%	35.8%

Source: Banca Profilo elaborations on Bloomberg data (as of 30th March), Banca Profilo

Table 8: Sample market multiples

Company	EV / EBITDA			
	2021	2022E	2023E	2024E
Websolute SpA	8.5x	9.1x	6.6x	4.5x
Digital360 SpA	14.6x	9.8x	6.1x	5.2x
Publicis Groupe SA	8.8x	7.3x	6.9x	6.7x
Alkemy SpA	9.3x	8.8x	6.9x	6.1x
WPP PLC	7.7x	8.2x	6.9x	6.6x
Interpublic Group of Cos Inc/T	7.6x	8.1x	8.5x	8.1x
Entravision Communications Co	7.2x	9.1x	7.6x	5.6x
S4 Capital PLC	10.3x	9.7x	7.5x	6.0x
Dentsu Group Inc	6.3x	5.7x	5.2x	4.8x
SG Co SB SpA	6.6x	20.9x	9.5x	3.6x
Mean (ex SG Company)	9.3x	8.4x	6.9x	6.0x
Median	8.5x	8.8x	6.9x	6.0x
TMP Group		3.3x	2.5x	1.8x

Source: Banca Profilo estimates and elaborations on Bloomberg (as of 30th March)

Table 9: Relative valuation

Relative Valuation on market multiples	
EV/EBITDA 23	EBITDA
6.9x	3.2
Liquidity Discount	
15%	
EV/EBITDA 23 discounted	
5.9x	
ENTERPRISE VALUE	NET DEBT
18.7	(4.1)
EQUITY VALUE	
22.8	
Price per share	15.9

EV/EBITDA FY23E at 5.9x after 15% liquidity discount

Considering the sample of peers, the EV/EBITDA 2023E is 6.9x (as of March, the 30th). While we included SG Company due to investor’s familiarity with the company, we decided to exclude it from the averages as its marginality is considerably lower than the rest of the panel. Considering TMP thin trading volumes, we apply a 15% liquidity discount to the Sample multiple.

Market multiples valuation: €15.9/share

The relative method leads us to an Enterprise Value of €18.7mln and to an Equity Value of €22.8mln or €15.9/share.

TP €16.5/sh, BUY

We took the simple average of the DCF and multiple valuation and end up with a TP of €16.5/sh. Given the significant potential upside on TMP Group closing price (as of 30 March 2023), we set a BUY recommendation.

TMP Group "ID Card"

Recommendation
BUY

Target Price
16.5 €

Upside
91%

Company Overview

TMP Group provides digital communications solutions and hybrid events creation characterized by high technological content. TMP takes B2B clients towards their transition to new communication solutions through a technological shift which also includes the Metaverse and NFTs. TMP Group operates through four divisions:

- i) Experience, organization and creation of physical, digital and hybrid events;
- ii) Technology, activities based on NFTs, metaverse and blockchain as well as the organization of Virtual and Augmented Reality projects.
- iii) Digital, digital agency business consisting in Brand Strategy & Social Media, Performance Marketing and Influencer Marketing;
- iv) Production, related to content creation such as video and podcasts;

Thanks to its transversal capabilities the Group enables synergies between the operational activities, up-selling different services from its catalogue as well as gaining new potential clients given the extensive range of offering. TMP Group organizational structure oversees the entire value chain, articulated from R&D to After-sales assistance, a building block of the cross-selling strategy and useful to build a proper understanding of the future needs of customers. Contracts duration is 6 to 12 months, even though TMP also has long-term contracts (36-48 months). Client acquisition is carried out both through the indirect channel, build on long-lasting relationship with leading digital marketing agencies, and directly by the Company sales force. Over the years TMP Group increased the stake of revenue coming from direct selling, which now represents the bulk of sales at about 70%. This is beneficial in terms of marginality and receivables turnover. The Company has a highly diversified clients portfolio, serving Italian and international top brands in industries such as finance, pharmaceuticals, media, defence, sport and tech.

Hangar21 is the headquarter, a digital production hub, located in Milan dedicated to the conception, development, production, and diffusion of digital and creative content through its technological infrastructure. Moreover, Hangar21 can host events and fairs, with an exposition area for 200 people.

SWOT Analysis

Strengths

- Process management aimed at profitability
- Superior marginality compared to competition
- Over 40% turnover with recurring fees
- Internal know-how allows wide spectrum of services that can be provided
- High sectorial diversification
- Advanced digital technology know-how
- Financial firepower thanks to recent listing

Opportunities

- Strong underlying market trends, as digital and social media are becoming the main communication asset
- Metaverse and NFT platforms in worldwide development
- Fragmented competition
- Upselling and cross selling of services
- Replication and scalability of Hangar21 model in new geographies
- Growth strategy by external lines

Weaknesses

- Still non-well-structured processes
- Declining, but sizeable portion of sales from related parties
- Small company size might preclude TMP from participating in tenders with strict requirements
- Still too long DSO

Threats

- Larger company size could bring increased complexity
- Necessity to stay "on the edge" of digital technology
- Keeping significant growth might squeeze marginality

Main catalysts

- 👍 Majority of global advertising expenses being directed across digital channel
- M&E markets are expected to steadily grow at between 2021-25 in Italy
- Companies are interested to land on the metaverse, but they necessitates a partner to navigate the sector
- Strong expected growth in the VR and AR sectors

Main risks

- 👎 Maintaining robust organic growth, yet selecting most profitable contracts to preserve high profitability;
- TMP profitability is mainly driven by the technological soul of the Company, therefore, TMP Group has to maintain its positioning by staying "on the edge" of digital technology as competition tries to catch up putting pressure on margins;
- TMP is relatively small with less than 30 employees and a quick growth will introduce additional management complexities;
- The Company might be precluded from participating in tenders with strict requirements on revenues or market capitalization;
- Loss of management figures could heavily impact the top line;
- TMP has been showing declining, but still sizeable portion of sales from related parties;
- Receivables turnover is still too low and write off is still a risk;
- Contracts have mostly one-year maturity, impacting on topline growth visibility;
- While TMP is not involved in NFTs trading, there is a not-so-loose relationship between NFTs market trends and companies interests



**TMP Group
"ID Card"**

Recommendation

Target Price

Upside

BUY

16.5 €

91%

Mar 31, 2023 at 16:00

(€/000)	2021PF	2022	2023E	2024E	2025E
Revenues	5.3	6.4	8.8	11.8	15.1
yoy		19.8%	38.3%	33.9%	28.6%
Total revenues	5.7	6.5	9.0	12.1	15.5
yoy		13.9%	38.3%	33.9%	28.6%
EBITDA	1.6	2.4	3.2	4.3	5.7
EBITDA margin (%)	27.8%	36.6%	35.4%	35.8%	36.6%
EBIT	1.4	1.2	2.7	3.6	4.6
EBIT margin (%)	25.0%	17.8%	29.5%	29.6%	29.9%
EBT	1.4	1.1	2.6	3.5	4.6
EBT margin (%)	24.1%	17.6%	28.9%	29.1%	29.5%
Net income	1.1	0.6	1.8	2.8	3.2
Margin (%)	19.2%	9.0%	20.2%	23.3%	20.7%
Net debt/(cash)	0.6	0.4	(4.1)	(5.6)	(7.1)
Shareholders Equity	1.6	2.2	8.3	11.1	14.3
Net Operating Working Capital	1.7	1.8	2.4	3.3	4.4
Capex and acquisitions	(0.4)	(1.0)	(0.8)	(1.1)	(1.5)
Free Cash Flow	(0.4)	0.1	1.0	1.3	1.8

Revenue breakdown by business unit	2021PF	2022	2023E	2024E	2025E
Experience	2.7	2.7	3.9	5.2	6.6
Technology	1.5	2.0	2.6	3.5	4.5
Digital	0.7	0.9	1.2	1.6	2.1
Production	0.4	0.7	1.1	1.5	2.0
Revenues	5.3	6.4	8.8	11.8	15.1

Solvency Ratios	2021PF	2022	2023E	2024E	2025E
Net debt (cash) / EBITDA	0.4x	0.2x	-0.5x	-0.5x	-0.5x
Net debt (cash) / Equity	0.1x	0.1x	-0.4x	-0.4x	-0.4x

Financial and Operative ratios	2021PF	2022	2023E	2024E	2025E
Tax rate	20%	49%	30%	20%	30%
ROIC	51%	23%	44%	51%	45%
ROE	68%	27%	22%	25%	22%
Days Sales Outstanding	214	195	190	187	184
Days Payables Outstanding	149	189	180	170	160
Capex/Sales	7%	14%	13%	9%	9%
Current ratio	2.1	1.8	5.7	5.3	5.5

Source: Bloomberg, Banca Profilo estimates and elaborations

Company Description

Company Sector	Advertising & Marketing
Price (€)	8.7
Number of shares (mln)	1.4
Market Cap (€ mln)	12.2
Reference Index	FTSE Italia Small Cap
Main Shareholders	Maria Teresa Astorino, Roberto Rosati
Main Shareholder stake	51.9%
Free Float	26.6%
Daily Average Volumes	610
Sample of comparables	Alkemy (IT), Dentsu Group (JP), Digital360 (IT), Entravision Communications (US), Interpublic Group (US), Publicis Groupe (FR), S4 Capital (UK), Websolute (IT) and WPP (UK).

Data of peers

	2021	2022	2023E
Sales Growth (yoy)	43.2%	24.3%	8.8%
EBITDA Margin	15.7%	14.4%	16.0%

Average data

Multiples of peers

	2022	2023E
EV / EBITDA	8.4x	6.9x

Average data

DISCLAIMER**ANALYST'S AND BANK'S INFORMATION**

THIS DOCUMENT CONCERNING TMP GROUP, (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 [MARCH, 31ST, 16:00].

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 PERFORMANCE 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 SOLICITATION

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 GLOBAL COORDINATOR IN THE IPO PROCESS, IT IS PRESENTLY NOMAD, CORPORATE BROKER AND SPECIALIST 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".