

Company:	Rating:	Target Price:	Sector:
TMP Group	BUY	€11.6 (from €16.5)	Advertising & Marketing

Saudi Arabia to drive 2024 growth

October 17, 2023

Revenue growth driven by Experience but far from our FY23E

TMP Group reported its 1H23 consolidated results: total revenues rose by 16% to €3.3m. While the Company's revenues tend to be concentrated in 2H, 1H23 revenues were only 37% on our FY23 estimate (€9m) [Please refer to our Initial Coverage on 31 March 2023], and therefore 7pp below 1H22/FY22 (44%). The sales divisional breakdown is as follows: Experience increased by 15% to €1.5m, Technology increased by 13% to €0.9m, Digital increased by 34% to €0.5m, Production decreased by 37% to €0.2m. Experience accounted for 49% of revenues (+5pp vs our FY estimates), while Technology was 29% (in line vs our FY estimates), Digital 16% (+3pp vs our FY estimates), Production 6% (-6pp vs our FY estimates). EBITDA was €0.7m and down by 3% yoy driven by higher labor (+27% yoy) leases and rentals (x3 vs 1H22). EBITDA margin was 22% (-4pp yoy) and below our FY23E margin (35%). We note that in 2022 there was a sizeable difference in marginality across semester due to seasonality, with 1H22 EBITDA marginality 18pp below 2H22.

Receivables write off continue to affect EBIT

EBIT was €0.2m and down by 64% yoy due to higher D&A (€0.2m) and receivables write-off (€0.3m); EBIT margin was 7% (-15pp yoy) and below our FY23E margin (30%). Net income was €-17k vs €0.6m in 1H22. In June, net debt improved to €-1.8m (cash positive) from €0.4m at the end of 2022. We remind that in February the Company raised €~4.3m through the IPO, therefore the net cash position was offset by investments in intangible and NWC cash absorption due to higher receivables of €4.6m (vs €3.4m in December 2022) and lower payables of €1.3m (vs €1.6m in December 2022).

Estimates update, growth driven by agreement in Saudi Arabia

Following a disappointing 1H23, we cut our revenue estimates for 23E-25E but we still foresee seasonality effects to play a role in 2H23 and we estimate 23E revenue of €7.1m (-19% vs previous €8.8m), which implies a 29% growth in 2H23 vs 1H23. We expect the new agreement with Events Zone in Saudi Arabia to play a consistent role in 24E growth, therefore while we cut our 24E estimates by 20% to €9.4m and our 25E by 25% to €11.3m, they still imply a yoy growth of 32% and 20% respectively. In line with margin contraction in 1H23 vs 1H22, we reduced our 23-25E EBITDA margin by 3pp on average as strong revenue growth might put downward pressure on the marginality of new contracts. We remain cautious about receivables and include a further €0.3m write off in 2H23 and a €0.5m charge in 24E. Given lower expected revenues and marginality, net cash in 23-25E is now down on average by €2.2m vs our previous estimate. Moreover, cumulated FCFs have been halved to €1.9m vs our previous estimates.

Valuation: BUY confirmed; 12-month target price cut to €11.6

We cut our estimates significantly at both top line and EBITDA level, as such both our valuation methods have been negatively affected. More precisely, DCF valuation has been reduced to €13.1/sh (vs previous €17.1) due to 52% lower cumulated FCFs of €1.9m (vs previous €4m) as well as a TV reduced by 2% to €1.3m. Relative valuation was reduced due to both lower 23E EBITDA and lower market multiples. Based on a 6.4x EV/EBITDA 23 (vs previous 6.9x), to which we apply a 15% liquidity discount. We end up with €10.2/sh (vs previous €15.9). Based on the average valuation coming from the two methods, we get a TP of €11.6/sh (vs previous €16.5/sh). We maintain our BUY recommendation on the back of undemanding valuation at 1.8x EV/EBITDA23, a steep discount compared to peers, despite higher margins.

Company Profile

Bloomberg	TMP IM
FactSet	TMP-IT
Stock Exchange	Italian Stock Exchange
Reference Index	FTSE Italia Growth

Market Data

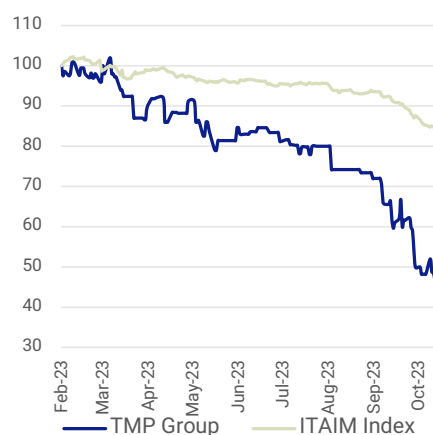
Last Closing Price	4.32
Number of shares	1.4
Market cap. (mln)	6.1

Performance from IPO

Absolute	-57%
Max / Min	10.2 / 4.32

(€mln)	2021P	2022	2023E	2024E	2025E
Total revenues	5.7	6.5	7.5	9.8	11.6
yoy (%)		14%	15%	31%	18%
EBITDA	1.6	2.4	2.3	3.2	3.9
margin (%)	28%	37%	31%	33%	34%
EBIT	1.4	1.2	1.2	2.0	2.9
margin (%)	25%	18%	16%	21%	25%
Net profit	1.1	0.6	0.6	1.2	2.0
margin (%)	19%	9%	8%	12%	17%
Net Debt	0.6	0.4	(2.6)	(3.3)	(4.4)
Sh. Equity	1.6	2.2	7.1	8.3	10.3
Capex	(0.4)	(1.0)	(0.8)	(1.1)	(1.5)
FCFs	(0.4)	0.1	(0.3)	0.9	1.3

Performance from IPO


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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 capital increase

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

OPPORTUNITY

- 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

THREATS

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

1H23 results

Revenue growth driven by Experience

In 1H23 TMP Group reported total revenues up by 16% yoy to €3.3m. While the Company's revenues tend to be concentrated in 2H, 1H23 revenues were only 37% on our FY23 estimate (€9m) [Please refer to our Initial Coverage on 31 March 2023], and therefore 7pp below 1H22/FY22 (44%). The sales divisional breakdown is as follows: Experience increased by 15% to €1.5m, Technology increased by 13% to €0.9m, Digital increased by 34% to €0.5m, Production decreased by 37% to €0.2m. Experience accounted for 49% of revenues (+5pp vs our FY estimates), while Technology was 29% (in line vs our FY estimates), Digital 16% (+3pp vs our FY estimates), Production 6% (-6pp vs our FY estimates).

Figure 1: Revenue breakdown 1H22-1H23 (€, mln)

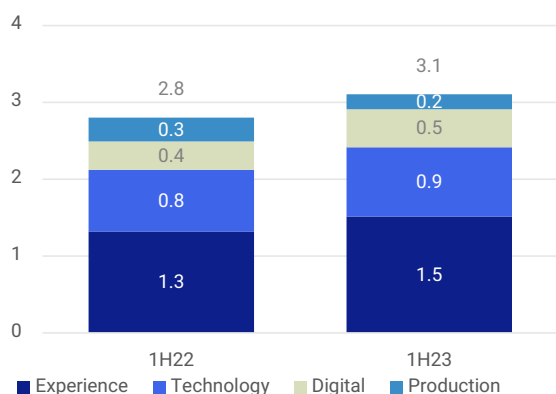
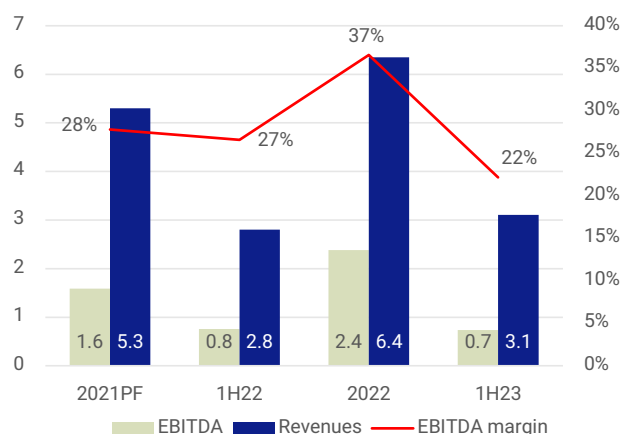


Figure 2: EBITDA (€, mln) and EBITDA margin (%)



Source: Banca Profilo elaborations and estimates on Company data

EBITDA down by 3% yoy

EBITDA was €0.7m and down by 3% yoy driven by higher labour (+27% yoy) leases and rentals (x3 vs 1H22). EBITDA margin was 22% (-4pp yoy) and below our FY23E margin (35%). We note that in 2022 there was a sizeable difference in marginality across semester due to seasonality, with 1H22 EBITDA marginality 18pp below 2H22.

EBIT still affected by write offs

EBIT was €0.2m and down by 64% yoy due to higher D&A (€0.2m) and receivables write-off (€0.3m), EBIT margin was 7% (-15pp yoy) and below our FY23E margin (30%). Net income was €-17k vs €0.6m in 1H22.

ONWC absorption

In June, net debt improved to €-1.8m (cash positive) from €0.4m at the end of 2022. We remind that in February the Company raised €~4.3m through the IPO, therefore the net cash position was offset by investments in intangible and NWC cash absorption due to higher receivables of €4.6m (vs €3.4m in December 2022) and lower payables of €1.3m (vs €1.6m in December 2022).

Table 1: Revenue by division 1H22-1H23 (€, mln)

Revenue Breakdown	2021PF	1H22	2022	1H23
Experience	2.7	1.3	2.7	1.5
<i>yoy (%)</i>	<i>0.0%</i>	<i>0.0%</i>	<i>1.8%</i>	<i>14.6%</i>
<i>on revenues (%)</i>	<i>50%</i>	<i>47%</i>	<i>42%</i>	<i>49%</i>
Technology	1.5	0.8	2.0	0.9
<i>yoy (%)</i>	<i>0%</i>	<i>0%</i>	<i>29%</i>	<i>13%</i>
<i>on revenues (%)</i>	<i>29%</i>	<i>29%</i>	<i>31%</i>	<i>29%</i>
Digital	0.7	0.4	0.9	0.5
<i>yoy (%)</i>	<i>0.0%</i>	<i>0.0%</i>	<i>39.4%</i>	<i>33.5%</i>
<i>on revenues (%)</i>	<i>13%</i>	<i>13%</i>	<i>15%</i>	<i>16%</i>
Production	0.4	0.3	0.7	0.2
<i>yoy (%)</i>	<i>0.0%</i>	<i>0.0%</i>	<i>66.1%</i>	<i>-37.4%</i>
<i>on revenues (%)</i>	<i>8%</i>	<i>11%</i>	<i>11%</i>	<i>6%</i>
Revenues	5.3	2.8	6.4	3.1

Source: Banca Profilo elaborations and estimates on Company data

Table 2: Income Statement 1H22-1H23 (€, mln)

Profit & Loss (€/mln)	2021PF	1H22	2022	1H23
Revenues	5.30	2.80	6.35	3.11
Other revenues	0.42	0.05	0.17	0.21
Total revenues	5.72	2.86	6.52	3.31
<i>yoy (%)</i>			<i>14%</i>	<i>16%</i>
Raw materials	(0.04)	(0.02)	(0.05)	(0.02)
Cost of services	(2.92)	(1.39)	(2.39)	(1.45)
Leases and rentals	(0.27)	(0.10)	(0.61)	(0.33)
Labour costs	(0.77)	(0.50)	(0.99)	(0.63)
Other operating expenses	(0.14)	(0.09)	(0.10)	(0.16)
EBITDA	1.59	0.76	2.38	0.73
<i>margin (%)</i>	<i>28%</i>	<i>27%</i>	<i>37%</i>	<i>22%</i>
<i>yoy (%)</i>			<i>50%</i>	<i>-3%</i>
Amortization	(0.08)	(0.04)	(0.26)	(0.20)
Depreciation	(0.03)	(0.02)	(0.03)	(0.01)
Write off	(0.02)	(0.08)	(0.93)	(0.30)
EBIT	1.43	0.63	1.16	0.22
<i>margin (%)</i>	<i>25%</i>	<i>22%</i>	<i>18%</i>	<i>7%</i>
<i>yoy (%)</i>		<i>0.0%</i>	<i>-19%</i>	<i>-64%</i>
Net financial expenses	(0.05)	(0.04)	(0.01)	(0.07)
Taxes	(0.28)	(0.02)	(0.56)	(0.17)
<i>Tax rate (%)</i>	<i>20%</i>	<i>4%</i>	<i>49%</i>	<i>111%</i>
Net profit	1.10	0.56	0.59	(0.02)
<i>margin (%)</i>	<i>19%</i>	<i>20%</i>	<i>9%</i>	<i>-1%</i>

Source: Banca Profilo elaborations and estimates on Company data

Table 3: Balance Sheet 2021-1H23 (€, mln)

Balance Sheet (€/mln)	2021PF	2022	1H23
Accounts receivable	3.1	3.4	4.6
Accounts payable	(1.4)	(1.6)	(1.3)
Operating Net Working Capital	1.7	1.8	3.3
Other Current assets	0.8	0.8	0.6
Other Current liabilities	(0.7)	(1.2)	(1.1)
Net Working Capital	1.8	1.4	2.8
Intangibles	0.3	1.0	1.6
Tangibles	0.3	0.3	0.3
Fixed assets	0.6	1.2	1.9
Pensions	(0.1)	(0.1)	(0.1)
Labour costs	(0.8)	(1.0)	(0.6)
Net Invested Capital	2.2	2.5	4.6
Share capital	0.5	0.5	0.7
Reserves	0.0	0.1	0.1
Share premium reserve	-	-	4.1
Accumulated profit (loss)	0.3	1.0	1.6
Net profit	0.9	0.6	(0.0)
Equity	1.6	2.2	6.5
Net debt (cash)	0.6	0.4	(1.8)
Liquidity	(0.1)	(0.7)	(2.9)
Bank debt	0.8	1.1	1.0
Liabilities	2.2	2.5	4.6

Source: Banca Profilo elaborations and estimates on Company data

Strategy and estimates

Corporate strategies

- Saudi Arabia to drive FY24 sales** On October 9, TMP announced that it had signed an exclusive supply agreement with Events Zone, a company operating in the large events sector headquartered in Riyadh (Saudi Arabia). The partnership will last until the end of 2024 and TMP Group will act as the only strategic partner in the production of major events in Saudi Arabia supporting Events Zone. This should account for a consistent portion of 2024 revenue growth.
- M&A by year end** In an interview published on October 14, TMP Group’s CEO Roberto Rosati confirmed the Company’s interest in M&A, targeting an acquisition by year end with revenues below TMP but with a good growth rate.
- Strengthening geographical position** In May, TMP joined the Spanish network of companies "Hub of Brands," which comprises 25 companies, specialized in marketing, technology and innovation. This partnership should unlock new opportunities and strengthen TMP positioning in Madrid.
- €500k contract with INDI Agency** In September, TMP signed a strategic partnership with INDI Agency which is expected to generate €500k of revenues by the end of FY23. The agreement will allow the exchange of services between the two Companies with offer completion and cross-selling logics. More precisely, TMP Group will support INDI Agency in the production of content and in the development of Web 3.0 solutions. INDI Agency was founded at the end of 2022 with the aim of introducing in the market a strategic-creative consultancy model based on specific needs such as corporate, industrial, start-ups and new media.

2023-2025 estimates revision

- 2H23 to drive revenue growth** Following a mildly disappointing 1H23 we cut our revenue estimates for 23E-25E. Nevertheless, we still expect seasonality effects to play a consistent role in 2023 and we estimate 23E revenue of €7.1m (-19% vs previous €8.8m), this assumes a 29% growth in 2H23 vs 1H23.
- Consistent cut for 24-25E, Saudi Arabia as the key driver** While we decreased our FY24E revenue in absolute terms to €9.4m (-20% vs previous €11.8m), we kept a consistent 32% yoy growth (vs previous 34%), on the back of the new agreement with Events Zone in Saudi Arabia. Given less clear revenue growth drivers we now estimate a 20% yoy growth in our 25E to €11.3m (-25% vs previous €15.1m).
- EBITDA Margin downgrade** Given the margin contraction in 1H23 vs 1H22, we reduced our 23E-25E EBITDA margin by 3pp on average as strong revenue growth might put downward pressure on marginality of new contracts.

Figure 3: Costs breakdown (21PF-25E)

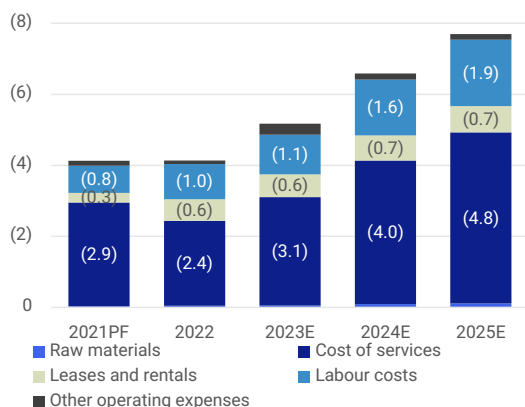
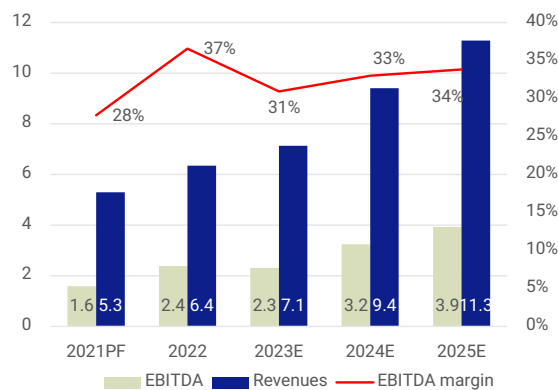


Figure 4: Revenue, EBITDA and margin (21PF-25E)



Source: Banca Profilo elaborations and estimates on Company data

Further receivables write offs TMP Group incurred a €0.9mln write off in FY22 and €0.3mln in 1H23, while the Company has signed repayment plans with its counterparties we prefer to keep a conservative approach and include €0.3mln write offs in 2H23 and €0.5mln in 24E.

Slower receivables collection in 23E Finally, we increased our assumptions on DSOs for 23E, following the spike witnessed in 1H23. After 2023, we expect a natural improvement in the trend due the effect of the write off as well as a progression thanks to better selection of counterparties.

Table 4: Revenue breakdown by division 21PF-25E (€, mln)

Revenue Breakdown (€/mln)	2021PF	2022	2023E		2024E		2025E	
			Old	New	Old	New	Old	New
Experience	2.7	2.7	3.9	3.2	5.2	4.2	6.6	5.0
yoy (%)	0.0%	2%	43%	17%	34%	32%	28%	20%
on revenues (%)	50%	42%	44%	44%	44%	44%	44%	44%
Technology	1.5	2.0	2.6	2.2	3.5	3.0	4.5	3.5
yoy (%)	0%	29%	32%	12%	34%	32%	28%	20%
on revenues (%)	29%	31%	30%	31%	30%	31%	30%	31%
Digital	0.7	0.9	1.2	1.2	1.6	1.6	2.1	2.0
yoy (%)	0.0%	39%	26%	32%	34%	32%	30%	20%
on revenues (%)	13%	15%	13%	17%	13%	17%	14%	17%
Production	0.4	0.7	1.1	0.5	1.5	0.7	2.0	0.8
yoy (%)	0.0%	66%	55%	-30%	34%	30%	30%	20%
on revenues (%)	8%	11%	13%	7%	13%	7%	13%	7%
Revenues	5.3	6.4	8.8	7.1	11.8	9.4	15.1	11.3

Source: Banca Profilo elaborations and estimates on Company data

Lower net cash and FCF generation Given lower expected revenues and marginality net cash in 23E-25E is now down on average by €2.2mln vs our previous estimates. Moreover, cumulated FCF have been halved to €1.9mln vs our previous estimates.

Table 5: Income Statement 21PF-25E (€, mln)

Income Statement (€/mln)	2021PF	2022	2023E		2024E		2025E	
			Old	New	Old	New	Old	New
Revenues	5.3	6.4	8.8	7.1	11.8	9.4	15.1	11.3
Other revenues	0.4	0.2	0.2	0.4	0.3	0.4	0.4	0.3
Total revenues	5.7	6.5	9.0	7.5	12.1	9.8	15.5	11.6
yoy (%)		14%	38%	15%	34%	31%	29%	18%
Raw materials	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.1)
Cost of services	(2.9)	(2.4)	(3.6)	(3.1)	(4.8)	(4.0)	(6.1)	(4.8)
Leases and rentals	(0.3)	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)	(0.7)	(0.7)
Labour costs	(0.8)	(1.0)	(1.4)	(1.1)	(2.0)	(1.6)	(2.6)	(1.9)
Other operating expenses	(0.1)	(0.1)	(0.1)	(0.3)	(0.2)	(0.2)	(0.3)	(0.2)
EBITDA	1.6	2.4	3.2	2.3	4.3	3.2	5.7	3.9
margin (%)	28%	37%	35%	31%	36%	33%	37%	34%
yoy (%)		50%	34%	-3%	36%	40%	32%	21%
D&A	(0.1)	(0.3)	(0.5)	(0.5)	(0.7)	(0.7)	(1.0)	(1.0)
Write off	(0.0)	(0.9)	(0.0)	(0.6)	(0.0)	(0.5)	(0.0)	-
EBIT	1.4	1.2	2.7	1.2	3.6	2.0	4.6	2.9
margin (%)	25%	18%	30%	16%	30%	21%	30%	25%
yoy (%)		-19%	130%	4%	34%	68%	30%	44%
Net financial expenses	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Taxes	(0.3)	(0.6)	(0.8)	(0.4)	(0.7)	(0.7)	(1.4)	(0.8)
Tax rate (%)	20%	49%	30%	42%	20%	38%	30%	30%
Net profit	1.1	0.6	1.8	0.6	2.8	1.2	3.2	2.0
margin (%)	19%	9%	20%	8%	23%	12%	21%	17%

Source: Banca Profilo elaborations and estimates on Company data

Table 6: Balance Sheet 21-25E (€, mln)

Balance Sheet (€/mln)	2021PF		2023E		2024E		2025E	
	2021PF	2022	Old	New	Old	New	Old	New
Accounts receivable	3.1	3.4	4.6	4.1	6.0	4.8	7.6	5.6
Accounts payable	(1.4)	(1.6)	(2.2)	(1.4)	(2.7)	(1.9)	(3.2)	(2.4)
Operating Net Working Capital	1.7	1.8	2.4	2.7	3.3	2.8	4.4	3.2
Other current asset and liabilities	0.1	(0.3)	0.1	0.1	0.2	0.2	0.4	0.3
Net Working Capital	1.8	1.4	2.5	2.8	3.6	3.0	4.8	3.5
Intangibles	0.3	1.0	1.5	1.5	1.7	1.7	2.1	2.1
Tangibles	0.3	0.3	0.3	0.3	0.5	0.5	0.6	0.5
Fixed assets	0.6	1.2	1.8	1.8	2.2	2.2	2.6	2.6
Funds	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)	(0.2)
Net Invested Capital	2.2	2.5	4.2	4.5	5.6	5.1	7.2	5.9
Share capital	0.5	0.5	0.7	0.7	0.7	0.7	0.7	0.7
Reserves	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Share premium reserve	-	-	4.1	4.1	4.1	4.1	4.1	4.1
Accumulated profit (loss)	0.3	1.0	1.6	1.6	3.4	2.2	6.2	3.4
Net profit	0.9	0.6	1.8	0.6	2.8	1.2	3.2	2.0
Equity	1.6	2.2	8.3	7.1	11.1	8.3	14.3	10.3
Net debt (cash)	0.6	0.4	(4.1)	(2.6)	(5.6)	(3.3)	(7.1)	(4.4)
Liquidity	(0.1)	(0.7)	(5.3)	(3.5)	(6.7)	(3.9)	(8.2)	(4.7)
Bank debt	0.8	1.1	1.2	0.9	1.1	0.6	1.1	0.3
Liabilities	2.2	2.5	4.2	4.5	5.6	5.1	7.2	5.9

Source: Banca Profilo elaborations and estimates on Company data

Table 7: FCF 23-25E (€, mln)

Free Cash Flow	2023E		2024E		2025E	
	Old	New	Old	New	Old	New
EBIT	2.7	1.2	3.6	2.0	4.6	2.9
Taxes	(0.8)	(0.4)	(1.1)	(0.6)	(1.4)	(0.9)
NOPAT	1.9	0.8	2.5	1.4	3.3	2.0
D&A	0.5	0.5	0.7	0.7	1.0	1.0
Operating cash flow	2.4	1.4	3.2	2.1	4.3	3.1
Operating Net Working Capital change	(0.6)	(0.9)	(0.9)	(0.2)	(1.1)	(0.3)
Other funds	0.0	0.0	0.1	0.0	0.1	0.0
Capex	(0.8)	(0.8)	(1.1)	(1.1)	(1.5)	(1.5)
FCF	1.0	(0.3)	1.3	0.9	1.8	1.3

Source: Banca Profilo elaborations and estimates on Company data

Valuation

DCF method and market multiples

Given TMP Group's potentially 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 be used for the relative valuation through market multiples.

DCF valuation

€1.9mln of cumulated FCFs in 23E-25E

To run a DCF Model, we use our projections of FCFs for the 23E-25E explicit period: €1.9mln of cumulated FCFs (vs previous €4mln) and €1.3mln of TV (-2% vs previous estimates). These changes reflect lower revenues and marginality.

8.6% WACC

We would use an 8.6% WACC (vs previous 8.2%), derived from:

- risk free rate at 5.2%, 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 25% weight of Equity

Table 8: DCF Valuation

DCF Valuation	2023E	2024E	2025E	TV	DCF Valuation	WACC Calculation	
Free Cash Flows (€ mln) years	(0.3)	0.9	1.3	1.3	Enterprise Value (€ mln)	Perpetual growth rate	2.0%
discount factor	0.92	0.85	0.78		Net debt (cash) (€ mln)	WACC	8.6%
Terminal Value (€ mln)				19.8	Equity Value (€ mln)	Risk free rate (30Y)	5.2%
NPV (€ mln)	(0.3)	0.8	1.0	15.4	Number of shares (mln)	Equity risk premium	5.5%
Sum of NPVs (€ mln)	(0.3)	0.5	1.5	16.9	Price per share €	Levered Beta	0.8
						KE	9.9%
						Cost of debt	5.0%
						Tax rate	30%
						KD	3.5%
						Target D/E	25%

Source: Banca Profilo elaborations and estimates

TMP Group's competitive arena

A sample of ten listed companies

TMP Group faces competition from non-listed companies such as Caffèina, 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)

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)	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)	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)	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):	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)	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)	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)	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)	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)	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.

Market multiples

Multiples declined to 6.4x Compared to our latest research [*Initial Coverage on 31 March 2023*], the sample average EV/EBITDA 2023 declined to 6.4x (from 6.9x). TMP Group trades at a significant discount (-71%) compared to its peers.

Table 9: Sample EBITDA margin and Revenue Growth

Company	Sales Growth			EBITDA margin		
	2022	2023E	2024E	2022	2023E	2024E
Websolute SpA	13.0%	9.5%	14.8%	12.9%	16.1%	20.5%
Digital360 SpA	67.1%	52.2%	13.9%	18.2%	19.7%	20.6%
Publicis Groupe SA	20.9%	-8.7%	3.5%	19.0%	22.1%	22.0%
Alkemy SpA	10.7%	9.3%	7.6%	11.0%	12.1%	12.7%
WPP PLC	12.7%	-7.0%	4.9%	13.0%	16.4%	16.3%
Interpublic Group of Cos Inc/	6.7%	-7.8%	4.0%	17.6%	18.3%	18.4%
Entravision Communications	21.5%	6.5%	11.3%	11.0%	8.9%	10.9%
S4 Capital PLC	42.0%	16.6%	19.4%	12.4%	14.0%	14.9%
Dentsu Group Inc	14.6%	2.3%	4.4%	17.7%	18.9%	19.5%
SG Co SB SpA	82.6%	21.2%	15.1%	2.4%	4.4%	10.0%
Mean (ex SG Company)	24.3%	8.8%	9.9%	14.4%	16.0%	17.0%
TMP Group	12.3%	31.9%	20.0%	30.9%	33.0%	33.8%

Source: Banca Profilo estimates and elaborations on Bloomberg (as of October 16, 2023)

EV/EBITDA FY23E at 5.5x after 15% liquidity discount Considering the sample of peers, the EV/EBITDA 2023E is 6.4x (from previous 6.9x). While we included SG Company due to investor's familiarity with the company, we decided to exclude it from the average as its marginality is considerably lower than the rest of the panel. Considering TMP's thin trading volumes, we apply a 15% liquidity discount to the Sample multiple.

Table 10: Comparable EV/EBITDA multiples

Company	EV / EBITDA	
	2023E	2024E
Websolute SpA	5.4x	4.4x
Digital360 SpA	7.7x	6.4x
Publicis Groupe SA	7.5x	7.2x
Alkemy SpA	5.4x	4.6x
WPP PLC	6.6x	6.4x
Interpublic Group of Cos Inc/	8.1x	7.8x
Entravision Communications	7.7x	5.2x
S4 Capital PLC	4.7x	3.8x
Dentsu Group Inc	5.0x	4.7x
SG Co SB SpA	8.1x	3.1x
Mean	6.4x	5.6x
Median	6.6x	5.2x
TMP Group	1.8x	1.3x

Source: Banca Profilo elaborations on Bloomberg data, as of October 16, 2023

Table 11: Multiple Valuation

Multiples Valuation	
EV/EBITDA23	6.4x
Discount	15%
EV/EBITDA discounted	5.5x
EBITDA	2.3
Enterprise Value	12.7
Net Debt	(1.8)
Equity Value (Multiples)	14.5
Price per share (Multiples)	10.2

Market multiples valuation: €10.2/share The relative method leads us to an Enterprise Value of €12.7mln and to an Equity Value of €14.5mln or €10.2/sh (vs previous €15.9/sh).

TP €11.6/sh, BUY We took the simple average of the DCF and multiple valuation and ended up with a TP of €11.6/sh (vs previous €16.5/sh). Given the significant potential upside on TMP Group closing price (as of October 16, 2023), we maintain a BUY recommendation.

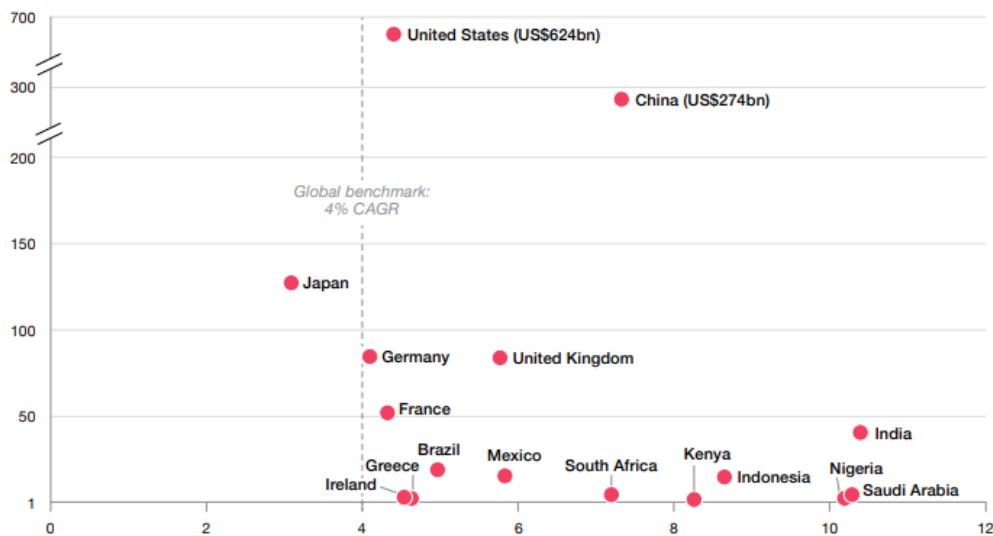
Appendix: The reference market

The Media & Entertainment Industry

Global M&E Industry: 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 5: 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 6: Italian M&E market size (€/bn)

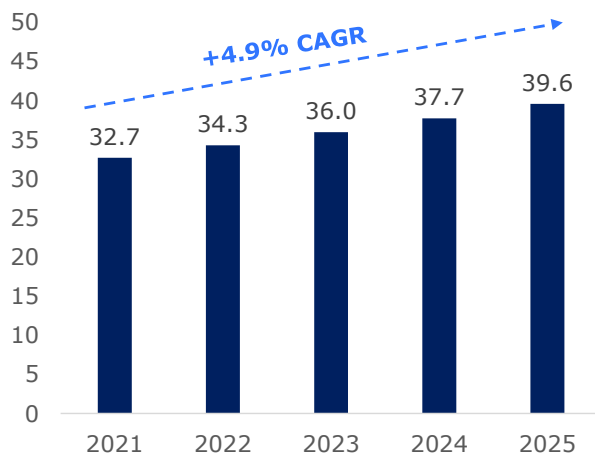
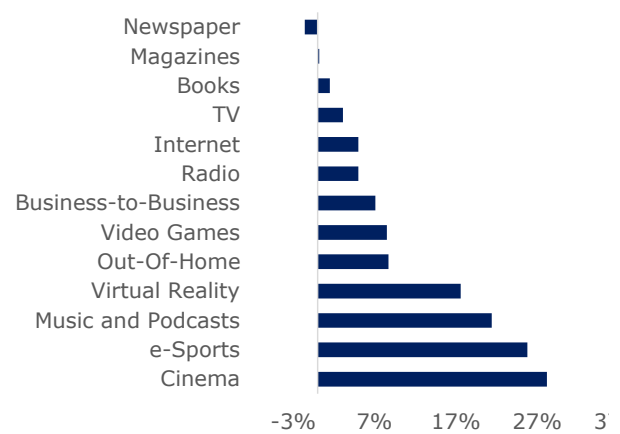


Figure 7: Italian M&E revenues growth by segment (20-25)



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

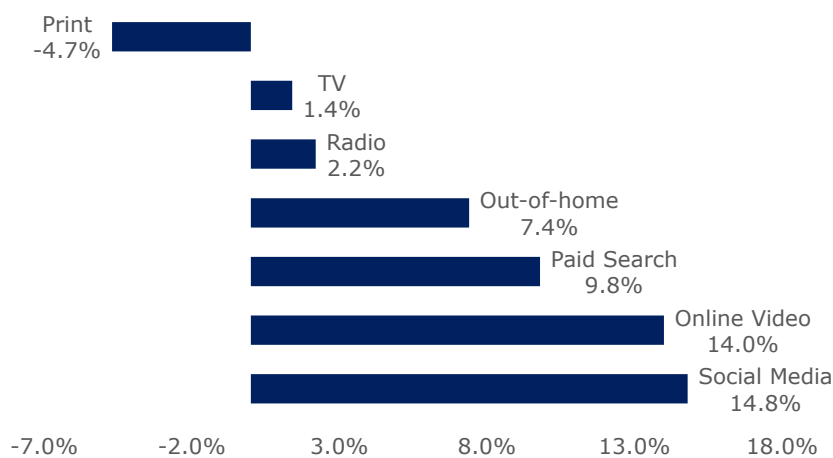
Social media ad spending expected to grow at 14.8% CAGR 2021-24

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

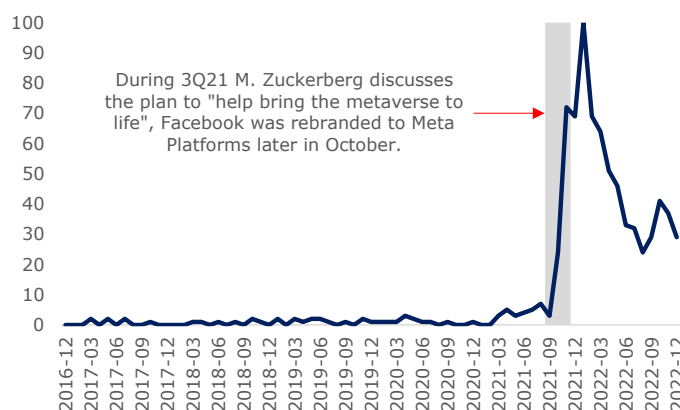


Source: Global ad market, Zenith Media, 2022

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.
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 9: 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.
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”.

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.

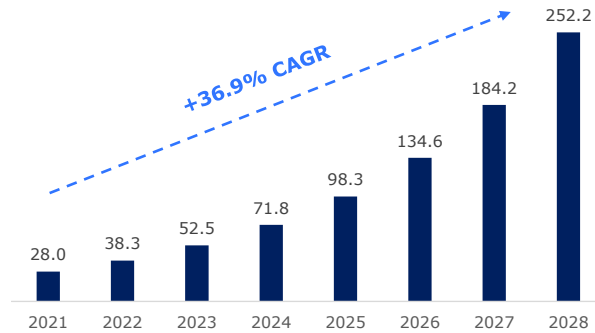
On the other hand, Virtual Reality (VR) is a completely immersive experience that replaces a real-life environment with a simulated one, using a head-mounted display and headphones to completely replace the real world with a virtual one.

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



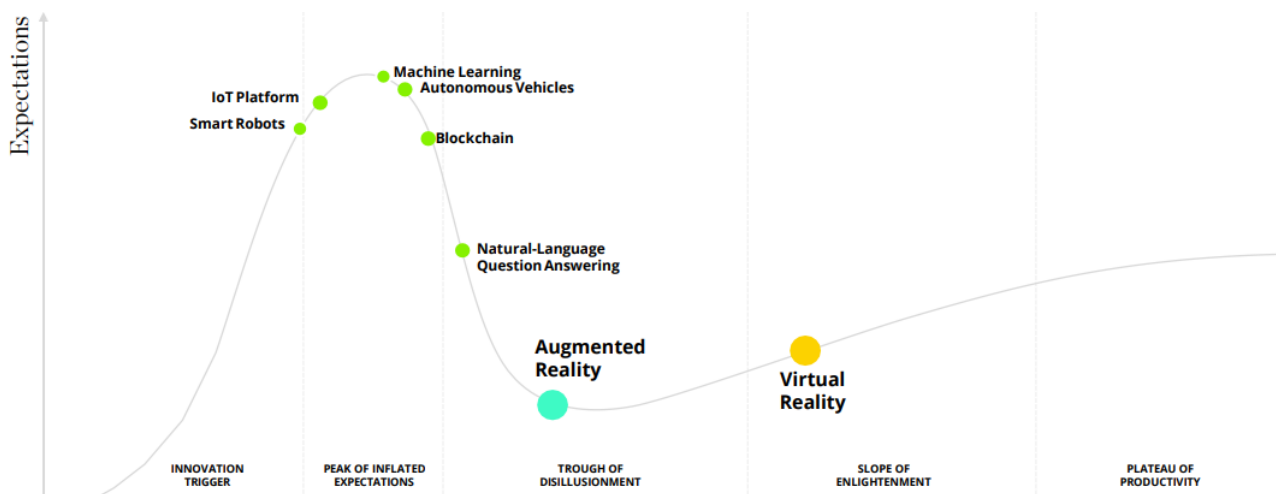
Source: Banca Profilo elaborations on Augmented Reality and Virtual Reality Market Forecast to 2028, The Insight Partners, 2022

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 11: Gartner Hype Cycle



Source: Digital Reality changes everything, Deloitte Digital, 2019

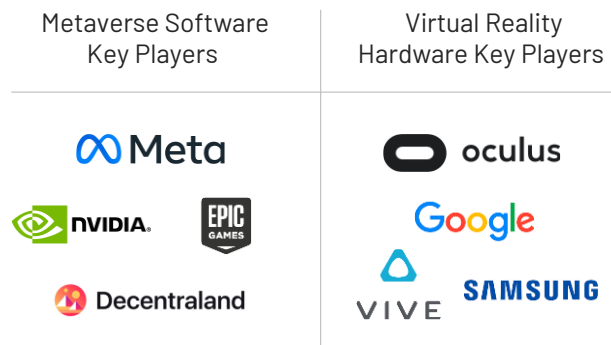
Europe to be the fastest-growing region driven by VR applications

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

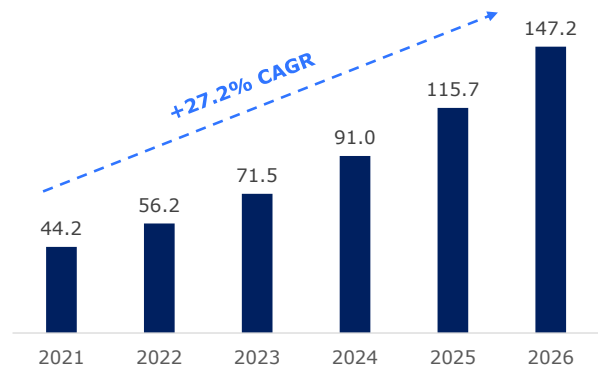
The AR and VR markets are fragmented. The continued trend of technology giants bringing commercial products into the market has prompted start-ups to partner on VR technologies. On the other side, key companies are pursuing M&A strategies and significant R&D investments to gain a competitive advantage.

Figure 12: Gartner Hype Cycle



Source: Banca Profilo elaborations on Company data

Figure 13: Gartner Hype Cycle



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).

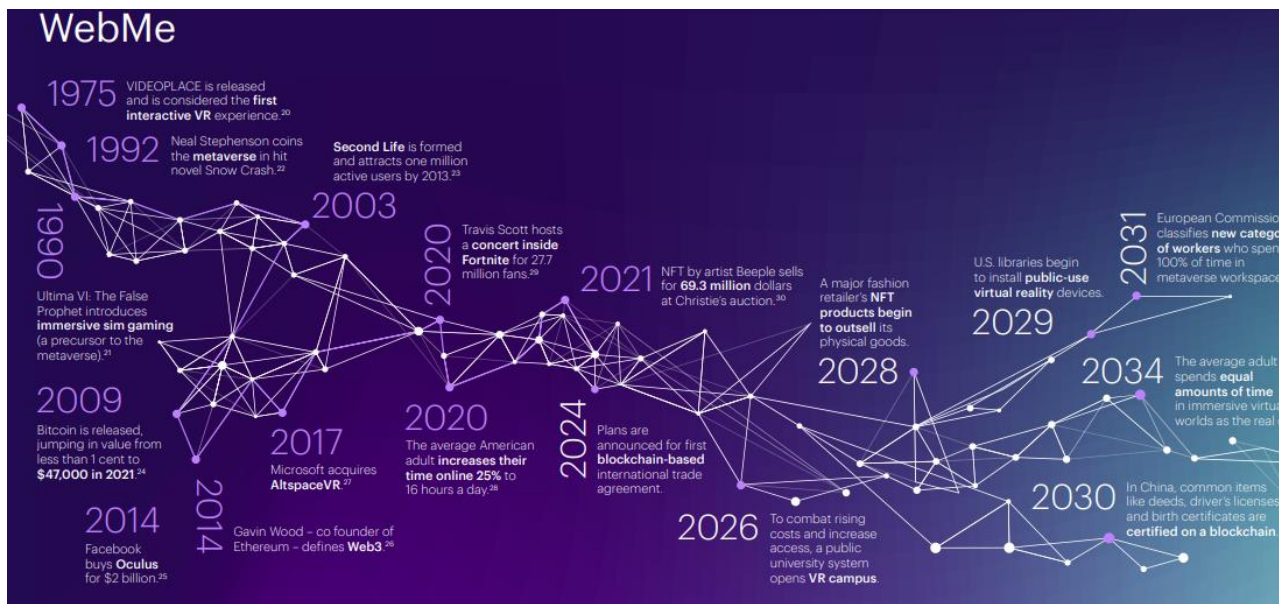
NFTs have been primarily used for collectibles and digital art

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 14: Metaverse and NFTs timeline



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

Appendix: Overview and business model

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 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.

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.

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.

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

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

Technology business line operates in:

- **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.

Business Model

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.

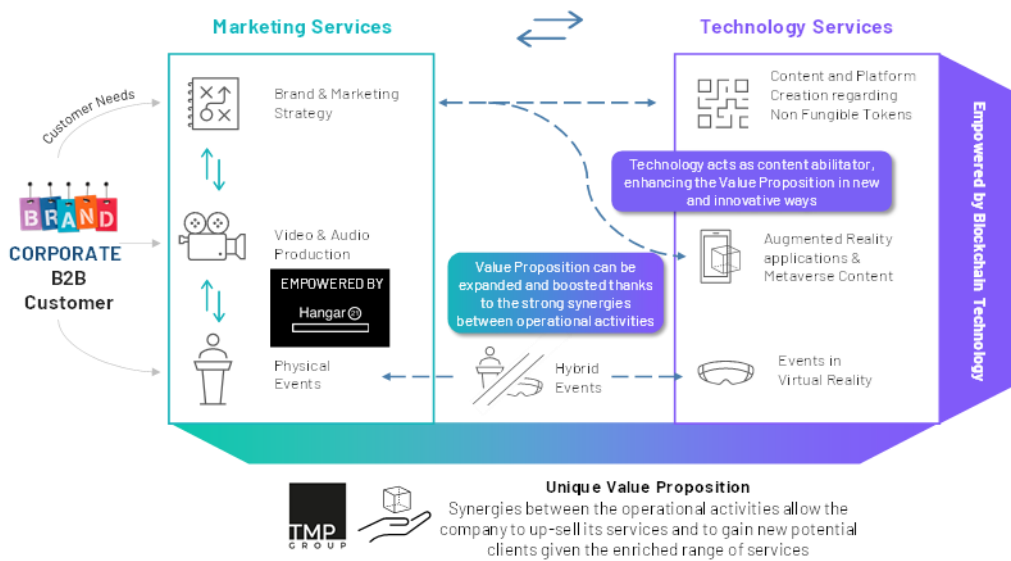
Direct selling channels are gradually replacing media agencies

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.

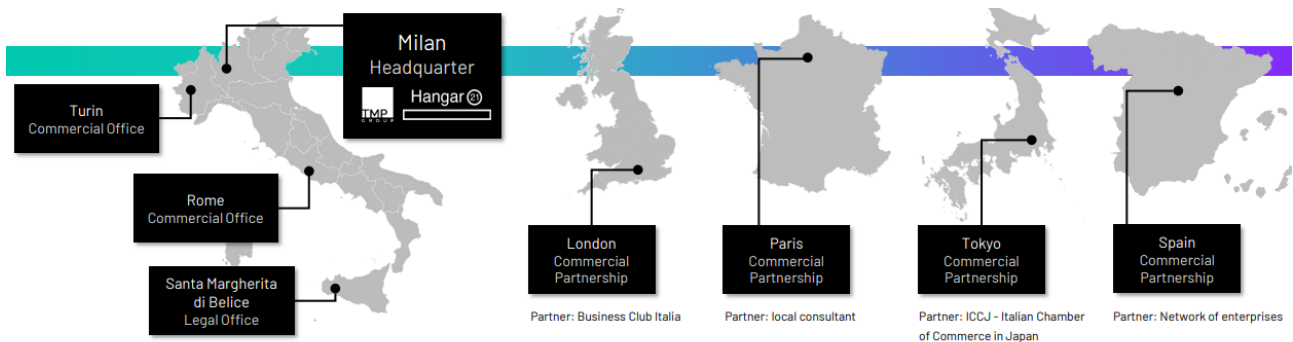
Over the years TMP Group increased the stake of revenue coming from direct selling, which now represent the bulk of sales at about 70%. This is beneficial in terms of marginality and receivables turnover.

Figure 15: TMP's value proposition leverages cross selling



Source: Banca Profilo elaborations on Company data

Figure 16: TMP's geographical presence



Source: Banca Profilo elaborations on Company data

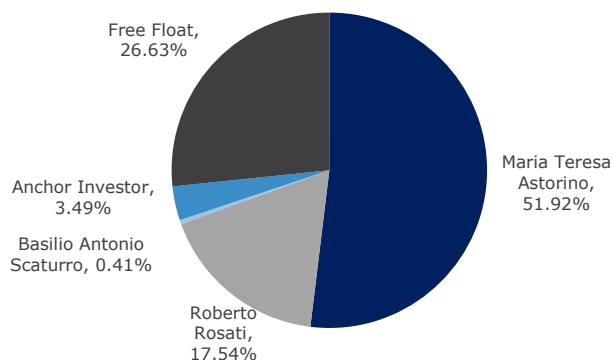
Top Management

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.
Margherita Leder: the COO	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.
Mauro Coltorti: the CFO	Mauro Coltorti is CFO of TMP Group. He was born in 1960 and brought strong financial knowledge thanks to previous experiences in national and international companies operating in the Oil & Gas, Food & Beverage and Investment Banking sector. He is also a Founding Partner and Member of the Board of Directors of a company operating in the Venture Capital and Private Equity sector.

Shareholders' structure after IPO

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 26 th 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 2 nd and the 31 st 2023; ii) €11.5 (+15%) between October, the 1 st and the 31 st 2024; iii) €12 (+20%) between October, the 1 st and the 31 st 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 17: TMP Group shareholders' structure post-IPO



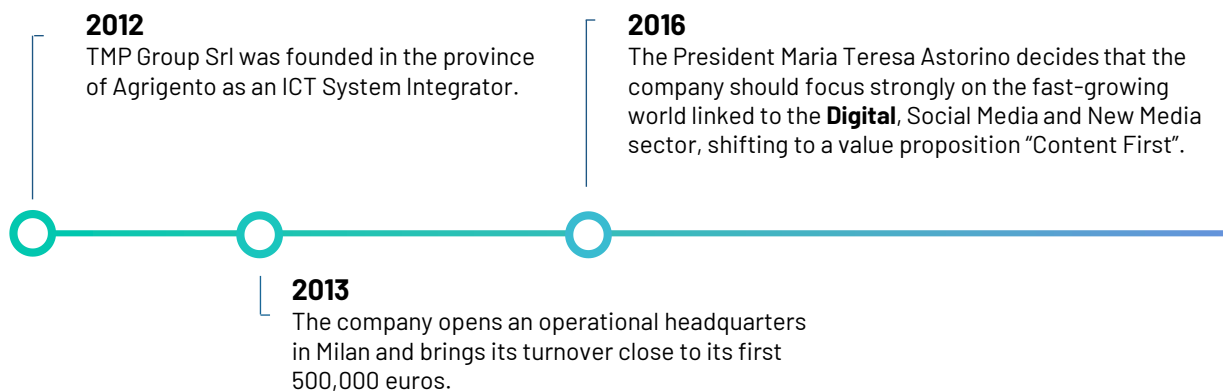
Source: Banca Profilo elaborations on Company data

History

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



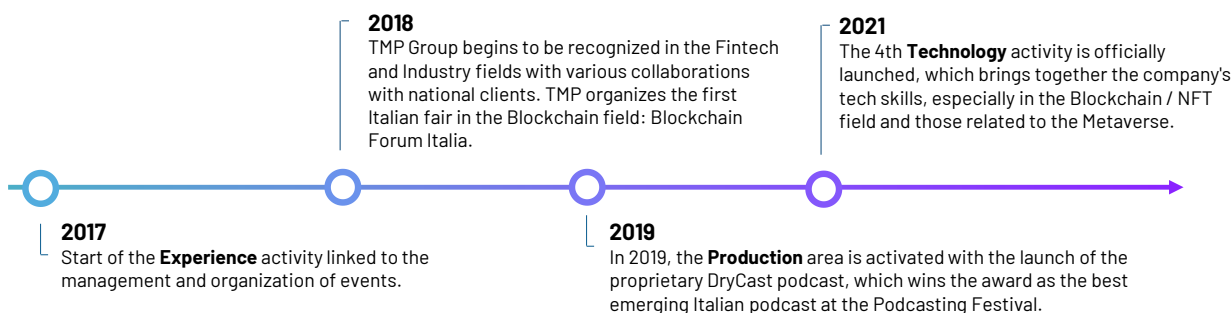
Source: Banca Profilo elaborations on Company data

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 19: 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 Sportelligence 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%).

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TMP Group
"ID Card"

 Recommendation
BUY

 Target Price
11.6 €

 Upside
169%
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
 Geographical expansion

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
BUY

 Target Price
11.6 €

 Upside
169%

Key Financials					
(€/mln)	2021PF	2022	2023E	2024E	2025E
Revenues	5.3	6.4	7.1	9.4	11.3
yoy (%)		19.8%	12.3%	31.9%	20.0%
Total revenues	5.7	6.5	7.5	9.8	11.6
yoy (%)		13.9%	14.9%	31.2%	18.3%
EBITDA	1.6	2.4	2.3	3.2	3.9
EBITDA margin (%)	27.8%	36.6%	30.9%	33.0%	33.8%
EBIT	1.4	1.2	1.2	2.0	2.9
EBIT margin (%)	25.0%	17.8%	16.2%	20.7%	25.2%
EBT	1.4	1.1	1.1	1.9	2.8
EBT margin (%)	24.1%	17.6%	14.3%	19.2%	24.0%
Net income	1.1	0.6	0.6	1.2	2.0
Margin (%)	19.2%	9.0%	8.3%	11.9%	16.8%
Net debt/(cash)	0.6	0.4	(2.6)	(3.3)	(4.4)
Shareholders Equity	1.6	2.2	7.1	8.3	10.3
Net Operating Working Capital	1.7	1.8	2.7	2.8	3.2
Capex and acquisitions	(0.4)	(1.0)	(0.8)	(1.1)	(1.5)
Free Cash Flow	(0.4)	0.1	(0.3)	0.9	1.3

Revenue breakdown by business unit					
	2021PF	2022	2023E	2024E	2025E
Experience	2.7	2.7	3.2	4.2	5.0
Technology	1.5	2.0	2.2	3.0	3.5
Digital	0.7	0.9	1.2	1.6	2.0
Production	0.4	0.7	0.5	0.7	0.8
Revenues	5.3	6.4	7.1	9.4	11.3

Solvency Ratios					
	2021PF	2022	2023E	2024E	2025E
Net debt (cash) / EBITDA	0.4x	0.2x	-0.4x	-0.4x	-0.4x
Net debt (cash) / Equity	0.1x	0.1x	-0.3x	-0.3x	-0.3x

Financial and Operative ratios					
	2021PF	2022	2023E	2024E	2025E
Tax rate	-20%	-49%	-42%	-38%	-30%
ROIC	77%	68%	38%	55%	65%
ROE	68%	27%	9%	14%	19%
Days Sales Outstanding	214	195	210	185	180
Days Payables Outstanding	149	189	130	140	150
Capex/Sales	7%	14%	15%	11%	12%
Current ratio	2.1	1.8	7.5	5.4	4.9

Source: Bloomberg, Banca Profilo estimates and elaborations

Company Description	
Company Sector	Advertising & Marketing
Price (€)	4.32
Number of shares (mln)	1.4
Market Cap (€ mln)	6.1
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 (30D)	2,520
Sample of comparables	Alkemy (IT), Dentsu Group (JP), Digital360 (IT), Entravision Communications (US), Interpublic Group (US), Publicis Groupe (FR), S4 Capital (UK),

Data of peers			
	2022	2023E	2024E
Sales Growth (yoy)	24.3%	8.8%	9.9%
EBITDA Margin	14.4%	16.0%	17.0%

Average data

Multiples of peers			
	2022	2023E	2023E
EV / EBITDA	5.5x	6.4x	5.6x

Average data

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