

W

U

T

I

S

THALES

Equity Research Division

Thales S.A.

Embarking on a journey to forge a secure tomorrow

Target Price: € 155.52

Current Price: € 135.70

Upside Potential: + 14.61%

Recommendation: BUY

Investment Horizon: 3 Years

Vienna, Jan 26th, 2024

Team Overview

Equity Research



**Maria
Doppler**

Head

- Task distribution
- Storyline



BSc. (WU) – 7th Sem.



**Matthias
Koerner**

Associate

- Operating model
- Valuation



MSc. (WU) – 3rd Sem.



**Carla
Marchetto**

Analyst

- Financial analysis
- Valuation



MSc. (WU) – 1st Sem.



**Jan
Berghänel**

Analyst

- Competitor analysis
- CCA



BSc. (WU) – 3rd Sem.



**Tobias
Huber**

Analyst

- Strategy
- Risks



BSc. (TU)
BSc. (WU) – 6th Sem.



**Norbert
Stégner**

Analyst

- Business model
- Technology



MSc. (WU) – 1st Sem.



**Anna
Almaz**

Analyst

- Market & industry analysis

BA. (LBS) – 3rd Sem.

1	Executive Summary	3
2	Company Overview & Business Model	5
3	Strategy & Technology	10
4	Market & Industries	13
5	Competition & Benchmarking	17
6	Financials & Valuation	20
7	Conclusion	24
8	Appendix	26

Share Price Performance

Share price strongly driven by global turmoil and increased need for security



Major Events

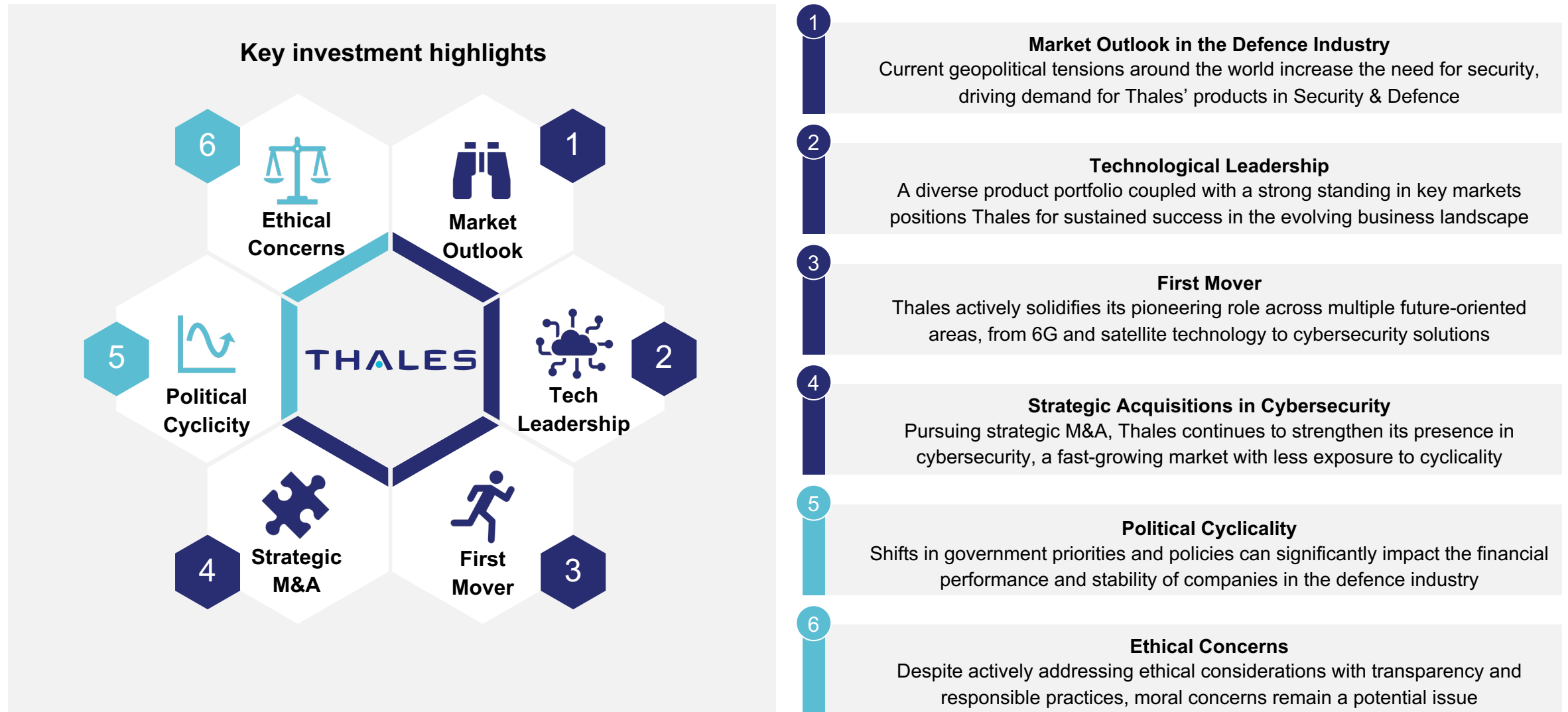
- [1] 02/02/2020-15/03/2020 (-34%) – **COVID-19** led to market uncertainties, unprecedented disruptions, and a profound shock to the global economy
- [2] 30/10/2020-15/11/2020 (+25%) – Thales announced the joint acquisition of **Vitrociset Space Business** together with Leonardo
- [3] 13/02/2022-6/3/2022 (+43%) – **The Russian invasion of Ukraine** resulted in an increased demand for defence products to bolster Ukraine's territorial defences
- [4] 01/10/2023-08/10/2023 (+8%) – **Hamas' terrorist attack** on Israel spurred an increased demand for products and services from defence companies

Key Stats

- IPO: 01/04/1999 (Euronext Paris)
- Market capitalization: EUR 28,642m
- 52-week range: EUR 112.40 - 145.70
- P/E ratio (TTM): 24.21x

Investment Thesis

With tailwinds behind its core business, Thales positions itself for growth through strategic moves into high-potential areas





Thales S.A.

WUTIS – Equity Research


Company Overview & Business Model

Company Overview


Thales pioneers in defence, aerospace and cybersecurity innovation worldwide

Company Description


Thales SA is a global leader in **defence, aerospace** and **cybersecurity** solutions, providing cutting-edge technology for critical applications worldwide.




Headquarters
Paris, France



Foundation
1968,
Rebranded in 2000



Geography
50+ countries



Employees
Circa 80,000

Financials [EUR m, %]

	2018	2019	2020	2021	2022
Revenue	15,856	18,400	16,989	16,192	17,570
Order Intake	15,557	19,058	18,419	21,758	25,654
EBITDA	1,735	2,110	1,521	1,739	2,034
<i>EBITDA margin</i>	<i>10.94%</i>	<i>11.47%</i>	<i>8.95%</i>	<i>10.74%</i>	<i>11.58%</i>
Total Assets	25,506	31,223	31,808	32,835	34,421
D/E Ratio	3.31	4.50	4.99	3.89	3.66

Management



Patrice Caine
Chairman & CEO,
Joined Thales 2002



Yannick Assouad
Executive VP Avionics,
Joined Thales 2020



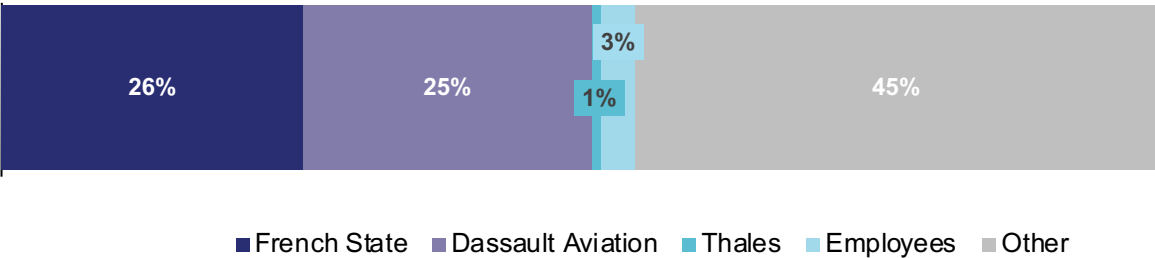
Pascal Bouchiat
Senior Executive VP & CFO,
Joined Thales 2012



Philippe Vallée
Executive VP DI&S¹,
Joined Thales 2019
from Gemalto

> Management team has **extensive experience** in the industry

Shareholder Structure [%]






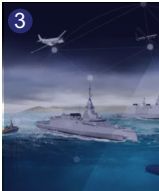
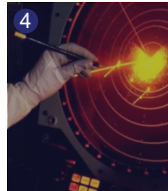




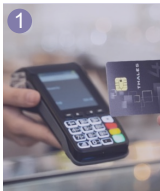
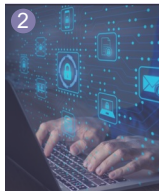










> Around one quarter of the shares are owned by the **French State**. State-ownership is fairly **common** in the European defence and aerospace sectors

¹ Digital Identity & Security
Source: Thales SA

Business Model I – Product Portfolio

Synergies between three business units meet a wide range of needs in various industries

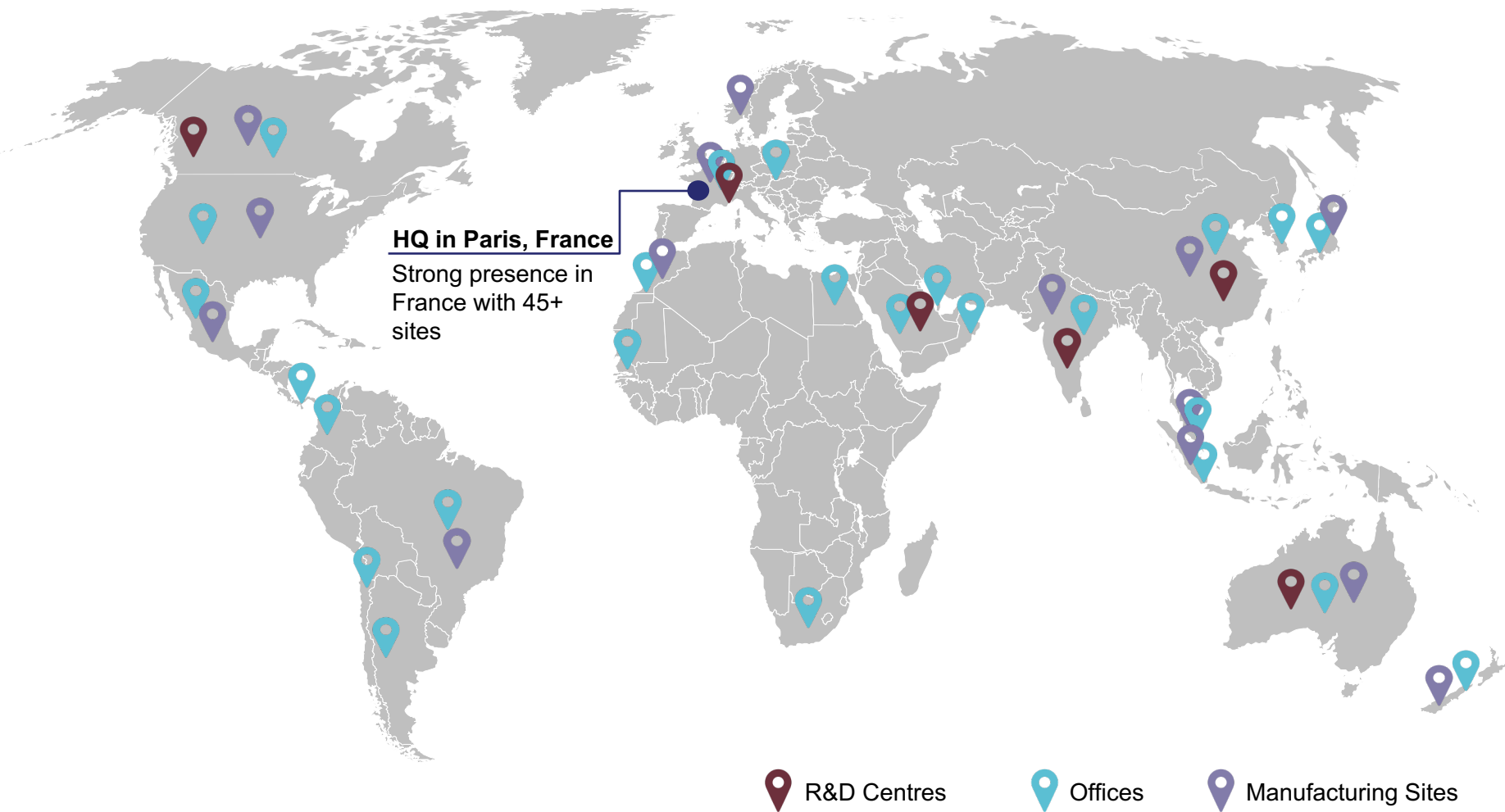
	 Defence & Security	 Aerospace Avionics Space	 Digital Identity & Security
Description	Ensuring national security and providing both cyber and physical defence forces	Providing advanced aerospace technologies , including high-tech connectivity and enhanced safety	Accelerating digital transformation , ensuring regulatory compliance and increasing information security
Key business areas¹	<ol style="list-style-type: none"> Air forces Land forces Naval forces Cyber-defence & electronic warfare 	<ol style="list-style-type: none"> Flight mgmt. systems In-flight entertainment Satellite solutions Space missions 	<ol style="list-style-type: none"> Smart cards and digital transactions Cybersecurity Biometrics Internet of Things
	   	   	   
Best-in-class products	<div>  Defence electronics No. 1 in Europe </div> <div>  Military communication No. 2 worldwide </div>	<div>  Air traffic management No. 1 worldwide </div> <div>  Geostationary satellites No. 1 worldwide </div>	<div>  Data protection No. 1 worldwide </div> <div>  Payment cards and SIM cards No. 1 worldwide </div>
Revenue [%]²	<div> <div>52%</div> <div>Sales: EUR 9,154m</div> </div>	<div> <div>27%</div> <div>Sales: EUR 4,705m</div> </div>	<div> <div>21%</div> <div>Sales: EUR 3,618m</div> </div>
Clients [%]²	<div> <div>85%</div> <div>15%</div> <div>EBIT margin: 12.9%</div> </div>	<div> <div>80%</div> <div>20%</div> <div>EBIT margin: 5.0%</div> </div>	<div> <div>100%</div> <div>EBIT margin: 13.7%</div> </div>

¹ Non-exhaustive; ² FY 2022
Source: Thales website, 10K

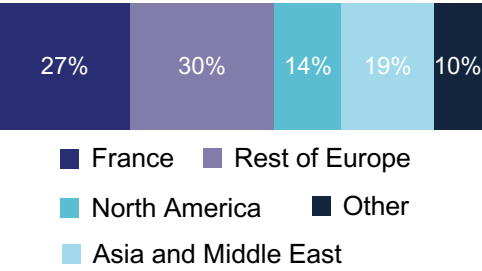
Business Model II – Geographies

Thales showcases a widespread presence across all key regions, with a focus on Europe

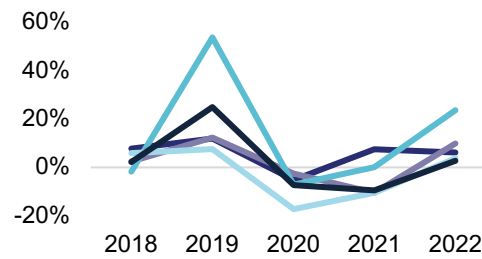
Key Locations¹



Revenue Split [2022, %]



Revenue Growth [%]












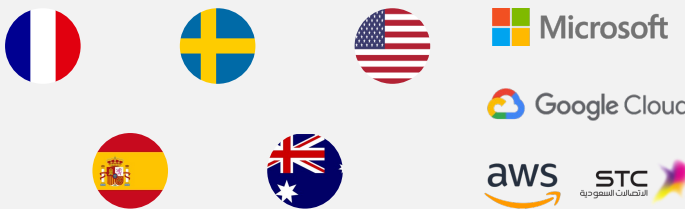





Key Points

- Operations in **50+ countries**
- More than 50%** of the revenue generated in **Europe**

Business Model III – Customers

Catering for both public and private sector companies, contract requirements vary strongly across business units

Business Unit	Customers	Examples	Characteristics ¹		
			Contract Duration	Customization	Regulation & Testing
 Defence & Security	National defence forces and government agencies		 Ø 3-4 years	 Complex and unique contracts	 Stringent safety regulations
 Aerospace	Aircraft manufacturers, aerospace suppliers and space agencies		 Ø 3-4 years	 Standardized; complex adjustm.	 Stringent safety regulations
 Digital Identity & Security	Government agencies, financial and technology companies		 <1 year	 Standardized; regular updates	 Data protection and privacy laws

¹ Judgement according to team research
Source: Annual Report Thales, Thales Website

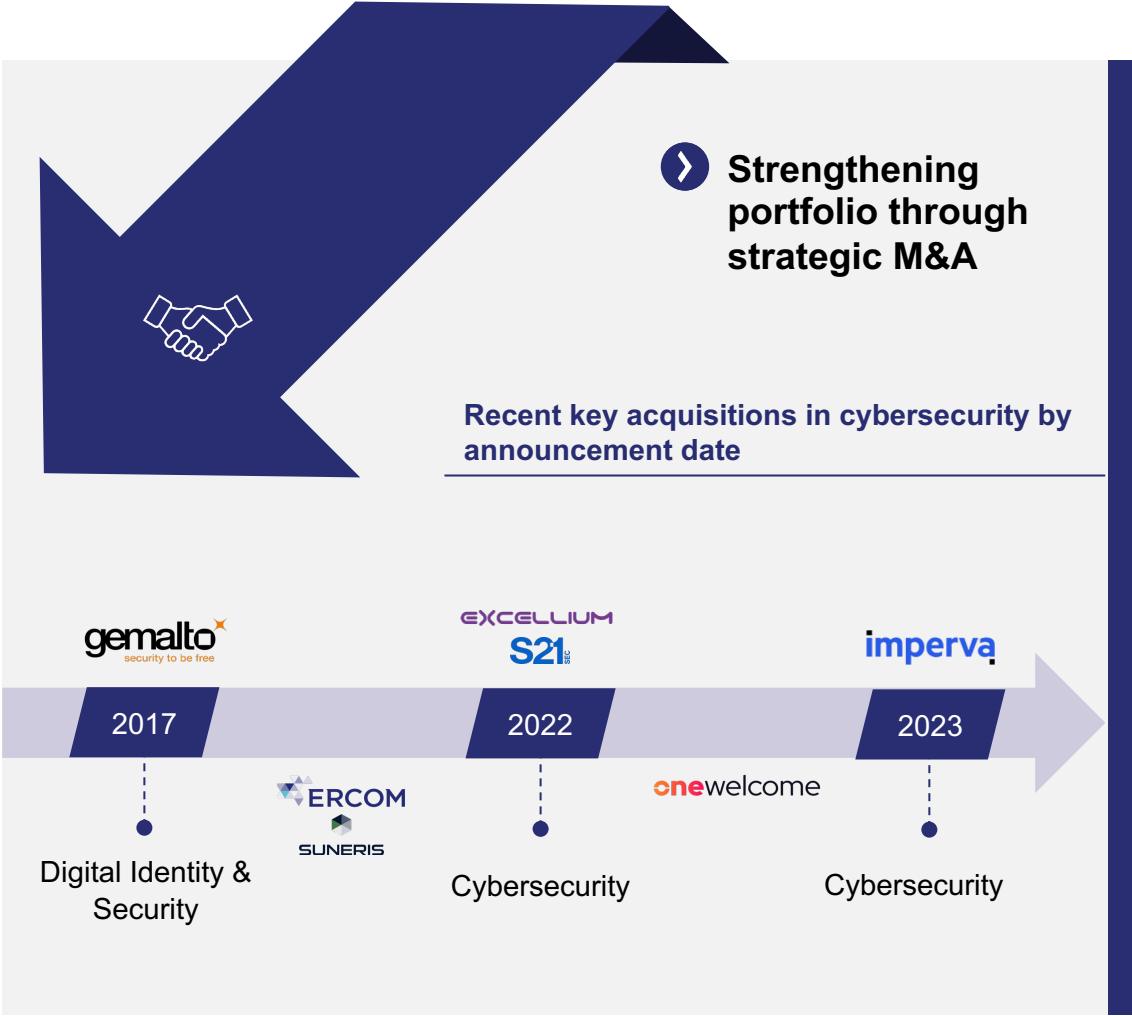
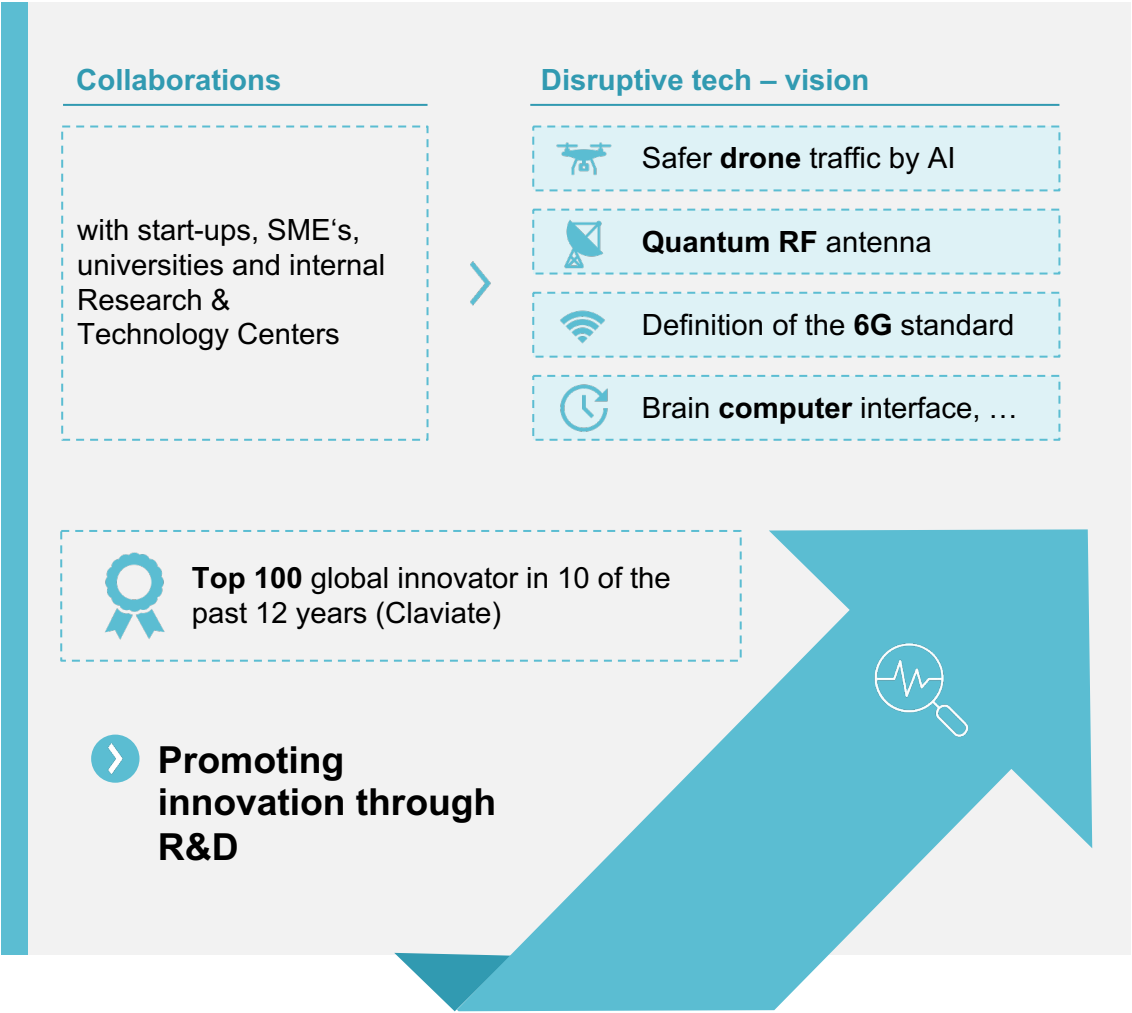


Thales S.A.

WUTIS – Equity Research

Strategy & Technology

Internal initiatives and strategic acquisitions for organic growth drive technological innovation



Technological Leadership

Strong technology expertise is to keep Thales on the forefront of technology innovation

Technology

Current market position

Future potential



Avionics

PureFlyt

A revolutionary **Flight Management System (FMS)** serving as the central intelligence of the aircraft



- Enhanced **data utilization**
- AI-integrated **real-time** adaptability
- User-friendly** interface minimizes human error
- More **fuel-efficient** flight routes
- 10x faster** response than any other FMS



Industry leader despite highly competitive market



- Partnership with **Airbus** promotes potential **industry-wide adoption**
- Reduced environmental impact is to attract **new customers** in the face of **sustainability initiatives**



Space

Space Inspire

A software-defined, remotely **reconfigurable geostationary satellite** with high energy efficiency



- Remote** software upgrades
- Adaptable payload** to mission requirements.
- Cost-efficient **streamlined** product
- High throughput **global coverage**
- Energy-efficient** operating modes



Leader in the geostationary satellite market



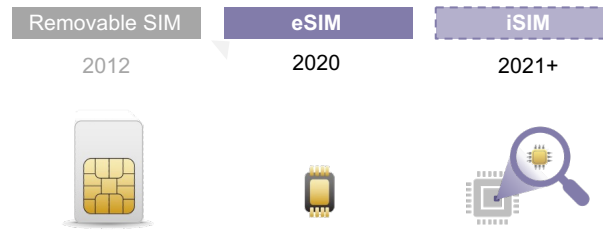
- Leading satellite operators** with numerous recent orders signal market confidence
- Perfectly meets the **increasing demand** for high-throughput data transmission and connectivity solutions



Digital Identity & Security

eSIM & iSIM

Embedded SIM card on a separate software profile (eSIM) – increasingly also **integrated** in a device's processor (iSIM)



Energy consumption



#1 provider of eSIM solutions



- IoT growth, demand for connectivity, and cost-effective e/iSIM integration create future opportunities
- # of **eSIM capable devices shipped** is forecast to grow at a **CAGR of 45%** (2021-2030)

The background of the slide features a close-up, slightly blurred image of a person's hands in a dark suit typing on a silver laptop keyboard. Overlaid on this image are several glowing blue padlock icons, each containing a keyhole symbol. These icons are interconnected by a network of thin, light blue lines, suggesting a digital security or data network theme. A semi-transparent dark blue rectangular box is positioned in the lower-left area, containing white text.

Thales S.A.

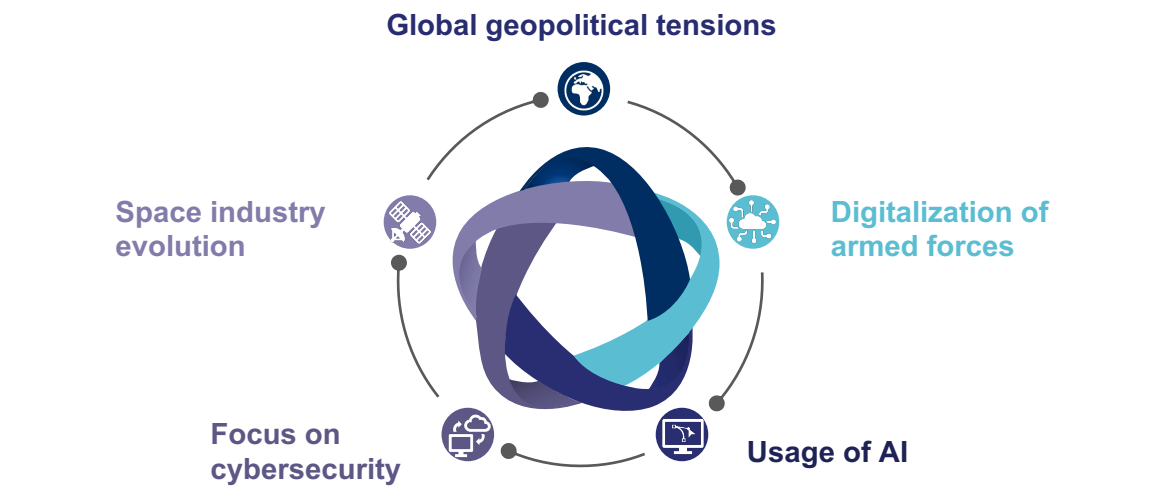
WUTIS – Equity Research

Market & Industries

Market Overview I

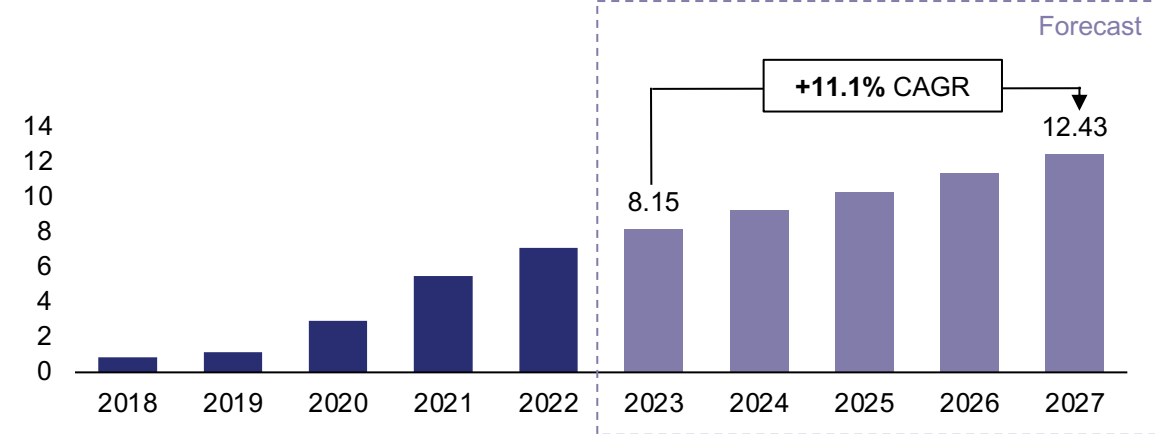
Long-term industry growth drivers align with Thales' key strengths

Current Market Trends Driving Industry Growth

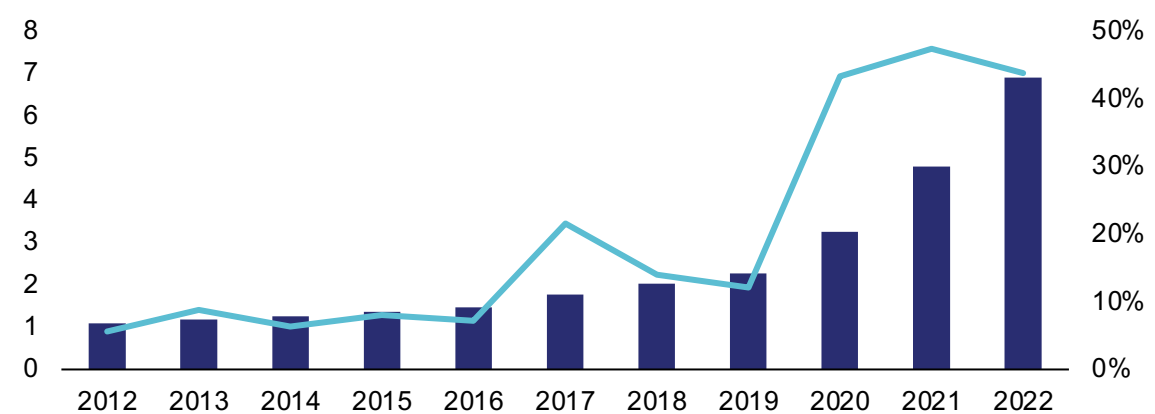


- Armed conflicts** around the globe increase **demand** for defence and cybersecurity systems
- Digital technologies** make **multi-domain communication** and **collaboration** inside country's armed forces possible
- Artificial Intelligence** helps to analyze **big data** and enhance **decision-making**
- Public and private companies need to **protect** their **digitalized data**
- Technological refinements, investments** from **private** sector and growing **demand** for space data are transforming the space industry

Estimated Global Cost of Cybercrime [USD tn]



Active Satellites in Orbit and Annual Growth Rate [# k, %]



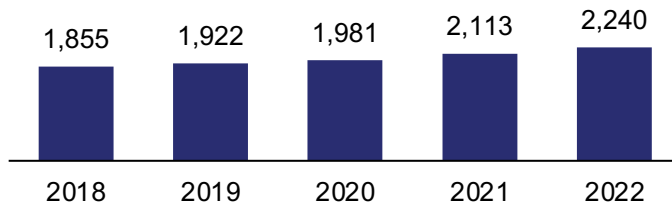
Market Overview II

Various emerging markets offer promising opportunities for Thales

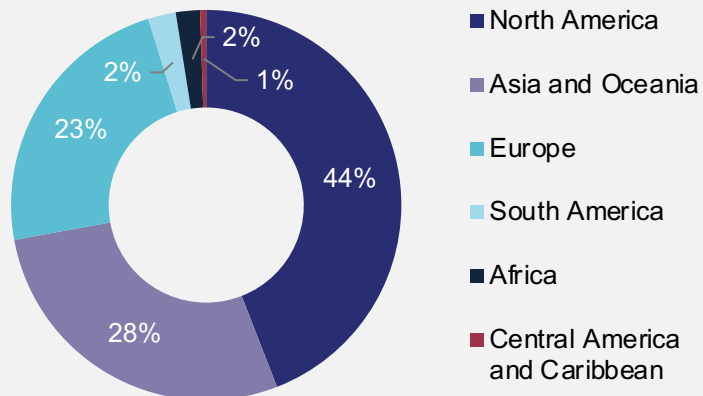


Defence & Security

Global defence spending [USD bn]



Global defence expenditure in 2022, by world region [%]

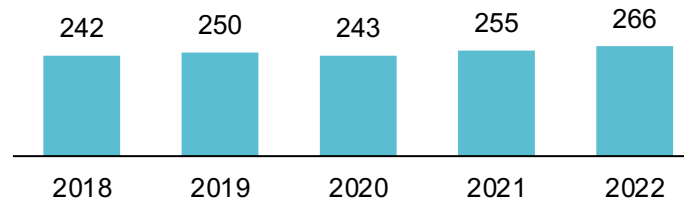


Forecasted CAGR: 4.6%

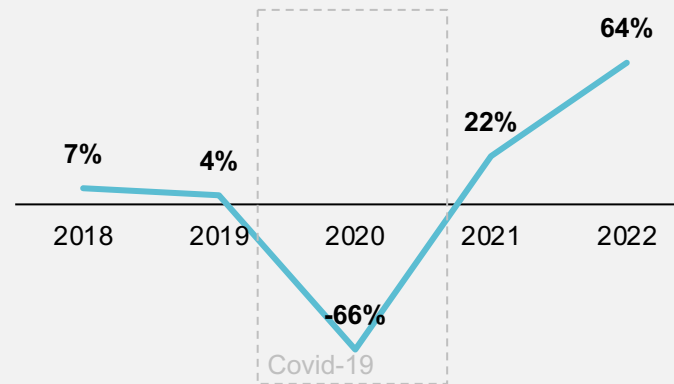


Aerospace

Global military aircraft and aerospace manufacturing market [USD bn]



Annual growth in global air traffic passenger demand [%]

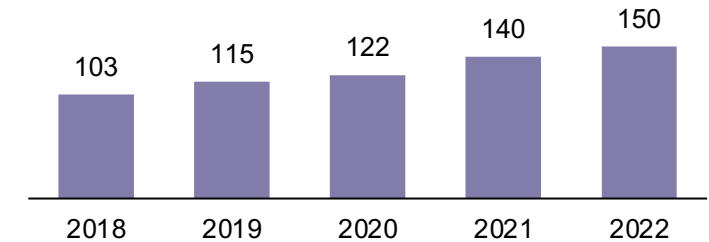


Forecasted CAGR: 5.4%

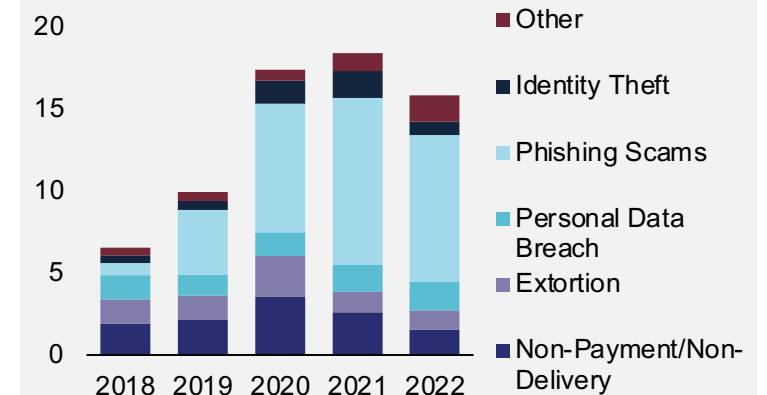


Digital Identity & Security

Global cybersecurity spending [USD bn]



Cyber attacks worldwide [# m]



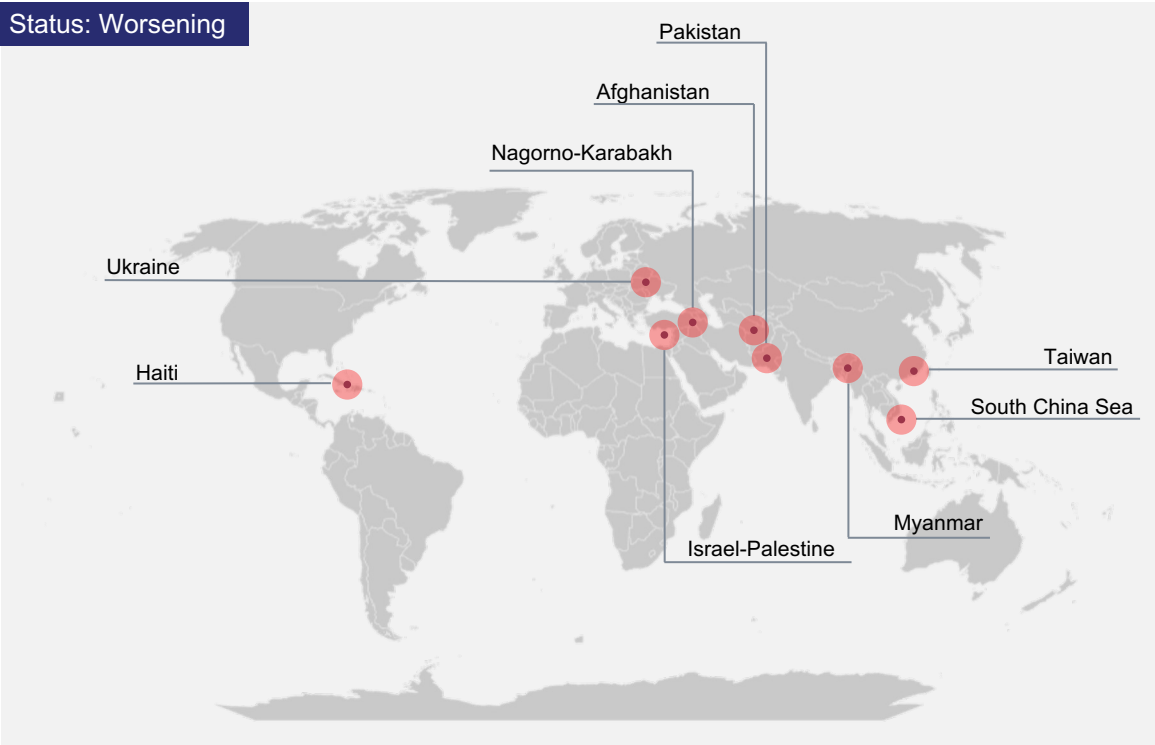
Forecasted CAGR: 10.6%

Geopolitical Tensions

Global geopolitical instabilities increase the demand for defence solutions

Selected Armed Conflicts in Thales' Core Markets

Status: Worsening



Europe's defence spending surged due to stockpile replenishment after aiding Ukraine. Concerns loom over potential defence spending increases with a prospective Donald Trump presidency and a possible withdrawal from supporting Europe's defence against Russia

Impact on Defence and Aerospace Companies [USD m]

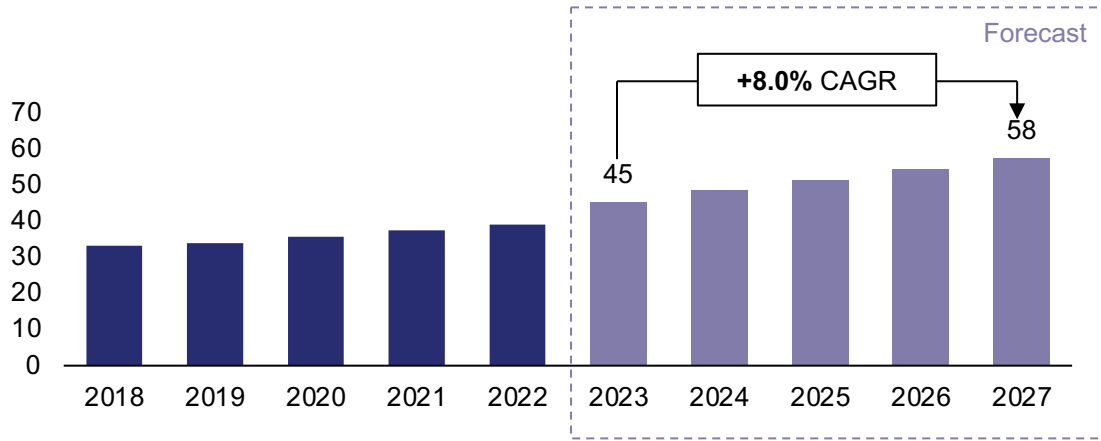
Total net assets of Invesco Aerospace & Defence ETF



Since the beginning of the war in Ukraine, the total net assets of the Invesco fund have quadrupled due to the boosted military spending and aid

Since the escalation of the Israeli-Palestinian conflict assets have shown additional 19% increase

Defence Spending in France [EUR bn]



A person in a dark suit is shown in profile, holding a smartphone. The phone's screen displays a 5G signal icon and a glowing blue energy trail that extends across the frame. The background is dark and out of focus, with some blurred lights and shapes.

Thales S.A.

WUTIS – Equity Research

Competition & Benchmarking

Competition

Thales' strategic acquisitions in recent years provide unique potential among its peer group

Tier 1 Competitors – Core Group



- **High core market focus** (Defence & Security, Aerospace)
- Competition with Thales in **multiple segments** (e.g., commercial satellites, communication systems, land and air systems)

Tier 2 Competitors – Extended Group



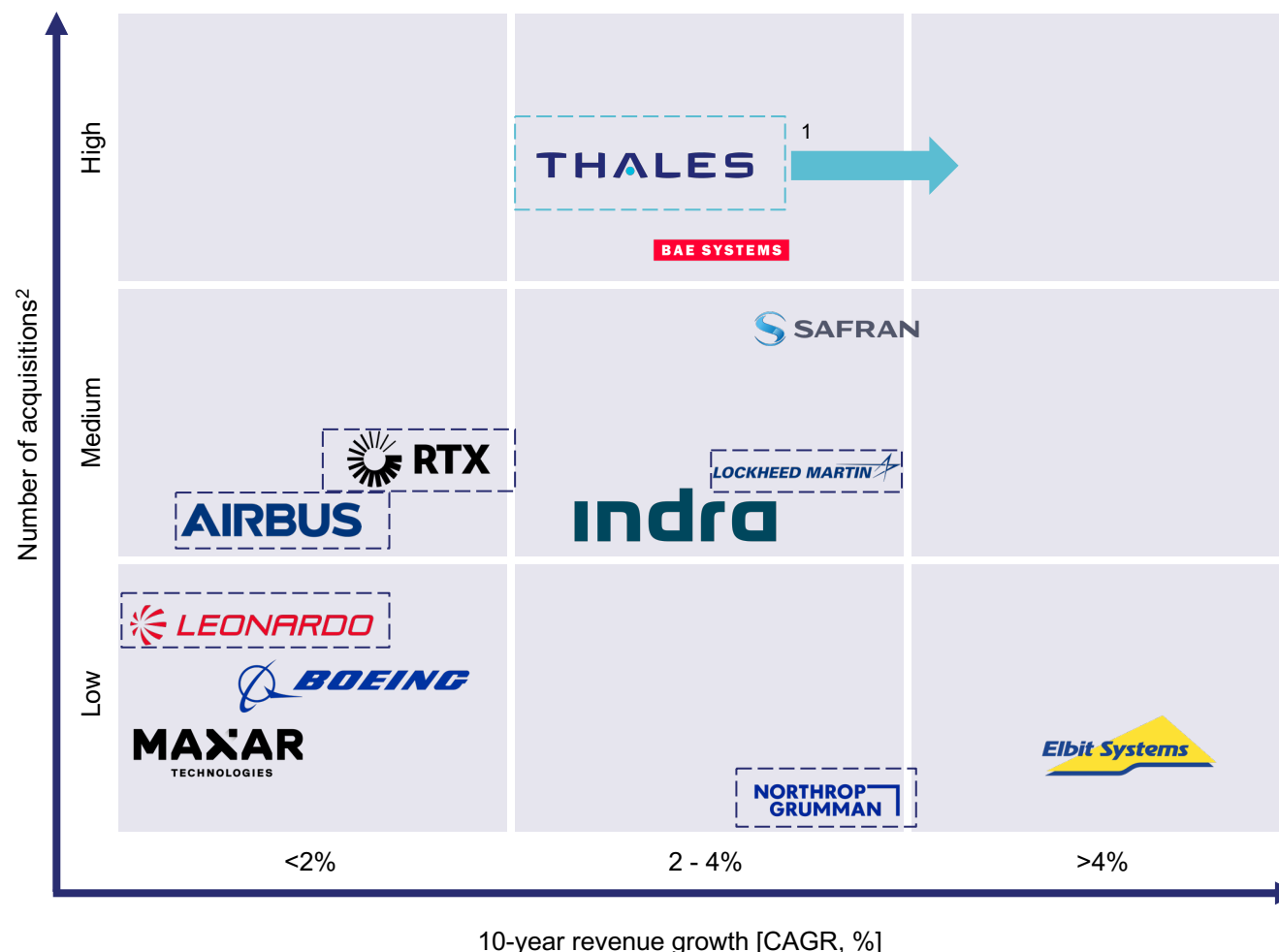
- Different focus areas, but highly competitive in **specific segments**

Other Competitors – Not Included



- Strong competition in **Digital Identity & Security**, but no other business unit

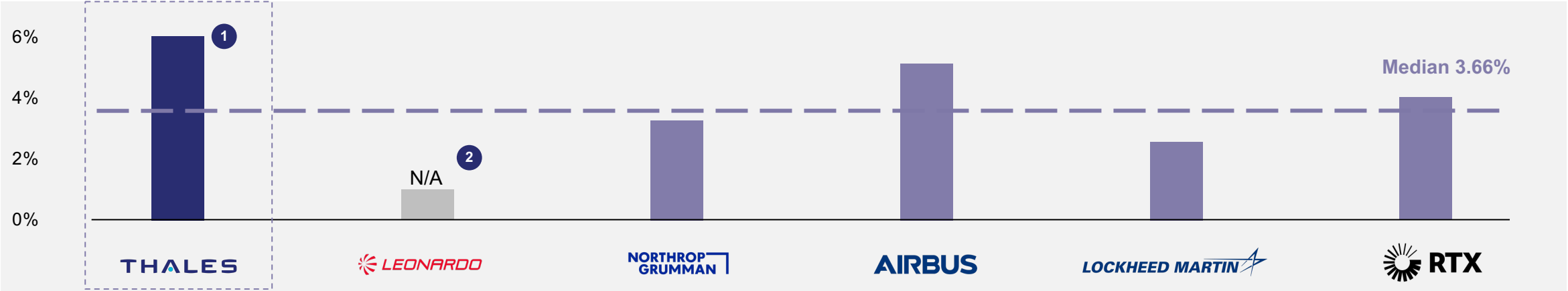
Competitive Landscape



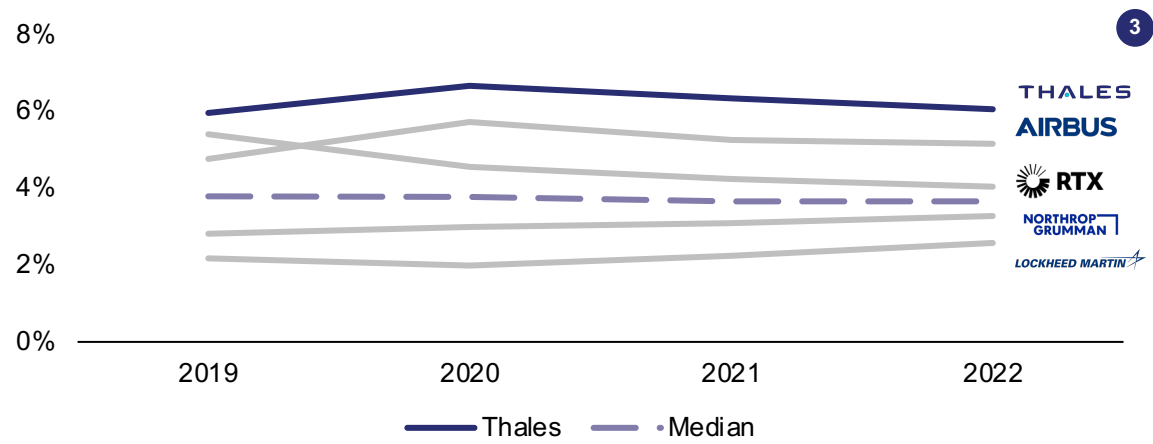
Best Peers – R&D Activities

Consistently high self-funded R&D reflects commitment to innovation

FY22 Self-funded R&D Expenses¹ [%]



Historical Development of Self-funded R&D [%]



Comments

- 1

Thales achieves the **highest relative value** for **self-funded R&D** among competitors, showing **less dependence on customers** to fund technological innovations
- 2

R&D investment published by **Leonardo** are **total R&D spend** at 14%, **surpassed by Thales** at 20%
- 3

Consistently high self-funded R&D shows Thales' intention to **maintain their position as innovative leader** in the longer run

¹ Funding only from company itself, not customers
Source: Companies' Annual Reports



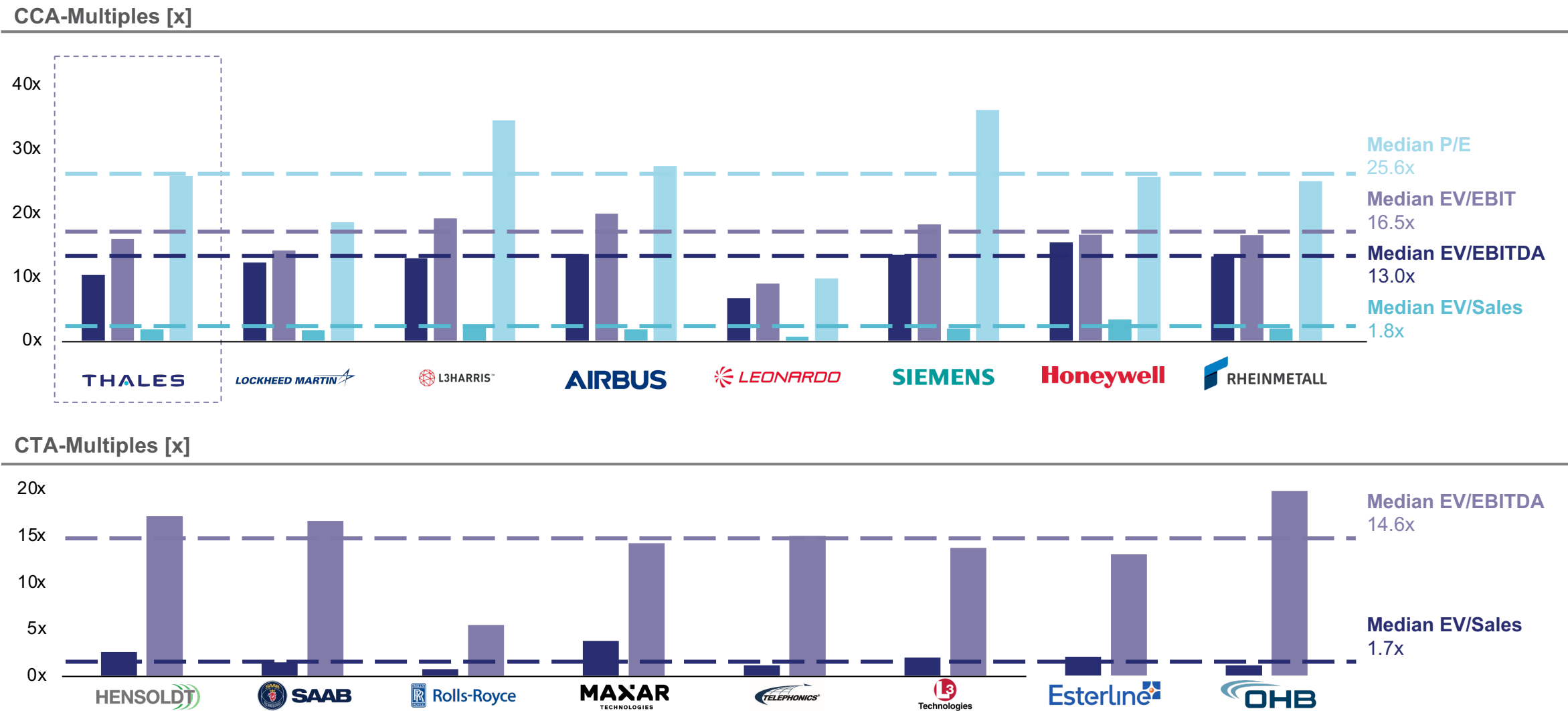
Thales S.A.

WUTIS – Equity Research

Financials & Valuation

Valuation I – CCA & CTA

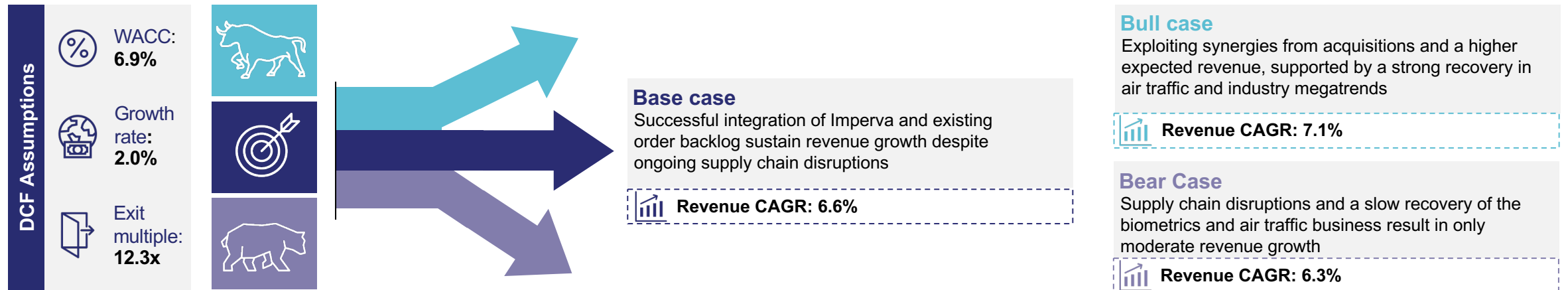
Multiples show that Thales is currently undervalued in the market



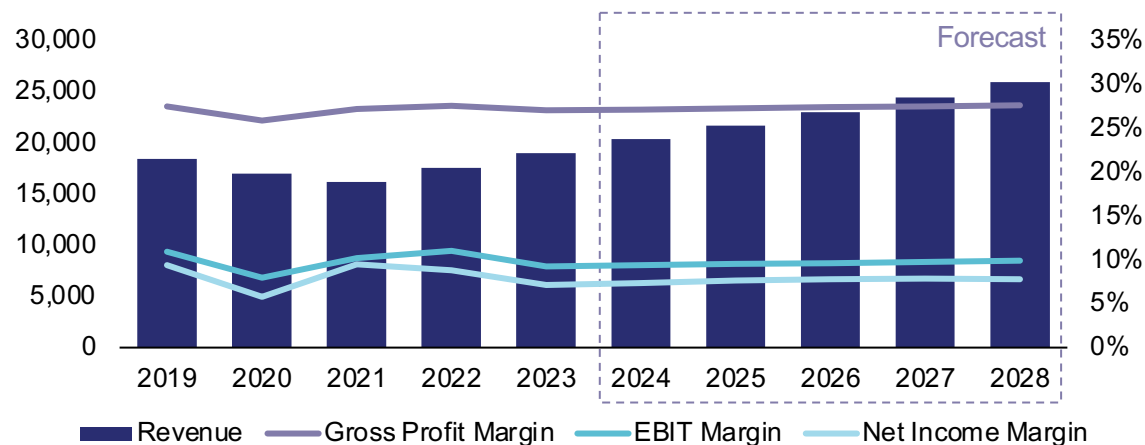
Valuation II – DCF Operating Assumptions

Synergies through acquisitions and industry megatrends will unleash growth potential

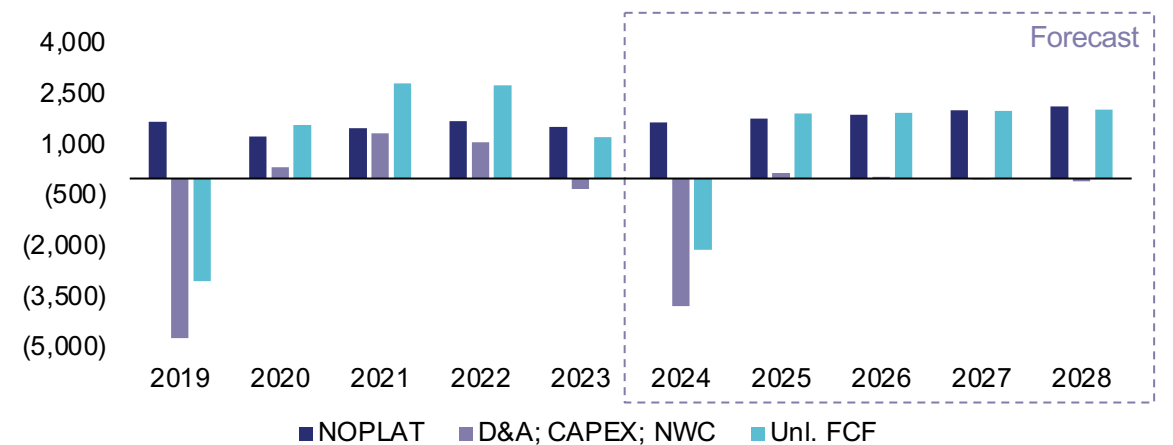
DCF: Key Assumptions & Scenarios



Revenue & Margin Development [EUR m, %]









FCF Composition [EUR m]



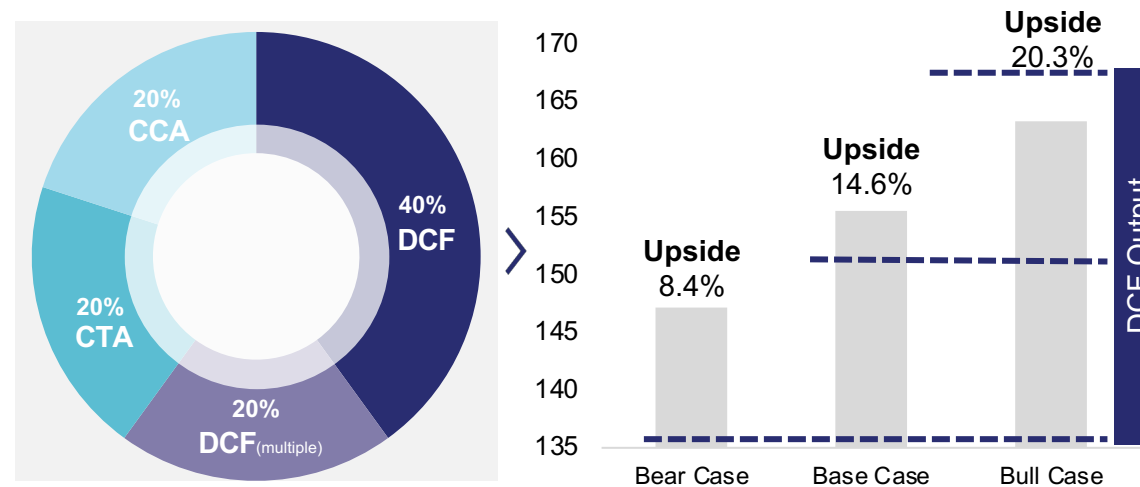
Valuation III – Summary

A healthy buy recommendation with an upside of +14.6% is substantiated by multiple valuation approaches

Key Highlights

Revenue Drivers		Industry Growth In a world filled with uncertainty, every country must reinforce its military, evident in rising defence budgets and conflict support
		Increasing Geopolitical Tensions Political instability, conflicts and geopolitical tensions around the world will have an impact on Thales
		Increasing Cybersecurity Threats As digitalization advances, the surge of cyber attacks is expected to intensify, presenting an opportunity for Thales
Other Drivers		Imperva Acquisition The acquisition of the US-based cybersecurity software solution provider aims to forge a world-class premium cybersecurity leader
		Cost Synergies Operational synergies from acquisitions counter challenges like higher R&D costs, taxes and interest rates
		Increasing R&D costs Higher R&D expenses arise from the competitive nature of contract bidding within this industry to compete on a technological level

Valuation Methods & Target Price [EUR m, %]



DCF Sensitivity Analysis [EUR]

Weighted Average Cost of Capital						
Growth Rate		6.42%	6.67%	6.92%	7.17%	7.42%
	1.60%	146.20	144.44	142.71	141.01	139.32
	1.80%	151.37	149.56	147.77	146.00	144.26
	2.00%	156.94	155.06	153.21	151.38	149.58
	2.20%	162.97	161.02	159.09	157.20	155.32
	2.40%	169.50	167.47	165.47	163.50	161.56



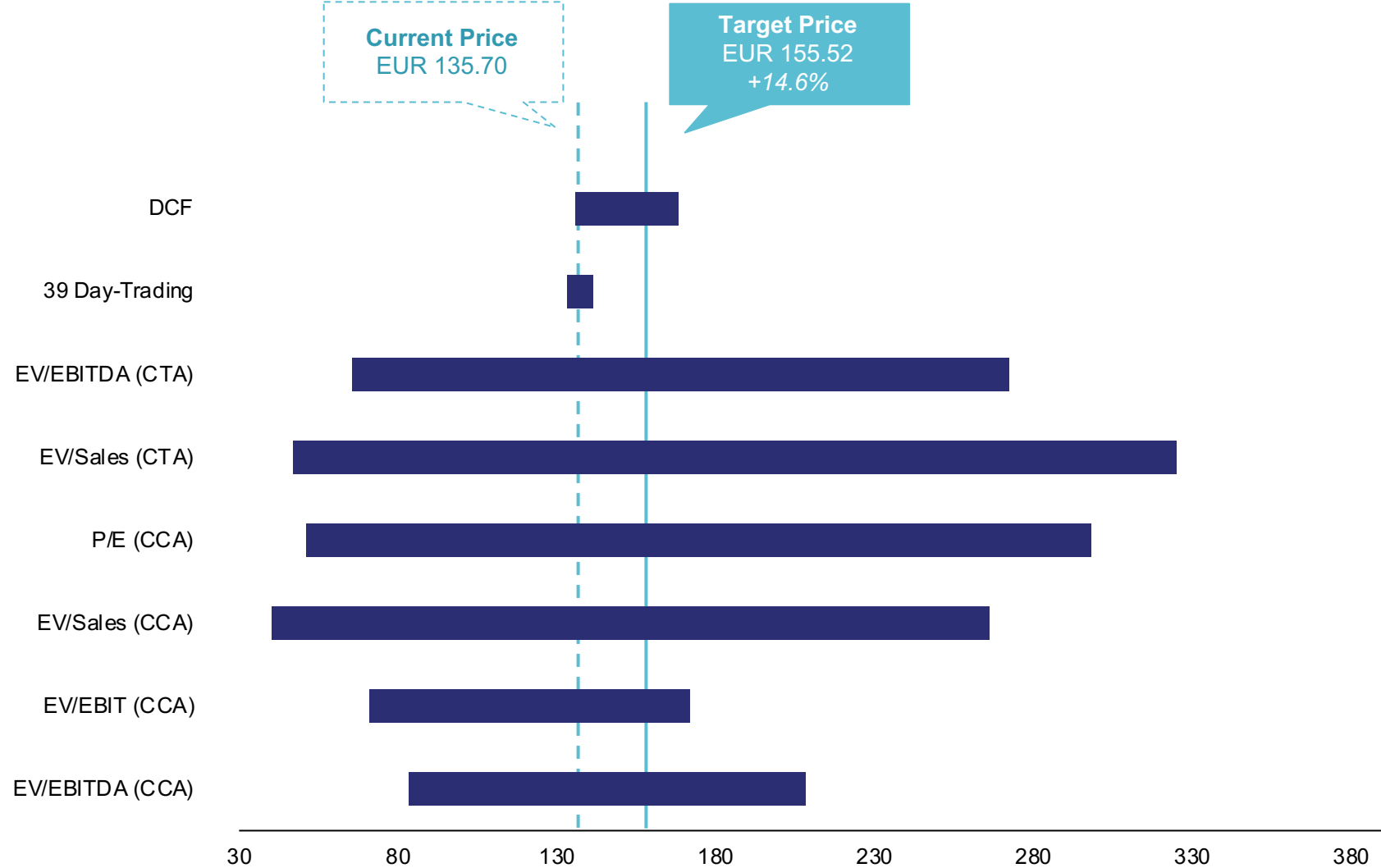
Thales S.A.

WUTIS – Equity Research

Conclusion

Conclusion

A favourable market environment coupled with a focus on cutting-edge technology render Thales a compelling investment





Thales S.A.

WUTIS – Equity Research

Appendix

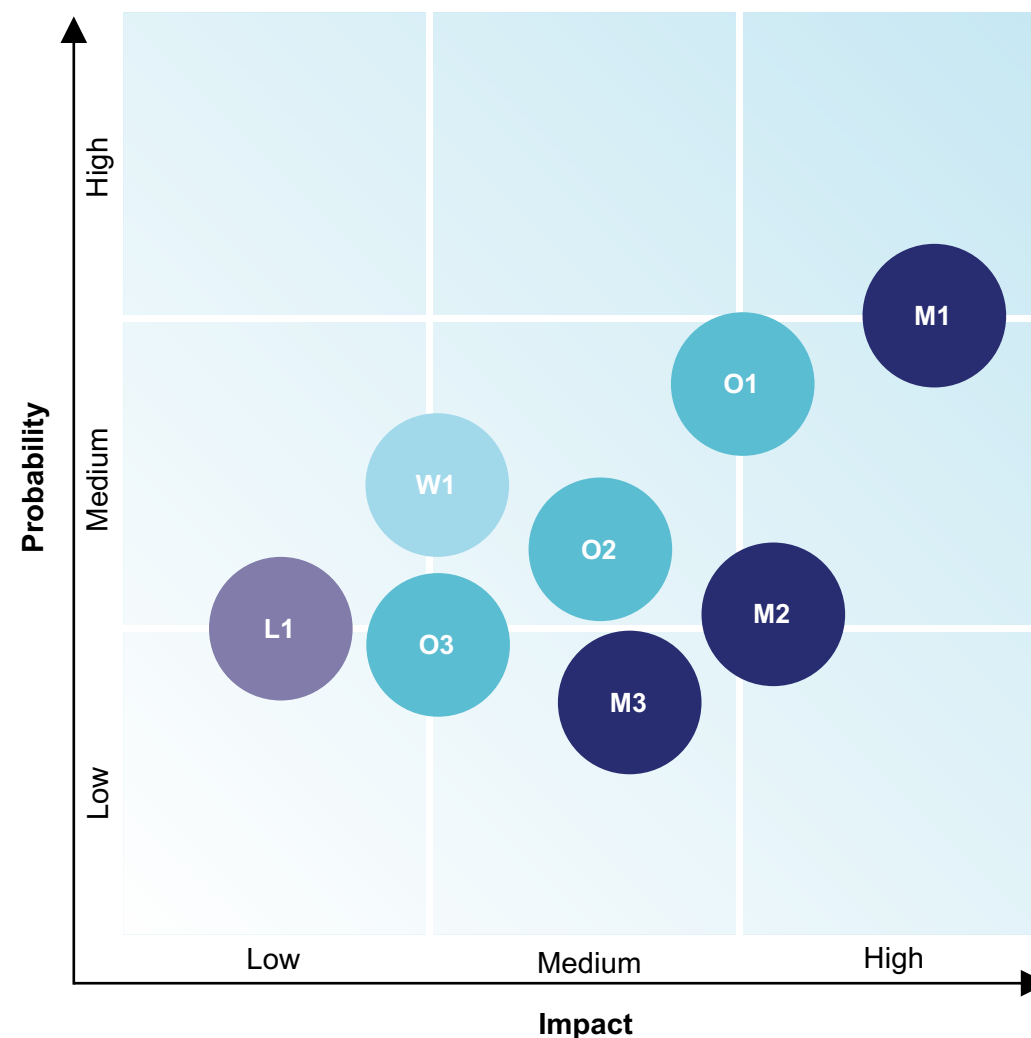
I	Appendix I: Risks & Catalysts	28
II	Appendix II: Market Deep Dive	30
III	Appendix III: Strategy Deep Dive	33
IV	Appendix IV: Financial Analysis	35
V	Appendix V: Peer Benchmarking	37
VI	Appendix VI: Strategic Analysis	41
VII	Appendix VII: Valuation	43

Appendix I

Risk Matrix











O1	Supply chain disruptions and components' shortages would affect Thales' performance
O2	Thales' products require long development cycles , which may result in inflexibility, financial risks and loss of potential market opportunities
O3	Post merger integration problems might inhibit full realization of synergy potentials
M1	Thales operates in cyclical markets , being dependent on global geopolitical conflicts and crises
M2	Small more focused market players may outpace Thales in technological developments
M3	Negative media perception as well as ethical considerations could affect the reputation of Thales
L1	Operating in a strongly regulated market, new regulations might lead to a complication of production processes and entail high compliance cost
W1	Industry shortage of highly qualified employees may also complicate the talent management at Thales

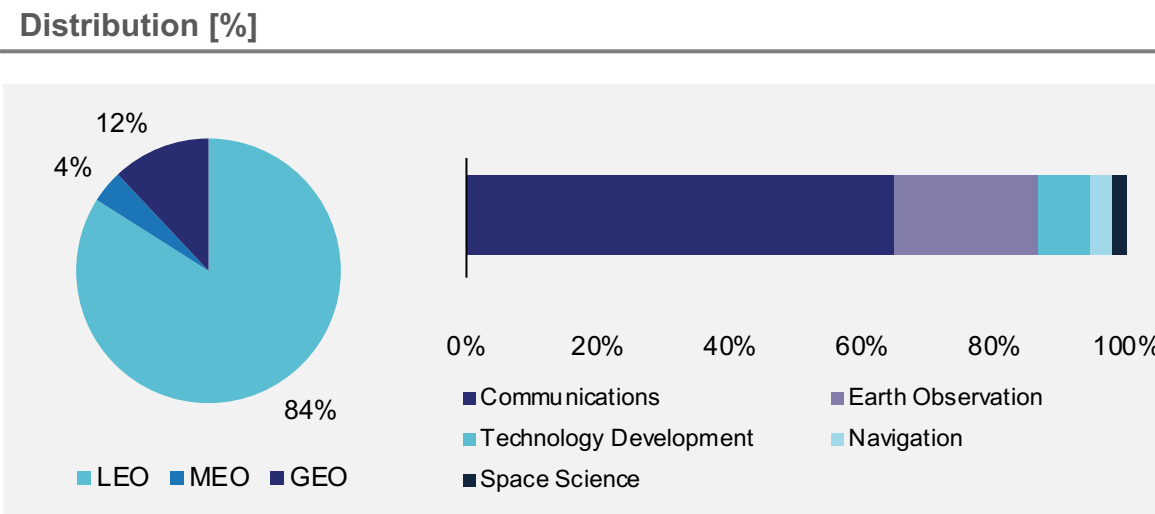
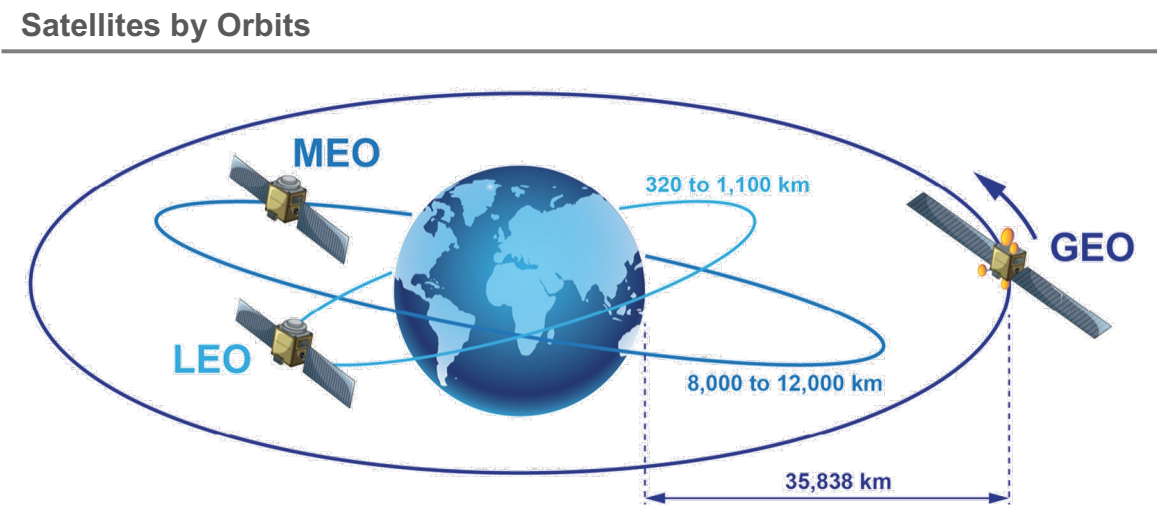
Operations (O) – Market (M) – Legislation (L) – Workforce (W)






Appendix I

Catalysts

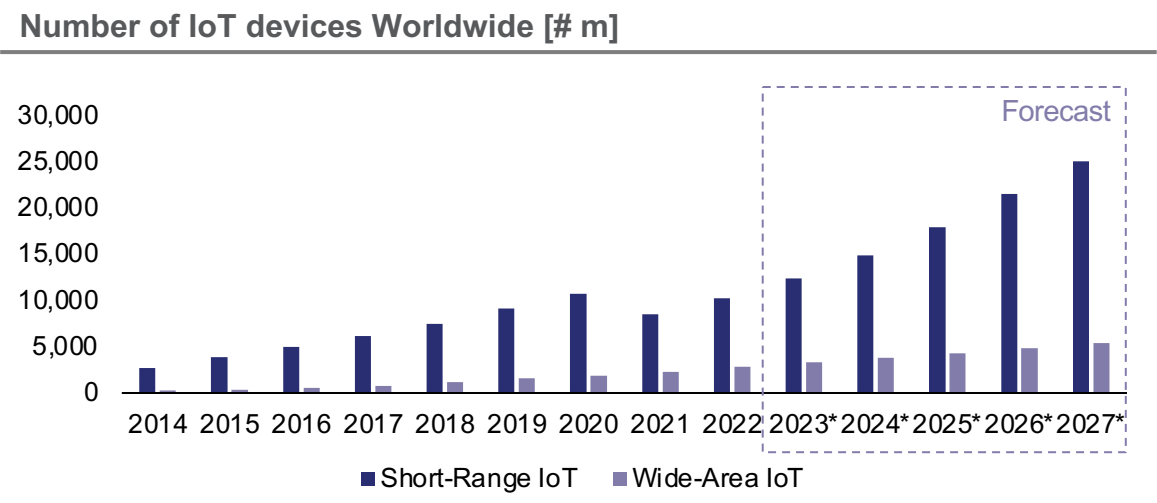
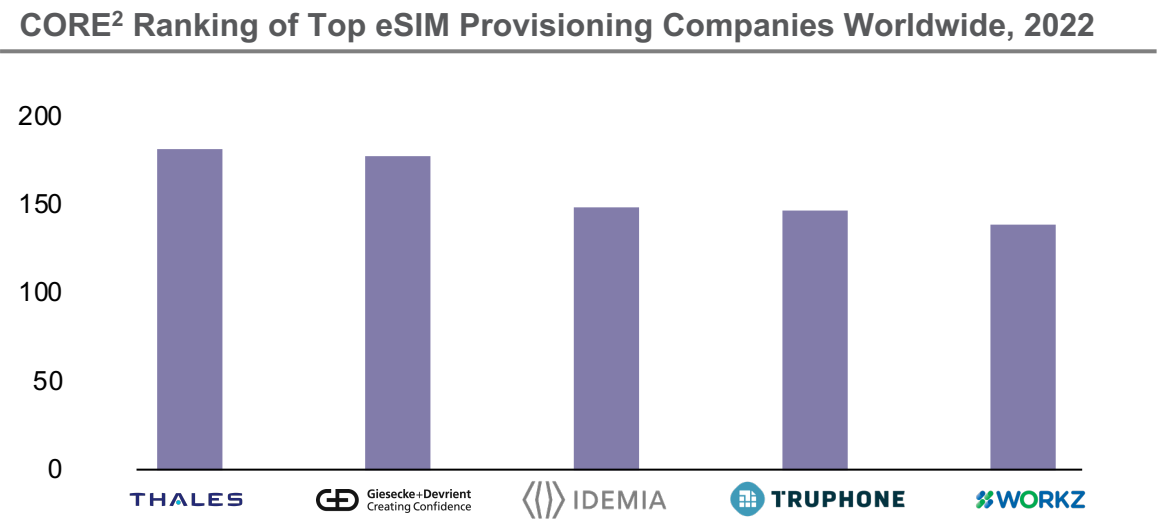
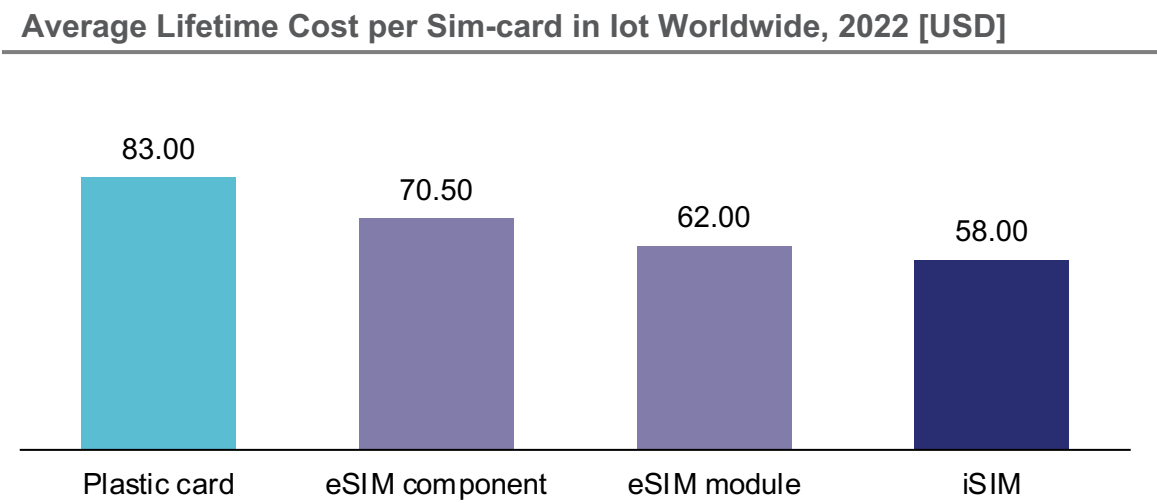
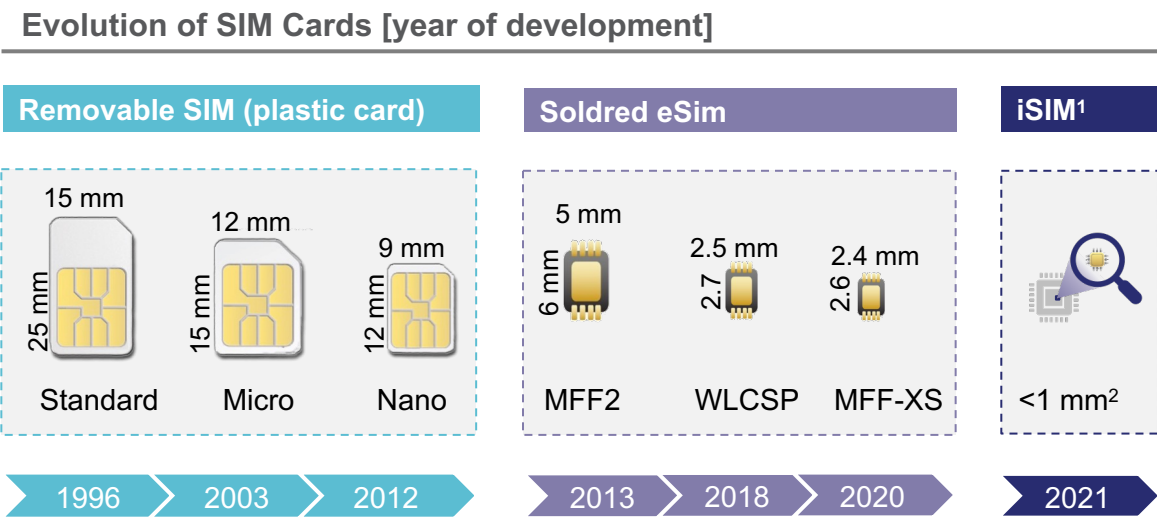
Catalyst	Type	Influenced factor	Estimated impact on share price
 Product innovation	Soft	Revenue	<ul style="list-style-type: none"> Developing new products drives Thales' revenues and market share due to the strong focus on R&D 
 Governmental initiatives on space exploration	Soft	Revenue	<ul style="list-style-type: none"> New initiatives on space exploration and earth investigation increase Thales' order intake and revenue 
 Strategic acquisitions	Hard	Revenue Market share	<ul style="list-style-type: none"> Thales heavily invests in M&A in Digital Identity & Security sector, which will continue to be one of the drivers for revenue and market share growth 
 US presidential elections	Soft	Revenue	<ul style="list-style-type: none"> Depending on who would be elected as the new president of the United States, Europe may face the need to highly increase the spending on Defence & Security 
 Supply chain disruptions	Hard	Revenue Cost of sales	<ul style="list-style-type: none"> Disruptions due to global geopolitical conflicts, regulations or natural disasters increase Thales' cost of sales 



Characteristics

Type	Orbital Period [h]	Speed [km/h]	Primary Functions	Examples	+ Advantages	- Disadvantages
 Low Earth Orbit (LEO)	1.5-2.0h	27,000 km/h	Earth observation, communication, scientific research	Starlink, International Space Station	<ul style="list-style-type: none">Short signal travel timesHigh-resolution observationsRegularly revisiting specific areas	<ul style="list-style-type: none">Limited coverage areaHigher atmospheric drag and stronger gravitational forcesOngoing adjustments required
 Medium Earth Orbit (MEO)	12.0h	10,000-15,000 km/h	Navigation (GPS), regional communication	GPS (US), Galileo (EU)	<ul style="list-style-type: none">Balance between global coverage and lower signal travel times	
 Geo-stationary Orbit (GEO)	24.0h	11,000 km/h	Communication, weather observation	Intelsat, SES	<ul style="list-style-type: none">Few satellites needed for full planet coverage (3 GEO satellites cover the planet)Stable & predictable orbits at higher altitudeLonger lifetime	<ul style="list-style-type: none">Longer signal travel timesLimited earth observation capabilities due to high altitude

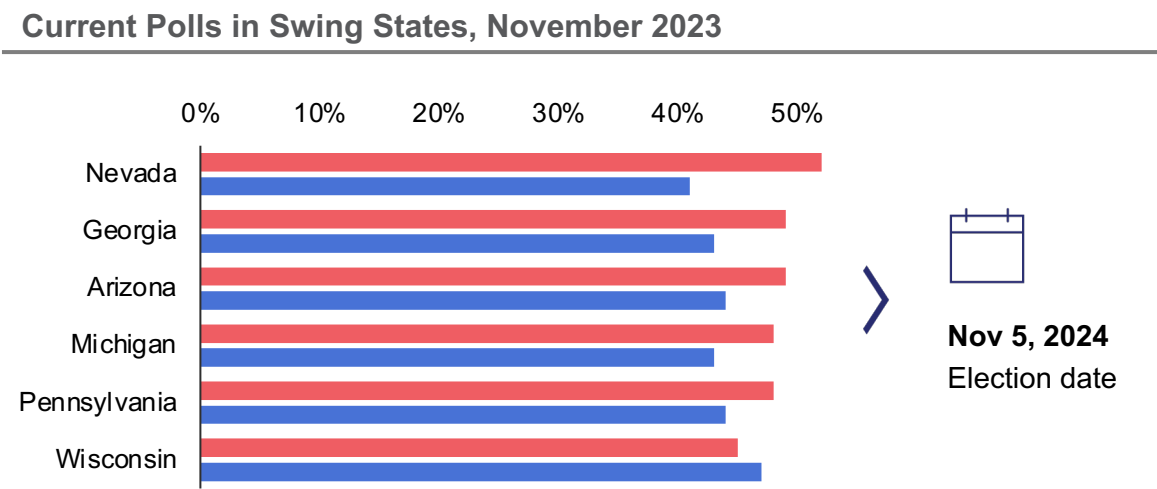
Market Deep Dive II - SIM Cards



Appendix II

US Elections & European Defence Spending

Overview				
Potential Candidate	Party	Support for NATO	Military Support for Ukraine	Economic ties with China
 Donald Trump				
 Joe Biden				



Newspaper Articles

„NATO allies have reached agreement to **raise** the alliance's target for **military spending to at least 2% of national GDP**, two diplomats told Reuters late on Friday.“

Reuters, July 7, 2024

„Even with a second Biden term, **Europeans will be expected to carry more of the Ukraine burden**, while a Trump or Ramaswamy victory would leave **Europe and Ukraine on their own**.“

GMFUS, January 11, 2024

„**Europeans** must not simply hope they can accommodate potentially dramatic shifts in US policy in the coming years, but should instead **take steps** now to enhance and protect their own position in the world. “

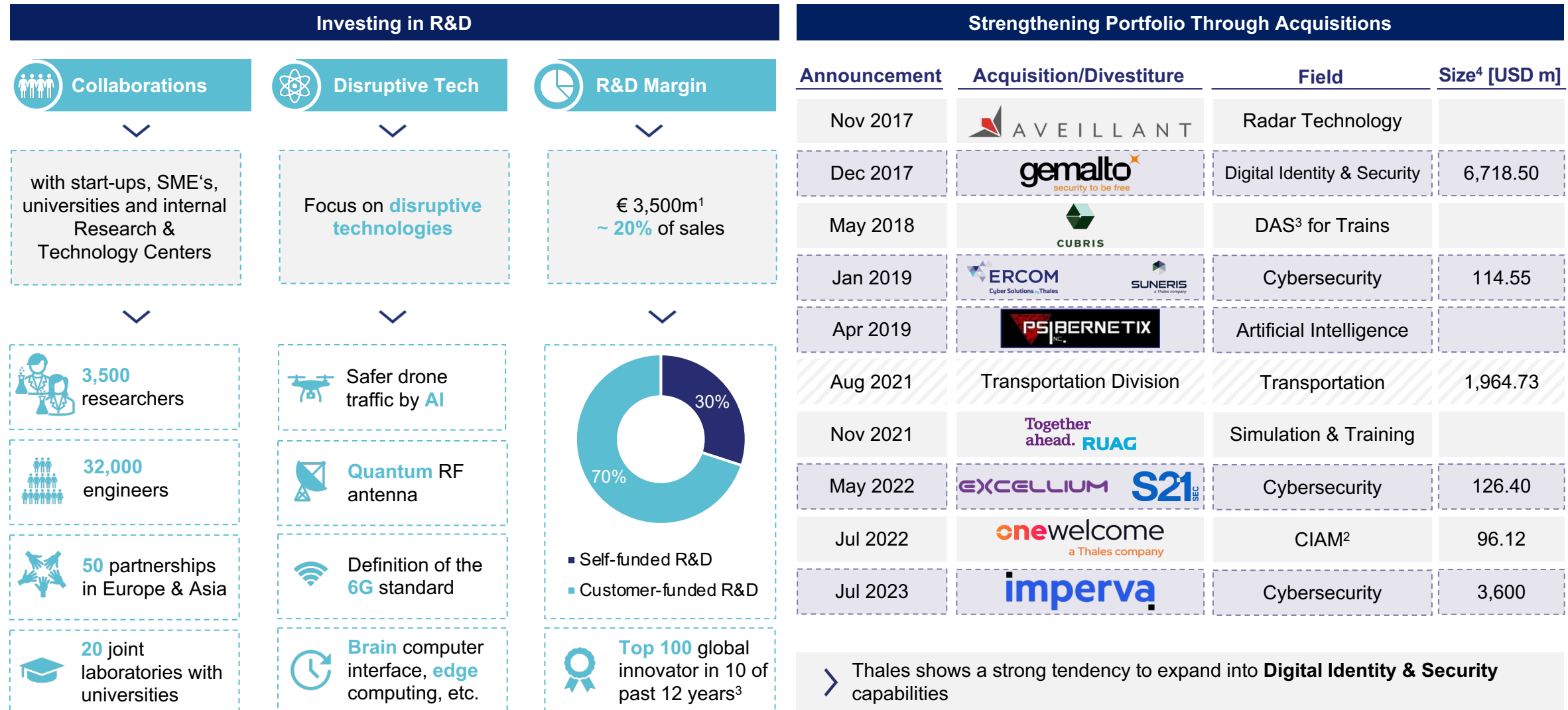
ECFR, May 2023

Germany should actually be rearming faster. This is also because the **USA, Ukraine's most important supporter to date, could drop out**. If Donald Trump wins the presidential elections there this year, **Europe could be left to fend for itself** in terms of its ability to defend itself against possible Russian aggression. "But not only then. Even under incumbent Joe Biden, the USA will reduce its support," according to security policy circles in Berlin.

Translated from Handelsblatt, January 05, 2024

Appendix III

Strategy Deep Dive





Environment

- + SBTi confirmed Thales' greenhouse gas reduction strategy to be **aligned with the Paris Agreement**
- + Thales provides **flight path optimization** and **climate monitoring** solutions



Ethical/Human Rights

- + **20% of senior management** positions held by **women** and the goal to increase it to 22.5% by 2026. 6.69% of positions in France are held by people with disabilities
- The company is subject to **ethical scrutiny** in the public eye due to the **nature of the sectors** it operates in



Philanthropy

- + Thales provides **satellite internet** and access in **less connected** regions, as well as products for impaired groups of people
- + Employees are encouraged to **support charitable programmes**, e.g. payroll-giving programme in France



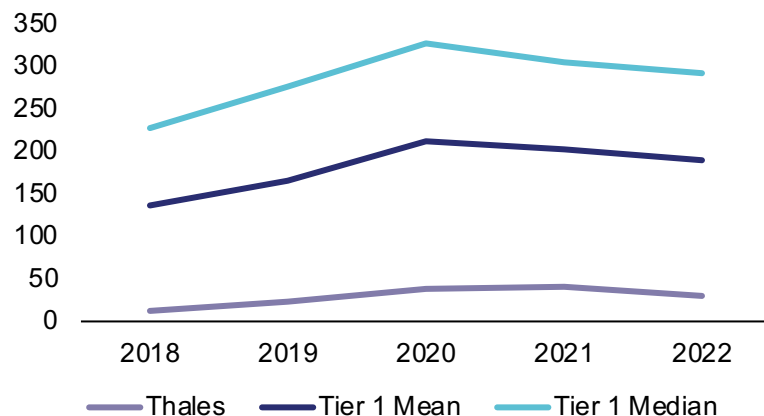
Corporate Legal Responsibility

- + 100% of at-risk employees are trained in corruption prevention in 2023
- Thales faces potential risks stemming from **product safety concerns**, which could impact its reputation and lead to regulatory and legal challenges

Appendix IV

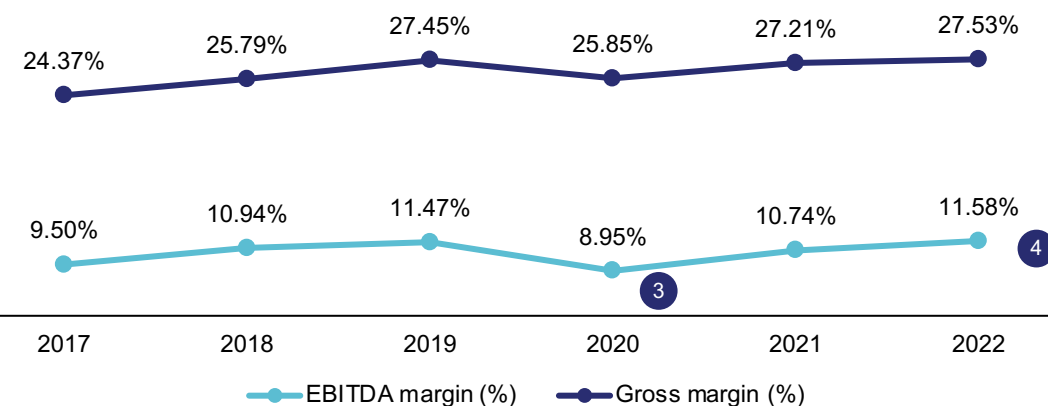
Financial Analysis

Cash Conversion Cycle [days]

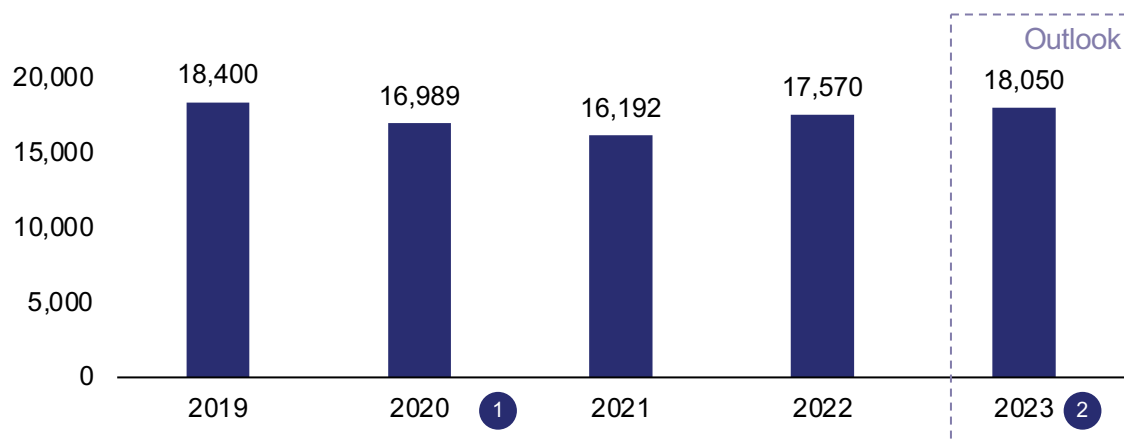


Lowest CCC of the peer group shows both **working capital efficiency** and strong **contracting power** along the supply chain

Margin Development [%]



Revenue Development [EUR m]



Comments

1

Revenue decline in 2020-21 due to COVID, largely attributable to decline in Aerospace sales

2

Management revenue guidance for 2023 shows a return to pre-pandemic levels, with further growth projected in the upcoming years

3

EBITDA margin has **only suffered a minor decline** due to the pandemic

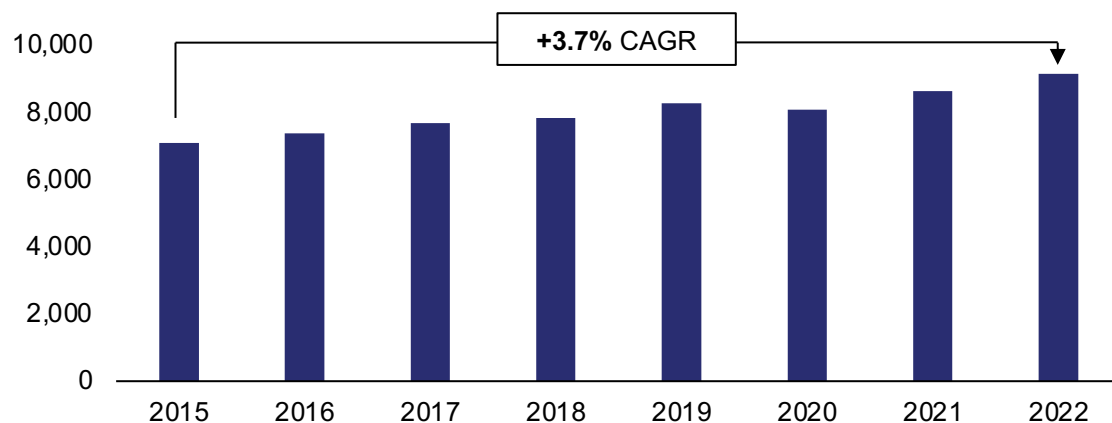
4

Gross and EBITDA margin have topped pre-COVID levels in 2022, and have increased further from then onwards

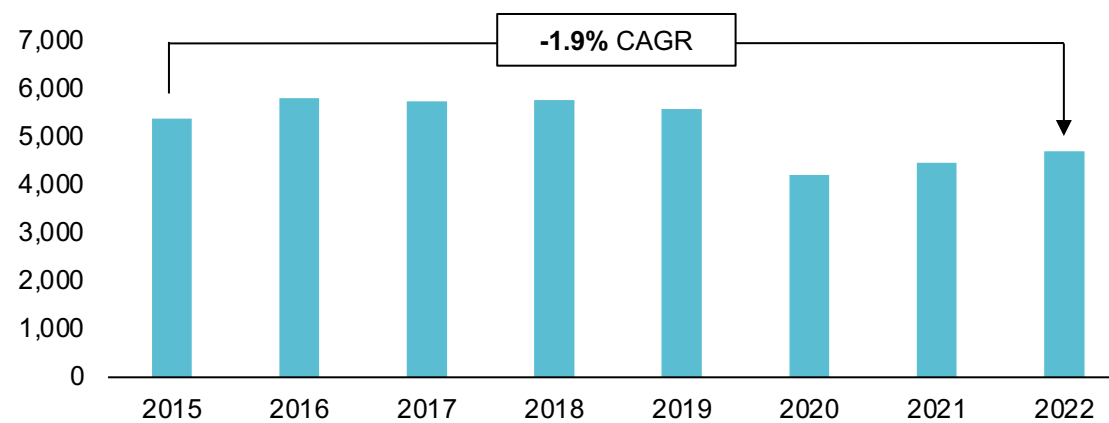
Appendix IV

Historical Revenue Analysis per Business Unit

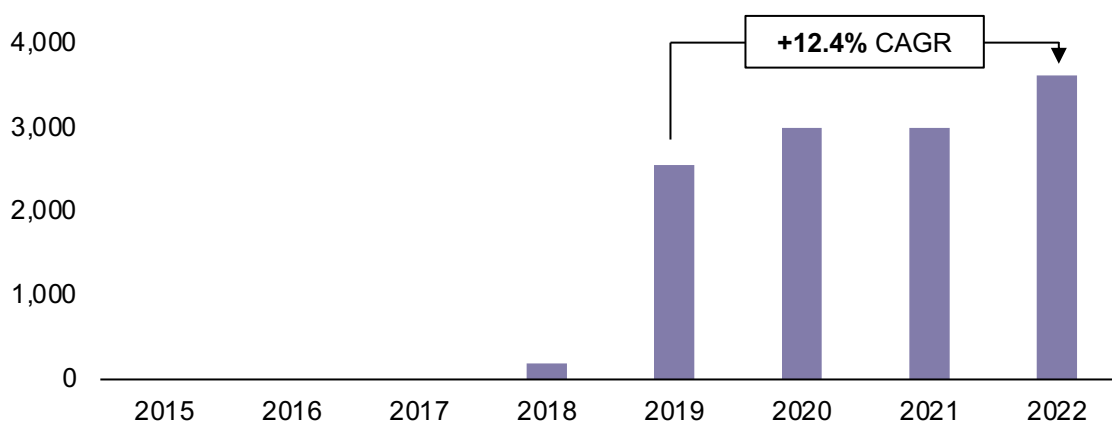
Defence & Security [EUR m]



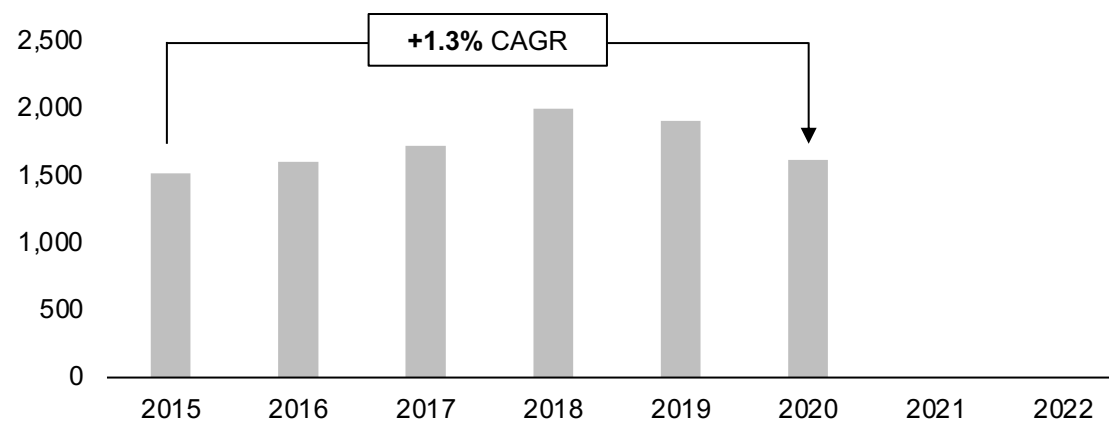
Aerospace [EUR m]



Digital Identity & Security¹ [EUR m]



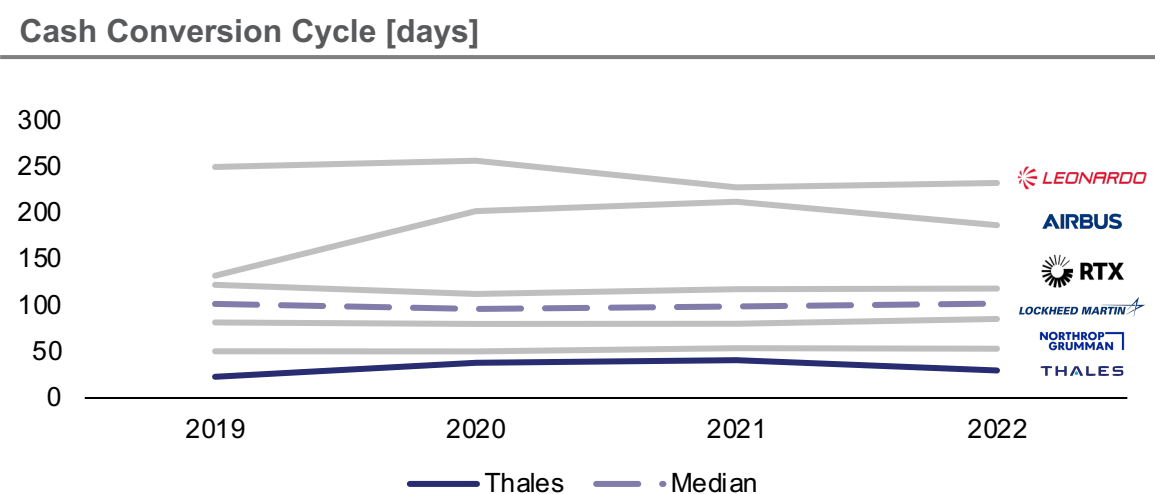
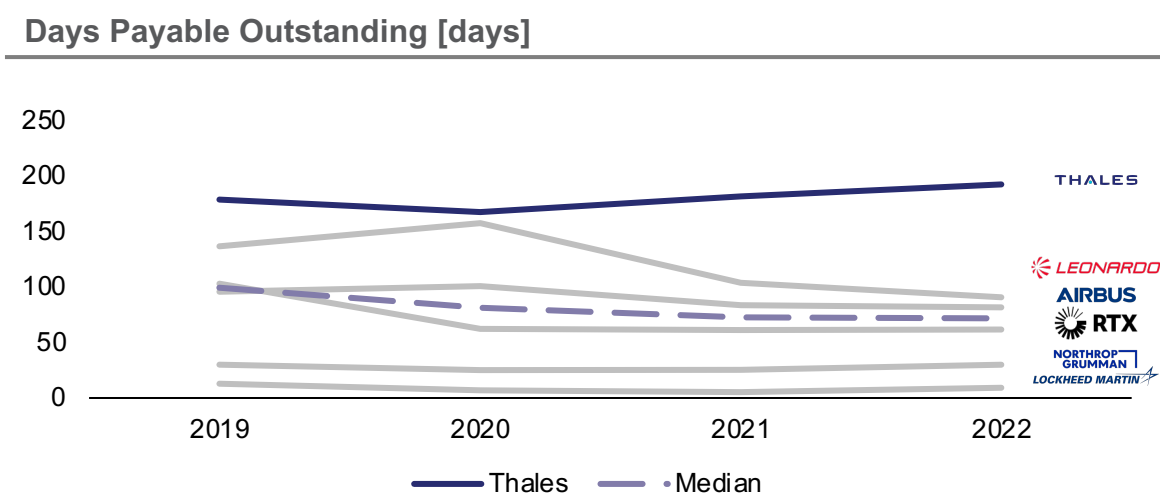
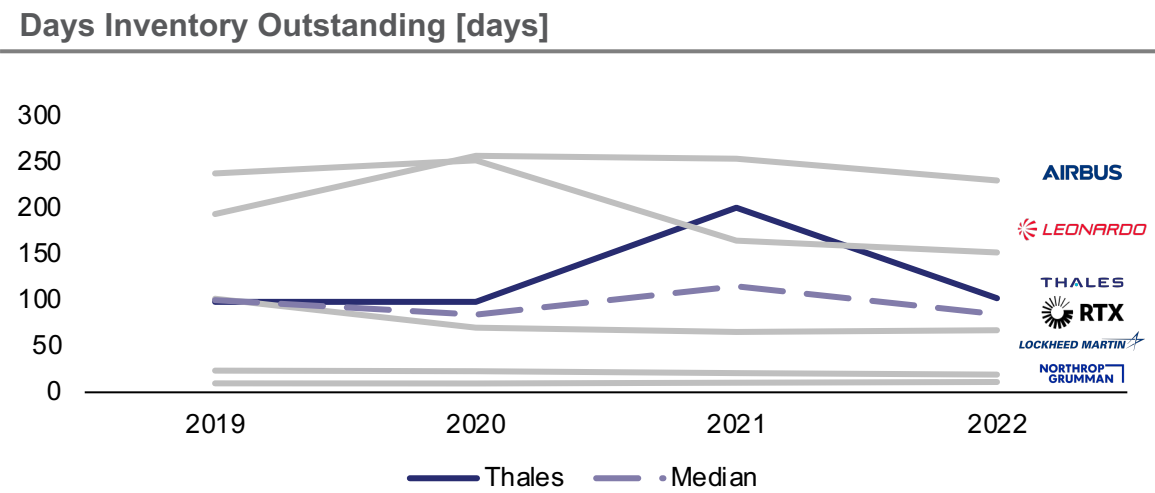
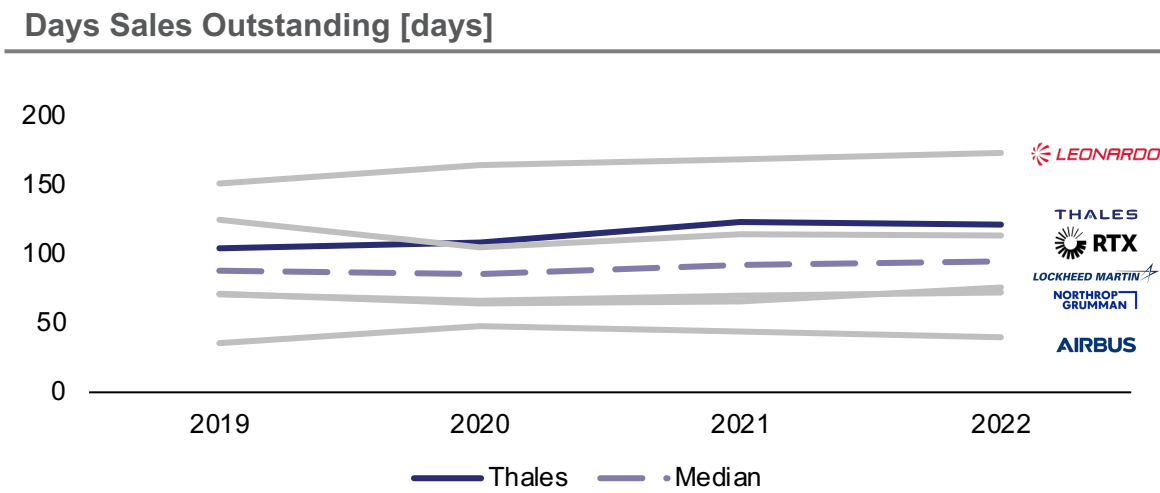
Ground Transportation² [EUR m]



¹Started in 2018 through acquisition of Gemalto, ²Divested in 2020
Source: 10K

Appendix V

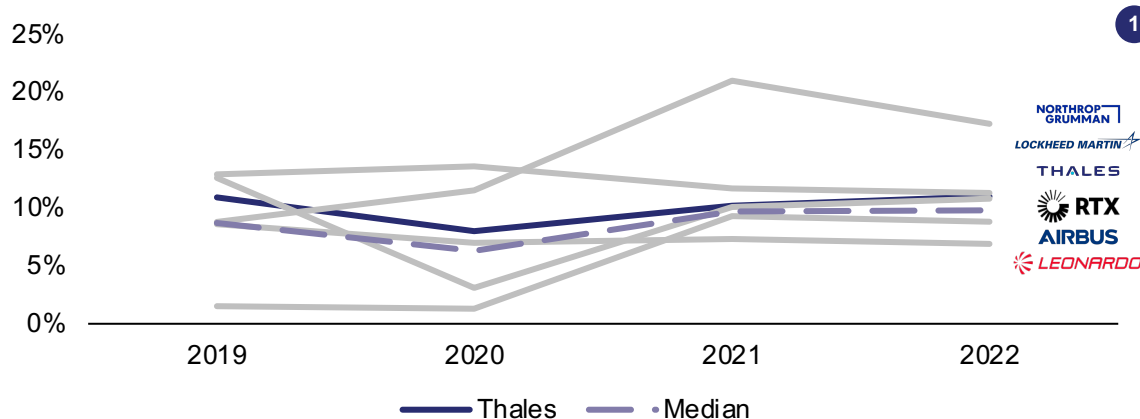
Cash Conversion Cycle



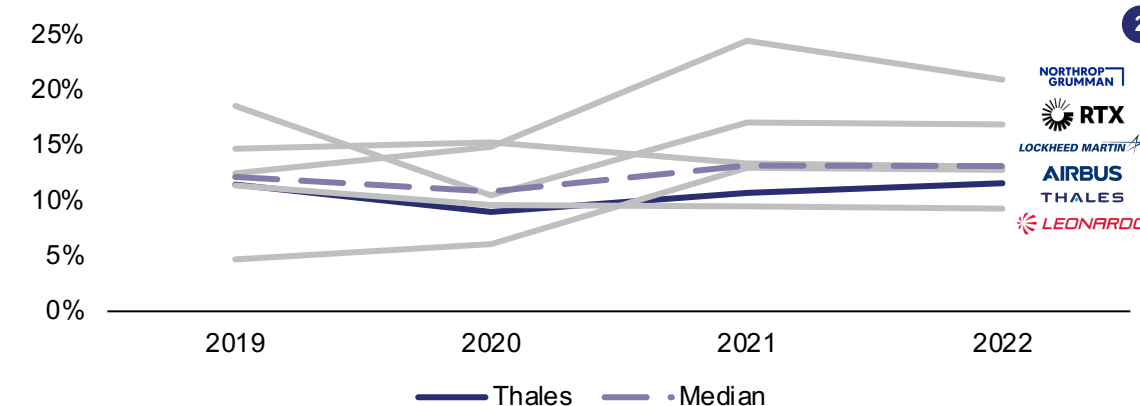
Appendix V

Income Statement

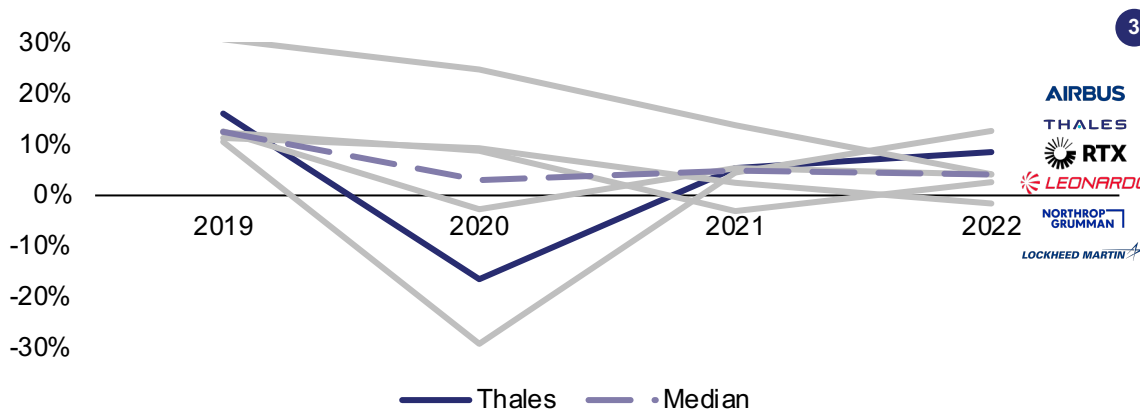
EBIT-Margin [%]



EBITDA-Margin [%]



Revenue Growth YoY [%]



Comments

1

- **EBIT-Margin** of 10-11%, slightly above peer median of ~10%
- -1.7pp in 2020 followed by a margin recovery from 2022 onwards driven by the cyclical Aerospace and Transportation sectors

2

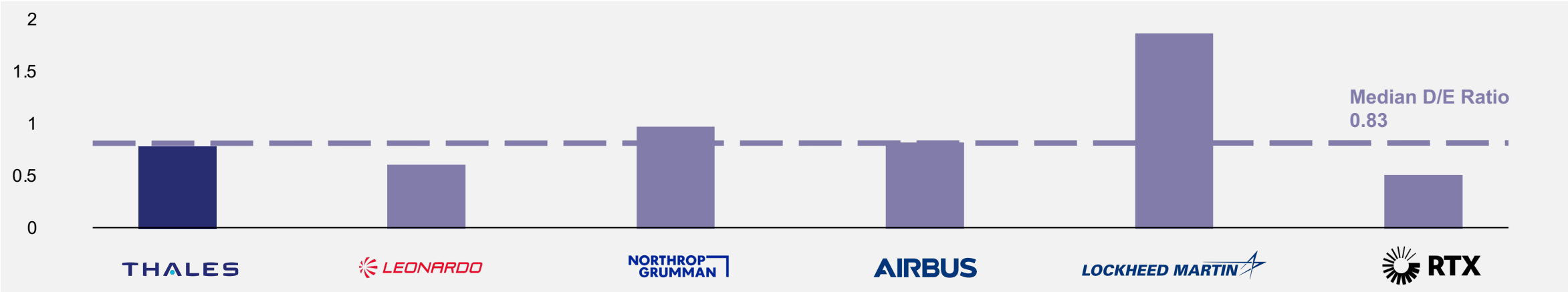
- **EBITDA-Margin** of 10.0-11.5% below peer median
- Shows significantly less volatility than peers

3

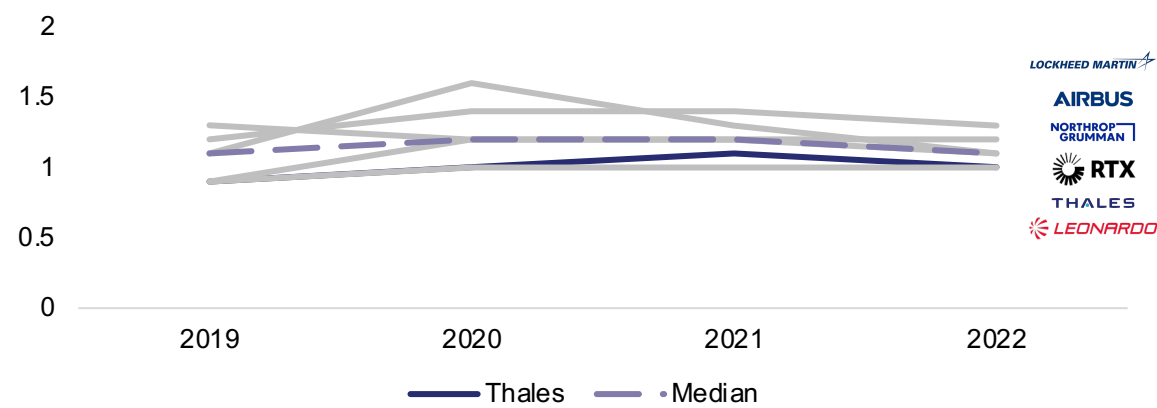
- **Revenue growth** above peer median
- -16.5% in 2020 as Aerospace and Transportation sales plummeted due to COVID restrictions

Balance Sheet

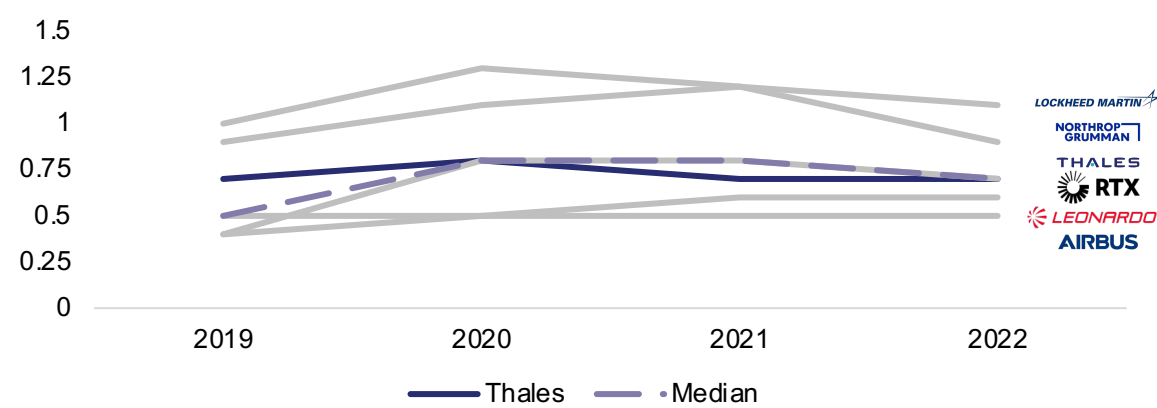
Debt/Equity Ratio [%] – Tier 1 Competitors



Current Ratio [%]

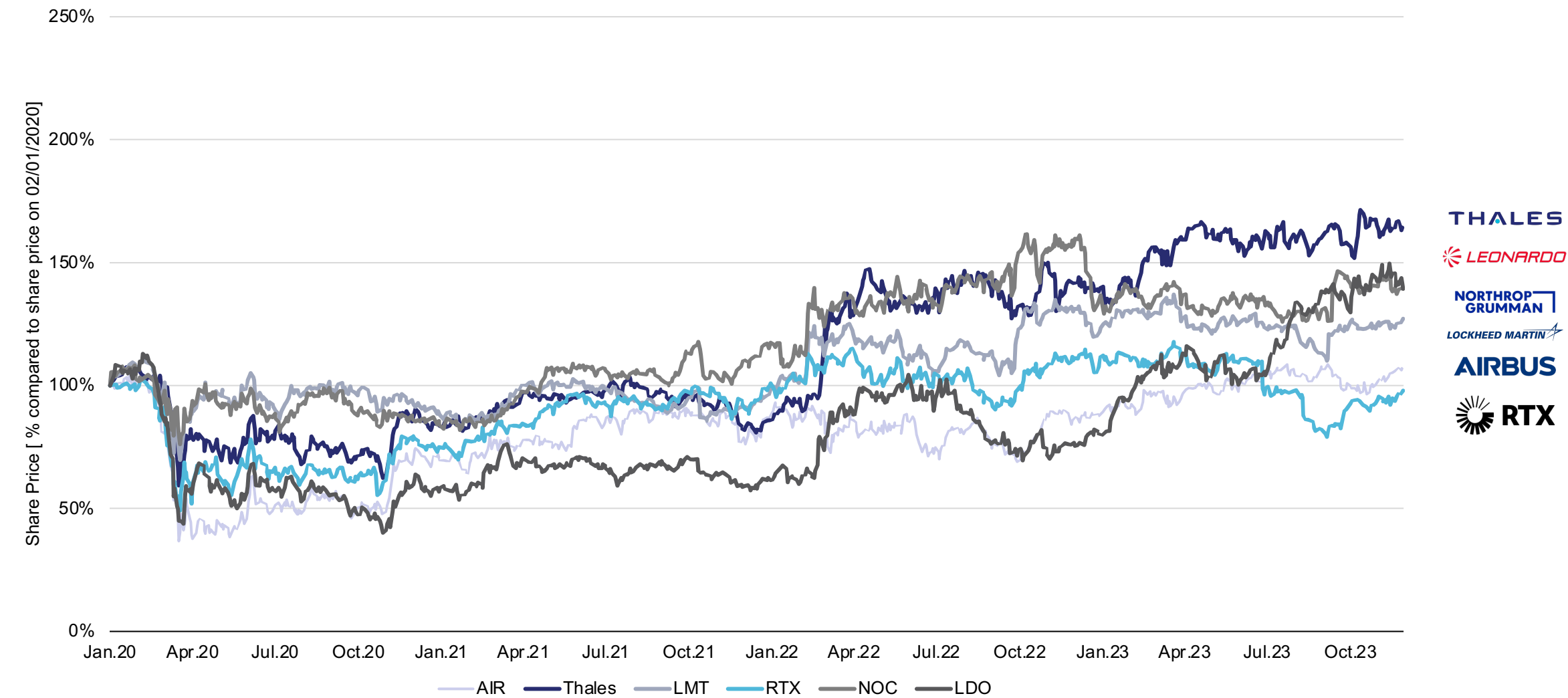


Quick Ratio [%]



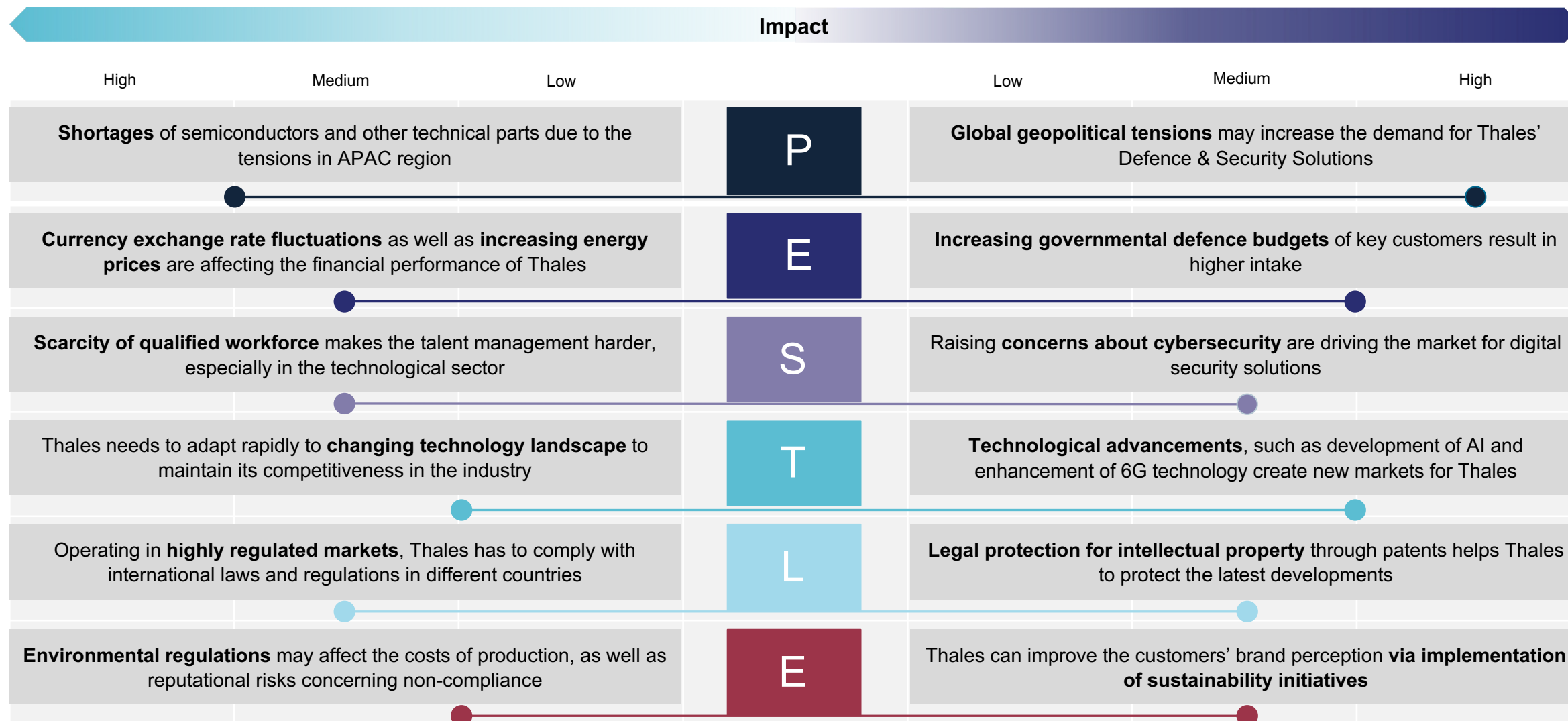
Appendix V

Best Peer Share Price Performance



Appendix VI

PESTLE Analysis



SWOT Analysis

STRENGTHS

- **Diverse Product Portfolio:** Thales operates and maintains leadership positions in different markets, such as Defence & Security, Aerospace and Digital Identity & Security
- **Established Market Position:** a strong reputation and well-known reliability, helped Thales to achieve a strong customer base on global markets
- **Innovation and Technology Leadership:** Thales implements its experience into developing new technological solutions through strong R&D performance, technology partnerships and collaboration

OPPORTUNITIES

- **Constantly Growing Demand for Cybersecurity Solutions:** continuous digitalisation of modern world, makes cybersecurity solutions necessary; with its experience in Digital Identity and Security Thales can take advantage of it
- **Advancements in Space Exploration:** Thales, with its satellite and technological solutions, may benefit from new opportunities on the market due to the growing investments and innovations in Space Exploration

THALES

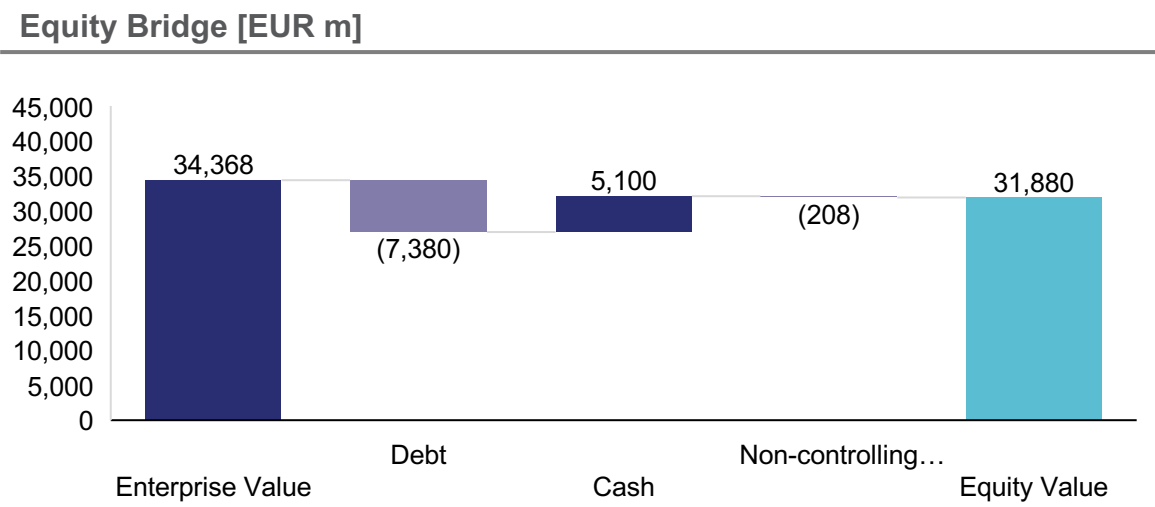
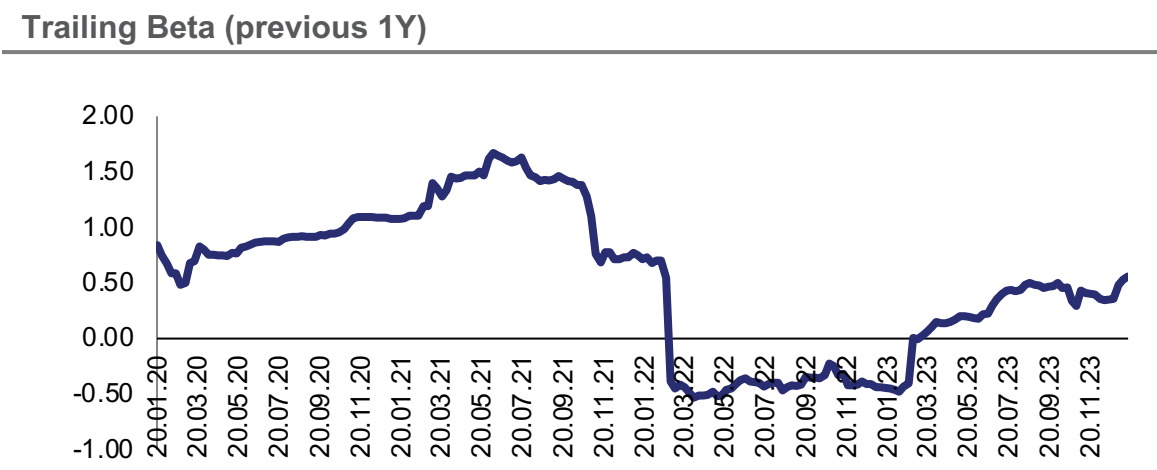
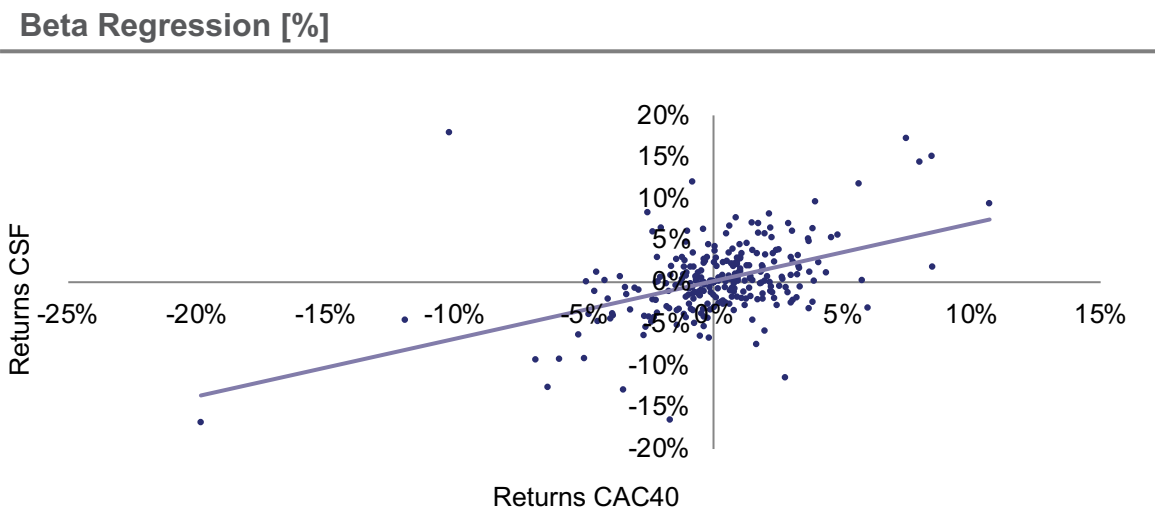
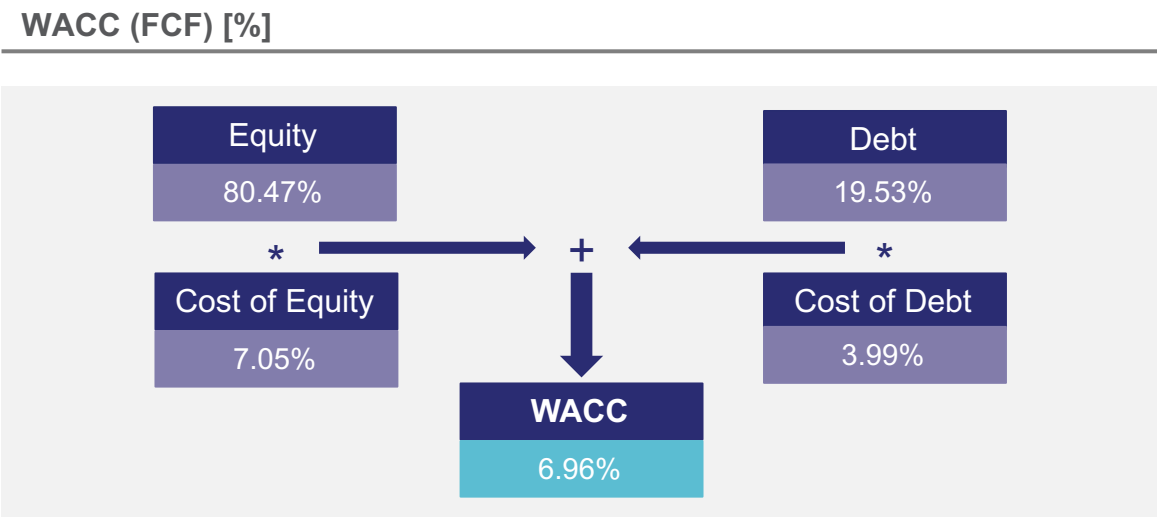
- **Dependency on Defence & Security Business Unit:** revenues of Thales hang on global geopolitical conflicts and governmental contracts
- **Reliance on Highly Skilled Workforce:** for successful operations, Thales needs highly educated professionals on key positions, which complicates talent management and acquisition

WEAKNESSES

THREATS

- **Intense Competition:** there is a fierce competition in the industry, which results in a threat of losing a market share of Thales to competitors
- **Rapid Technological Developments:** Thales must keep up with all new technological improvements, which could be hard to implement instantly; innovative solutions of competitors may also affect Thales' market position and profitability

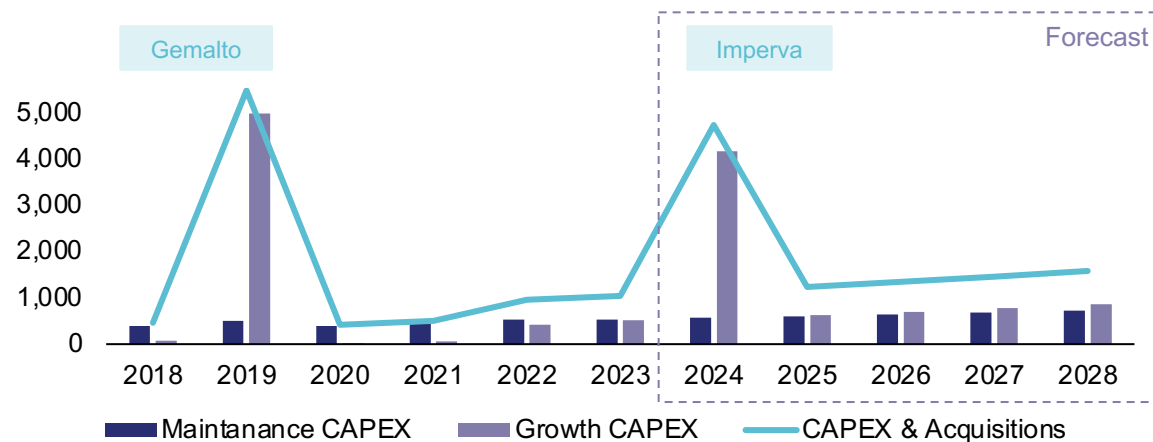
WACC



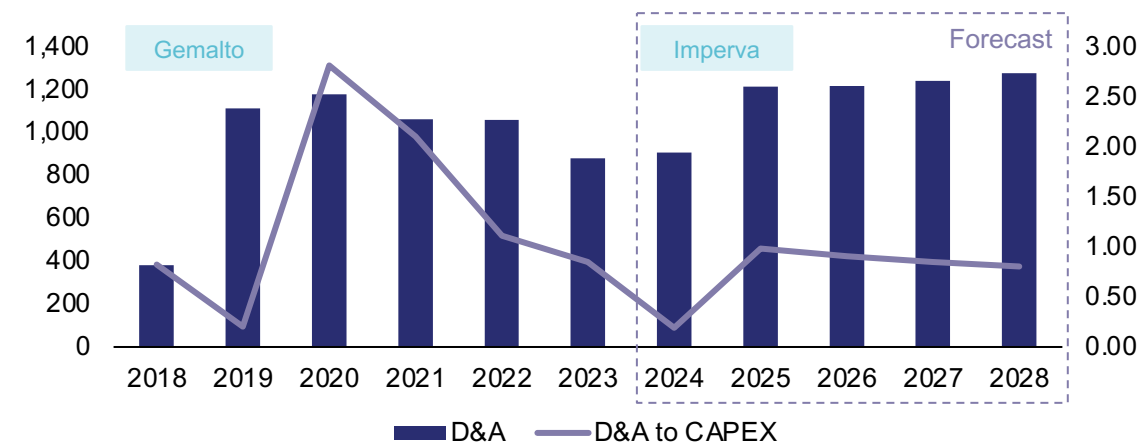
Appendix VII

Valuation Key Metrics – Assets & Capital Structure

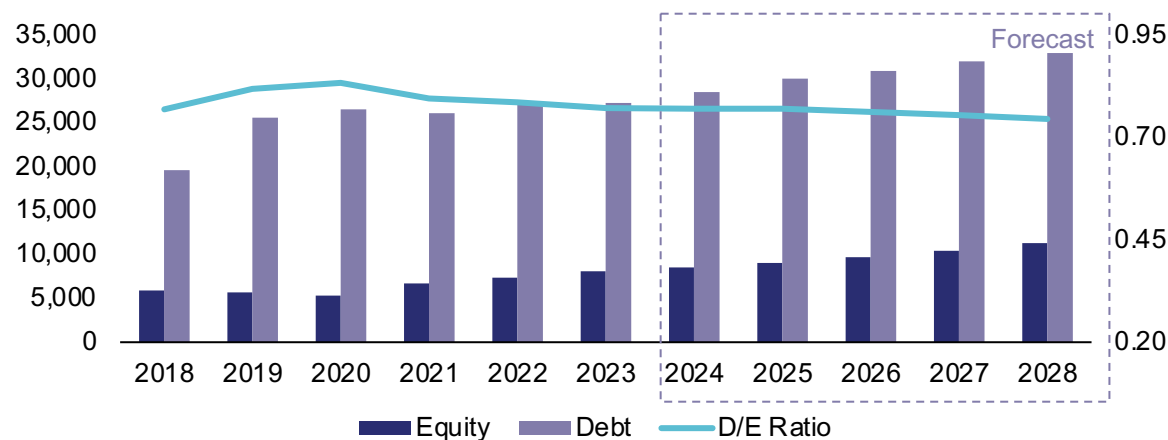
Maintenance CAPEX vs. Growth CAPEX [EUR m]



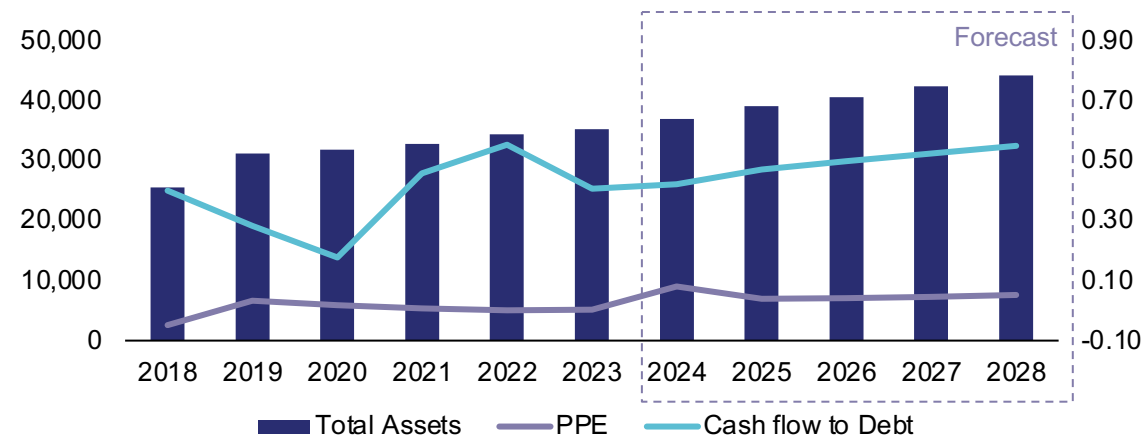
D&A-to-CAPEX [EUR m]



Capital Structure [EUR m]



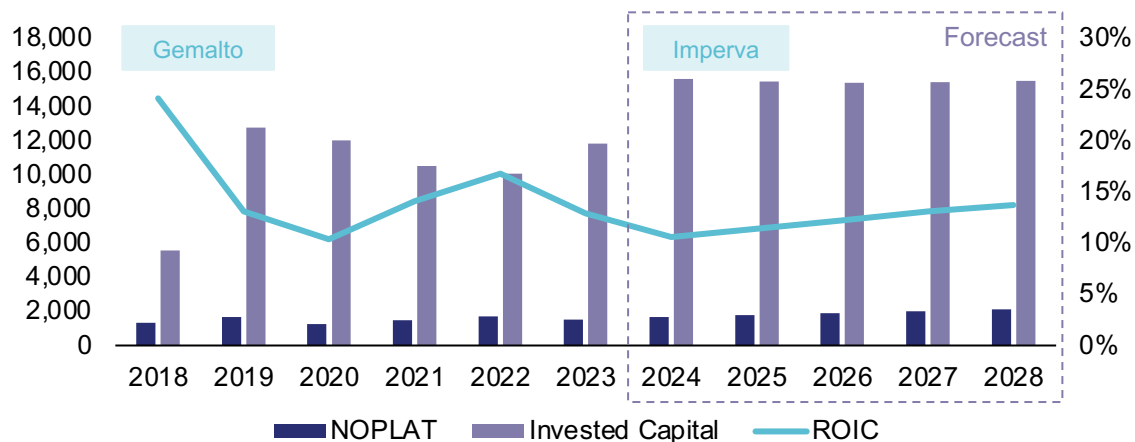
PPE & Total Assets [EUR m]



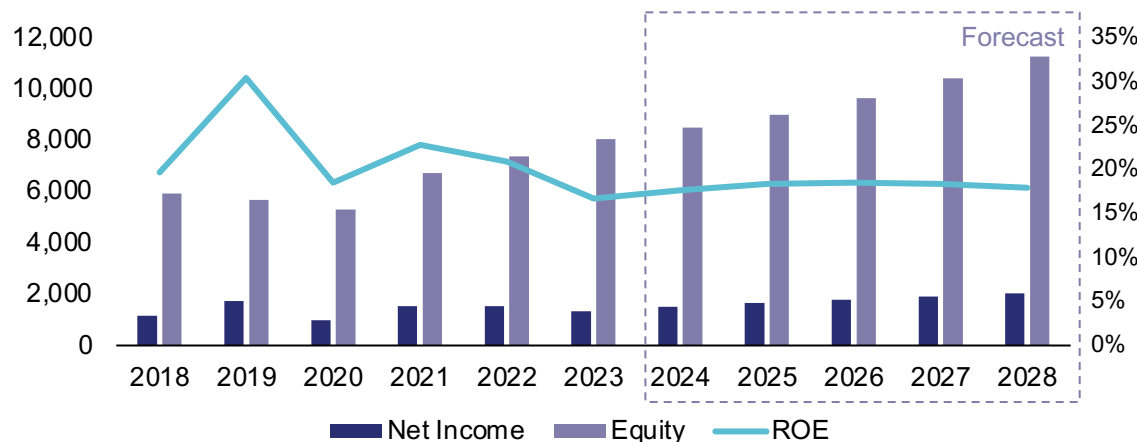
Appendix VII

Valuation Key Metrics – Profitability

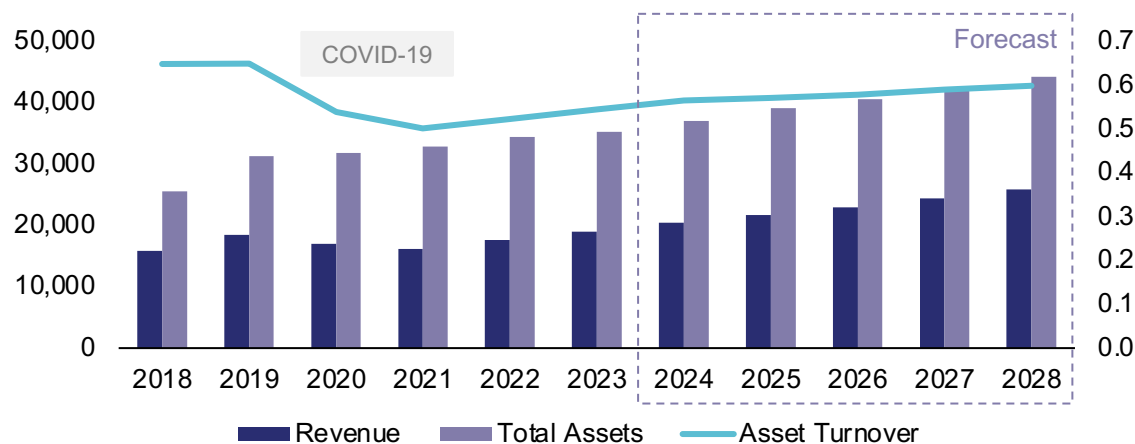
Return on Invested Capital [EUR m, %]



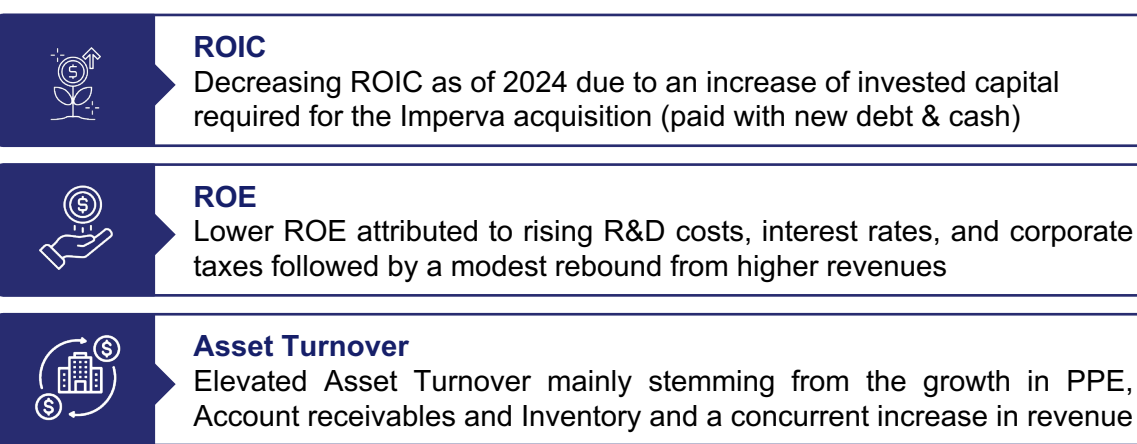
Return on Equity [EUR m, %]



Asset Turnover [EUR m, %]



Comments



Thales SA

WUTIS - WU Trading & Investment Society

Equity Research

THALES

General Information

Team Memerbs

Head of Equity Research: Maria Doppler

Associate: Matthias Koerner

Analysts: Carla Marchetto

Jan Berghänel

Tobias Huber

Norbert Stégner

Anna Almaz

Date

Submission Date: Tuesday, 30 January 2024

Select Scenario

Base Case

Target Price: 155,52

Upside: 14,61%


Formating

Black: Hard-copied input

Blue: Formulas and links

All numbers in mEUR

Company Overview

Name:  Thales SA (XPAR:HO)

Industry: Aerospace & Defense

HQ: Tour Carpe Diem 31 place des Corolles, COURBEVOIE, ILE-DE-FRANCE, 92400 FR

Employees: 85.253

Previous close (in EUR): 135,70

Market cap (in EUR): 28.840.830.000

Ticker: HO

Stock Market: Euronext Paris

IPO: 2010

Thales S.A. is a global company specializing in defense and security, aerospace and space, digital identity and security, and ground transportation systems. Founded in 1893 and headquartered in Courbevoie, France, the company operates through segments such as Aerospace, Defence & Security, Digital Identity & Security, and Ground Transportation Systems. Thales provides a wide range of solutions, including communication systems, mission services, surveillance systems, and digital identity solutions. The company also offers services in air traffic management, avionics equipment, satellite-based systems, cybersecurity, and railway solutions for various markets and applications.

Valuation Overview

20% CCA

20% CTA

20% DCF (multiple)

40% DCF

135,00

140,00

145,00

150,00

155,00

160,00

165,00

Bear Case

Base Case

Bull Case

DCF

45.000

40.000

35.000

30.000

25.000

20.000

15.000

10.000

5.000

0

Enterprise Value: 34.368

Debt: (7.380)

Cash: 5.100

Non-current assets: (208)

Equity Value: 31.880

Key Assumptions

WACC FCF: 6,96%

WACC TV: 7,15%

Beta: 0,95

Perpetuity rate: 2%

Shares outstanding: 208

Enterprise Value: 34.368

Equity Value: 31.880

Equity Value per Share: 152,92

Current Share Price: 135,70

Upside Potential: 12,69%

Key Visualisations

50.000

45.000

40.000

35.000

30.000

25.000

20.000

15.000

10.000

5.000

0

2018

2019

2020

2021

2022

2023

2024

2025

2026

2027

2028

Total Liabilities

Debt

D/E Ratio

30.000

25.000

20.000

15.000

10.000

5.000

0

2019

2020

2021

2022

2023

2024

2025

2026

2027

2028

Revenue

Gross Profit Margin

EBIT Margin

Net Income Margin

Footballfield

DCF

39 Day-Trading

EV/EBITDA (CTA)

EV/Sales (CTA)

P/E (CCA)

EV/Sales (CCA)

EV/EBIT (CCA)

EV/EBITDA (CCA)

135,81

133,4

65,62

47,06

51,21

40,30

71,08

83,54

168,35

141,4

272,45

325,17

298,32

266,12

171,88

208,31

30,00

80,00

130,00

180,00

230,00

280,00

330,00

380,00

- 46 - | Valid until 02/02/2024

© WUTIS – Equity Research

Appendix VII

Operating Model - P&L

Integrated Model

In EURm

Check	Historical Period							Forecasting Period						
	2015A	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E

Live Case

Base Case

Income Statement

Net sales	14.068	14.885	15.227	15.856	18.400	16.989	16.192	17.570	18.978	20.374	21.660	22.971	24.421	25.895
Cost of sales	(10.688)	(11.274)	(11.516)	(11.767)	(13.349)	(12.597)	(11.787)	(12.732)	(13.852)	(14.847)	(15.759)	(16.686)	(17.711)	(18.750)
Gross profit	3.380	3.611	3.711	4.090	5.051	4.392	4.405	4.838	5.126	5.527	5.901	6.285	6.710	7.145
Gross margin %	24,0%	24,3%	24,4%	25,8%	27,4%	25,9%	27,2%	27,5%	27,0%	27,1%	27,2%	27,4%	27,5%	27,6%
Research & Development expenses	(692)	(730)	(797)	(879)	(1.098)	(1.025)	(1.027)	(1.064)	(1.137)	(1.241)	(1.342)	(1.446)	(1.563)	(1.683)
Marketing and selling expenses	(981)	(1.019)	(1.065)	(1.095)	(1.381)	(1.305)	(1.226)	(1.350)	(1.459)	(1.545)	(1.621)	(1.695)	(1.777)	(1.858)
SG&A expenses	(532)	(537)	(543)	(552)	(634)	(613)	(545)	(599)	(658)	(704)	(746)	(788)	(835)	(882)
Restructuring and impairment expense	(94)	(101)	(81)	(48)	(101)	(169)	(91)	(99)	(118)	(127)	(135)	(143)	(152)	(161)
Other income, net	0	(0)	0	0	0	0	0	0	0	0	0	0	0	0
Share in net income of equity affiliates	140	131	139	172	171	71	132	209						
EBIT	1.221	1.355	1.365	1.687	2.008	1.352	1.648	1.936	1.754	1.909	2.058	2.212	2.383	2.560
EBIT margin %	8,7%	9,1%	9,0%	10,6%	10,9%	8,0%	10,2%	11,0%	9,2%	9,4%	9,5%	9,6%	9,8%	9,9%
Financial interest on gross debt	(16)	(11)	(16)	(27)	(63)	(67)	(54)	(76)	(170)	(180)	(135)	(118)	(124)	(133)
Financial interest on cash & cash equivalents	19	18	21	20	20	8	(3)	26	26					
Other Financial expenses	(42)	(81)	(99)	(78)	(84)	(82)	(53)	(99)	(37)	0	0	0	0	0
Financial costs on pensions and other employee benefit	(60)	(78)	(66)	(47)	(69)	(45)	(22)	(5)	(5)	0	0	0	0	0
EBT	1.123	1.203	1.205	1.554	1.812	1.166	1.517	1.782	1.568	1.730	1.922	2.094	2.259	2.427
Income tax	(220)	(256)	(237)	(314)	(301)	(90)	(148)	(225)	(198)	(232)	(270)	(307)	(346)	(403)
Disposal of asstes, changes in scope of consolidated ar	53	205	(82)	(73)	219	42	49	(24)	(24)	0	0	0	0	0
Impairment on non-current fixed assets	0	0	0	0	0	(135)	0	0	0	0	0	0	0	0
Net income from continuing operations	957	1.153	887	1.167	1.729	982	1.418	1.533	1.346	1.498	1.653	1.786	1.912	2.024
Net income for discontinued operations, net of tax	0	0	0	0	0	0	118	9	0	0	0	0	0	0
Net income	957	1.153	887	1.167	1.729	982	1.535	1.542	1.346	1.498	1.653	1.786	1.912	2.024
Profit margin %	6,8%	7,7%	5,8%	7,4%	9,4%	5,8%	9,5%	8,8%	7,1%	7,4%	7,6%	7,8%	7,8%	7,8%

Appendix VII

Operating Model - Balance Sheet

Balance Sheet

Assets														
Inventories and work in progress	2.561	2.735	3.159	3.081	3.731	3.509	3.336	3.672	4.268	4.158	4.383	4.609	4.859	5.109
Contract assets	2.043	2.332	2.301	2.538	3.089	2.935	2.478	2.411	3.002	3.223	3.426	3.634	3.863	4.096
Advances to suppliers	383	348	452	652	550	434	411	642	642	642	642	642	642	642
Accounts, notes and other current receivables	4.404	4.548	4.009	4.672	5.240	5.038	5.443	5.810	5.676	6.660	6.999	7.338	7.711	7.990
Current derivatives	154	162	258	92	110	254	100	173	173	173	173	173	173	173
Current tax receivables	71	60	37	46	213	220	215	195	195	195	195	195	195	195
Current financial assets	28	266	332	256	16	32	4	221	721	721	721	721	721	721
Cash and equivalents	3.450	3.617	4.283	5.638	2.931	5.004	5.049	5.100	4.247	1.008	2.305	2.936	3.676	4.449
Assets held for sale	0	0	0	0	0	0	2.668	2.791	2.791	2.791	2.791	2.791	2.791	2.791
Total current assets	13.093	14.066	14.829	16.974	15.879	17.427	19.704	21.014	21.714	19.570	21.635	23.038	24.631	26.165
Goodwill	3.216	3.424	3.447	3.445	5.982	6.034	5.203	5.470	5.470	5.470	7.531	7.531	7.531	7.531
Property, Plant and equipment (PPE) & Intangibles	2.560	2.758	2.703	2.578	6.641	5.854	5.342	5.045	5.199	9.024	6.982	7.105	7.325	7.631
Investments in joint ventures	1.126	998	1.002	1.086	0	0	0	0	0	0	0	0	0	0
Investments in equity affiliates	360	220	210	220	1.333	1.283	1.342	1.589	1.589	1.589	1.589	1.589	1.589	1.589
Non-consolidated investments	71	82	88	124	196	91	138	127	127	127	127	127	127	127
Other non-current financial assets	131	138	167	170	174	139	151	133	133	133	133	133	133	133
Non-current derivatives	36	28	17	17	17	13	4	0	0	0	0	0	0	0
Deferred tax assets	967	976	987	892	1.002	967	951	1.043	1.043	1.043	1.043	1.043	1.043	1.043
Total non-current assets	8.467	8.623	8.620	8.532	15.345	14.381	13.131	13.407	13.562	17.387	17.405	17.528	17.748	18.054
Total assets	21.560	22.690	23.450	25.506	31.223	31.808	32.835	34.421	35.276	36.956	39.040	40.566	42.378	44.219
Liabilities and Equity														
Contract liabilities	5.466	5.751	6.366	6.108	6.415	6.454	7.069	8.314	7.946	8.531	9.069	9.618	10.225	10.842
Reserves for contingencies	1.023	1.037	1.782	1.731	1.960	2.052	1.772	1.752	1.752	1.752	1.752	1.752	1.752	1.752
Accounts, notes and other current payables	5.548	5.873	5.361	6.149	6.814	5.998	6.067	6.919	7.197	7.763	8.166	8.570	9.014	9.373
Current derivatives	405	478	180	274	151	134	234	328	328	328	328	328	328	328
Current tax payables	64	59	54	34	185	149	141	168	168	168	168	168	168	168
Short term loans and borrowing	699	111	707	321	1.968	2.389	1.319	1.480	1.480	1.480	1.480	1.480	1.480	1.480
Liabilities held for sale	0	0	0	0	0	0	1.967	1.782	1.782	1.782	1.782	1.782	1.782	1.782
Total current liabilities	13.204	13.310	14.450	14.617	17.492	17.176	18.568	20.743	20.654	21.804	22.746	23.698	24.750	25.726
Long term loans and borrowings	838	1.434	954	2.409	4.306	5.210	4.602	3.991	4.262	4.355	4.981	4.911	4.911	4.911
Non-current derivatives	0	0	3	13	15	14	7	1	1	1	1	1	1	1
Pensions and other long term employee benefits	2.319	2.786	2.674	2.327	2.945	3.441	2.447	1.908	1.908	1.908	1.908	1.908	1.908	1.908
Deferred tax liabilities	258	295	231	216	783	658	491	397	397	397	397	397	397	397
Total non-current liabilities	3.414	4.514	3.861	4.965	8.049	9.322	7.548	6.296	6.568	6.661	7.286	7.217	7.217	7.217
Capital, additional paid in capital and other reserves	4.758	4.812	5.192	5.992	5.686	5.437	6.729	7.815	8.324	8.761	9.278	9.921	10.682	11.546
Cumulative translation adjustment	(87)	(110)	(218)	(225)	(181)	(283)	(217)	(258)	(258)	(258)	(258)	(258)	(258)	(258)
Treasury shares	(25)	(62)	(53)	(67)	(57)	(39)	(38)	(382)	(219)	(219)	(219)	(219)	(219)	(219)
Total attributable to shareholders of Thales S.A.	4.646	4.640	4.922	5.700	5.449	5.115	6.474	7.174	7.847	8.284	8.801	9.443	10.204	11.069
Non-controlling interests	296	226	217	225	233	195	244	208	208	208	208	208	208	208
Total equity	4.942	4.866	5.139	5.925	5.682	5.310	6.719	7.382	8.054	8.491	9.008	9.651	10.412	11.276
Total liabilities and equity	21.560	22.690	23.450	25.506	31.223	31.808	32.835	34.421	35.276	36.956	39.040	40.566	42.378	44.219

Appendix VII

Operating Model – Economic Balance (Uses & Sources)

Economic Balance (Uses & Sources)

Uses														
Total fixed assets	8.467	8.623	8.620	8.532	15.345	14.381	13.131	13.407	13.562	17.387	17.405	17.528	17.748	18.054
WCR	(2.862)	(2.749)	(3.196)	(2.959)	(2.576)	(2.364)	(2.595)	(3.348)	(1.706)	(1.762)	(1.936)	(2.116)	(2.315)	(2.529)
Capital Employed (CE)	5.605	5.875	5.424	5.573	12.768	12.017	10.537	10.059	11.855	15.624	15.469	15.412	15.433	15.524
Sources														
Total Equity	4.942	4.866	5.139	5.925	5.682	5.310	6.719	7.382	8.054	8.491	9.008	9.651	10.412	11.276
Net Financial Debt	663	1.009	286	(352)	7.086	6.707	3.818	2.677	3.801	7.133	6.461	5.761	5.021	4.248
<i>Long term loans and borrowings</i>	838	1.434	954	2.409	4.306	5.210	4.602	3.991	4.262	4.355	4.981	4.911	4.911	4.911
<i>Short term loans and borrowing</i>	699	111	707	321	1.968	2.389	1.319	1.480	1.480	1.480	1.480	1.480	1.480	1.480
<i>Other financial debts</i>	2.577	3.080	2.908	2.556	3.743	4.113	2.946	2.305	2.305	2.305	2.305	2.305	2.305	2.305
<i>Cash and equivalents</i>	3.450	3.617	4.283	5.638	2.931	5.004	5.049	5.100	4.247	1.008	2.305	2.936	3.676	4.449
Invested Capital (IC)	5.605	5.875	5.424	5.573	12.768	12.017	10.537	10.059	11.855	15.624	15.469	15.412	15.433	15.524
ROIC	18%	19%	21%	24%	13%	10%	14%	17%	13%	11%	11%	12%	13%	14%
ROE	19%	24%	17%	20%	30%	18%	23%	21%	17%	18%	18%	19%	18%	18%
Asset Turnover	n.a.	0,673	0,660	0,648	0,649	0,539	0,501	0,522	0,545	0,564	0,570	0,577	0,589	0,598
<i>Average Total assets</i>	n.a.	22.125	23.070	24.478	28.365	31.516	32.321	33.628	34.848	36.116	37.998	39.803	41.472	43.299
<i>Revenues</i>	14.068	14.885	15.227	15.856	18.400	16.989	16.192	17.570	18.978	20.374	21.660	22.971	24.421	25.895

Appendix VII

Operating Model - Cash Flow Statement

Cash Flow Statement

Operating Activities

Net income (loss)	813	1.015	734	1.028	1.146	492	1.134	1.131	1.346	1.498	1.653	1.786	1.912	2.024
Less net income relating to discounted operations	0	0	0	0	0	0	(118)	(9)	(28)	0	0	0	0	0
Income tax expense	220	256	237	314	301	90	148	225	198					
Net interest expenses	(4)	(6)	(5)	7	43	60	57	50	144					
Share in net income of equity affiliates	(113)	(120)	(120)	(145)	(142)	(44)	(104)	(180)	(65)	0	0	0	0	0
Dividend received from equity affiliates	83	73	79	87	111	72	45	61	92	0	0	0	0	0
D&A	381	385	391	382	1.113	1.178	1.063	1.059	881	908	1.216	1.219	1.241	1.279
Impairment on non current fixed assets	112	107	113	103	0	135	0	0	0	0	0	0	0	0
Provisions for pensions and other employee benefits	166	171	192	184	155	183	151	164	82	0	0	0	0	0
Loss (gain) on disposal of assets, change in scope of cc	(53)	(205)	82	73	(219)	(42)	(49)	24	1	0	0	0	0	0
Provisions for restructuring	(17)	(7)	(27)	(26)	20	59	(54)	(52)	(11)					
Other items	55	31	(83)	(76)	19	6	71	17	11	0	0	0	0	0
Changes in working capital and reserves for contingenci	143	(63)	403	(519)	(341)	(420)	776	966	(162)	56	174	180	199	214
Cash contributions to pension plans and other long-term	(225)	(190)	(203)	(227)	(246)	(262)	(210)	(232)	(119)	0	0	0	0	0
Interest paid	(25)	(21)	(14)	(23)	(54)	(64)	(65)	(69)	(66)	0	0	0	0	0
Interest received	35	14	22	21	17	11	7	27	41	0	0	0	0	0
Income tax received	(102)	(99)	(91)	(91)	(154)	(109)	(145)	(156)	(16)	0	0	0	0	0
Net cash provided from operating activities	1.468	1.338	1.710	1.093	1.770	1.346	2.707	3.025	2.330	2.462	3.042	3.185	3.352	3.517

Investing Activities

CAPEX (Acquisition of PPE and intangible assets)	(473)	(480)	(439)	(393)	(503)	(395)	(451)	(535)	(1.035)	(4.733)	(1.235)	(1.342)	(1.461)	(1.585)
Disposal of PPE and intangible assets	15	8	8	13	7	9	5	9	0	0	0	0	0	0
Acquisition of subsidiaries and affiliates	(51)	(391)	(121)	(71)	(4.980)	(23)	(55)	(418)	(7)	(3.600)	0	0	0	0
Disposal of subsidiaries and affiliates	88	297	42	11	272	0	2	2	0	0	0	0	0	0
Cash of acquired / disposed subsidiaries	0	0	0	0	364	22	-	27	0	0	0	0	0	0
Decrease (increase) in loans and non-current financial a	23	(27)	(27)	19	(11)	26	(14)	(4)	(6)	0	0	0	0	0
Decrease (increase) in current financial assets	15	(236)	(71)	74	236	(24)	19	(213)	(496)	0	0	0	0	0
Net cash used by investing activities	(383)	(828)	(608)	(348)	(4.615)	(386)	(493)	(1.132)	(1.537)	(4.733)	(1.235)	(1.342)	(1.461)	(1.585)

Financing Activities

Parent company dividend distribution	(234)	(297)	(349)	(382)	(463)	(85)	(417)	(563)	(620)	(628)	(636)	(644)	(651)	(659)
Third party share in dividend distribution of subsidiaries	65	(3)	(68)	(42)	(18)	(12)	(14)	(42)	(49)	0	0	0	0	0
Purchase of treasury shares and exercise of share sub:	9	(41)	(38)	(19)	(23)	(9)	(27)	(351)	(216)	(433)	(500)	(500)	(500)	(500)
Issuance of debt	40	641	107	1.586	1.365	2.279	51	91	991	1.487	2.148	431	500	700
Repayment of debt	(3)	(644)	(33)	(525)	(733)	(976)	(1.763)	(787)	(727)	(1.394)	(1.522)	(500)	(500)	(700)
Net cash used by financing activities	(122)	(343)	(381)	617	128	1.197	(2.169)	(1.652)	(622)	(968)	(510)	(1.213)	(1.151)	(1.159)

Effect of exchange rates

	6	0	(59)	(6)	11	(84)	42	3	(29)	0	0	0	0	0
--	---	---	------	-----	----	------	----	---	------	---	---	---	---	---

Net Cash Flow	969	167	663	1.355	(2.706)	2.073	86	245	142	(3.239)	1.297	631	740	773
----------------------	------------	------------	------------	--------------	----------------	--------------	-----------	------------	------------	----------------	--------------	------------	------------	------------

Discounted Cash Flow Analysis

	Historical Period					Forecasting Period					
	2018A	2019A	2020A	2021A	2022A	2023	2024	2025	2026	2027	2028
EBIT	1.687	2.008	1.352	1.648	1.936	1.754	1.909	2.058	2.212	2.383	2.560
Taxes	(341)	(334)	(105)	(160)	(244)	(222)	(256)	(289)	(325)	(365)	(425)
NOPLAT	1.346	1.675	1.247	1.488	1.691	1.532	1.654	1.769	1.887	2.018	2.135
+ Depreciation & Amortization	382	1.113	1.178	1.063	1.059	881	908	1.216	1.219	1.241	1.279
- CAPEX & Acquisitions	(464)	(5.483)	(418)	(506)	(952)	(1.035)	(4.733)	(1.235)	(1.342)	(1.461)	(1.585)
+/- Change in Net Working Capital	(519)	(341)	(420)	776	966	(162)	56	174	180	199	214
Unlevered FCF	745	(3.037)	1.587	2.821	2.764	1.216	(2.115)	1.924	1.945	1.997	2.043
WACC FCF											6,96%
Discount rate						100%	107%	114%	122%	131%	140%
Present Value of Unlevered FCF						1.216	(1.978)	1.682	1.589	1.526	1.459

Terminal value & Equity Bridge											
Perpetuity Approach											
WACC TV										7,2%	
Growth rate										2,0%	
Terminal Value										40.420	
Present Value of TV										28.874	
% of EV										84,01%	
Total Enterprise Value										34.368	
- Interest Bearing Liabilities										7.380	
+ Cash and Cash Equivalents										5.100	
- Non-controlling interest										208	
Equity Value										31.880	
Shares Outstanding										208	
Implied Equity Value per Share										152,92	
Current Share Price										135,70	
Upside Potential										12.69%	
Sensitivity Analysis DcF											

Appendix VII

Comparable Company Analysis

Comparable Companies Valuation

In millions (except share prices)

Company	Shareprice (in €)	Shares outstanding	Market Cap	Interest Bearing	Desh & Cash Equivale	Minority Interest	Preferred Equity	TTM Sales	TTM EBITDA	TTM EBIT	EPS	Share price calculation							
Thales SA	135,70	208	28.290,19	7.380,10	5.099,60	208,48	-	17.570,00	2.994,40	1.935,60	5,28	SALES	Thales SA	EV	Equity Value	# Shares	Implied share price	Upside/ downside	
Lockhead Martin Corp	400,60	251,80	100.871	6.689,00	2.547,00	-	-	65.984,00	8.620,00	7.469	21,66		MIN	10.891,10	8.402,12	208,48	40,30		
L3Harris Technologies	189,15	189,10	35.768	1.845,00	880,00	101,00	-	17.062,00	2.867,00	1.929,00	5,49		25%-Percentile	28.596,55	26.107,57	208,48	125,23		
RTX Corporation	89,62	1.452,10	130.137	2.655,00	6.220,00	1.582,00	-	67.074,00	9.522,00	7.216,00	4,78		Median	32.056,84	29.567,86	208,48	141,83		
CAE	20,34	318	6.474	302,10	217,60	81,20	-	4.203,30	474,00	463,90	0,36		Mean	32.391,71	29.902,73	208,48	143,43		
Airbus	147,06	789,20	116.060	1.734,00	15.823,00	32,00	-	58.763,00	7.534,00	5.152,00	5,40		75%-Percentile	33.483,89	30.994,91	208,48	148,67		
Maxar	52,99	76	4.017	273,00	52,00	1,00	-	1.605,00	286,00	47,00	0,65		MAX	57.969,31	55.480,33	208,48	266,12		
Northrop Grumman	430,40	151	65.120	3.311,00	2.577,00	-	-	36.603,00	7.680,00	6.338,00	31,47		EBITDA	Thales SA	EV	Equity Value	# Shares	Implied share price	
BAE Systems	1.178,10	30,33	35.735	2.267,00	3.107,00	232,00	-	21.258,00	2.521,00	2.082,00	2,50			MIN	19.904,75	17.415,77	208,48	83,54	
Leonardo	16,10	573,30	9.230	885,00	1.511,00	516,00	-	14.713,00	1.372,00	1.020,00	1,66			25%-Percentile	36.977,20	34.488,23	208,48	165,43	
Siemens AG	167,42	791,00	132.429	5.277,00	10.465,00	5.910,00	-	71.977,00	9.940,00	7.338,00	4,65			Median	39.760,97	37.271,99	208,48	178,78	
IBM	159,35	911	145.168	13.088,00	7.886,00	77,00	-	60.530,00	12.314,00	7.567,00	1,97			Mean	36.875,77	34.386,80	208,48	164,94	
Safran SA	169,00	420,1	70.997	1.027,000	6.687,00	455,00	-	19.674,00	3.498,00	2.448,00	1,78			75%-Percentile	40.481,08	37.992,11	208,48	182,24	
Honeywell	185,80	664	123.371	2.641,00	9.627,000	629,000	-	35.466,00	7.631,00	7.070,00	7,27			MAX	45.916,30	43.427,33	208,48	208,31	
Rheinmetall AG	269,60	43,40	11.701	695,00	545,00	271,00	-	6.410,00	921,00	735,00	10,82			EBIT	Thales SA	EV	Equity Value	# Shares	Implied share price
MIN	16,10	30,33	4.016,64	273,00	52,00	1,00	-	1.605,00	286,00	47,00	0,36	MIN			17.306,79	14.817,81	208,48	71,08	
25%-Percentile	103,98	160,75	17.709,31	920,50	1.037,75	80,15	-	15.300,25	1.659,25	1.247,25	1,83	25%-Percentile			27.336,88	24.847,91	208,48	119,19	
Median	168,21	369,20	68.058,21	2.056,00	2.842,00	251,50	-	28.362,00	5.516,00	3.800,00	4,72	Median			31.978,85	29.489,88	208,48	141,45	
Mean	248,25	475,77	70.505,57	3.049,22	4.867,47	823,93	-	34.380,16	5.370,00	4.062,49	7,18	Mean			30.107,55	27.618,58	208,48	132,48	
75%-Percentile	249,49	757,90	121.543,34	3.147,00	7.586,25	544,25	-	60.088,25	8.385,00	7.179,50	6,83	75%-Percentile			34.935,66	32.446,69	208,48	155,64	
MAX	1.178,10	1.452,10	145.167,85	13.088,00	15.823,00	5.910,00	-	71.977,00	12.314,00	7.567,00	31,47	MAX			38.322,31	35.833,33	208,48	171,88	
															Thales SA	EV	Equity Value	# Shares	Implied share price
													MIN		17.306,79	14.817,81	208,48	71,08	
													25%-Percentile		27.336,88	24.847,91	208,48	119,19	
													Median		31.978,85	29.489,88	208,48	141,45	
													Mean		30.107,55	27.618,58	208,48	132,48	
													75%-Percentile		34.935,66	32.446,69	208,48	155,64	
													MAX		38.322,31	35.833,33	208,48	171,88	
													CCA-based share price (in EUR)				147,03		
													Current share price (in EUR)				135,70		
													CCA-based share price				8,3%		

Multiples

Company	EV	EV/EBITDA x	EV/EBIT x	EV/Sales x	P/E x
Thales SA	30.779,17	10,28x	15,90x	1,75x	25,70x
Lockhead Martin Corp	105.013,08	12,18x	14,06x	1,59x	18,49x
L3Harris Technologies	36.834,27	12,85x	19,10x	2,16x	34,45x
RTX Corporation	128.154,20	13,46x	17,76x	1,91x	18,75x
CAE	6.639,92	14,01x	14,31x	1,58x	56,50x
Airbus	102.002,75	13,54x	19,80x	1,74x	27,23x
Northrop Grumman	65.853,52	8,57x	10,39x	1,80x	13,68x
Leonardo	9.120,13	6,65x	8,94x	0,62x	9,70x
Siemens AG	133.151,22	13,40x	18,15x	1,85x	36,00x
Honeywell	117.014,20	15,33x	16,55x	3,30x	25,56x
Rheinmetall AG	12.121,64	13,16x	16,49x	1,89x	24,92x
IBM	150.446,85	12,22x	19,88x	2,49x	80,89x
Maxar	4.238,64	14,82x	90,18x	2,64x	81,52x
BAE Systems	35.127,31	13,93x	16,87x	1,65x	471,24x
Safran SA	65.791,90	18,81x	26,88x	3,34x	94,94x
MIN	6.639,92	6,65x	8,94x	0,62x	9,70x
25%-Percentile	18.299,80	12,35x	14,12x	1,63x	18,56x
Median	83.928,14	13,28x	16,52x	1,82x	25,24x
Mean	71.590,49	12,31x	15,55x	1,84x	26,53x
75%-Percentile	114.013,92	13,52x	18,05x	1,91x	32,65x
MAX	150.446,85	15,33x	19,80x	3,30x	56,50x

Appendix VII

Comparable Transaction Analysis

Comparable Transaction Valuation

In millions (except share prices)

Announced	Target	Buyer	Seller	Target TEV	Size	Implied TEV/LTM Revenue	Implied TEV/LTM EBITDA
Apr-24-2021	Hensoldt AG	Leonardo S.p.a.	Square Lux Holding II S.à r.l.	3590	606	2,50x	17,10x
Dez-14-2020	Hensoldt AG	KfW	KKR & Co. Inc.	3590	333	1,70x	12,20x
Apr-13-2018	Saab AB (publ)	-	FAM AB	7691	34	1,40x	16,60x
Dez-09-2015	Rolls-Royce Holdings plc	-	Link Fund Solutions Limited, Woodford Investment Management Ltd., Phoenix Wealth LF Woodford Equity Income, Schroders Capital Global Innovation Trust plc - INOV	32269	321	0,70x	5,40x
Aug-07-2023	KKR & Co. Inc., KKR European Fund VI	-	-	1564	233	1,10x	19,80x
Dez-16-2022	Maxar Technologies Inc.	Advent International, L.P., British Columbia Investment Management Corporation	BlackRock, Inc., The Vanguard Group, Inc.	-	6570	3,70x	14,20x
Apr-18-2022	Telephonics Corporation	TTM Technologies, Inc.	Griffon Corporation	-	300	1,10x	15,00x
Okt-14-2018	L3 Technologies, Inc.	L3Harris Technologies, Inc.	BlackRock, Inc., The Vanguard Group, Inc., ClearBridge Investments, LLC	-	19723	1,90x	13,70x
Okt-10-2018	Esterline Technologies Corporation	TransDigm Group Incorporated	-	-	4367	2,00x	13,00x
Jun-01-2015	Herley Industries, Inc.	Ultra Electronics Defense, Inc.	Kratos Defense & Security Solutions, Inc.	-	260	-	11,80x
Aug-07-2023	OHB SE	KKR & Co. Inc., KKR European Fund VI	-	1063	158	1,10x	19,80x
Mär-23-2022	Nomura Research Institute, Ltd.	-	Nomura Holdings, Inc.	18550	478	4,00x	16,00x

Thales SA	Target	Size	EV/Sales x	EV/EBITDA x
MIN	1.062,80	34,10	0,70x	5,40x
25%-Percentile	2.576,85	253,18	1,10x	12,80x
Median	3.590,00	326,80	1,70x	14,60x
Mean	9.759,44	2.781,87	1,93x	14,55x
75%-Percentile	13.120,55	1.546,43	2,25x	16,73x
MAX	32.268,50	19.723,00	4,00x	19,80x

SALES

Thales SA	EV	Equity Value	# Shares	Implied share price	Upside/Downside
MIN	12.299,00	9.810,02	208,48	47,06	
25%-Percentile	19.327,00	16.838,02	208,48	80,77	
Median	29.869,00	27.380,02	208,48	131,33	-3,2%
Mean	33.862,18	31.373,21	208,48	150,49	10,90%
75%-Percentile	39.532,50	37.043,52	208,48	177,69	
MAX	70.280,00	67.791,02	208,48	325,17	

EBITDA

Thales SA	EV	Equity Value	# Shares	Implied share price	
MIN	16.169,76	13.680,78	208,48	65,62	
25%-Percentile	38.328,32	35.839,34	208,48	171,91	
Median	43.718,24	41.229,26	208,48	197,77	45,74%
Mean	43.568,52	41.079,54	208,48	197,05	45,21%
75%-Percentile	50.081,34	47.592,36	208,48	228,29	
MAX	59.289,12	56.800,14	208,48	272,45	

Mean of medians	164,55
Mean of means	173,77
CTA-based share price (in EUR)	169,16

Current share price (in EUR)	135,70
CTA-based share price	24,7%

This document is being made available by WUTIS Trading and Investment Society, acting through its society ("WUTIS"), for information purposes only and for the sole and exclusive use of the addressee in connection with the matter or possible transaction to which this document relates. This document is incomplete without reference to, and should be assessed solely in conjunction with, the oral briefing provided by WUTIS.

This document is strictly confidential and remains the property of WUTIS. You agree that you shall only use this document for the purpose of evaluating and considering the matter or possible transaction to which this document relates. This document may not be distributed, published, reproduced, or disclosed, in whole or in part, to any other person, nor relied upon by you or any other person, nor used for any other purpose at any time, in each case without the prior written consent of WUTIS.

This document does not constitute nor does it form part of an offer to sell or purchase, or the solicitation of an offer to sell or purchase, any securities or any of the businesses or assets described herein or an offer or recommendation to enter into any transaction described herein nor does this document constitute an offer or commitment to provide, arrange or underwrite any financing. You are responsible for making your own independent investigation and appraisal of the risks, benefits, appropriateness and suitability of any transaction or matter contemplated by this document and WUTIS is not making any recommendation (personal or otherwise) or giving any investment advice and will have no liability with respect thereto. The decision to proceed with any transaction or action contemplated by this document must be made by you in the light of your own commercial assessments and WUTIS will not be responsible for such assessments.

Neither WUTIS nor any of its subsidiaries or affiliates, nor any of their respective officers, directors, employees or agents (WUTIS together with such persons being the "WUTIS Group") accepts any liability whatsoever for any direct, indirect or consequential losses (in contract, tort or otherwise) arising from the use of this document or its contents or any reliance on the information contained herein. WUTIS Group is not responsible for any specialist advice, including legal, regulatory, accounting, model accounting, tax, actuarial or other advice.

This document was prepared on the basis of information and data, obtained from publicly available sources and, where applicable, from you and/or any other entity that may be involved in any transaction or matter contemplated by this document (and/or any of your or the aforementioned entities' affiliates), in each case prior to or on the date hereof. The information in this document has not been independently verified by WUTIS. WUTIS has relied on any information provided by you or from third party or public sources as complete, true, fair, accurate and not misleading. With respect to any financial or operating forecasts and analyses provided to it, WUTIS has assumed that they are achievable and have been reasonably and properly prepared on bases reflecting the best currently available information, estimates and judgments as to the future financial performance of the entity(ies) to which they relate and that such forecasts or analyses would be realised in the amounts and time periods contemplated thereby. No member of the WUTIS Group, makes any warranty or representation, express or implied, as to the accuracy, completeness or reasonableness of the information (including projections and assumptions) contained in this document whether obtained from or based upon third party or public sources or otherwise.

This document is given as at the date hereof, may not be final, is based on information available to WUTIS as at the date hereof, is subject to any assumptions set out therein and is subject to change without notice. Accordingly, this document may be based on (a) data and information that may no longer be current and (b) estimates that may involve highly subjective assessments. It should be understood that subsequent developments may affect this document and the WUTIS Group does not undertake any obligation to provide any additional information or to update any of the information or the conclusions contained herein or to correct any inaccuracies which may become apparent. Any data or information regarding, or based on, past performance is no indication of future performance.

Members of the WUTIS Group are involved in a wide range of commercial banking, investment banking and other activities out of which conflicting interests or duties may arise. In the ordinary course of its business, the WUTIS Group may provide services to any other entity or person whether or not a member of the same group as you (a "Third Party"), engage in any transaction (whether on its own account, on behalf of any Third Party or otherwise, and including any transaction or matter contemplated by this document), notwithstanding that such services, transactions or actions may be adverse to you or any member of your group, and the WUTIS Group may retain for its own benefit any related remuneration or profit. The WUTIS Group operates in accordance with a conflicts of interest policy which identifies conflicts of interest it faces in the ordinary course of its business, and establishes organisational and procedural measures to manage those conflicts where it is reasonably able to do so. Neither WUTIS nor any other part of the WUTIS Group shall have any duty to disclose to you or utilise for your benefit any non-public information acquired in the course of providing services to any other person, engaging in any transaction (on its own account or otherwise) or otherwise carrying on its business. WUTIS' research analysts and research departments are independent and are subject to certain regulations and internal policies. WUTIS research analysts may hold opinions and make statements or investment recommendations and/or publish research reports with respect to any company referred to herein, the transactions contemplated herein or any person or entity involved therein or related thereto that differ from or are inconsistent with the views or advice communicated by WUTIS.