A Work Project, presented as part of the requirements for the Award of a Master Degree in Finance from the NOVA – School of Business and Economics.

Thales' Advanced Technology and Uncertainty: Navigating Speculation in the Defence Sector

João André Pedrosa Francisco
51627

A Project carried out on the Master in Finance Program, under the supervision of:

Professor Camillo Riva

17/12/2025

Abstract

This equity research submission provides a comprehensive analysis of Thales, examining company fundamentals and operating environment to establish foundations for equity valuation. The analysis progresses through company overview and industry assessment, evaluating both internal organizational structure and external competitive dynamics. Financial analysis synthesizes historical performance and value creation patterns, while valuation methodology integrates qualitative insights and financial data into quantifiable frameworks incorporating scenario analysis and probabilistic assessment. This submission comprises the descriptive, financial, and foundational analytical components of a collaborative equity research project, providing contextual understanding and forecasting infrastructure necessary for integrated investment conclusions.

Keywords:

Forecasting, Defence, Geopolitics, Equity Research

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

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1 Company Overview

1.1 Business Description

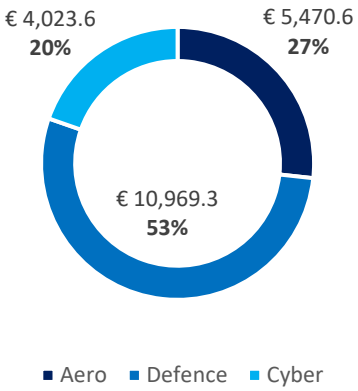

Exhibit 1 – Segment Breakdown

Thales Group (Euronext Paris: HO) is a French tech multinational headquartered in La Défense, Paris. It offers high-tech solutions in Defence, Aerospace and Digital Identity Solutions (referred henceforth as "Cyber"), selling mission-critical hardware and integrated software such as radars, avionics, biometrics, encryption appliances, C2 systems and banking software. With 83k employees generating €20.6B in Revenues in 2024, Thales' main presence is in Europe (≈60% orders), with France and other EU states being the largest client base. The company operates in 68 countries managing 20 production sites, with more than 1k employees each. R&D is key for Thales' identity, boasting 40% of the total workforce involved in Engineering and Tech development, 600 of which strictly dedicated to Artificial Intelligence. Their yearly commitment to R&D equates to €4.2b, €1.2b of which is self-funded, translating to over 21k patents. Their key focus are high-return new technologies that seek to maximize efficiency, such as AI, 6G, Cybersecurity, Cloud Technology and Quantum Computing. Under the current management team, in place since 2014, Thales has pivoted away from capital intensive heavy industry towards Digital and Cybersecurity, notably through the acquisition of Gemalto and buildout of the new division in 2019 and the sale of the Ground Transport segment to Hitachi Rail. This has coincided with a greater emphasis on ethics and ESG allowing for more scalable shift into tech-driven, more socially acceptable markets without abandoning its core role in defence.[1),2)]

1.3 Segment Analysis

Thales operates 3 segments wholly under its reach, these are Defence, Aerospace and Digital Identity & Security, as well as an "Other" segment, which represents corporate-level investments and adjustments. Thales is also part of several joint ventures, such as the Naval Group and Thales Alenia Space.[1)]

Pivoting towards the three large segments, Defence includes military solutions with Naval, Land, Air, Space and Cyber applications. Order intake has outpaced revenue generation, implying a growth in backlog, which aligns low average revenue realization rate of 22.4%.[1)] This implies that, due to long contracts, the Defence segment is slow to generate revenues but that the company can safely assess 50% of their future revenues with over 3 years in advance. The segment is the company's cornerstone, and benefits heavily from EU military programs.

The Aerospace segment is a key section of the company due to its civil applications and long-established presence in the market, with it being a tier-1 supplier of hardware and software for the industry.[1),2)] It is divided into various sectors, of

which the highlights are Avionics and Space. The first has posted large contract wins and is expanding due to larger civil aviation demand post COVID, with key products such as in-flight entertainment systems. Space, on the other hand, has slowed particularly due to a drop in the deployment of Geostationary Satellites.[3),4)] These telecom and earth observation satellites have suffered from lack of adoption and are one of the principal products for Thales, making this sub-segment a headwind for the company[1)]. In fact, this segment decreased in Revenues (-0.19% CAGR) following a pre-covid peak, affected by the supply chain shock that ensued.[1)] The constant maintenance of pre-Covid levels of order intake has led to an annualized 3.06% book growth rate, which counts on a ≈2-year backlog,[1)] implying rises in Revenue in the near future due to the realization of new contracts, reflecting the segment's long-term nature.

Lastly, Cybersecurity is a relatively new segment, starting in 2019, post Gemalto acquisition.[5)] This segment has exclusively Civil applications – since the military applications for cybersecurity fall in the "Defence" category – and accounts for 20% of the sales while also carrying the largest EBIT margins.[1)] Focused on security of cloud interfaces and innovation in banking, this segment has reported significant growth since 2018, with 3 years of double-digit growth since COVID-19. In 2025 this segment suffered from disturbances in H1 due to the acquisition of Imperva and difficulty in integration but is expected to normalize in 2026.[6)]

Segment	Share of Revenue	CAGR (sales)	CAGR (Book)	EBIT Margin	Backlog Coverage	Notes
Defence	53%	4.83%	10.27%	13.10%	3.6 yr sales	Spike in 2024, 13.9% YoY
Aerospace	27%	-0.19%	3.06%	7.20%	2 yr sales	Recovering from COVID dynamics
Digital Identity and Security	20%	7.78%	6.85%	14.50%	0.2 yr sales	Only 1.4% organic growth 2024

Exhibit 2 – Segment Details

Period	Average
Mature Markets	**76.9%**
Europe	61.4%
France	28.3%
UK	7.2%
Rest of Europe	25.9%
North America	10.8%
Australia & NZ	4.7%
Emerging Markets	**23.1%**
Asia	10.4%
Near and Middle East	8.0%
Rest of the world	4.7%

Exhibit 3 – Share of Revenues

1.4 Geography analysis

Thales currently operates in 68 countries spread across all 5 continents, these are reported as Mature and Emerging markets, representing ≈77% and ≈23% of orders. These are then subdivided into Asia, Near and Middle East and Rest of the World – essentially Latin America – for emerging markets, who have had exceptional growth of orders – CAGR of 11%, 19% and 14.5% respectively. The Mature Markets consist, firstly, of France, the UK and Rest of Europe, which

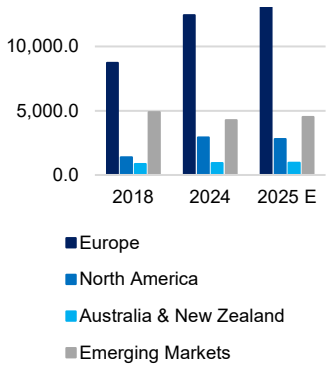

Exhibit 4– Evolution of Revenue per geography

1.5

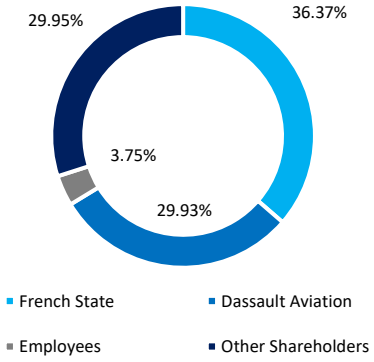

Exhibit 5 – Shareholder Structure

1.6

Entity	% of Share Capital	% of Voting Rights
Public Sector	26.60%	36.37%
T.S.A.	26.60%	36.37%
French State	-%	-%
Dassault Aviation	26.59%	29.93%
Thales	0.28%	-%
Free Float	46.53%	33.70%
Employees	2.93%	3.75%
Other Shareholders	43.60%	29.95%

Exhibit 6 – Shareholder Structure

Representing	Nº	AVG Age	Parity M/F	Nº Shares	AVG Tenure (yrs)
Public Sector	5	55.2	3/2	28,144	6.1
Dassault	**4**	**72**	**3/1**	**2,018**	**15.5**
Shareholders	1	71	1/0	1,293	18.7
Independent	**4**	**61**	**1/3**	**2,112**	**5.0**
Trade Union	2	58.5	1/1	174	5.1

Exhibit 7 – Board of Directors

collectively define the European market, where Thales is the most established. Rest of Europe has surpassed France as the single largest market, but the company remains highly exposed to its home country. The UK has provided the greatest growth of the mature market with ≈18% CAGR.[1)] The remaining geographies include North America and Australia & New Zealand, with the first providing double digit inorganic growth – possibly due to acquisitions such as Imperva[7)] – and the latter being a declining market.

Shareholder Structure

Thales' ownership is divided into three large groups. Firstly, the public sector, with 26.6% of share capital, followed by Dassault Aviation with 26.59% of share capital, and lastly, 46.5% in free float. The Public sector is subdivided into T.S.A. – a holding company owned entirely by the French state – and the French State directly, which holds veto powers through a "Golden Share". The free float ownership is divided into a small direct employee ownership, and the larger "other shareholders" block, with individual actors and 597 institutional owners. Thales' governance is influenced by this structure, as the French state and Dassault Aviation coordinate their efforts and voting rights through a shareholders' agreement to preside over the company. Since 2018 Dassault and the French state have grown their shares by 1.94pp / 0.89pp and voting rights by 1.54pp and 0.69pp each, at the expense of other shareholders: -2.81pp and -2.23pp respectively.[1),2)]

ESG

Environment: Thales follows an SBTi-validated pathway to cut Scope 1 and 2 emissions by 50.4% and Scope 3 categories by 15% by 2030 vs 2018, and has already halved its operational footprint, largely through energy efficiency and a sharp increase in renewable electricity sourcing. Most current emissions sit in Scope 3- 11 "use of sold products", which drives the group's focus on eco-design and energy-efficient end products, earning an inclusion in CDP Climate's A list.[1),2)]

Social: Thales runs initiatives to cultivate a more inclusive environment within the company, such as pushing for 25% Women in senior management positions and youth employment initiatives hiring 4,000 young people yearly. Thales and its local agencies also employ audits to suppliers to ensure human rights and adequate labour conditions are enforced in the production process. Downstream control is also enforced so as to ensure no added harm can be produced, requiring export-control procedures and end-use screening for its clients.[1),2),8)]

Governance: The stakeholders of the company are represented through the Board of Directors, 5 nominated by the State, 4 by Dassault, 2 by Employees, 1 for General Shareholders and 4 Independent, jointly selected by Dassault and the Public Sector. These two jointly appoint the Chairman and CEO of the company,

which outlines the Executive Committee being composed of 14 people, of which 4 are women, whereas the Board of Directors has full gender parity. The bonus earned by executives has a 15% share tied to ESG/CSR goals. Committees for key issues like corruption, export compliance and ethics operate in the board and company, earning Thales ISO 37001 Anti-bribery and ethics certifications.[1),2),9)]

2.2 Trends

Modern warfare has fundamentally shifted from open battlefield conflict to targeted engagements prioritizing infrastructure disruption and cyber-attacks to erode civilian institutions and urban systems. This arms race for advanced capabilities, spanning kinetic and non-kinetic operations, is driving three interconnected structural changes in the defence sector.[10),11)]

Firstly, the defence sector is consolidating as firms race to build integrated ecosystems, raising switching costs and interoperability barriers[12)], while also prioritizing regional supply chains.[13)] Firms are investing heavily in R&D for artificial intelligence, quantum computing, and dual-use technologies. Scale becomes a competitive imperative, particularly in software-centric and deep-tech domains where startup activity is accelerating with EU and private venture funding.[14)]

Secondly, as PE and VC become more common in the space, the more funding will be available for defence startups, hence firms with the scale and operational flexibility to acquire and integrate them will be positioned to capture excess value. This will also imply larger, more vertically integrated conglomerates in the sector.[15)]

Lastly, the sector is pivoting toward non-lethal, deterrence-based solutions that protect nations on the battlefield and within civil infrastructure. ESG commitments are being elevated to reframe public perception, attract qualified human capital, and broaden market acceptance beyond traditional defence buyers.[16)]

2.4 Porter's 5 Forces

Threat of new entrants: Low

The market requires large capital investments for installing capacity, R&D and testing before revenue can be generated, which usually requires government aid. Furthermore, the European legal framework in the defence space is still not consistent across states, adding complexity.[17)] Lastly, the sector typically operates directly with governments with high formality barriers, making new partnerships unlikely, causing startups to become niche providers and not competitors.[18)] However, the move towards software and extensive efforts by antitrust institutions, alongside efforts to simplify the market, could lower the aforementioned barriers.[13)]

Threat of substitutes: Low/Medium

There are no true substitutes for defence, but specific capabilities face substitution from alternative technologies and concepts. Some missions can shift between kinetic (missiles) and non-kinetic (cyber/information) approaches, with developed nations increasing investment in the latter.[10),11),14)] As more capability is delivered through software and open architectures, the easier it becomes to swap to alternative solutions, which can increase substitution pressure, even if overall defence demand remains strong.[19)] Military COTS (Commercial Off-The-Shelf) products are possible alternatives to prime-grade systems and are used by armed forces and integrators to cut costs and accelerate deployment in certain contexts. These systems have gained popularity with both state and non-state actors. However, COTS should not be seen as a true substitute for prime systems. It mainly substitutes specific components and non-critical functions, exerting cost pressure rather than eliminating reliance on high-end defence suppliers.[20)]

Bargaining Power of Suppliers: Medium / High

Thales has strong leverage over the bulk of its suppliers through scale and ability to qualify alternatives, but it remains structurally dependent on a small number of suppliers of materials such as rare earths, which are critical for Thales to deliver key systems. However, they can partly mitigate this through long-term contracts and strategic stockpiles.[1),2)] This risk may gradually decline as Thales pursues regionalisation and diversification of supply chains, nonetheless, this pivot will take time to materially reduce dependence, leading to supplier being a key risk.[21)]

Bargaining Power of Buyers: High

The defence market is close to a monopsony, with national governments as the main buyers in their own jurisdictions. Defence firms are heavily dependent on their contracts, with exports mainly providing diversification. This reflects both the ease of doing business under the same legal and regulatory regimes, and the deep links between national authorities and their “champion” firms, with interdependency increasing with cooperation between the two. Moreover, states define regimes for exports, procurement and industry, while also deciding the composition of defence budgets. Within alliances, countries can, in principle, switch to other suppliers However, recent strategies pushing sovereignty along with local industrial participation, narrow the feasible supplier set and shift bargaining power towards domestic champions, this being the case for the EU.[22)] Overall, governments retain substantial control over the market, but this power is moderated by their strategic goals, limited number of capable prime contractors and long contract duration, making buyer power strong rather than absolute.

Rivalry among players: Medium

A small number of large primes dominate most segments, rarely facing direct rivals on the same product in a given market, with head-to-head competition in large markets such as the US and export campaigns. Natural fragmentation in segments and countries means “national champions” frequently interact with competitors through joint ventures, sharing workshare instead of purely competing.[23)] Recent moves towards joint procurement in the EU have pushed buyers to bundle demand into cross-border projects, in principle opening them to a broader set of suppliers.[22),24)] Nonetheless, long contract durations, platform lifecycles and high switching costs make states path-dependent and create de facto loyalty to established contractors, which dampens the intensity of rivalry. Rivalry between primes is higher than in the past, as joint procurement and export competition grow, but constrained by high entry barriers, political considerations and the growing, but still small number of credible competitors for local clients.

2.5 Macroeconomic and Geopolitical factors

Policy Headroom: The EU has approved initiatives that give flexibility to debt compromises. These include the Defence escape clause for the Stability and Growth pact, allowing countries to exceed debt ceilings by 1,5% of GDP for Defence investments, which could mobilise €650b in fiscal space until 2030. Furthermore, the EU’s SAFE debt instrument, mobilising €150b of EU joint borrowings, and also private investment through the EIB. However, policies extend to practical impact, with the EU also facilitating transportation of military equipment in a “Military Schengen” space. This is nearly guaranteed short-medium-term funding and is the cornerstone for increased defence growth.[25)]

USA Tariffs: The tariffs on the EU are key for understanding risks since they may strain supply chains and lead to direct impacts on exports – with Thales owing 10% of their total orders to the NA market.[1)] The EU received 15% to 50% tariffs for electronics and raw materials, while also committing to purchase €40b in American chips and “substantially increase defence procurement” in the US.[26)] Tariffs may prove to be a two-pronged attack, hitting top and bottom lines for defence contractors in Europe due to supply chain and export constraints. Furthermore, though they are currently in effect the uncertainty of their length causes added strain, leading to added difficulties in planning and forecasting.

Debt and fiscal policy instability: Fiscal policy and debt in the EU reached critical levels in 2025, with the EU being expected to maintain 3%-3.5% deficits, while France is forecast to run a top 5 EU deficit consecutively until 2027, at 5%-5.5%.[27)] This, despite being the 6th largest debt holder in relative terms, at 113% GDP, ≈50 pp more than Germany. Furthermore, the rises in borrowing have led to France’s debt servicing costs to be responsible for €67b of the budget, with it expected to grow to €100b until 2030. This has led to erosion of investor confidence in France,

which could directly affect Thales through loss of purchasing power of its largest market and through costlier financing, with greater spreads of OATs over Bunds and higher relative corporate borrowing costs, reducing financial flexibility, leading to lower efficiency compared to EU peers.[28] This risk is slowly materializing despite good returns of the French private sector, being almost certain in the long run.

Financial analysis

Revenue and margins

4.1

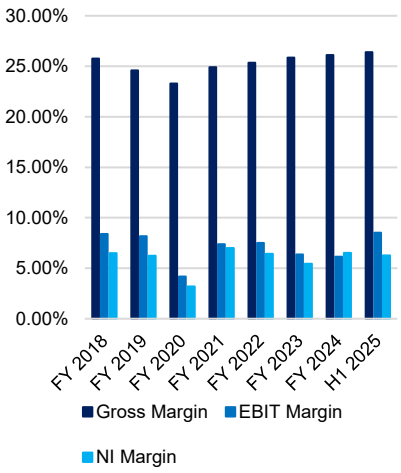

Exhibit 8 – Yearly Margins

Segment	EBIT Margin
Defence	13.10%
Aerospace	7.20%
Digital Identity & Security	14.50%

Exhibit 9 – Segment Margins

From 2018–2024, reported revenue is up 29.8% (4.4% CAGR), or 37.6% (4.7% CAGR) when annualising H1 2025, moderate for a mature defence profile. Using 2019 as the base year, however, growth drops to 12–19% (2.2–2.9% CAGR), reflecting a long, COVID-driven slump that delayed the recovery to 2019 levels until 2023. Segment-wise, Aerospace is still below its pre-COVID peak (-0.9% vs 2018 after a 27% decrease 2018-2020), Defence has delivered a robust 5.8% CAGR after only a 2.2% dip in 2020, and Cyber/digital has grown roughly 9.5% since 2019, underscoring its structurally faster profile. Versus peers, Thales' 16% 2020 revenue drop and 2018–24 CAGR leave it below the combined peer average (≈5% CAGR) but modestly ahead of the European subset (≈4.1% CAGR), while US names compounded at ≈5.7%.[1),2)] Gross margin has stayed around 25%, dipping modestly in 2020 to 23.3%, remaining ahead of peer averages. EBIT margin lowered from 8.4% to 6.1% between 2018 and 2024 as R&D and SG&A rose as a share of sales, putting Thales below its peers on this metric from 2022 onwards. Free-cash-flow margin is negative in 2019 and 2023, but trends toward 6%, broadly in line with peers converging around the 7–8% band in 2024. By segment, EBIT margins are roughly 13.1% for Aerospace, 7.2% for Defence and 14.5% for Cyber, reinforcing the narrative of structurally higher profitability and growth in the smaller, digital activities versus investment-heavy businesses.[1),2)]

Value creation

4.2

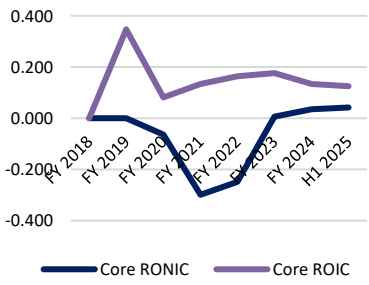

Exhibit 10 – ROIC and RONIC evolution (core)

Core ROIC suffers a decrease after 2019, being affected by the COVID crash, but recovers partially in 2023. Decomposing it, points towards Core Capital Turnover having been the engine for both rises in Core ROIC, implying that the firm has maintained a stable value for operating margin and taxes, which it has, barring COVID years 2020-2021 for Taxes, where the macro environment played a larger role in added efficiency. RONIC analysis displays close to negligible values for most of the analysis period, barring 2021 and 2022, 1 year removed from COVID years, reflecting the lag of RONIC. Both of these years were years of large growth, despite negative RONIC, since Thales held negative investment rate, showing us that there was a move towards shrinking the capital base at a time of negative

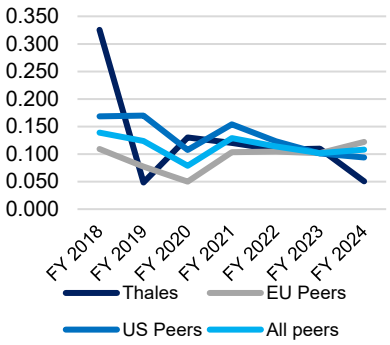

Exhibit 11 – ROIC peer comparison

returns on said capital. In 2024 the company returns to growth off positive values for both, signifying their pivot towards capacity expansion and high return investments. Comparatively, Thales has stayed in line with general ROIC trends, barring 2024, when it decreased despite all other groups posting a slight increase.

ROE has remained in the 15%-17% range for most of the analysis, having stable 5%-6% Net Profit Margins with Asset Turnover (≈50%-60%) and Assets/Equity (≈4.3-6) being responsible for most of the fluctuations. The company is in line with its European peers, but far below the US group, which poses lower Assets/Equity, but structurally larger values for Net profit margin – 3.9% – and Turnover – 19%.[1),2)]

Liquidity & Conversion Cycle

4.3

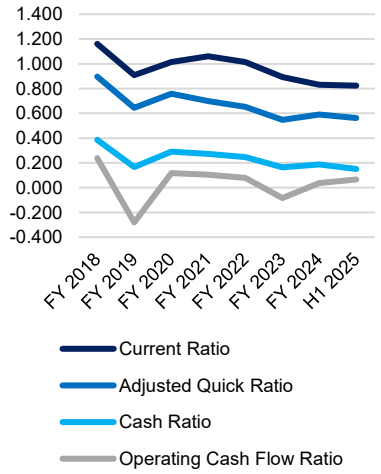

Exhibit 12 – Liquidity Ratios

The analysis includes Contract Assets in adjusted Quick Ratio, which include revenues due to the company owing to an unpaid delivered product, equating to less liquid accounts payable. The liquidity ratios imply that the firm maintains a strong profile on average, but that it has decreased its ratios throughout the analysis period, which could indicate that the firm is easing on its liquidity requirements for greater investments, possibly due to the newfound availability of funds externally. The company poses a lower current ratio at 0.9 while EU and US peers converge towards 1.1, nonetheless, on average, it presents a cash ratio 22pp and 12pp greater than the EU and US respectively.[1),2)]

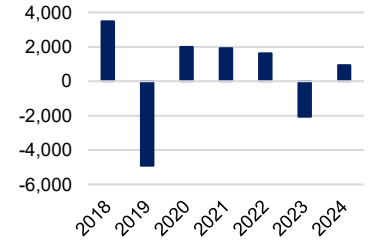

Exhibit 13 – Past Free Cashflows

The firm's CCC is structurally low, at just over 1 month, up from 12 days in 2018. This rise is motivated by increases in Days Inventory and Days Receivable, particularly in the first, with a stagnation of Days Payable. Compared to its peers, Thales posts a low CCC, in line with US peers, diverging with the aforementioned rise. Looking deeper, the company holds a clear superiority in Days payable, with it being 3x larger than the global peer list, which has converged towards 60, whereas Thales maintains 190 since 2018. This is a key advantage of the company and shows how its advantageous supplier deals have caused it to partly fund operations and compensate for less ideal inventory management.[1),2)]

Solvency

4.4

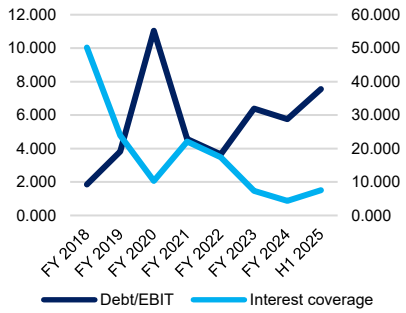

Exhibit 14 – Solvency Ratios (left axis and right axis respectively)

The company's posted climbing Debt/EBIT since 2018, surpassing 5x, and lowering Interest Coverage Ratio from 55x to 4.7x in 2024. This implies that interest payment, is now close to 25% of EBIT, owing to the ≈10x rise in interest payment value. These values present rising debt values and debt servicing costs alongside it, which may be an issue if refinancing risk materializes. However, D/E (book) relatively low value for an asset-heavy and consistent cashflow industry like defence. Furthermore, Net Debt/EBIT shows a more acceptable ratio, seldom surpassing 3x, displaying Thales' strong cash position, which lowers balance sheet risk and gives it room to de-lever in the future. The latest interest coverage value

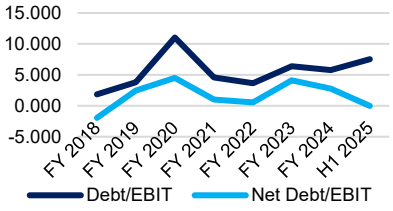

Exhibit 15 – Solvency ratios Debt vs Net Debt

is aligned with peers, painting the decrease as a convergence, but placed Thales with the lowest ratio in 2024. Net Debt/EBIT, on the other hand, has evolved irregularly in all sets, with Thales residing in between US and EU peers, currently aligned with the global group.[1),2)]

5.2

Forecasts

$$\text{Starting Backlog} + \text{Order Intake} = \text{Revenues} + \text{Ending Backlog}$$

Exhibit 16 – Baseline Formula

$$\text{Revenues} = (\text{Starting Backlog} + \text{Order Intake}) \times \text{Conversion Rate}$$

Exhibit 17 – Model Revenue Formula

$$\text{Conversion Rate} = \text{Revenues} / (\text{Starting Backlog} + \text{Order Intake})$$

Exhibit 18 – Conversion Rate Formula

The revenue forecasting process was based on backlog creation of each segment, with revenues being a function of Starting Backlog, Order Intake and Conversion Rate, following the formulas on exhibits 17 and 18. Conversion rate (Exhibit 19) was assumed constant. Order intake was, as such, the singular exogenous driver, estimated through a granular top-down approach, based on investment programs first and market growth estimates when needed. Each segment contained distinct growth rate for the geographies that composed it, with these being assumed as having a constant share across time and segments due to a lack of granular data on order intake, segments and locations. Costs were derived from their values in 2025 to their target ratios over revenues in 2035.

- Sales

5.2.1

Aerospace

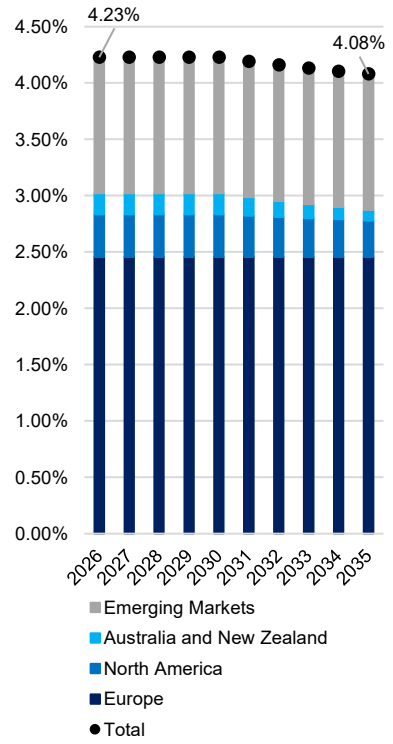

Exhibit 19 – Growth Rate Contribution - Aerospace

The aerospace segment comprises Avionics and Space areas. However, while the first is well documented and contains sources pointing to its growth, the Space segment operates mostly through Joint Ventures and is currently restructuring. Forecasting this segment would introduce noise into the model and face difficulties due to lack of data and speculation. As such, Space is excluded from the valuation.

Europe: This aero growth is forecasted at 4%-6% CAGR until 2030 according to market research, backed by a 2% growth rate of flights, modernization/renovation of fleets and the European ATM plan.[29),30),31)] Airbus and Boeing both state that global fleets will double until 2044, providing a global ≈3.5% CAGR for aircraft production in the long run. Boeing specifies 3.1% traffic growth rate for Eurasia,[32),33)] slightly deviating from the 2% stated by Eurocontrol,[34)] but cementing the growth from 2025 in the low single digits for the long run. Furthermore, market reports state that aircraft production has been slow to recover post covid, indicating inertia in the short term. Maintenance and Repair operations (MRO) are also expected to rise by the mid-single digits in the continent, a market which allows Thales to access recurring revenues in the long run, even with lower production demand.[35)] This leads to 4% growth until 2035, the lower end of market estimates.

North America: The FAA states the number of commercial aircraft will grow at 1.7% in the long run in the US (-2045), with the international market growing

revenue per mile, available seating per mile and enplanements around 3%, with domestic carriers following suit.[36] MRO have also been estimated through market research to sit close to 4%, implying above market growth.[37] These values point towards an estimate of ≈3.5% as a baseline for stable growth rate in the medium term, tapering to 3% 2030-2035.

Australia and New Zealand: Australia's growth according to market research sits in 1.5%-3.5% until 2030,[38],[39] with the MRO subsegment at 6%-7% growth.[40] New Zealand's smaller market along with similar travel conditions to Australia allowed us to bundle the region and use the latter's values. This led to expected 4% growth until 2030. After this date, long-term drivers such as passenger traffic through airports and international passenger traffic in Australia base growth, with both of these being ≈2% CAGR.[41]

Emerging Markets: Asia contains 60% of the world's population, whose rise of the middle class has allowed for the proliferation of low-cost companies, boosting access to air travel. Due to this, Boeing's poses 5%-7% CAGR expectation for Asia's passenger growth into the 2040s,[32],[33] with market growth expectations close to 8%.[42] However, the ≈6% CAGR for MRO,[43] implies lower possible growth. 6.5% is chosen for growth until 2035 to reflect the power of demographic pressures on market progression. The middle east will grow mainly through state-backed initiatives to bolster more efficient large aircraft, due to the existence of large state-owned airlines.[44] The market is expected to grow in the mid-single digits, with Boeing outlining 4%-4.5% growth in the next 20 years.[32],[33] Oliver Wyman points to ≈5% growth in the market along with 2%-2.5% MRO market growth until 2035.[45] 4% growth is assumed reflecting the push towards greater access, but lower MRO presence. Latin America's growth is similar to Asia, with rising population and middle class, but less expressive due to lower scale. Boeing outlines the region's traffic will grow ≈4% until 2040,[32],[33] with market research pointing to a ≈6% growth for market and fleet size.[46] MRO, on the other hand, assumed growth of 3%-3.5%.[47] Leading to a 4.5% growth rate estimate.

Defence:

Europe: The EU is targeting an added €800b in defence spending until 2030, from a 2025 budget of €392b.[13],[48] A fixed growth rate of 11.6% of expenditure on defence is assumed to meet the goal, and the EDTIB procurement mandate of 55%,[49] growing from 42%, to assess how much of the growth will go to European producers. This leads to a ≈20% increase in yearly revenue for Europe's Market until 2030. Post 2030, a 4% growth rate is assumed, above GDP estimates, being the target of a sensitivity analysis due to its impact on share price.

UK: The UK operates outside of the European joint defence efforts, hence it is forecasted separately. The model uses increases in GDP and share of GDP

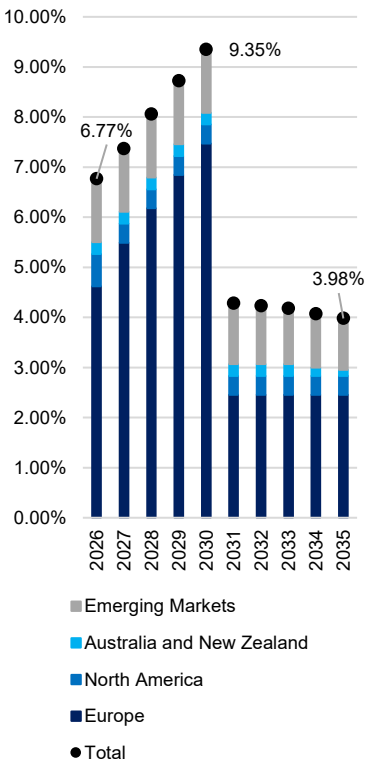

Exhibit 20 – Growth Rate Contribution - Defence

dedicated to defence to forecast growth in the market. The first has nominal increases of 3%-5% in 2025-2027,[50] whereas the defence budget rises from 2.4% to 2.5% from 2025 to 2027.[51] Since no more investment programs exist that rally a UK spending increase, the market retains 2027 growth levels in perpetuity.

North America: The North American market has growth expectations in the 3.5%-5% range until the late 2020s.[52),53] 4% growth is assumed for this mature market, despite the volatility from Trump's BBB, inducing 15% YoY growth on defence spending.[54] Most of this added spending will be captured by American firms and unrealistic for Thales to capture all of the growth in 2026. Growth is front loaded to 6% to account for this possibility and maintain the growth expectations until 2030, calculated as 3.5% growth. This value sits below expected nominal GDP growth rate – 2% real and 2% FED targeted inflation – and hence will be used in perpetuity.

Australia and New Zealand: This region is expected to grow at 5%-6% until 2030,[55),56] with it mainly being driven by pacific and UK partnerships for Australia, but also large local initiatives in NZ. This implies harder penetration of EU products, leading to 5% being chosen as a more conservative estimate, in line with NZ's ≈5% growth rate.[57] This will be the case until 2033, tapering until 2035's perpetuity rate of 4.5%, aligned with GDP growth for both countries.

Emerging Markets: Emerging markets have an important role to play in Defence, possibly being a growing market in the future. Asia's defence market is expected to grow at 3%-4%, but Defence systems more specifically point closer to ≈6%,[58),59] hence a 5.5% growth rate is chosen until 2030, tapering to 4% in 2035 aligned with GDP expectations.[60] The middle east follows the same pattern, with baseline defence growth rate at ≈4%, but defence-adjacent markets like aircraft, logistics and AI growing at ≈5%, ≈6% and 14.2% due to evolution of warfare in the levant.[61),62),63),64] A 6% CAGR is chosen until 2030 due to Thales' growing presence in the market, tapering to 5% in 2035. Lastly, Latin America's growth sits at ≈4.5%,[65),66] above the rest, with it being chosen in perpetuity due lacking defence adoption programs.

Cyber:

Europe: The continent will pose a large 10.8% growth rate in the Cyber and Digital market[67] until 2030 due to the Digital Europe Program and EIF Cyber investment initiatives. These have been in place since 2021, under the InvestEU banner, terminating in 2027.[68] Investment timings are assumed to be negligible and, as such, spread growth equally until 2030, with them gradually tapering into a long-term economic growth rate from 2030 to 2035. The 3% perpetuity growth rate was chosen due to it being slightly above the 1%-2% expected nominal GDP growth rate for Europe since cyber is a high margin sector with large growth possibilities.

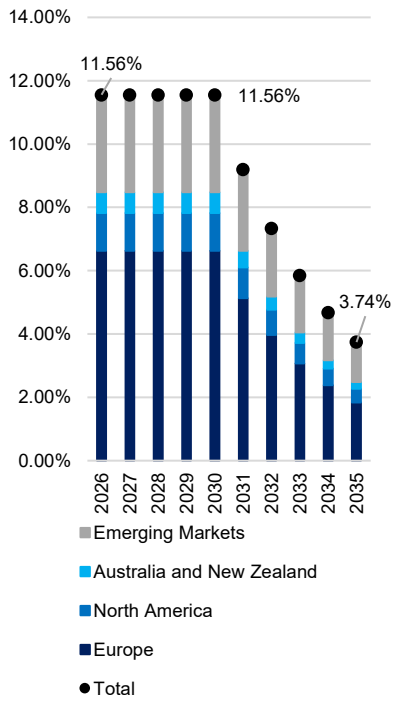

Exhibit 21– Growth Rate Contribution - Cyber

North America: The market expectation for growth sits at the low double digits, due to regulation incentives, large tech firm presence and spread of sophisticated threats.[69),70)] 11% is chosen for growth until 2030, tapering to 2035's value of 4% for GDP growth.

Australia and New Zealand: Following similar methodology to defence and aero, Australian estimates will be prioritised. Market research points to ≈15% CAGR until 2030 for the Australian Cyber market, with New Zealand's being ≈7%-8%,[71),72)] with real GDP estimates indicating ≈2%-2.5% growth stabilizing in 2030.[73)] CAGR is thus estimated at 14% until 2030 and 4.5% from 2035, applying the previous taper.

Emerging Markets: Asia has forecasts of market growth of 15%-16% until 2030, due to rapid digitalization of the economy.[74),75)] In 2035 the expected nominal GDP growth rate of 4% was chosen.[60)] The Middle East's market has sources pointing closely to 12.5% CAGR to 2030,[76),77)] whereas GDP estimates are much less consensual and short sighted, pointing to 2.5%-4% real growth before 2030.[78)] A 5% growth rate was chosen as an assumption for 2035. Lastly, Latin America presented a wide corridor for growth rates until 2030 7%-14%.[79),80] Leading to 10% being assumed until 2030 and growth of 5% in 2035, in line with GDP numbers.[81)] All of the 2035 rates were reached through a 5-year taper from the 2030 values.

Other: This sector is inexpressive and grows at the historic average of 3.93%.

5.2.2

- Costs

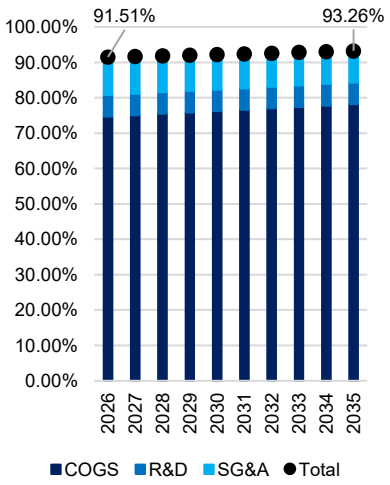

Exhibit 22 – Costs as % of Revenue Evolution Forecast

For costs, the forecast centred around Gross Margin, R&D Expenditure and SG&A (the sum of Sales/Marketing and General and Administrative Expenses). R&D was kept constant as a percentage of revenues to highlight Thales' continued push for innovation.[1),2)] SG&A decreased from 11% to 9% to highlight possible margin gains through scale. Lastly, gross margin was forecasted as COGS%, with this variable increasing to the average of the entire peer group. This was chosen despite the growing pivot towards high margin Cyber and software products to highlight the added competition of operating in a field such as Defence, where growing funding will cause market actors to undercut competition in the medium to long run in a bid to land more contracts and grow their base. Since the cost structure affects ROIC and RONIC dynamics, minor % changes shift the year in which the model reaches terminal equilibrium, forcing greater growths on what should be the terminal year (2034), making sensitivity analysis economically uninterpretable.

5.8 Scenario Analysis

The scenarios were constructed as a way to add nuance to the model, by assessing the impact of structural changes in the setting the company operates in, providing greater detail to valuation without blurring it with conjecture. There are 4

Scenario Explanation	
Lack of Implementation	**Baseline 2.0 for European Defence**
French Debt Crisis	-2% applied to growth rate across all segments
Intensity in M&A	**Flat 2% addition to Cyber yearly revenues**
Persistent Tariffs	Added Negative Effect of Tariffs

Exhibit 23 – Scenario descriptions

Scenario Analysis	
Min	€ 177.99
Median	€ 197.78
Average	€ 198.75
Max	€ 222.90
Min Hold Price	€ 230.50

Exhibit 24 – Scenario results

fully independent scenarios in this analysis, combining for a total of 16 outcomes, with none impacting factors such as WACC or Terminal Value start date.

The first scenario "Lack of Implementation" centred on Europe's inability to follow through with the defence spending rates the bloc committed to, materialized in a low -1% flat reduction of growth, leading to 15% less cumulative growth over the analysis period. This scenario is key in understanding possible downside risk, since Thales' investment thesis is that this company is well positioned to capitalize on added EU investments.

Secondly, "French Debt Crisis", this scenario highlights how the current macroeconomic environment surrounding the French state could materialize in lower profitability for the company. The scenario was applied differently across each segment. For Aerospace, with low direct state intervention in commercial airlines, the negative impact was fixed at -0.5% per year. Defence, the main victim, was modelled as falling short of their 3.5% goal of GDP for Defence,[82)] falling instead to 2.75%, up from 2% (implementing only 50% of the total committed). This equates to -2.5% spending yearly. Lastly, these are expected to have an impact through lower governmental investments in digital infrastructure, with these effects being more pronounced than the ones on military spending due to lack of commitment of funds, however, the segment's mix of civilian-grade public contracts and private client base dampens this, leading to -2% effect.

The third scenario is Cyber-specific, and it highlights the M&A possibilities of the sector. "Intensity in M&A" adds 2% yearly for Cyber due to the possibility of M&A efforts. The model did not include M&A, hence it is important to showcase this is a possibility for Thales, especially in Cyber, where they have conducted large acquisitions to grow the branch and expand geographically, especially through Imperva's acquisition in 2023.

Lastly, "Persistent Tariffs" displays the negative impacts of tariffs in the North American region. By the nature of the tariffs imposed by the USA, Aerospace is not impacted, due to the "Zero for Zero" clause on aircraft and aircraft parts.[83)] Macro studies of US tariffs against Europe suggest that EU exports fall by around 1–1.5% relative to baseline.[84)] Defence and Cyber companies are poised to bear more of the downside due to a simultaneous pivot towards sovereignty and "Buy American", but also due to the availability of contractors operating within the country. The model therefore assumes that this reduces revenue growth in 3pp, reflecting loss of share to US defence and cyber institutions, with this effect is tightened to -1pp post Trump leaves office.

Across all combinations of the four scenarios, the recommendation persisted, with Share Price fluctuating between €177.99 and €222.90, a SELL indicator.

5.9 Monte Carlo

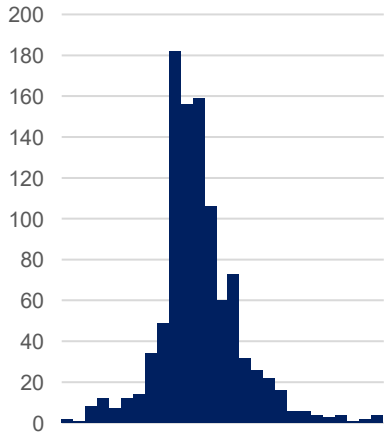

Exhibit 25 – Histogram Monte Carlo results distribution
Bin Width: 10 (0-370)

Metric	Value
Min	105.14
1st Quartile	201.99
Median	217.38
Average	221.09
3rd Quartile	236.55
Max	371.07
Standard Deviation	34.70

Exhibit 26 – Monte Carlo results summary

The Monte Carlo valuation was conducted as a different sensitivity analysis to assess whether probabilistic methods could deliver a similar valuation to Multiples and DCF. The model assesses inputs with difficult estimations and large impacts on overall valuation, which are able to be characterized as a probability. These focused on finding adequate values for Terminal Value through the estimation of 5 variables – Terminal Growth Rate, Gross Margin, Market Risk Premium, Effective Tax Rate and Working Capital Intensity. All of these variables impact the model significantly and can be arbitrary in their estimations. The distribution characterising all variables was the PERT distribution, chosen due to its ability to be skewed and truncated but have a lower emphasis on tails than its Triangular counterpart. Each valuable was assigned a minimum, most likely and maximum value. Terminal Growth was centred on the last value from the Long-Term Value Drivers, at 2.1%, with a lower bound of 1.5% for a no growth low inflation future, and upper bound of 3.5%, with 2% inflation and 1.5% real growth for modern economies. Gross Margin was anchored on the average values for each of the available peers, with the lower bound being Europe, the upper for US and the most likely value being the joint group. Market Risk Premium placed upper bound on a country with Moody's A3 debt rating, the lowest of Upper Medium Grade investments. The lower bound was placed on AAA, whereas the mode was A1, where France currently stands. For effective tax rates the maximum and minimum were the greatest and lowest values of effective tax rate recorded by Thales excluding Covid years, with the mode being the average. The same method was used for Working Capital Intensity, without the exclusion of COVID. The results offer a 30€ interval (1st to 3rd quartile) from €201 to €236 for share price, with median at 217€, which exceed the DCF value and create a tighter range compared to multiples, while corroborating the SELL argument.

5.10 Multiples Valuation

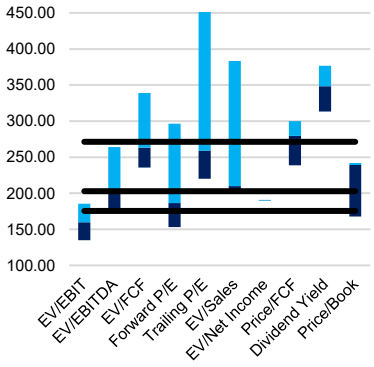

Exhibit 27 – Multiples analysis EU only

For multiple analysis, the peers outlined for Europe (Airbus, Safran SA, BAE Systems, Leonardo, and Saab) were used along with the American peers (Honeywell, Northrop Grumman, RTX / Raytheon, Lockheed Martin, and L3Harris) to build two distinct ranges. The first outlining the valuation range when comparing Thales to Europe alone, and both being used to compare it to global players. This was done as a way to potentially notice patterns of overvaluation within the list of European peers which are currently also enjoying larger multiples due to European investment schemes 10 Multiples were analysed, with 4 being highlighted as the main anchors of the analysis due to their relevance and consistency – EV/EBIT, EV/EBITDA, EV/FCF and Forward P/E. EV/EBIT is the main point of the analysis, accurately capturing defence's setting of high CAPEX and investment, with

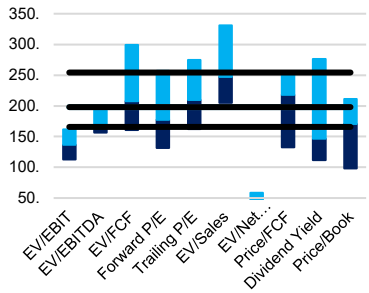

Exhibit 28 – Multiples analysis global

EV/EBITDA being the counterpart that assesses how certain segments within said companies operate (with lower levels of Capex and depreciation). EV/FCF was also used as a way to gauge cash generation and forward P/E aided in checking market sentiment along with the DCF's expectations for future revenues, serving as a sanity check. These values netted a range (1st to 3rd quartile) of €175.5-€271.4 for Europe and €165.8-€254.3 for global, both being large ranges that cover SELL, HOLD and BUY. The medians aid in anchoring the valuation, with these being €202.9 and €198.0 for EU and Global respectively, firmly in the SELL range. It is important to note that US peers retained lower multiples than the EU counterparts.

6

Stock Performance

Thales' stock performance is analysed against two benchmarks: the MSCI World Index (broad market) and the S&P Vision Index (defence/military-tech peers). The three track similarly until February 2022, when Russia's invasion of Ukraine triggered a sharp rally in Thales and expected European defence spending increases. Thales' outperformance reflects its positioning in dual-use technologies, capturing both military and civilian cybersecurity contracts compared to pure-defence peers. The S&P Vision Index converges with Thales by October 2023 before exceeding it in January 2024. The divergence widens following Trump's March 2025 suspension of Ukraine aid, which prompted EU rearmament commitments. Between January and March 2025, Thales surged 78.5% versus the index's 49.9%, bolstered by strong H1 2025 results, despite not surpassing the latter. An April 2025 pullback coincided with US tariff announcements, reflecting investor concerns over supply chain exposure and correction following the rearmament rally. Post-"Liberation Day", the Vision Index has continued to widen its lead, driven by a shift in constituent exposure toward higher-growth peers capturing new contract wins. Thales exhibits the cyclical characteristic typical of the sector: periods of visibility and major contract awards drive outperformance, while consolidation follows. The company currently faces margin pressure after a period of leadership, as the index rebalances to capture new growth opportunities.

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Appendix

THALES

COMPANY REPORT

TECH – DEFENCE / AEROSPACE

17 DECEMBER 2025

STUDENT: JOÃO FRANCISCO 51627@novasbe.pt
STUDENT: MANUEL NETO 51654@novasbe.pt

Thales' Advanced Technology and Uncertainty

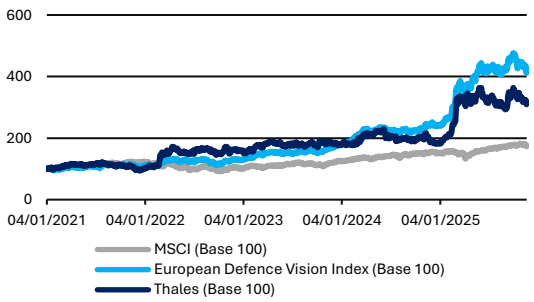
Winning the battle, losing the war

Recommendation:	**Sell**
Vs Previous Recommendation	-
Price Target FY26:	**202.29 €**
Vs Previous Price Target	-
Price (as of 4-Feb-26)	**230.50 €**

Yahoo Finance, 12/12/2025

52-week range (€)	134.20 - 279.30
Market Cap (€m)	47,510.100
Outstanding Shares (m)	205.500

Source: Yahoo Finance, 12/12/2025



Source: MSCI, S&P, Yahoo Finance, 21/11/2025

- **Valuation saturation:** Current trading levels already include elevated defence spending, high order intake conversion, and sustained margin expansion. DCF and multiples show limited upside even under optimistic operating assumptions.
- **Governance-imposed conservatism:** Political oversight and long-term strategic shareholders constrain Thales' risk appetite and capital allocation flexibility, reducing upside opportunities and reinforcing valuation strictness in a normalised defence spending environment.
- **Optimistic external conditions:** European governmental bodies are currently pushing for greater investment into defence, while simultaneously simplifying legislation and facilitating cross-border regional cooperation and sourcing.
- **Recovering Aero sector:** After difficult years following COVID, growth converged with pre-pandemic trends and Thales' Aerospace segment reached 2019's revenues for the segment.
- **Excessive Rally:** Following geopolitical uncertainty and attrition at the diplomatic level, multiple blocs indicated they would be pursuing added regional supply chains and defence production capabilities, which has caused Thales' stock price to rise 72% YTD.

Values in €M	2024	2025E	2026F	2027F
REV	20,576.60	22,785.98	24,651.81	26,659.02
EBT	1,084.50	1,607.19	1,860.93	1,985.55
NI	1,344.40	1,276.55	1,554.80	1,655.31
Order Book	50,037.50	55,164.54	55,164.54	59,752.91
Values in €				
EPS	6.55	6.22	7.57	8.06
P/E	-	2.08	-	-

Source: URD, 2024 (Company Report)

Company description

Thales is a tech-defence prime operating in France selling software and hardware with military and civilian applications, mainly radar and sensor systems for airplanes. New investments are focused on existing capacity and growing into more agile digital sectors such as military and civilian grade cybersecurity.

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1 Company Overview

1.1 Business Description

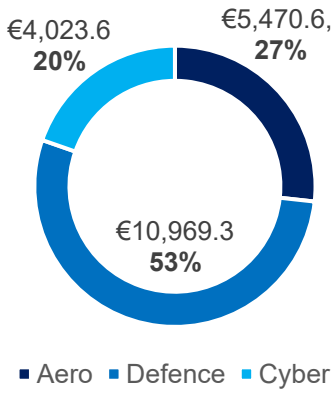

Exhibit 1 – Revenue per segment

Thales Group (Euronext Paris: HO) is a French tech multinational headquartered in La Défense, Paris. It offers high-tech solutions in Defence, Aerospace and Digital Identity Solutions (referred henceforth as "Cyber"), selling mission-critical hardware and integrated software such as radars, avionics, biometrics, encryption appliances, C2 systems and banking software. With 83k employees generating €20.6B in Revenues in 2024, Thales' main presence is in Europe (≈60% orders), with France and other EU states being the largest client base. The company operates in 68 countries managing 20 production sites, with more than 1k employees each. R&D is key for Thales' identity, boasting 40% of the total workforce involved in Engineering and Tech development, 600 of which strictly dedicated to Artificial Intelligence. Their yearly commitment to R&D equates to €4.2b, €1.2b of which is self-funded, translating to over 21k patents. Their key focus are high-return new technologies that seek to maximize efficiency, such as AI, 6G, Cybersecurity, Cloud Technology and Quantum Computing. Under the current management team, in place since 2014, Thales has pivoted away from capital intensive heavy industry towards Digital and Cybersecurity, notably through the acquisition of Gemalto and buildout of the new division in 2019 and the sale of the Ground Transport segment to Hitachi Rail. This has coincided with a greater emphasis on ethics and ESG allowing for more scalable shift into tech-driven, more socially acceptable markets without abandoning its core role in defence.[1),2)]

1.2 Business Model

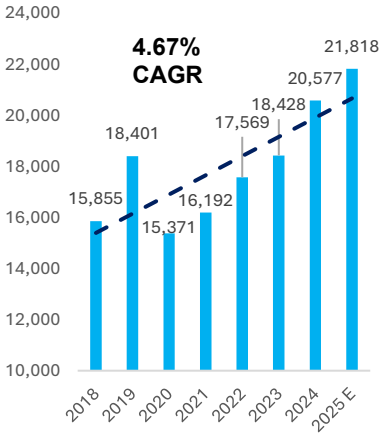

Exhibit 2- Revenue Evolution

Thales operates a system-integration–driven business model focused on the design, delivery, and long-term support of mission-critical technologies across defence, aerospace, and digital security. Instead of competing as a volume manufacturer of hardware, Thales positions itself as a prime systems architect, combining proprietary hardware, embedded software, and digital platforms into integrated solutions tailored to sovereign and large institutional clients.

Product and Solutions Mix

Thales' offering can be divided into three categories with distinct cash-flow characteristics:

Integrated Defence & Aerospace Systems: These include radars, avionics, command-and-control (C2) systems, sensors and mission systems. Products are highly customised, certified, and embedded into national defence platforms.

Digital, Cybersecurity and Software Solutions: Covering digital identity, encryption, cloud security and cybersecurity platforms.

Dual-Use Technologies: Thales increasingly develops technologies applicable to both defence and civilian markets (AI, encryption, quantum, avionics software), allowing partial reuse of R&D investments and improved capital efficiency over time. This mix results in stable revenues anchored by defence contracts, complemented by higher margin but more competitive digital activities.

Contract Structure and Revenue Logic

A defining feature of Thales' business model is its contractual architecture. Most defence and aerospace revenues originate from multi-year contracts with timed payments and advance funding. As a result, revenue recognition is gradual and tied to execution, backlog provides multi-year revenue visibility and working capital is structurally negative due to customer pre-payments and deferred revenue. This structure reduces short-term cyclicality but increases exposure to execution risk and programme timing, explaining why free cash flow volatility is driven more by working-capital movements than by operating profitability, key for valuation.

Position in the Aerospace and Defence Value Chain

Thales operates primarily as a prime systems integrator and Tier-1 supplier, positioned upstream in the defence and aerospace value chain as defined by the OECD defence industrial base framework and the European Defence Agency capability model. Value creation arises less from volume manufacturing and more from system architecture, integration capability, certification, and lifecycle support. The company competes at the system-of-systems level, integrating complex subsystems, such as radars, avionics suites, command-and-control (C2) platforms, and secure communications, into interoperable solutions aligned with NATO and EU standards. Examples include ground-based air defence and radar systems deployed across EU member states, avionics and mission systems supplied to Airbus platforms, and satellite and space programmes delivered through consortia such as Thales Alenia Space.[3)]

1.3 Segment Analysis

Thales operates 3 segments wholly under its reach, these are Defence, Aerospace and Digital Identity & Security, as well as an "Other" segment, which represents corporate-level investments and adjustments. Thales is also part of several joint ventures, such as the Naval Group and Thales Alenia Space.[1)]

Pivoting towards the three large segments, Defence includes military solutions with Naval, Land, Air, Space and Cyber applications. Order intake has outpaced

revenue generation, implying a growth in backlog, which aligns low average revenue realization rate of 22.4%.[1)] This implies that, due to long contracts, the Defence segment is slow to generate revenues but that the company can safely assess 50% of their future revenues with over 3 years in advance. The segment is the company's cornerstone, and benefits heavily from EU military programs.

The Aerospace segment is a key section of the company due to its civil applications and long-established presence in the market, with it being a tier-1 supplier of hardware and software for the industry.[1),2)] It is divided into various sectors, of which the highlights are Avionics and Space. The first has posted large contract wins and is expanding due to larger civil aviation demand post COVID, with key products such as in-flight entertainment systems. Space, on the other hand, has slowed particularly due to a drop in the deployment of Geostationary Satellites.[4),5)] These telecom and earth observation satellites have suffered from lack of adoption and are one of the principal products for Thales, making this sub-segment a headwind for the company[1)]. In fact, this segment decreased in Revenues (-0.19% CAGR) following a pre-covid peak, affected by the supply chain shock that ensued.[1)] The constant maintenance of pre-Covid levels of order intake has led to an annualized 3.06% book growth rate, which counts on a ≈2-year backlog,[1)] implying rises in Revenue in the near future due to the realization of new contracts, reflecting the segment's long-term nature.

Lastly, Cybersecurity is a relatively new segment, starting in 2019, post Gemalto acquisition.[6)] This segment has exclusively Civil applications – since the military applications for cybersecurity fall in the "Defence" category – accounts for 20% of the sales while also carrying the largest EBIT margins.[1)] Focused on security of cloud interfaces and innovation in banking, this segment has reported significant growth since 2018, with 3 years of double-digit growth since COVID-19. In 2025 this segment suffered from disturbances in H1 due to the acquisition of Imperva and difficulty in integration but is expected to normalize in 2026.[7)]

Segment	Share of Revenue	CAGR (sales)	CAGR (Book)	EBIT Margin	Backlog Coverage	Notes
Defence	53%	4.83%	10.27%	13.10%	3.6 yr sales	Spike in 2024, 13.9% YoY
Aerospace	27%	-0.19%	3.06%	7.20%	2 yr sales	Recovering from COVID dynamics
Digital Identity and Security	20%	7.78%	6.85%	14.50%	0.2 yr sales	Only 1.4% organic growth 2024

Exhibit 3 – Segment Details

Geography analysis

Thales currently operates in 68 countries spread across all 5 continents, these are reported as Mature and Emerging markets, representing ≈77% and ≈23% of orders. These are then subdivided into Asia, Near and Middle East and Rest of the World – essentially Latin America – for emerging markets, who have had exceptional growth of orders – CAGR of 11%, 19% and 14.5% respectively. The Mature Markets consist, firstly, of France, the UK and Rest of Europe, which collectively define the European market, where Thales is the most established. Rest of Europe has surpassed France as the single largest market, but the company remains highly exposed to its home country. The UK has provided the greatest growth of the mature market with ≈18% CAGR.[1)] The remaining geographies include North America and Australia & New Zealand, with the first providing double digit inorganic growth – possibly due to acquisitions such as Imperva[8)] – and the latter being a declining market.

Shareholder Structure

Thales' ownership is divided into three large groups. Firstly, the public sector, with 26.6% of share capital, followed by Dassault Aviation with 26.59% of share capital, and lastly, 46.5% in free float. The Public sector is subdivided into T.S.A. – a holding company owned entirely by the French state – and the French State directly, which holds veto powers through a "Golden Share". The free float ownership is divided into a small direct employee ownership, and the larger "other shareholders" block, with individual actors and 597 institutional owners. Thales' governance is influenced by this structure, as the French state and Dassault Aviation coordinate their efforts and voting rights through a shareholders' agreement to preside over the company. Since 2018 Dassault and the French state have grown their shares by 1.94pp / 0.89pp and voting rights by 1.54pp and 0.69pp each, at the expense of other shareholders: -2.81pp and -2.23pp respectively.[1),2)]

ESG

Environment: Thales follows an SBTi-validated pathway to cut Scope 1 and 2 emissions by 50.4% and Scope 3 categories by 15% by 2030 vs 2018, and has already halved its operational footprint, largely through energy efficiency and a sharp increase in renewable electricity sourcing. Most current emissions sit in Scope 3- 11 "use of sold products", which drives the group's focus on eco-design and energy-efficient end products, earning an inclusion in CDP Climate's A list.[1),2)]

Social: Thales runs initiatives to cultivate a more inclusive environment within the company, such as pushing for 25% Women in senior management positions and

1.4

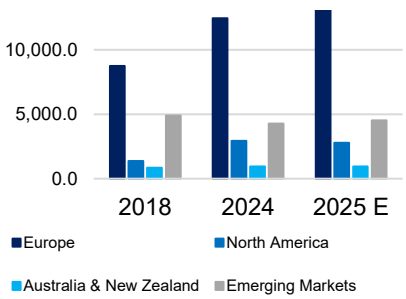

Exhibit 4 – Evolution of Revenue per geography

Period	Average
Mature Markets	**76.9%**
Europe	61.4%
France	28.3%
UK	7.2%
Rest of Europe	25.9%
North America	10.8%
Australia & NZ	4.7%
Emerging Markets	**23.1%**
Asia	10.4%
Near and Middle East	8.0%
Rest of the world	4.7%

1.5

Exhibit 5 – Share of Revenues

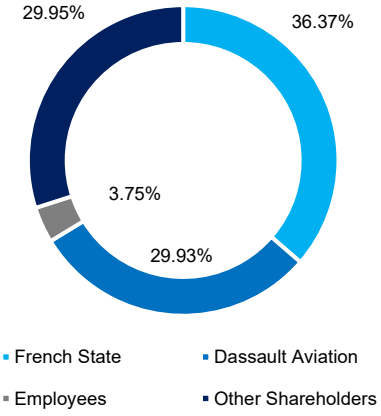

Exhibit 6 – Shareholder Structure

1.6

Entity	% of Share Capital	% of Voting Rights
Public Sector	26.60%	36.37%
T.S.A.	26.60%	36.37%
French State	-%	-%
Dassault Aviation	26.59%	29.93%
Thales	0.28%	-%
Free Float	46.53%	33.70%
Employees	2.93%	3.75%
Other Shareholders	43.60%	29.95%

Exhibit 7 – Shareholder Structure

Representing	Nº	AVG Age	Parity M/F	Nº Shares	AVG Tenure (yrs)
Public Sector	5	55.2	3/2	28,144	6.1
Dassault	**4**	**72**	**3/1**	**2,018**	**15.5**
Shareholders	1	71	1/0	1,293	18.7
Independent	**4**	**61**	**1/3**	**2,112**	**5.0**
Trade Union	2	58.5	1/1	174	5.1

Exhibit 8 – Board of Directors

youth employment initiatives hiring 4,000 young people yearly. Thales and its local agencies also employ audits to suppliers to ensure human rights and adequate labour conditions are enforced in the production process. Downstream control is also enforced so as to ensure no added harm can be produced, requiring export-control procedures and end-use screening for its clients.[1),2),9)]

Governance: The stakeholders of the company are represented through the Board of Directors, 5 nominated by the State, 4 by Dassault, 2 by Employees, 1 for General Shareholders and 4 Independent, jointly selected by Dassault and the Public Sector. These two jointly appoint the Chairman and CEO of the company, which outlines the Executive Committee being composed of 14 people, of which 4 are women, whereas the Board of Directors has full gender parity. The bonus earned by executives has a 15% share tied to ESG/CSR goals. Committees for key issues like corruption, export compliance and ethics operate in the board and company, earning Thales ISO 37001 Anti-bribery and ethics certifications.[1),2),10)]

1.7 Key Milestones

Year	Milestone	Strategic Relevance	Valuation Implications
2000	**Rebranding to Thales Group**	Shift from industrial electronics to a technology-driven defence and systems-integration model.	Supports long-cycle cash-flow modelling and higher entry barriers.
2014	**Appointment of CEO Patrice Caine**	Strategic pivot toward digital, cybersecurity, and software-intensive activities; improved capital discipline.	Improves long-term margin profile but increases reinvestment needs.
2019	**Acquisition of Gemalto**	Creation of Digital Identity & Security segment; increased exposure to software and recurring revenues.	Higher EBIT margins and growth optionality, but higher execution and integration risk.
2021–2022	**Divestment of Ground Transportation (Hitachi Rail)**	Exit from capital-intensive, structurally lower-margin activities.	Reduces capital intensity, supports higher Return on Invested Capital (ROIC) and cleaner Free Cash Flow (FCF) profile.
2022	**Russia–Ukraine War**	Structural shift in European defense spending and procurement priorities.	Sustains long-term order intake and backlog visibility; lowers downside risk.
2023	**Acquisition of Imperva**	Expansion of cybersecurity capabilities and U.S. market presence.	Strengthens growth profile but raises integration risk and cost complexity.
2024–2025	**Backlog at Multi-Year Highs**	Defence backlog coverage exceeds three years of sales.	Enhances revenue visibility, increases working-capital sensitivity.

Exhibit 9 – Key Milestones

2 Industry Overview

2.1 Industry Definition

Thales operates in the aerospace and defence industry, specifically in defence electronics and digital security. The company competes as a "tech-defence" prime at the intersection of traditional defence, aerospace, and cybersecurity, providing

the design, integration, and support of mission-critical systems. The industry is characterized by sovereign-led demand, long development and deployment cycles, and stringent regulatory requirements. These characteristics create high barriers to entry, confining participation to a small number of eligible actors.[1),2)]

Historically, defence markets were organized around platform-centric primes (aircraft, naval vessels, armoured vehicles), with electronics in a supporting role. Over time, value creation has progressively shifted toward electronics, sensors, software, and information systems, reflecting the growing criticality of situational awareness, data processing, and interoperability in modern defence architectures. This structural evolution has elevated the role of systems integrators within the competitive landscape. Furthermore, the growing relevance of dual-use technologies (cybersecurity, encryption, digital identity) has extended the industry beyond purely military applications while preserving its regulatory environment.[3)]

The industry comprises a limited set of large prime contractors, including European players (Airbus, BAE Systems, Leonardo, Safran, Saab, Thales) and U.S.-based competitors. Defence markets are highly fragmented along regional lines due to sovereignty concerns and procurement regulation, resulting in lower global competition (HHI ≈320) but high regional concentration (HHI ≈3055 for France). This regional fragmentation limits the eligible supplier pool and reinforces the dominance of domestic champions. [3)]

2.2 Trends

Modern warfare has fundamentally shifted from open battlefield conflict to targeted engagements prioritizing infrastructure disruption and cyber-attacks to erode civilian institutions and urban systems. This arms race for advanced capabilities, spanning kinetic and non-kinetic operations, is driving three interconnected structural changes in the defence sector.[11),12)]

Firstly, the defence sector is consolidating as firms race to build integrated ecosystems, raising switching costs and interoperability barriers[13)], while also prioritizing regional supply chains.[14)] Firms are investing heavily in R&D for artificial intelligence, quantum computing, and dual-use technologies. Scale becomes a competitive imperative, particularly in software-centric and deep-tech domains where startup activity is accelerating with EU and private venture funding.[15)]

Secondly, as PE and VC become more common in the space, the more funding will be available for defence startups, hence firms with the scale and operational flexibility to acquire and integrate them will be positioned to capture excess value. This will also imply larger, more vertically integrated conglomerates in the sector.[16)]

Lastly, the sector is pivoting toward non-lethal, deterrence-based solutions that protect nations on the battlefield and within civil infrastructure. ESG commitments are being elevated to reframe public perception, attract qualified human capital, and broaden market acceptance beyond traditional defence buyers.[17)]

2.3 Competitors / Peers

Competitor	Location	Revenues
Airbus	France	€ 69,230
Leonardo	Italy	€ 17,763
Safran	France	€ 27,716
Bae Systems	UK	€ 31,087
SAAB	Sweden	€ 5,575

Exhibit 10 – European Peers

In line with McKinsey's Book[18)], peer selection is based on similarity in economic fundamentals rather than size or geography alone, namely comparability in value drivers, risk profile, capital structure, and institutional environment. Accordingly, two distinct peer groups are considered.

A European peer set, comprising Airbus SE, Safran SA, BAE Systems plc, Leonardo S.p.A., and Saab AB, is used for beta estimation and target Net Debt/Equity, as these firms operate under comparable sovereign procurement frameworks, regulatory constraints, and balance-sheet discipline. These are also used, along with the U.S.-based peer ser, for the target Gross Margin. This ensures that operating risk and leverage assumptions reflect the institutional environment in which Thales primarily operates.

A U.S.-based peer set, including Honeywell, Northrop Grumman, RTX (Raytheon), Lockheed Martin, and L3Harris, is used for relative multiple valuation and target gross margins. While these firms differ in capital-market dynamics and shareholder-return policies, they share similar long-cycle contract structures and exposure to defence, aerospace, and digital systems integration, making them relevant benchmarks for global market pricing.

2.4 Porter's 5 Forces

Threat of new entrants: Low

The market requires large capital investments for installing capacity, R&D and testing before revenue can be generated, which usually requires government aid. Furthermore, the European legal framework in the defence space is still not consistent across states, adding complexity.[19)] Lastly, the sector typically operates directly with governments with high formality barriers, making new partnerships unlikely, causing startups to become niche providers and not competitors.[20)] However, the move towards software and extensive efforts by antitrust institutions, alongside efforts to simplify the market, could lower the aforementioned barriers.[14)]

Threat of substitutes: Low/Medium

There are no true substitutes for defence, but specific capabilities face substitution from alternative technologies and concepts. Some missions can shift between

kinetic (missiles) and non-kinetic (cyber/information) approaches, with developed nations increasing investment in the latter.[11),12),15)] As more capability is delivered through software and open architectures, the easier it becomes to swap to alternative solutions, which can increase substitution pressure, even if overall defence demand remains strong.[21)] Military COTS (Commercial Off-The-Shelf) products are possible alternatives to prime-grade systems and are used by armed forces and integrators to cut costs and accelerate deployment in certain contexts. These systems have gained popularity with both state and non-state actors. However, COTS should not be seen as a true substitute for prime systems. It mainly substitutes specific components and non-critical functions, exerting cost pressure rather than eliminating reliance on high-end defence suppliers.[22)]

Bargaining Power of Suppliers: Medium / High

Thales has strong leverage over the bulk of its suppliers through scale and ability to qualify alternatives, but it remains structurally dependent on a small number of suppliers of materials such as rare earths, which are critical for Thales to deliver key systems. However, they can partly mitigate this through long-term contracts and strategic stockpiles.[1),2)] This risk may gradually decline as Thales pursues regionalisation and diversification of supply chains, nonetheless, this pivot will take time to materially reduce dependence, leading to supplier being a key risk.[23)]

Bargaining Power of Buyers: High

The defence market is close to a monopsony, with national governments as the main buyers in their own jurisdictions. Defence firms are heavily dependent on their contracts, with exports mainly providing diversification. This reflects both the ease of doing business under the same legal and regulatory regimes, and the deep links between national authorities and their “champion” firms, with interdependency increasing with cooperation between the two. Moreover, states define regimes for exports, procurement and industry, while also deciding the composition of defence budgets. Within alliances, countries can, in principle, switch to other suppliers However, recent strategies pushing sovereignty along with local industrial participation, narrow the feasible supplier set and shift bargaining power towards domestic champions, this being the case for the EU.[24)] Overall, governments retain substantial control over the market, but this power is moderated by their strategic goals, limited number of capable prime contractors and long contract duration, making buyer power strong rather than absolute.

Rivalry among players: Medium

A small number of large primes dominate most segments, rarely facing direct rivals on the same product in a given market, with head-to-head competition in large

markets such as the US and export campaigns. Natural fragmentation in segments and countries means “national champions” frequently interact with competitors through joint ventures, sharing workshare instead of purely competing.[25] Recent moves towards joint procurement in the EU have pushed buyers to bundle demand into cross-border projects, in principle opening them to a broader set of suppliers.[24),26] Nonetheless, long contract durations, platform lifecycles and high switching costs make states path-dependent and create de facto loyalty to established contractors, which dampens the intensity of rivalry. Rivalry between primes is higher than in the past, as joint procurement and export competition grow, but constrained by high entry barriers, political considerations and the growing, but still small number of credible competitors for local clients.

2.5 Macroeconomic and Geopolitical factors

Policy Headroom: The EU has approved initiatives that give flexibility to debt compromises. These include the Defence escape clause for the Stability and Growth pact, allowing countries to exceed debt ceilings by 1,5% of GDP for Defence investments, which could mobilise €650b in fiscal space until 2030. Furthermore, the EU’s SAFE debt instrument, mobilising €150b of EU joint borrowings, and also private investment through the EIB. However, policies extend to practical impact, with the EU also facilitating transportation of military equipment in a “Military Schengen” space. This is nearly guaranteed short-medium-term funding and is the cornerstone for increased defence growth.[27]

USA Tariffs: The tariffs on the EU are key for understanding risks since they may strain supply chains and lead to direct impacts on exports – with Thales owing 10% of their total orders to the NA market.[1] The EU received 15% to 50% tariffs for electronics and raw materials, while also committing to purchase €40b in American chips and “substantially increase defence procurement” in the US.[28] Tariffs may prove to be a two-pronged attack, hitting top and bottom lines for defence contractors in Europe due to supply chain and export constraints. Furthermore, though they are currently in effect the uncertainty of their length causes added strain, leading to added difficulties in planning and forecasting.

Debt and fiscal policy instability: Fiscal policy and debt in the EU reached critical levels in 2025, with the EU being expected to maintain 3%-3.5% deficits, while France is forecast to run a top 5 EU deficit consecutively until 2027, at 5%-5.5%.[29] This, despite being the 6th largest debt holder in relative terms, at 113% GDP, ≈50 pp more than Germany. Furthermore, the rises in borrowing have led to France’s debt servicing costs to be responsible for €67b of the budget, with it expected to grow to €100b until 2030. This has led to erosion of investor confidence in France,

which could directly affect Thales through loss of purchasing power of its largest market and through costlier financing, with greater spreads of OATs over Bunds and higher relative corporate borrowing costs, reducing financial flexibility, leading to lower efficiency compared to EU peers.[30] This risk is slowly materializing despite good returns of the French private sector, being almost certain in the long run.

3 Company Positioning

Exhibit 11 – SWOT Analysis

4 Financial analysis

4.1 Revenue and margins

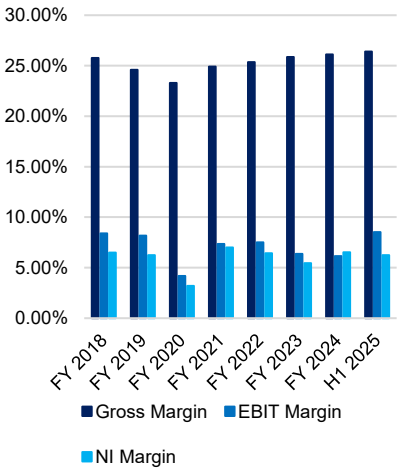

Exhibit 12 – Yearly Margins

From 2018–2024, reported revenue is up 29.8% (4.4% CAGR), or 37.6% (4.7% CAGR) when annualising H1 2025, moderate for a mature defence profile. Using 2019 as the base year, however, growth drops to 12–19% (2.2–2.9% CAGR), reflecting a long, COVID-driven slump that delayed the recovery to 2019 levels until 2023. Segment-wise, Aerospace is still below its pre-COVID peak (-0.9% vs 2018 after a 27% decrease 2018-2020), Defence has delivered a robust 5.8% CAGR after only a 2.2% dip in 2020, and Cyber/digital has grown roughly 9.5% since 2019, underscoring its structurally faster profile. Versus peers, Thales' 16% 2020 revenue drop and 2018–24 CAGR leave it below the combined peer average (≈5% CAGR) but modestly ahead of the European subset (≈4.1% CAGR), while US names compounded at ≈5.7%.[1),2)] Gross margin has stayed around 25%, dipping modestly in 2020 to 23.3%, remaining ahead of peer averages. EBIT

Segment	EBIT Margin
Defence	13.10%
Aerospace	7.20%
Digital Identity & Security	14.50%

Exhibit 13 – Segment Margins

margin lowered from 8.4% to 6.1% between 2018 and 2024 as R&D and SG&A rose as a share of sales, putting Thales below its peers on this metric from 2022 onwards. Free-cash-flow margin is negative in 2019 and 2023, but trends toward 6%, broadly in line with peers converging around the 7–8% band in 2024. By segment, EBIT margins are roughly 13.1% for Aerospace, 7.2% for Defence and 14.5% for Cyber, reinforcing the narrative of structurally higher profitability and growth in the smaller, digital activities versus investment-heavy businesses.[1),2)]

4.2 Value creation

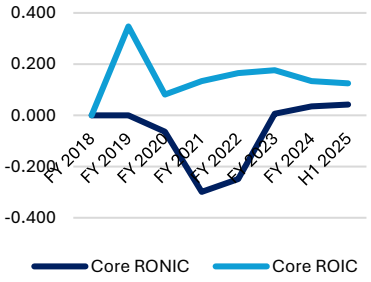

Exhibit 14 – ROIC and RONIC evolution (core)

Core ROIC suffers a decrease after 2019, being affected by the COVID crash, but recovers partially in 2023. Decomposing it, points towards Core Capital Turnover having been the engine for both rises in Core ROIC, implying that the firm has maintained a stable value for operating margin and taxes, which it has, barring COVID years 2020-2021 for Taxes, where the macro environment played a larger role in added efficiency. RONIC analysis displays close to negligible values for most of the analysis period, barring 2021 and 2022, 1 year removed from COVID years, reflecting the lag of RONIC. Both of these years were years of large growth, despite negative RONIC, since Thales held negative investment rate, showing us that there was a move towards shrinking the capital base at a time of negative returns on said capital. In 2024 the company returns to growth off positive values for both, signifying their pivot towards capacity expansion and high return investments. Comparatively, Thales has stayed in line with general ROIC trends, barring 2024, when it decreased despite all other groups posting a slight increase.

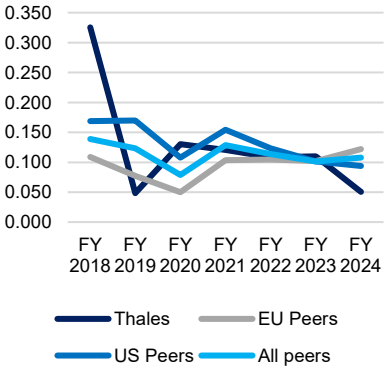

Exhibit 15 – ROIC peer comparison

ROE has remained in the 15%-17% range for most of the analysis, having stable 5%-6% Net Profit Margins with Asset Turnover (≈50%-60%) and Assets/Equity (≈4.3-6) being responsible for most of the fluctuations. The company is in line with its European peers, but far below the US group, which poses lower Assets/Equity, but structurally larger values for Net profit margin – 3.9% – and Turnover – 19%.[1),2)]

4.3 Liquidity & Conversion Cycle

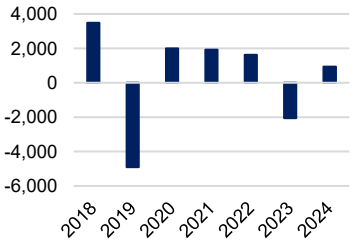

Exhibit 16 – Past Free Cashflows

The analysis includes Contract Assets in adjusted Quick Ratio, which include revenues due to the company owing to an unpaid delivered product, equating to less liquid accounts payable. The liquidity ratios imply that the firm maintains a strong profile on average, but that it has decreased its ratios throughout the analysis period, which could indicate that the firm is easing on its liquidity requirements for greater investments, possibly due to the newfound availability of funds externally. The company poses a lower current ratio at 0.9 while EU and US

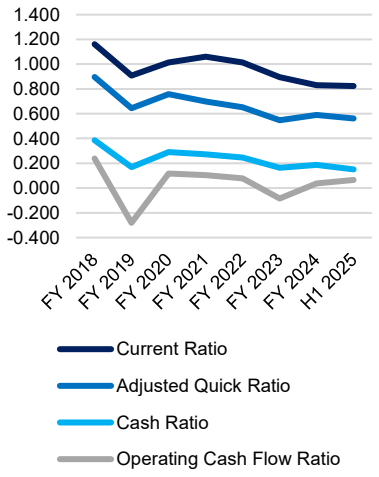

Exhibit 17 – Liquidity Ratios

peers converge towards 1.1, nonetheless, on average, it presents a cash ratio 22pp and 12pp greater than the EU and US respectively.[1),2)]

The firm's CCC is structurally low, at just over 1 month, up from 12 days in 2018. This rise is motivated by increases in Days Inventory and Days Receivable, particularly in the first, with a stagnation of Days Payable. Compared to its peers, Thales posts a low CCC, in line with US peers, diverging with the aforementioned rise. Looking deeper, the company holds a clear superiority in Days payable, with it being 3x larger than the global peer list, which has converged towards 60, whereas Thales maintains 190 since 2018. This is a key advantage of the company and shows how its advantageous supplier deals have caused it to partly fund operations and compensate for less ideal inventory management.[1),2)]

4.4 Solvency

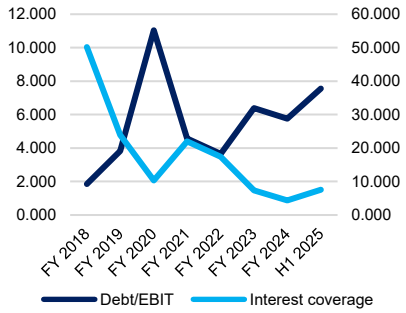

Exhibit 18 – Solvency Ratios
(left axis and right axis respectively)

The company's posted climbing Debt/EBIT since 2018, surpassing 5x, and lowering Interest Coverage Ratio from 55x to 4.7x in 2024. This implies that interest payment, is now close to 25% of EBIT, owing to the ≈10x rise in interest payment value. These values present rising debt values and debt servicing costs alongside it, which may be an issue if refinancing risk materializes. However, D/E (book) relatively low value for an asset-heavy and consistent cashflow industry like defence. Furthermore, Net Debt/EBIT shows a more acceptable ratio, seldom surpassing 3x, displaying Thales' strong cash position, which lowers balance sheet risk and gives it room to de-lever in the future. The latest interest coverage value is aligned with peers, painting the decrease as a convergence, but placed Thales with the lowest ratio in 2024. Net Debt/EBIT, on the other hand, has evolved irregularly in all sets, with Thales residing in between US and EU peers, currently aligned with the global group.[1),2)]

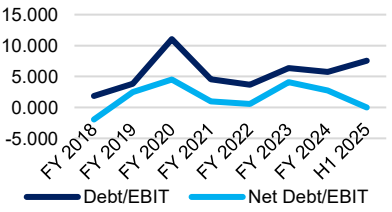

Exhibit 19 – Solvency ratios Debt vs Net Debt

5 Valuation

5.1 Introduction to the Frameworks

In Valuing Thales, a dual-method approach combining Discounted Cash-flow (DCF) and Relative Multiple Valuation was used. Being a capital-intensive company that invests in long-term asset cycles, inserted in an industry with multi-year contract arrangements, the DCF method seemed the best approach right from the beginning. When deciding on this, APV and EVA methods were also considered, but ultimately not used. APV is most informative when a firm actively manages leverage or undertakes meaningful changes in capital structure:

characteristics not associated with Thales. On the other hand, EVA require a consistently defined and stable IC scenario to produce reliable insight.[18)]

In sum, although DCF, APV, and EVA converge under consistent assumptions, each framework provides a distinct economic insight. The DCF highlights the drivers of operating value under a stable capital structure, applicable for Thales.

5.2 Forecasts

The revenue forecasting process was based on backlog creation of each segment, with revenues being a function of Starting Backlog, Order Intake and Conversion Rate, following the formulas on exhibits 20 and 21. Conversion rate (Exhibit 22) was assumed constant. Order intake was, as such, the singular exogenous driver, estimated through a granular top-down approach, based on investment programs first and market growth estimates when needed. Each segment contained distinct growth rate for the geographies that composed it, with these being assumed as having a constant share across time and segments due to a lack of granular data on order intake, segments and locations. Costs were derived from their values in 2025 to their target ratios over revenues in 2035.

$$\text{Starting Backlog} + \text{Order Intake} = \text{Revenues} + \text{Ending Backlog}$$

Exhibit 20 – Baseline Formula

$$\text{Revenues} = (\text{Starting Backlog} + \text{Order Intake}) \times \text{Conversion Rate}$$

Exhibit 21 – Model Revenue Formula

$$\text{Conversion Rate} = \text{Revenues} / (\text{Starting Backlog} + \text{Order Intake})$$

Exhibit 22 – Conversion Rate Formula

5.2.1 ▪ Sales

Aerospace

The aerospace segment comprises Avionics and Space areas. However, while the first is well documented and contains sources pointing to its growth, the Space segment operates mostly through Joint Ventures and is currently restructuring. Forecasting this segment would introduce noise into the model and face difficulties due to lack of data and speculation. As such, Space is excluded from the valuation.

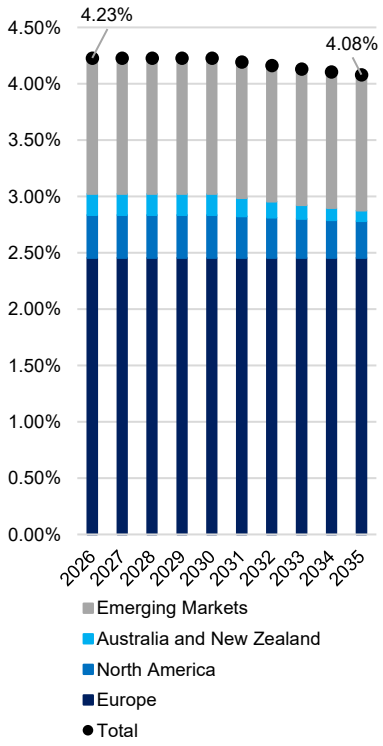

Exhibit 23 – Growth Rate Contribution - Aerospace

Europe: This aero growth is forecasted at 4%-6% CAGR until 2030 according to market research, backed by a 2% growth rate of flights, modernization/renovation of fleets and the European ATM plan.[31),32),33)] Airbus and Boeing both state that global fleets will double until 2044, providing a global ≈3.5% CAGR for aircraft production in the long run. Boeing specifies 3.1% traffic growth rate for Eurasia,[34),35)] slightly deviating from the 2% stated by Eurocontrol,[36)] but cementing the growth from 2025 in the low single digits for the long run. Furthermore, market reports state that aircraft production has been slow to recover post covid, indicating inertia in the short term. Maintenance and Repair operations (MRO) are also expected to rise by the mid-single digits in the continent, a market which allows Thales to access recurring revenues in the long run, even with lower production demand.[37)] This leads to 4% growth until 2035, the lower end of market estimates.

North America: The FAA states the number of commercial aircraft will grow at 1.7% in the long run in the US (-2045), with the international market growing revenue per mile, available seating per mile and enplanements around 3%, with domestic carriers following suit.[38] MRO have also been estimated through market research to sit close to 4%, implying above market growth.[39] These values point towards an estimate of ≈3.5% as a baseline for stable growth rate in the medium term, tapering to 3% 2030-2035.

Australia and New Zealand: Australia's growth according to market research sits in 1.5%-3.5% until 2030,[40],[41] with the MRO subsegment at 6%-7% growth.[42] New Zealand's smaller market along with similar travel conditions to Australia allowed us to bundle the region and use the latter's values. This led to expected 4% growth until 2030. After this date, long-term drivers such as passenger traffic through airports and international passenger traffic in Australia base growth, with both of these being ≈2% CAGR.[43]

Emerging Markets: Asia contains 60% of the world's population, whose rise of the middle class has allowed for the proliferation of low-cost companies, boosting access to air travel. Due to this, Boeing's poses 5%-7% CAGR expectation for Asia's passenger growth into the 2040s,[34],[35] with market growth expectations close to 8%.[44] However, the ≈6% CAGR for MRO,[45] implies lower possible growth. 6.5% is chosen for growth until 2035 to reflect the power of demographic pressures on market progression. The middle east will grow mainly through state-backed initiatives to bolster more efficient large aircraft, due to the existence of large state-owned airlines.[46] The market is expected to grow in the mid-single digits, with Boeing outlining 4%-4.5% growth in the next 20 years.[34],[35] Oliver Wyman points to ≈5% growth in the market along with 2%-2.5% MRO market growth until 2035.[47] 4% growth is assumed reflecting the push towards greater access, but lower MRO presence. Latin America's growth is similar to Asia, with rising population and middle class, but less expressive due to lower scale. Boeing outlines the region's traffic will grow ≈4% until 2040,[34],[35] with market research pointing to a ≈6% growth for market and fleet size.[48] MRO, on the other hand, assumed growth of 3%-3.5%.[49] Leading to a 4.5% growth rate estimate.

Defence:

Europe: The EU is targeting an added €800b in defence spending until 2030, from a 2025 budget of €392b.[14],[50] A fixed growth rate of 11.6% of expenditure on defence is assumed to meet the goal, and the EDTIB procurement mandate of 55%,[51] growing from 42%, to assess how much of the growth will go to European producers. This leads to a ≈20% increase in yearly revenue for Europe's Market

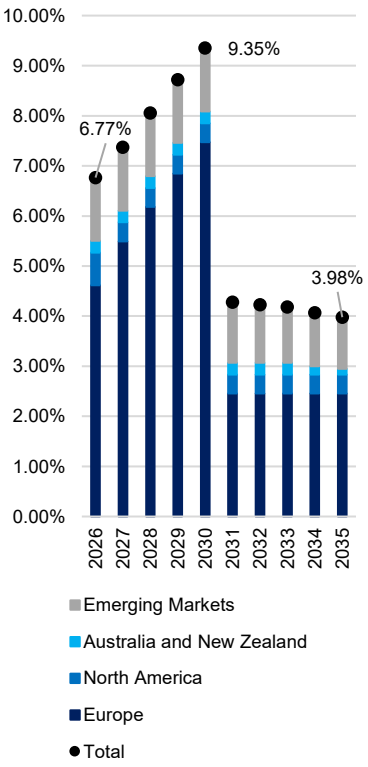

Exhibit 24 – Growth Rate Contribution - Defence

until 2030. Post 2030, a 4% growth rate is assumed, above GDP estimates, being the target of a sensitivity analysis due to its impact on share price.

UK: The UK operates outside of the European joint defence efforts, hence it is forecasted separately. The model uses increases in GDP and share of GDP dedicated to defence to forecast growth in the market. The first has nominal increases of 3%-5% in 2025-2027,[52)] whereas the defence budget rises from 2.4% to 2.5% from 2025 to 2027.[53)] Since no more investment programs exist that rally a UK spending increase, the market retains 2027 growth levels in perpetuity.

North America: The North American market has growth expectations in the 3.5%-5% range until the late 2020s.[54),55)] 4% growth is assumed for this mature market, despite the volatility from Trump's BBB, inducing 15% YoY growth on defence spending.[56)] Most of this added spending will be captured by American firms and unrealistic for Thales to capture all of the growth in 2026. Growth is front loaded to 6% to account for this possibility and maintain the growth expectations until 2030, calculated as 3.5% growth. This value sits below expected nominal GDP growth rate – 2% real and 2% FED targeted inflation – and hence will be used in perpetuity.

Australia and New Zealand: This region is expected to grow at 5%-6% until 2030,[57),58)] with it mainly being driven by pacific and UK partnerships for Australia, but also large local initiatives in NZ. This implies harder penetration of EU products, leading to 5% being chosen as a more conservative estimate, in line with NZ's ≈5% growth rate.[59)] This will be the case until 2033, tapering until 2035's perpetuity rate of 4.5%, aligned with GDP growth for both countries.

Emerging Markets: Emerging markets have an important role to play in Defence, possibly being a growing market in the future. Asia's defence market is expected to grow at 3%-4%, but Defence systems more specifically point closer to ≈6%,[60),61)] hence a 5.5% growth rate is chosen until 2030, tapering to 4% in 2035 aligned with GDP expectations.[62)] The middle east follows the same pattern, with baseline defence growth rate at ≈4%, but defence-adjacent markets like aircraft, logistics and AI growing at ≈5%, ≈6% and 14.2% due to evolution of warfare in the levant.[63),64),65),66)] A 6% CAGR is chosen until 2030 due to Thales' growing presence in the market, tapering to 5% in 2035. Lastly, Latin America's growth sits at ≈4.5%,[67),68)] above the rest, with it being chosen in perpetuity due lacking defence adoption programs.

Cyber:

Europe: The continent will pose a large 10.8% growth rate in the Cyber and Digital market[69)] until 2030 due to the Digital Europe Program and EIF Cyber investment initiatives. These have been in place since 2021, under the InvestEU banner,

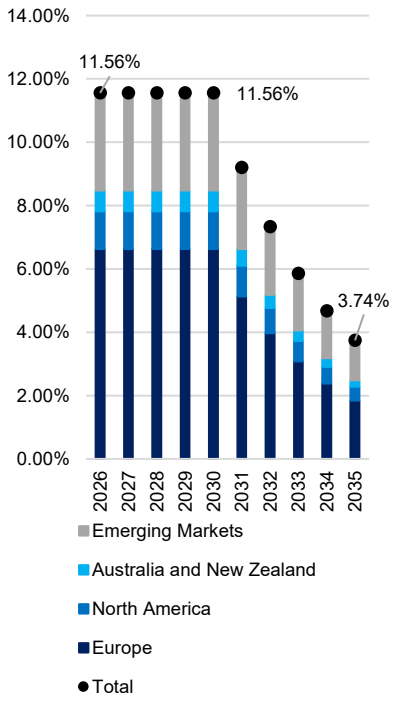

Exhibit 25 – Growth Rate Contribution - Cyber

terminating in 2027.[70] Investment timings are assumed to be negligible and, as such, spread growth equally until 2030, with them gradually tapering into a long-term economic growth rate from 2030 to 2035. The 3% perpetuity growth rate was chosen due to it being slightly above the 1%-2% expected nominal GDP growth rate for Europe since cyber is a high margin sector with large growth possibilities.

North America: The market expectation for growth sits at the low double digits, due to regulation incentives, large tech firm presence and spread of sophisticated threats.[71),72)] 11% is chosen for growth until 2030, tapering to 2035's value of 4% for GDP growth.

Australia and New Zealand: Following similar methodology to defence and aero, Australian estimates will be prioritised. Market research points to ≈15% CAGR until 2030 for the Australian Cyber market, with New Zealand's being ≈7%-8%,[73),74)] with real GDP estimates indicating ≈2%-2.5% growth stabilizing in 2030.[75)] CAGR is thus estimated at 14% until 2030 and 4.5% from 2035, applying the previous taper.

Emerging Markets: Asia has forecasts of market growth of 15%-16% until 2030, due to rapid digitalization of the economy.[76),77)] In 2035 the expected nominal GDP growth rate of 4% was chosen.[62)] The Middle East's market has sources pointing closely to 12.5% CAGR to 2030,[78),79)] whereas GDP estimates are much less consensual and short sighted, pointing to 2.5%-4% real growth before 2030.[80)] A 5% growth rate was chosen as an assumption for 2035. Lastly, Latin America presented a wide corridor for growth rates until 2030 7%-14%.[81),82)] Leading to 10% being assumed until 2030 and growth of 5% in 2035, in line with GDP numbers.[83)] All of the 2035 rates were reached through a 5-year taper from the 2030 values.

Other: This sector is inexpressive and grows at the historic average of 3.93%.

5.2.2

- Costs

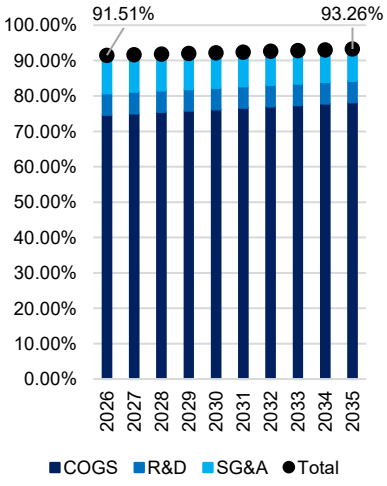

Exhibit 26 – Costs as % of Revenue Evolution Forecast

For costs, the forecast centred around Gross Margin, R&D Expenditure and SG&A (the sum of Sales/Marketing and General and Administrative Expenses). R&D was kept constant as a percentage of revenues to highlight Thales' continued push for innovation.[1),2)] SG&A decreased from 11% to 9% to highlight possible margin gains through scale. Lastly, gross margin was forecasted as COGS%, with this variable increasing to the average of the entire peer group. This was chosen despite the growing pivot towards high margin Cyber and software products to highlight the added competition of operating in a field such as Defence, where growing funding will cause market actors to undercut competition in the medium to long run in a bid to land more contracts and grow their base. Since the cost structure affects ROIC and RONIC dynamics, minor % changes shift the year in which the model reaches

terminal equilibrium, forcing greater growths on what should be the terminal year (2034), making sensitivity analysis economically uninterpretable.

5.2.3 ▪ Taxes

Taxes were forecasted in accordance with past performance, excluding COVID incentives and increased costs that led the effective tax rate to be below average in those years. However, in 2025, the taxes are forecasted with an extra €80m burden as the Government of France enacted a temporary levy on large corporations' income taxes, with it being a non-recurring matter. The effect of this measure is significant because of the high dependence on the French market.[1)]

5.2.4 ▪ Capital Expenditure, Depreciation & Amortisation

Thales operates a capital-intensive business model, combining long life industrial assets (test facilities, manufacturing equipment, space infrastructure) with a significant base of intangible assets. To capture this, PPE and intangibles are forecast separately, with capital expenditure linked to sales and depreciation/amortisation linked to the gross asset base.

Intangible Assets: Additions to intangibles are modelled as a stable percentage of revenues (around 0.4–0.5%), based on a rolling five-year average of historical data, manually adjusted to reflect the recent lower level of IP-related acquisitions. Amortisation expenses are projected as a percentage of gross intangible assets, using the average rate of the last three years, which better reflects the current mix of capitalised software and development costs. This approach ensures that the amortisation profile is consistent with the underlying asset base rather than with arbitrary margins.

Property Plant & Equipment: acquisitions are forecasted as approximately 4 - 4.5% of sales, in line with the rolling two-year average (excluding Covid-distorted years) and consistent with management's current investment tempo. Depreciation is determined as a percentage of gross PPE, using recent average rates that already incorporate the impact of new IFRS lease and asset-classification rules. As growth slows towards the terminal period, net capex gradually converges towards depreciation, implying a stable capital intensity and supporting a steady-state ROIC.

Goodwill and other Adjustments: Kept constant over the forecast horizon, as no value-generating acquisitions beyond those already announced are assumed. The Group's goodwill is the legacy of large, discrete acquisitions, most notably the Gemalto acquisition completed in 2019, and Imperva in 2023, which structurally increased the balance sheet goodwill but have not been followed by recurring

large-scale transactions of comparable magnitude. Even though Thales targets inorganic growth in sectors like Cyber, Thales' growth strategy has been targeted and bolt-on in nature, justifying the reasonableness of a constant goodwill assumption. Overall, this construction produces a reinvestment path that is consistent with Thales' historic capital intensity and with the long-run RONIC and ROIC dynamics used later in the terminal-value calculation.

5.2.5 ▪ Net Working Capital

Structural Profile of Working Capital: Unlike a typical industrial company, Thales exhibits a structurally negative net working-capital position, driven by contract advances, milestone payments and long production cycles. Net working capital is modelled on a line-by-line basis, rather than as a percentage of sales, to reflect the different economic roles of each component.

Inventories and Contract Balances: Tied to the opening order book, which is the key operational driver of Thales' backlog-driven model. Inventories are assumed at roughly 11% of opening orders, corresponding to the average of the last three years and consistent with the company's recent supply-chain strategy. Contract assets are set at around 7–8% of opening orders, based on a five-year average and increased by one standard deviation to reflect the higher level of work in progress expected under the current defence and aerospace cycle. Contract liabilities, which represent advances and deferred revenue, are expressed as a negative percentage of opening orders and, similar to contract assets, are slightly reduced in absolute terms relative to historical levels, to embed conservative assumptions on pre-financing by customers.

This reflects the non-linear nature of pre-financing: as Thales scales its order book, it is not realistic to assume that customer advances grow proportionally with revenues or backlog. Larger, more complex programmes tend to involve lower advance ratios and more milestone-based cash receipts, which imply a structural compression of the working-capital cushion over time. This assumption includes conservatism by reducing the negative NWC benefits.

Receivables and Payables: Trade receivables and trade payables are modelled using Days Receivable and Days Payable, respectively. Both ratios are fixed at the median of historical observations (approximately 118 days for receivables and 191 days for payables), reflecting the absence of a structural trend and the presence of significant year-to-year volatility driven by contract timing rather than changes in payment discipline. Importantly, at these levels, Thales' cash conversion cycle is broadly aligned with U.S. peers, which are generally considered to reflect a fairer long-term equilibrium in working-capital management.

5.2.6 Other Adjustments

Beyond operating reinvestment through capital expenditures and working capital, free cash flows are adjusted for recurring balance-sheet items that affect cash generation but are not part of core operating profit. These include changes in Investments in Affiliates and Joint Ventures, Deferred Tax Assets and Liabilities, and Pension/Post-retirement Obligations.

Pension and post-retirement liabilities are treated as operating in nature and incorporated through recurring service and interest costs, with balance-sheet movements being captured.[84)] As these obligations are fully reflected in free cash flows, no additional pension-related adjustment is made at the equity bridge level.

5.3 WACC

The WACC represents the blended opportunity cost of capital applied to Thales' FCF and must remain internally consistent with both the firm's risk profile and sector characteristics. Defence and aerospace companies operate long-cycle, contract-driven business models with high asset intensity and stable leverage. In this context, industry-level pricing of risk is as influential in setting the discount rate as firm-level market movements, reinforcing the use of a sector-based target capital structure. The general formulation of the WACC is presented in Exhibit 27.

$$WACC = \frac{E}{E+ND} r_e + \frac{ND}{E+ND} r_d (1-T)$$

Exhibit 27 – WACC Formula

In general, the key methodological limitation of WACC is its reliance on market values of equity to compute the very discount rate used to value equity, thereby introducing equity-endogeneity. To mitigate this, the parameters are anchored on broader market fundamentals rather than company-specific fluctuations:

(i) bottom-up beta estimates, derived from a diversified European peer set and regressed against the STOXX Europe 600,

(ii) An equity risk premium derived through a forward-looking model on the same index to ensure consistency, and

(iii) target ND/E ratio based on sector averages rather than Thales' current point-in-time capital structure.

$$r_e = r_f + \beta_e \cdot ERP$$

Exhibit 28 – Cost of equity, through CAPM

The cost of equity is derived through CAPM's framework, shown in Exhibit 28, whereas the cost of debt has to be representative of Thales' investment-grade credit profile, adjusted for Eurozone A- industrial spreads. Because of the firm's structurally low leverage, the tax shield is of little importance in the final estimate; the WACC is thus predominantly equity driven. This construction of the WACC follows academic best practices and is fully aligned with the framework recommended in McKinsey's Book,[18)] which emphasizes consistency of

assumptions, use of market-based inputs, sector-aligned capital structures, and forward-looking risk premia.

5.3.1 Capital Structure

Thales maintains a structurally conservative capital structure, reflecting both the long-cycle nature of its contracts and the strategic sensitivity of its end markets. The company has historically operated with low net leverage, at times holding a net cash position, and has consistently prioritised the preservation of an investment-grade credit profile over aggressive balance-sheet optimisation. This financial policy is aligned with the requirements of sovereign customers, for whom balance-sheet resilience and execution reliability are critical.

To conclude, the target Net Debt/Equity ratio is set at the industry average, considering only peers with structurally positive net debt positions to ensure economic comparability. This approach avoids distortions arising from temporary net cash holdings and better reflects the steady-state leverage of defence and aerospace system integrators. As a result, the selected 8.74% Net Debt/Equity ratio is consistent with both sector norms and firm-specific financial policy, and provides a stable, forward-looking capital structure for valuation purposes.

5.3.3 Beta Estimation

The equity beta captures Thales' exposure to systematic market risk and will be a key input to the CAPM used in estimating the cost of equity.

Selection of Market-Index: Weekly returns were calculated for Thales, its peers, and the selected market index over the last three years. The market portfolio should approximate the investment opportunity set of the marginal investor and reflect the economic region in which Thales operates. The STOXX Europe 600 meets these criteria because it covers 17 European markets, is widely held by institutional investors, and is widely accepted as a broad European benchmark. Also, from an asset-pricing perspective, a Thales investor is predominantly exposed to European macroeconomic conditions, defence procurement cycles, and regulatory environments, making a regional European benchmark economically coherent. A global benchmark, such as MSCI World, would introduce exogenous risks: most notably, U.S. dollar exposure, which is irrelevant for capturing the systematic risk borne by Thales' shareholders. Likewise, using a local French index would be inappropriate. As highlighted in the literature,[18)] regional indices outperform local ones as beta proxies because local indices are often industry-skewed and fail to reflect broad-market risk. Furthermore, the STOXX Europe 600 is widely used by institutional investors, highly liquid, and

academically recognised as a robust proxy for European systematic risk. Its diversified composition reduces estimation noise and ensures the resulting beta captures market covariance rather than country or sector-specific shocks.

Name	Equity Beta	Effective Tax Rate	Leverage (ND/E)	Unlevered Beta
Leonardo	0,570937	25%	7,33%	0,541
SAAB	0,235376	23%	0,00%	0,235
Safran SA	1,166116	27%	-1,37%	1,178
BAE Systems PLC	0,135532	15%	13,90%	0,121
Airbus	1,106346	27%	-6,11%	1,158

Exhibit 29 – Beta derivation

Peer Group and Raw Beta Extraction: Weekly regressions of each peer's last 3-year returns against the STOXX Europe 600 yielded levered betas, which were then unlevered using each firm's capital structure and tax rate to isolate pure operating risk.[85] Shown in Exhibit 29.

Unlevering, Averaging, and Relevering: These individual unlevered betas have been averaged to yield an industry asset beta of 0.65. This estimate was then relevered using a sector-representative target Net Debt/Equity ratio of 8.74% (ignoring companies with a negative ratio, to ensure the pursued strategy is coherent with Thales' history) to give a levered equity beta for Thales of 0.698. This β accounts for the systematic risk of the European defence-aerospace sector rather than each company's idiosyncratic events, and thus provides a stable, economically coherent input to the cost of equity calculation.

$$r_m = DY + BBY + g$$

Exhibit 30 – Cost of Equity through the Modified Dividend Growth Model

5.3.4 Equity Risk Premium

Forward-Looking Total Payout Model

The expected return on the equity market is estimated using a Total Payout Model, or Modified Dividend Discount Model, an extension of the traditional Dividend Discount Model, as formalised by Damodaran. In modern capital markets, firms increasingly distribute cash through share repurchases, making dividend-only models systematically understate the true cash flow to shareholders. Damodaran proposes modifying the DDM by adding net buybacks to dividends, producing a payout measure that reflects total cash distributions.[86] [87]

$$ERP = r_m - r_f$$

Exhibit 31 – Equity Risk Premium Formula

Accordingly, the expected return on the market is calculated through the formula in Exhibit 30. The implied equity risk premium, therefore, follows the formula in Exhibit 31. The final ERP estimate is computed with the inputs in Exhibit 32. [87]

5.3.2 Cost of Equity

Equity Risk Premium	
g	3.07%
DY	2.58%
Rf	2.80%
BBY	2.50%
ERP	**5.35%**

Exhibit 31 – ERP Summary

In accordance with the methodological principles above, all inputs conform to internal consistency:

Risk-free rate (rf): The risk-free rate is based on the 10-year German Bund yield at the valuation date. This is in line with: i) the euro denomination of Thales' cash flows, and ii) the European index used in beta estimation and MRP derivation. This ensures currency and region alignment within the discount rate.

Equity beta (β): The beta to be used in the CAPM is the relevered bottom-up beta derived in Section 6.2.3. The approach is preferable to direct regression because of the episodic event-driven nature of Thales' volatility and the long-cycle nature of its revenue profile. It reduces estimation noise and is considered an industry practice for conglomerate defence companies.

Market risk premium (MRP): The MRP corresponds to the forward-looking equity premium derived from the STOXX Europe 600 (Section 6.2.4). Employing the same market index for beta regressions and MRP estimation preserves coherence across the CAPM inputs and avoids mismatches between sources of pricing risk. The cost of equity represents the return required by investors in the European defence and aerospace sector; it is therefore, for a firm such as Thales that makes very limited use of financial leverage, the major determinant of WACC.

5.3.5 Cost of Debt

The cost of debt reflects both Thales' credit quality and general conditions in European credit markets and represents the return needed by lenders to finance the company's operations. Following the Best Practice in academic and practitioner realms, the cost of debt estimate adopts a market-implied approach.

Thales maintains a consistently strong credit profile, with investment-grade ratings from major agencies like an A- from S&P.[88] These ratings provide a transparent and externally validated view of the firm's default risk and thus serve as the anchor for estimating its cost of debt. Instead of relying solely on Thales' outstanding bonds which differ in liquidity and bear short maturities that do not match the long-term cash flows. Thus, the analysis uses the average credit spread of "A-" non-financial corporates, adjusted to reflect Thales' position within the rating band.

$$r_d = r_f + \text{Credit Spread}$$

Exhibit 33 – Cost of Debt formula

The cost of debt is derived as shown in Exhibit 33, where the risk-free rate corresponds to the 10-year German Bund, consistent with the euro-denominated forecast horizon, netting a pretax cost of debt of 3.75%. This approach avoids the noise introduced by individual bond issues and produces a more stable and representative estimate of Thales' marginal cost of borrowing.

5.3.6 Final WACC Summary

WACC	
Rd	3.75%
Re	6.44%
Tax Rate	24.13%
Weight of Net Debt	6.37%
Weight of Equity	93.63%
WACC	**6.21%**

Exhibit 34 – WACC input Summary

The WACC comprises the parameters defined in the previous subsections in a single discount rate applied to Thales' FCF's. The resulting WACC, equal to 6.21%, reflects a predominantly equity-driven capital structure, consistent with the company's investment-grade credit profile and the structural characteristics of the European defence and aerospace sector. Its construction follows an internally consistent CAPM/WACC framework, incorporates forward-looking market

expectations, and reflects the long-run capital structure typical of the European defence and aerospace industry. Exhibit 34 holds the summary of values.

Free Cash Flows

Free Cash Flows (FCF) represent the cash generated by operations after accounting for all expenses required to maintain and grow the asset base. It reflects the cash available to all providers of capital and is therefore the appropriate cash flow measure for a WACC-based DCF valuation. The derivation follows the formulation shown in Exhibit 35. Its components are constructed as follows:

NOPAT: NOPAT is obtained by applying the forecasted, normalised tax rate to Core Result before taxes (Core EBIT).

Depreciation & Amortisation (D&A): D&A is treated as a non-cash add-back sourced directly from the forecasted financial statements, as it is removed from income but not a tangible measure in cash flow. Evolution in Exhibit 36.

Capital Expenditures (Capex): Capex reflects the investment required to sustain and expand Thales' operations. In the FCF computation, Capex enters mechanically as a change while its economic rationale, (e.g. linked to segment growth) is developed in Section 6.2.4. Evolution in Exhibit 36.

Change in Net Working Capital (ΔWC): ΔWC captures the cash absorbed or released through contract advances and cash conversion cycles. Given the volatility inherent in defence contracting, ΔWC is forecasted in Section 6.2.5, and only its resulting values are incorporated mechanically into the FCF calculation. Evolution In Exhibit 37.

Other Adjustments: Provisions or non-core cash flows are included only when recurring and economically meaningful as changes in tax-assets.

FCF Profile: Over the explicit forecast horizon, FCF evolves according to the combined effect of revenue growth, operating leverage, reinvestment needs and very specifically working-capital dynamics. The year-by-year FCF path is presented in Exhibit 38 and forms the basis for computing the present value of free cash flows and the terminal value in the subsequent subsection.

Terminal Value

Terminal Value (TV) captures the present value of cash flows generated beyond the explicit forecast horizon. In such a long-cycle industry, the terminal value represents a place where growth stabilises with return on new invested capital converging to return on existing capital. The terminal value is computed using the standard perpetual growth model shown in Exhibit 39.

5.4

$$FCF = \text{Core NOPLAT} + D\&A - \Delta NWC + \text{Other Adjustments}$$

Exhibit 35 – FCF Formulation

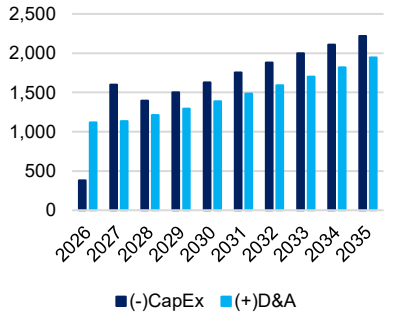

Exhibit 36 – CapEx and D&A Evolution

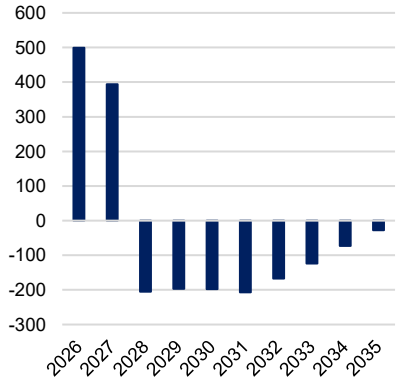

Exhibit 37 – Changes in NWC Evolution

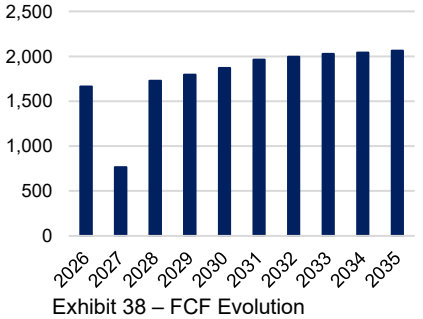

Exhibit 38 – FCF Evolution

6.5

$$TV_T = \frac{FCF_{T+1}}{WACC - g_T}$$

Exhibit 39 – Terminal Value Formula

$$g_T = ROIC_T \times \text{Reinvestment Rate}_T$$

Exhibit 40 – Terminal Growth Formula

Derivation of Terminal Growth (g): Rather than imposing a growth assumption (e.g., GDP growth), the terminal growth rate is derived endogenously from the business's economics. In the final forecast year, Thales' RONIC converges toward ROIC, signalling that new investments generate returns are similar to the existing asset base, indicating maturity and competitive equilibrium. Formula in Exhibit 40.

This reinforces internal consistency between the reinvestment needs embedded in FCF and the growth assumption embedded in the terminal value. The resulting terminal growth rate therefore reflects the firm's long-run return on capital, its stable reinvestment needs, and its position in a mature, structurally constrained industry.

5.6 Implied Valuation and Return Analysis

The Discounted Cash Flow valuation yields an intrinsic equity value of €202.29 per share as of December 2026, corresponding to a core enterprise value of €44.7bn.

Compared to the current share price of €230.50, the DCF implies a negative total return of approximately 7%, even after incorporating expected dividend payments and share buybacks over the horizon. This gap suggests that current market pricing already embeds optimistic assumptions regarding the durability of elevated defence spending, backlog conversion, and margin resilience. While these dynamics support near-term visibility, they leave limited scope for further upside under conservative long-run operating assumptions.

Sensitivity and scenario analyses reinforce this conclusion: valuation outcomes remain most responsive to terminal assumptions and long-term execution rather than short-term growth fluctuations. As a result, despite Thales' strong strategic positioning and robust fundamentals, the current valuation appears stretched relative to fundamentals, supporting a SELL scenario.

5.7 Sensitivity Analysis

Given the long-cycle nature of defence contracting, the segment-specific execution dynamics, and the importance of terminal assumptions in mature industrial businesses, the valuation is tested against variations in discount-rate inputs, operational drivers, and steady-state economics. The resulting heatmaps are shown in Exhibits 41-45.

Rf/ERP	4.693%	5.020%	5.347%	5.673%	6.000%
2.60%	238.51	224.84	212.66	201.74	191.88
2.70%	231.84	218.91	207.35	196.95	187.55
2.80%	225.53	213.28	202.29	192.38	183.41
2.90%	219.56	207.93	197.48	188.03	179.45
3.00%	213.90	202.85	192.89	183.87	175.65

Exhibit 41 – Sensitivity Table measuring Risk free vs. Equity Risk Premium

Market-Driven Sensitivity: Risk-Free Rate × ERP: These parameters feed directly into the CAPM cost of equity and, therefore the WACC. The valuation exhibits clear convexity to ERP changes (varying until top value of Kroll expectations,[89]) consistent with the behaviour of European defence equities under shifts in macroeconomic risk sentiment.

RONIC/RR	10%	11%	12%	13%	14%
16%	183.42	188.24	193.42	198.99	205.01
17%	186.53	191.91	197.72	204.03	210.89
18%	189.78	195.77	202.29	209.42	217.23
19%	193.19	199.85	207.15	215.19	224.08
20%	196.76	204.15	212.32	221.39	231.52

Exhibit 42 – Sensitivity Table measuring RONIC vs. Reinvestment Rate

Steady-State Economics: RONIC × Reinvestment Rate: Since the terminal growth rate is derived endogenously as the product of both RONIC and Reinvestment Rate, this table quantifies how changes in long-run capital returns and reinvestment intensity affect terminal value. The decomposition displays increases in capital efficiency (RONIC) scaling close to linearly into a greater value, while reinvestment intensity amplifies or dampens the effect.

Days P/ Days R	110	114	118	122	127
181	210.298	173.317	136.335	99.353	62.372
186	243.276	206.295	169.313	132.331	95.350
191	276.254	239.273	202.291	165.309	128.328
196	309.232	272.251	235.269	198.288	161.306
200	342.210	305.229	268.247	231.266	194.284

Exhibit 43 – Sensitivity Table measuring Days Payable vs. Days Receivable

Working Capital Cycles: Days Receivable × Days Payable: The table illustrates how alternative payment-term scenarios impact enterprise value. Faster customer collections or longer supplier terms materially enhance cash flows, while the opposite reduces valuation. This is a highly relevant operational sensitivity given Thales' contract mix, and shows that it is key for the sector

Bu/ (ND/E)	0%	3%	7%	10%	14%
0.55	245.46	238.87	232.63	226.70	221.07
0.60	228.28	222.18	216.40	210.91	205.70
0.65	213.35	207.67	202.29	197.18	192.33
0.70	200.26	194.95	189.92	185.14	180.60
0.75	188.69	183.71	178.98	174.49	170.22

Exhibit 44 – Sensitivity Table measuring Unlevered Beta vs. Target ND/E

WACC Structure Sensitivity: Target ND/E × Unlevered Beta: This table displays how alternative assumptions for the sector's target leverage and the bottom-up unlevered beta affect equity value. This quantifies the estimator risk inherent in WACC construction and demonstrates that the valuation remains within a reasonable range under plausible variations of capital structure but can change quite rapidly with the risk parameter.

	Defence				
Conv. rate/ g	1.0%	2.0%	4.0%	5.0%	6.0%
10.0%	181.529	187.581	201.565	209.697	218.763
15.0%	182.023	188.972	205.293	214.958	225.885
22.4%	176.982	184.469	202.291	213.006	225.269
30.0%	174.036	182.079	201.465	213.288	226.975
35.0%	173.461	181.926	202.499	215.162	229.935

Exhibit 45 – Sensitivity Table measuring Defence Conversion Rates vs. Growth Rates

Segment Execution Sensitivity: Conversion Rates: The heatmap varies conversion and growth rate of the Defence segment, capturing uncertainty in backlog execution, programme delivery pace, and other constraints. It is derivable from the table that the valuation is not sensitive to changes in conversion rates, even in the highest relevance sector, but shows high volatility in the growth rate parameter. Further conversion rate analyses were conducted in other segments but considered discardable.

Across the sensitivity space, outcomes where investment recommendation differs from SELL are rare, indicating that the current valuation holds fair assumptions. The only dimension displaying a meaningful share of upside scenarios is working-capital dynamics (≈40%), reflecting Thales' reliance on its negative working-capital model. However, further improvements would require increasingly favourable payment terms that are operationally and contractually constrained. All other sensitivities, particularly those related to discount-rate inputs, capital structure, and execution, show a very limited proportion of upside outcomes, reinforcing the asymmetric risk profile. Overall, the valuation appears skewed toward downside under most plausible assumptions, supporting the investment recommendation. Shown in Exhibit 46.

Upside Scenarios	
ERP x Rf	8.0%
RR x RONIC	4.0%
Bu x ND/E	12.0%
Days P. x Days R.	40.0%
Defence g x CR	0.0%

Exhibit 46 – Table of the probability of upside scenarios within each sensitivity test

5.8 Scenario Analysis

Scenario Explanation	
Lack of Implementation	**Baseline 2.0 for European Defence**
French Debt Crisis	-2% applied to growth rate across all segments
Intensity in M&A	**Flat 2% addition to Cyber yearly revenues**
Persistent Tariffs	Added Negative Effect of Tariffs

Exhibit 47 – Scenario descriptions

Scenario Analysis	
Min	€ 177.99
Median	€ 197.78
Average	€ 198.75
Max	€ 222.90
Min Hold Price	€ 230.50

Exhibit 48 – Scenario results

The scenarios were constructed as a way to add nuance to the model, by assessing the impact of structural changes in the setting the company operates in, providing greater detail to valuation without blurring it with conjecture. There are 4 fully independent scenarios in this analysis, combining for a total of 16 outcomes, with none impacting factors such as WACC or Terminal Value start date.

The first scenario "Lack of Implementation" centred on Europe's inability to follow through with the defence spending rates the bloc committed to, materialized in a low -1% flat reduction of growth, leading to 15% less cumulative growth over the analysis period. This scenario is key in understanding possible downside risk, since Thales' investment thesis is that this company is well positioned to capitalize on added EU investments.

Secondly, "French Debt Crisis", this scenario highlights how the current macroeconomic environment surrounding the French state could materialize in lower profitability for the company. The scenario was applied differently across each segment. For Aerospace, with low direct state intervention in commercial airlines, the negative impact was fixed at -0.5% per year. Defence, the main victim, was modelled as falling short of their 3.5% goal of GDP for Defence,[90] falling instead to 2.75%, up from 2% (implementing only 50% of the total committed). This equates to -2.5% spending yearly. Lastly, these are expected to have an impact through lower governmental investments in digital infrastructure, with these effects being more pronounced than the ones on military spending due to lack of commitment of funds, however, the segment's mix of civilian-grade public contracts and private client base dampens this, leading to -2% effect.

The third scenario is Cyber-specific, and it highlights the M&A possibilities of the sector. "Intensity in M&A" adds 2% yearly for Cyber due to the possibility of M&A efforts. The model did not include M&A, hence it is important to showcase this is a possibility for Thales, especially in Cyber, where they have conducted large acquisitions to grow the branch and expand geographically, especially through Imperva's acquisition in 2023.

Lastly, "Persistent Tariffs" displays the negative impacts of tariffs in the North American region. By the nature of the tariffs imposed by the USA, Aerospace is not impacted, due to the "Zero for Zero" clause on aircraft and aircraft parts.[91] Macro studies of US tariffs against Europe suggest that EU exports fall by around 1–1.5% relative to baseline.[92] Defence and Cyber companies are poised to bear

more of the downside due to a simultaneous pivot towards sovereignty and "Buy American", but also due to the availability of contractors operating within the country. The model therefore assumes that this reduces revenue growth in 3pp, reflecting loss of share to US defence and cyber institutions, with this effect is tightened to -1pp post Trump leaves office.

Across all combinations of the four scenarios, the recommendation persisted, with Share Price fluctuating between €177.99 and €222.90, a SELL indicator.

Monte Carlo

The Monte Carlo valuation was conducted as a different sensitivity analysis to assess whether probabilistic methods could deliver a similar valuation to Multiples and DCF. The model assesses inputs with difficult estimations and large impacts on overall valuation, which are able to be characterized as a probability. These focused on finding adequate values for Terminal Value through the estimation of 5 variables – Terminal Growth Rate, Gross Margin, Market Risk Premium, Effective Tax Rate and Working Capital Intensity. All of these variables impact the model significantly and can be arbitrary in their estimations. The distribution characterising all variables was the PERT distribution, chosen due to its ability to be skewed and truncated but have a lower emphasis on tails than its Triangular counterpart. Each valuable was assigned a minimum, most likely and maximum value. Terminal Growth was centred on the last value from the Long-Term Value Drivers, at 2.1%, with a lower bound of 1.5% for a no growth low inflation future, and upper bound of 3.5%, with 2% inflation and 1.5% real growth for modern economies. Gross Margin was anchored on the average values for each of the available peers, with the lower bound being Europe, the upper for US and the most likely value being the joint group. Market Risk Premium placed upper bound on a country with Moody's A3 debt rating, the lowest of Upper Medium Grade investments. The lower bound was placed on AAA, whereas the mode was A1, where France currently stands. For effective tax rates the maximum and minimum were the greatest and lowest values of effective tax rate recorded by Thales excluding Covid years, with the mode being the average. The same method was used for Working Capital Intensity, without the exclusion of COVID. The results offer a 30€ interval (1st to 3rd quartile) from €201 to €236 for share price, with median at 217€, which exceed the DCF value and create a tighter range compared to multiples, while corroborating the SELL argument.

5.9

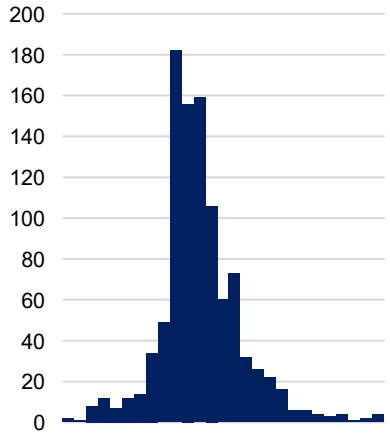

Exhibit 49 – Histogram Monte Carlo results distribution
Bin Width: 10 (0-370)

Metric	Value
Min	105.14
1st Quartile	201.99
Median	217.38
Average	221.09
3rd Quartile	236.55
Max	371.07
Standard Deviation	34.70

Exhibit 50 – Monte Carlo results summary

5.10 Multiples Valuation

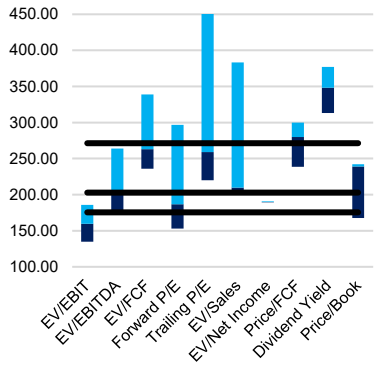

Exhibit 51 – Multiples analysis EU only

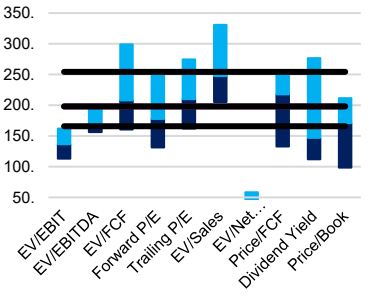

Exhibit 52 – Multiples analysis global

For multiple analysis, the peers outlined for Europe were used along with the American peers to build two distinct ranges. The first outlining the valuation range when comparing Thales to Europe alone, and both being used to compare it to global players. This was done as a way to potentially notice patterns of overvaluation within the list of European peers which are currently also enjoying larger multiples due to European investment schemes 10 Multiples were analysed, with 4 being highlighted as the main anchors of the analysis due to their relevance and consistency – EV/EBIT, EV/EBITDA, EV/FCF and Forward P/E. EV/EBIT is the main point of the analysis, accurately capturing defence's setting of high CAPEX and investment, with EV/EBITDA being the counterpart that assesses how certain segments within said companies operate (with lower levels of Capex and depreciation). EV/FCF was also used as a way to gauge cash generation and forward P/E aided in checking market sentiment along with the DCF's expectations for future revenues, serving as a sanity check. These values netted a range (1st to 3rd quartile) of €175.5-€271.4 for Europe and €165.8-€254.3 for global, both being large ranges that cover SELL, HOLD and BUY. The medians aid in anchoring the valuation, with these being €202.9 and €198.0 for EU and Global respectively, firmly in the SELL range. It is important to note that US peers retained lower multiples than the EU counterparts.

6 Stock Performance

Thales' stock performance is analysed against two benchmarks: the MSCI World Index (broad market) and the S&P Vision Index (defence/military-tech peers). The three track similarly until February 2022, when Russia's invasion of Ukraine triggered a sharp rally in Thales and expected European defence spending increases. Thales' outperformance reflects its positioning in dual-use technologies, capturing both military and civilian cybersecurity contracts compared to pure-defence peers. The S&P Vision Index converges with Thales by October 2023 before exceeding it in January 2024. The divergence widens following Trump's March 2025 suspension of Ukraine aid, which prompted EU rearmament commitments. Between January and March 2025, Thales surged 78.5% versus the index's 49.9%, bolstered by strong H1 2025 results, despite not surpassing the latter. An April 2025 pullback coincided with US tariff announcements, reflecting investor concerns over supply chain exposure and correction following the rearmament rally. Post-"Liberation Day", the Vision Index has continued to widen

its lead, driven by a shift in constituent exposure toward higher-growth peers capturing new contract wins. Thales exhibits the cyclical characteristic typical of the sector: periods of visibility and major contract awards drive outperformance, while consolidation follows. The company currently faces margin pressure after a period of leadership, as the index rebalances to capture new growth opportunities.

7 Investment Recommendation

The analysis on Thales (HO FP) is issued with a SELL recommendation and a price target of €202.29, implying an approximate -7% annualized return over the next ≈12 months, including dividends and share buybacks. While Thales is strategically well-positioned to benefit from structurally higher European defence spending and enjoys strong backlog visibility, we believe that these positives are already priced in at current market levels, with the stock having risen 72% YTD.

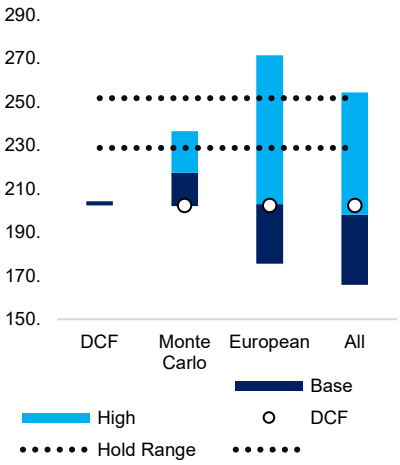

Exhibit 53 – Final Valuation Football Field

Broadening the horizon to the remaining valuation methods, these offer ranges that allow for the validation and checking of DCF assumptions. While the Monte Carlo netted larger values, its range sits mostly within the sell recommendation, with only the 3rd quartile of the distribution sitting above the current market price. Relative valuation does not provide a compelling countersignal. While Thales trades broadly in line with European and global peers, sector multiples appear elevated following a geopolitics-driven rerating. Furthermore, their extended range provides little insight into stock price. As such, in line with McKinsey's Book,[18] multiples are therefore treated as a validation tool rather than a valuation anchor and do not justify the current premium.

Importantly, the analysis does not question Thales' strategic quality, or execution capabilities. While Thales remains a high-quality defence corporation, the current risk-reward profile is unfavourable, supporting a SELL recommendation.

Appendix

Income Statement

(EUR Millions)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Core business																	
Aerospace	5,779.5	5,595.1	4,217.0	4,463.1	4,704.9	5,220.7	5,470.6	2,759.3	6,158.5	6,442.6	6,730.4	7,025.1	7,328.8	7,642.0	7,965.4	8,299.4	8,644.7
Europe	3,564.8	3,462.7	2,805.7	2,977.2	3,281.9	3,507.4	3,799.4	1,924.5									
North America	769.5	780.5	528.0	576.4	656.1	788.1	785.0	359.5									
Australia & New Zealand	48.8	53.0	40.8	42.5	44.0	46.6	48.5	23.8									
Emerging Markets	1,396.4	1,298.9	842.5	867.0	722.9	878.6	837.7	451.5									
Transport	2,000.5	1,910.1	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0	0	0	0	0	0	0
Defence & Security	7,827.7	8,265.5	8,084.8	8,633.3	9,156.0	9,628.2	10,969.3	5,581.0	13,609.9	14,786.6	16,040.2	17,411.1	18,939.0	20,356.8	21,696.2	22,982.3	24,230.3
Europe	4,023.3	4,521.7	4,789.4	5,282.5	5,767.5	6,560.9	7,321.5	3,820.1									
North America	408.3	467.3	497.9	488.7	630.7	721.9	907.9	386.6									
Australia & New Zealand	767.3	812.0	835.9	897.0	829.3	711.5	777.0	371.5									
Emerging Markets	2,628.8	2,464.5	1,961.6	1,965.1	1,928.5	1,633.8	1,962.9	1,002.8									
Digital I&S	191.9	2,551.0	2,991.8	2,994.5	3,617.6	3,504.2	4,023.6	1,861.5	4,758.8	5,296.0	5,905.8	6,588.0	7,349.3	8,051.8	8,670.0	9,202.5	9,654.6
Europe	33.0	735.8	839.5	903.9	1,098.2	1,108.5	1,242.6	588.7									
North America	126.6	757.7	856.0	874.5	1,121.8	1,064.0	1,220.8	562.8									
Australia & New Zealand	2.5	52.5	67.1	54.3	85.0	53.4	114.0	49.0									
Emerging Markets	29.8	1,005.0	1,229.2	1,161.8	1,312.6	1,278.3	1,446.2	661.0									
Other	55.1	79.3	77.4	101.1	90.3	75.4	113.1	63.0	124.6	133.8	141.2	147.8	154.2	160.5	166.9	173.6	180.4
Europe	30.7	28.6	32.7	40.9	46.3	45.8	78.9	45.0									
North America	2.2	7.4	5.2	12.0	6.1	6.8	7.0	3.2									
Australia & New Zealand	0.0	0.1	0.0	0.0	0.0	0.0	0.5	0.4									
Emerging Markets	22.2	43.2	39.5	48.2	37.9	22.8	26.7	14.4									
Revenues	15,854.70	18,401.00	15,371.00	16,192.00	17,568.80	18,428.40	20,576.60	22,785.98	24,651.81	26,659.02	28,817.69	31,172.03	33,771.21	36,211.02	38,498.55	40,657.79	42,710.05
Cost of Goods Sold	(11,767.5)	(13,877.3)	(11,791.2)	(12,158.9)	(13,113.4)	(13,662.)	(15,202.7)	(16,930.76)	(18,410.76)	(20,011.56)	(21,742.52)	(23,639.04)	(25,741.)	(27,741.72)	(29,644.98)	(31,467.66)	(33,224.98)
R&D Expenditures	(881.4)	(1,098.5)	(942.9)	(1,026.9)	(1,063.6)	(1,107.7)	(1,273.7)	(1,383.22)	(1,496.49)	(1,618.34)	(1,749.38)	(1,892.3)	(2,050.08)	(2,198.19)	(2,337.06)	(2,468.13)	(2,592.71)
Sales/Marketing/Advertising Expenses	(1,097.6)	(1,382.9)	(1,210.9)	(1,225.9)	(1,350.4)	(1,384.)	(1,590.3)	(2,500.95)	(2,652.57)	(2,812.18)	(2,980.15)	(3,160.27)	(3,356.5)	(3,528.26)	(3,677.44)	(3,807.37)	(3,920.96)
General and Administrative Expenses	(554.3)	(636.7)	(526.7)	(545.)	(598.5)	(621.)	(692.9)	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
Finance Costs on Employee Benefits and Pensions	(47.2)	(68.9)	(41.5)	(21.9)	(5.)	(77.8)	(51.3)	(95.15)	(95.15)	(95.15)	(95.15)	(95.15)	(95.15)	(95.15)	(95.15)	(95.15)	(95.15)
Core Result Before Taxes	1,506.70	1,336.70	857.80	1,213.40	1,437.90	1,575.90	1,765.70	1,875.89	1,996.84	2,121.79	2,250.49	2,385.27	2,528.48	2,647.69	2,743.93	2,819.48	2,876.25
Taxes	(395.36)	(308.22)	(117.95)	(168.93)	(277.38)	(384.6)	(402.63)	(532.59)	(481.77)	(511.92)	(542.97)	(575.48)	(610.04)	(638.8)	(662.02)	(680.24)	(693.94)
Equity In Earnings of Affiliate/Joint Ventures	144.7	142.	45.	103.6	180.	147.4	95.1	137.12	142.84	148.8	155.01	161.48	168.21	175.23	182.54	190.16	198.09
Total Core Result	1,256.04	1,170.48	784.85	1,148.07	1,340.52	1,338.7	1,458.17	1,480.43	1,657.92	1,758.68	1,862.53	1,971.26	2,086.66	2,184.12	2,264.46	2,329.39	2,380.4
Non-Core business																	
Amort of Intang-Acquis Related (Pre-Tax)	(102.8)	0.	0.	0.	0.	0.	0.	0.	0	0	0	0	0	0	0	0	0
Restructuring Charges	(48.3)	(122.2)	(165.1)	(91.8)	(98.5)	(91.4)	(118.3)	(116.27)	0	0	0	0	0	0	0	0	0
Disposal of Assets / changes in consolidation	(73.)	218.6	44.4	48.7	(23.9)	(367.9)	(278.9)	(22.4)	0	0	0	0	0	0	0	0	0
Write-Down/Impairment of Assets	0.	0.	(135.4)	0.	0.	0.	(157.6)	0.	0	0	0	0	0	0	0	0	0
Interest Income	19.6	19.6	7.1	-2.5	25.8	161.4	123.5	128.5950114	0	0	0	0	0	0	0	0	0
Non-core Result Before Tax	(204.5)	116.	(249.)	(45.6)	(96.6)	(317.9)	(431.3)	(10.87)	0	0	0	0	0	0	0	0	0
Taxes	53.66	(26.75)	34.24	6.35	18.63	77.58	98.35	2.43	0	0	0	0	0	0	0	0	0
Net Income Discontinued Operations *	0.	0.	42.3	117.6	9.1	74.3	412.1	0.	0	0	0	0	0	0	0	0	0
Total Non-Core Result	(150.84)	89.25	(172.46)	78.35	(68.87)	(166.02)	79.15	(7.64)	0.	0.	0.	0.	0.	0.	0.	0.	0.
Financing Business																	
Interest Expense	(26.5)	(62.9)	(62.3)	(54.1)	(75.9)	(159.6)	(289.3)	(165.32)	(135.92)	(136.24)	(135.35)	(102.74)	(84.4)	(85.23)	(59.57)	(60.46)	(61.38)
Other Financial (Losses) / Gains	(78.3)	(84.4)	(77.4)	(52.8)	(98.5)	(65.)	39.4	(93.31)	0.	0.	0.	0.	0.	0.	0.	0.	0.
Total Financing Result Before Taxes	(104.8)	(147.3)	(139.7)	(106.9)	(174.4)	(224.6)	(249.9)	(258.63)	(135.92)	(136.24)	(135.35)	(102.74)	(84.4)	(85.23)	(59.57)	(60.46)	(61.38)
Taxes	27.5	33.96	19.21	14.88	33.64	54.81	56.99	62.4	32.79	32.87	32.65	24.79	20.36	20.56	14.37	14.59	14.81
Total Financing Result	(77.3)	(113.34)	(120.49)	(92.02)	(140.76)	(169.79)	(192.91)	(196.23)	(103.12)	(103.37)	(102.69)	(77.96)	(64.04)	(64.67)	(45.2)	(45.87)	(46.57)
Total Comprehensive Income	1,027.90	1,146.40	491.90	1,134.40	1,130.90	1,002.90	1,344.40	1,276.55	1,554.80	1,655.31	1,759.84	1,893.31	2,022.62	2,119.45	2,219.26	2,283.52	2,333.82

Balance Sheet

(EUR Millions)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Core																	
Operating Cash	317.09	368.02	307.42	323.84	351.38	368.57	411.53	455.72	493.04	533.18	576.35	623.44	675.42	724.22	769.97	813.16	854.2
Inventories	3,080.6	3,731.3	3,508.5	3,336.	3,672.3	4,250.8	4,935.5	5,418.8	5,373.11	5,857.55	6,344.76	6,846.37	7,378.33	7,956.26	8,595.36	9,194.62	9,765.32
Prepaid Expenses (Short-Term)	652.3	549.5	433.9	411.	641.9	786.4	895.7	809.7	1,015.22	1,103.49	1,198.94	1,303.52	1,419.43	1,529.75	1,634.71	1,735.21	1,832.12
Accounts Receivable And Other Receivables	4,671.7	5,239.5	5,038.3	5,442.9	5,810.1	6,269.1	7,146.2	6,741.8	7,978.65	8,628.29	9,326.95	10,088.94	10,930.17	11,719.83	12,460.2	13,159.04	13,823.27
Contract Assets	2,538.4	3,088.9	2,935.2	2,477.6	2,410.5	2,897.	3,242.7	3,745.7	4,055.52	4,473.73	4,903.45	5,354.02	5,838.63	6,370.81	6,964.37	7,538.49	8,101.58
Taxes Receivable	45.8	212.6	220.2	214.5	194.7	194.3	160.6	127.7	0.	0.	0.	0.	0.	0.	0.	0.	0.
Trade Payable And Other Payables	(6,148.5)	(6,813.7)	(5,998.)	(6,066.6)	(6,918.7)	(7,644.1)	(8,332.7)	(8,078.)	(9,619.59)	(10,456.01)	(11,360.43)	(12,351.36)	(13,449.63)	(14,495.01)	(15,489.45)	(16,441.8)	(17,360.)
Short-Term Provisions	(1,730.8)	(1,960.)	(2,052.2)	(1,771.8)	(1,752.)	(1,726.7)	(1,964.7)	(1,735.7)	(2,622.15)	(2,835.65)	(3,065.27)	(3,315.69)	(3,592.16)	(3,851.68)	(4,095.)	(4,324.67)	(4,542.96)
Contract Liabilities	(6,108.2)	(6,414.9)	(6,453.5)	(7,068.5)	(8,313.6)	(9,788.6)	(11,541.1)	(11,961.3)	(11,019.29)	(11,855.07)	(12,672.52)	(13,494.85)	(14,352.45)	(15,273.44)	(16,283.64)	(17,190.2)	(18,017.46)
Income Taxes Accrued/Payable	(34.2)	(184.5)	(149.3)	(140.7)	(168.2)	(220.5)	(193.)	(264.1)	0.	0.	0.	0.	0.	0.	0.	0.	0.
Net Working Capital	(2,715.81)	(2,183.28)	(2,209.48)	(2,841.76)	(4,071.62)	(4,613.73)	(5,239.27)	(4,739.68)	(4,345.5)	(4,550.49)	(4,747.76)	(4,945.61)	(5,152.25)	(5,319.25)	(5,443.49)	(5,516.16)	(5,543.95)
Property Plant & Equipment - Net	1,808.9	3,830.4	3,569.9	3,399.	3,478.9	3,596.1	3,715.5	3,707.2	4,044.85	4,415.86	4,805.89	5,221.42	5,664.48	6,123.14	6,584.38	7,037.54	7,472.61
Other Intangible Assets	769.3	2,810.4	2,284.5	1,943.2	1,565.8	1,288.1	2,532.7	2,171.2	2,301.42	2,115.16	1,932.86	1,757.84	1,586.45	1,420.53	1,256.69	1,094.5	933.82
Goodwill	3,445.2	5,981.5	6,034.4	5,202.9	5,470.	8,939.6	8,899.2	8,529.4	8,529.1	8,529.1	8,529.1	8,529.1	8,529.1	8,529.1	8,529.1	8,529.1	8,529.1
Investment In Affiliates/Joint Ventures	1,306.3	1,333.1	1,283.1	1,341.6	1,589.3	1,648.4	1,648.2	1,716.96	1,788.58	1,863.19	1,940.92	2,021.89	2,106.23	2,194.1	2,285.63	2,380.97	2,480.3
Deferred Tax Assets (Long-Term)	891.7	1,002.1	966.8	951.2	1,043.	1,183.3	1,366.6	1,276.8	1,276.8	1,276.8	1,276.8	1,276.8	1,276.8	1,276.8	1,276.8	1,276.8	1,276.8
Deferred Tax Liabilities (Long-Term)	(216.4)	(783.3)	(657.6)	(491.4)	(396.6)	(319.4)	(634.8)	(555.5)	(555.5)	(555.5)	(555.5)	(555.5)	(555.5)	(555.5)	(555.5)	(555.5)	(555.5)
Pension/Postretirement Liabilities	(2,326.7)	(2,945.2)	(3,441.4)	(2,447.3)	(1,907.7)	(1,552.5)	(1,589.3)	(1,590.2)	(1,631.36)	(1,653.46)	(1,676.32)	(1,699.96)	(1,724.41)	(1,749.68)	(1,775.82)	(1,802.85)	(1,830.79)
Non-Current Core Assets	5,678.3	11,229.	10,039.7	9,899.2	10,842.7	14,783.6	15,938.1	15,255.86	15,753.9	15,991.15	16,253.74	16,551.59	16,883.16	17,238.48	17,601.28	17,960.56	18,306.33
Core Invested Capital	2,962.49	9,045.72	7,830.22	7,057.44	6,771.08	10,169.87	10,698.83	10,516.18	11,408.4	11,440.66	11,505.98	11,605.97	11,730.91	11,919.23	12,157.79	12,444.41	12,762.39
Non-Core																	
Assets Held For Sale	0.	0.	0.	2,668.2	2,790.5	3,034.	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
Investment Securities Available For Sale	123.9	196.3	90.7	138.3	127.2	129.2	160.6	152.2	152.2	152.2	152.2	152.2	152.2	152.2	152.2	152.2	152.2
Liabilities Assoc With Assets Held For Sale	0.	0.	0.	(1,967.2)	(1,781.6)	(1,943.5)	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
Non-Core IC	123.9	196.3	90.7	839.3	1,136.1	1,219.7	160.6	152.2	152.2	152.2	152.2	152.2	152.2	152.2	152.2	152.2	152.2
Total Invested Capital	3,086.39	9,242.02	7,920.92	7,896.74	7,907.18	11,389.57	10,859.43	10,668.38	11,560.6	11,592.86	11,658.18	11,758.17	11,883.11	12,071.43	12,309.99	12,596.61	12,914.59
Financing																	
Excess Cash	5,320.41	2,563.38	4,696.48	4,725.56	4,748.22	3,611.33	4,355.57										
Marketable Securities	256.	15.9	32.3	4.3	221.3	112.2	12.5										
Derivative Net Assets (Short-Term)	(182.1)	(40.9)	120.2	(134.4)	(155.6)	(54.4)	(217.6)										
Derivative Net Assets (Long-Term)	3.6	2.3	(0.5)	(3.3)	(1.)	0.	0.										
Other Financial Assets (Long-Term)	169.9	174.1	138.9	151.2	132.8	343.9	371.6										
Total	5,567.81	2,714.78	4,987.38	4,743.36	4,945.72	4,013.03	4,522.07										
Total Debt	(2,729.7)	(6,274.7)	(7,598.4)	(5,921.4)	(5,471.4)	(8,433.6)	(7,823.4)										
Net Financial Assets	2,838.11	(3,559.92)	(2,611.02)	(1,178.04)	(525.68)	(4,420.57)	(3,301.33)	(2,697.14)	(2,815.84)	(2,880.76)	(2,945.2)	(3,006.93)	(3,070.86)	(3,134.46)	(3,200.1)	(3,266.99)	(3,336.52)
Equity																	
Total Shareholders Equity Excluding Minority	5,699.6	5,449.2	5,114.9	6,474.3	7,173.9	6,830.	7,515.2	7,585.27	7,762.76	7,886.18	8,345.57	8,646.86	9,283.18	9,823.88	10,336.56	10,659.63	11,255.28
Minority/Non Controlling Int (Stckhldrs Eqty)	224.9	232.9	195.	244.4	207.6	139.	42.9	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3
Total Shareholders Equity	5,924.5	5,682.1	5,309.9	6,718.7	7,381.5	6,969.	7,558.1	7,971.24	8,744.76	8,712.1	8,712.98	8,749.24	8,812.25	8,936.97	9,109.9	9,329.62	9,576.06

Cash Flow Statement

(EUR Millions)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Core Business																	
NOPLAT	1,256.04	1,170.48	784.85	1,148.07	1,340.52	1,338.7	1,458.17	1,480.43	1,657.92	1,758.88	1,862.53	1,971.26	2,086.66	2,184.12	2,264.46	2,329.39	2,380.4
(+)Depreciation and amortisation of PPE and intangible assets	485.	1,112.5	1,178.	1,062.6	1,058.8	1,045.1	1,155.4	1,119.31	1,133.64	1,211.27	1,295.02	1,385.84	1,484.1	1,589.55	1,701.61	1,819.94	1,944.25
Gross Cash-flow	1,741.04	2,282.98	1,962.85	2,210.67	2,399.32	2,383.8	2,613.57	2,599.73	2,791.56	2,969.96	3,157.55	3,357.1	3,570.75	3,773.68	3,966.07	4,149.33	4,324.65
Other changes		1,048.2	455.8	(1,203.2)	(973.9)	(631.8)	169.1	(57.36)	(30.47)	(52.5)	(54.86)	(57.33)	(59.9)	(62.59)	(65.39)	(68.32)	(71.38)
(-)CapEx	NA	(7,711.4)	(444.5)	281.1	(1,028.4)	(4,354.2)	(2,479.)	(379.71)	(1,601.21)	(1,396.02)	(1,502.75)	(1,626.35)	(1,755.77)	(1,882.29)	(1,999.02)	(2,110.9)	(2,218.64)
(-)Changes in Net Working Capital	NA	(532.53)	26.2	632.28	1,229.86	542.11	625.54	(499.59)	(394.18)	204.99	197.28	197.85	206.64	167.	124.24	72.67	27.79
Core Unlevered FCF	3,482.08	(4,912.74)	2,000.35	1,920.85	1,626.89	(2,960.09)	929.2	1,663.08	765.7	1,726.41	1,797.22	1,871.27	1,961.72	1,995.8	2,025.9	2,042.78	2,062.42
Non-Core Business																	
Non-Core Result	(150.84)	89.25	(172.46)	78.35	(68.67)	(166.82)	79.15	(7.64)	0.	0.	0.	0.	0.	0.	0.	0.	0.
Change in surplus Non-Operating Assets	NA	(72.4)	105.6	(748.6)	(296.8)	(83.6)	1,059.1	8.4	0.	0.	0.	0.	0.	0.	0.	0.	0.
Non-Core Unlevered FCF	(150.84)	16.85	(66.86)	(670.25)	(365.47)	(249.42)	1,138.25	0.76	0.	0.	0.	0.	0.	0.	0.	0.	0.
Total Unlevered Free Cash-flow		(4,895.89)	1,933.49	1,250.6	1,261.22	(2,309.71)	2,067.45	1,663.84	765.7	1,726.41	1,797.22	1,871.27	1,961.72	1,995.8	2,025.9	2,042.78	2,062.42
Financing Business																	
Core Financial Result	(77.3)	(113.34)	(120.49)	(92.02)	(140.76)	(169.79)	(192.91)	(196.23)	(103.12)	(103.37)	(102.69)	(77.96)	(64.04)	(64.67)	(45.2)	(45.87)	(46.57)
Changes in Net Debt	NA	6,398.03	(948.9)	(1,432.98)	(652.36)	3,894.89	(1,119.24)	(604.19)	118.7	64.92	64.44	63.73	61.93	63.6	65.64	66.89	71.54
Transactions with shareholders	NA	(1,388.8)	(864.1)	274.4	(468.1)	(1,415.4)	(755.3)	(863.41)	(781.28)	(1,687.96)	(1,758.97)	(1,857.04)	(1,959.61)	(1,994.73)	(2,046.33)	(2,063.79)	(2,087.38)
Financing Parties Cash-flow	(77.3)	4,895.89	(1,933.49)	(1,250.6)	(1,261.22)	2,309.71	(2,067.45)	(1,663.84)	(765.7)	(1,726.41)	(1,797.22)	(1,871.27)	(1,961.72)	(1,995.8)	(2,025.9)	(2,042.78)	(2,062.42)

Forecasting Drivers

Revenues

Year	2024	H1 2025	H2 2025	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Total	20,576.6	10,264.8	12,521.18	22,785.98	24,651.81	26,659.02	28,817.69	31,172.03	33,771.21	36,211.02	38,498.55	40,657.79	42,710.05	44,676.9
Total Growth				10.74%	8.19%	8.14%	8.10%	8.17%	8.34%	7.22%	6.32%	5.61%	5.05%	4.61%
Aerospace	5,470.6	2,759.3	3,114.59	5,873.89	6,158.51	6,442.58	6,730.45	7,025.13	7,328.77	7,641.99	7,965.36	8,299.43	8,644.74	9,001.84
Starting Backlog	9,281.	10,485.9	10,384.8	10,485.9	11,033.61	11,568.24	12,101.84	12,642.58	13,196.11	13,766.48	14,354.83	14,962.25	15,589.77	16,238.42
Order Intake	6,434.2	2,658.2	3,763.4	6,421.6	6,693.15	6,976.18	7,271.18	7,578.66	7,899.14	8,230.34	8,572.78	8,926.95	9,293.38	9,672.62
Growth Forecast	-	-	41.58%	-0.20%	4.23%	4.23%	4.23%	4.23%	4.23%	4.19%	4.16%	4.13%	4.10%	4.08%
Europe					2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Baseline					4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
French Debt Drag 0					-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
North America					0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%
Baseline					3.5%	3.5%	3.5%	3.5%	3.5%	3.4%	3.3%	3.2%	3.1%	3.0%
Australia and New Zealand					0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%
Baseline					4.0%	4.0%	4.0%	4.0%	4.0%	3.5%	3.0%	2.6%	2.3%	2.0%
Emerging Markets					1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Asia Pacific					6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Middle East Africa					4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Rest of the World					4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Conversion Rate	34.81%	20.99%	22.01%	34.74%	34.74%	34.74%	34.74%	34.74%	34.74%	34.74%	34.74%	34.74%	34.74%	34.74%
Ending Backlog	10,485.9	10,384.8	11,033.61	11,033.61	11,568.24	12,101.84	12,642.58	13,196.11	13,766.48	14,354.83	14,962.25	15,589.77	16,238.42	16,909.2
Defence	10,969.3	5,581.	6,886.13	12,467.13	13,609.89	14,786.64	16,040.17	17,411.07	18,938.98	20,356.75	21,696.22	22,982.3	24,230.33	25,453.23
Starting Backlog	35,081.1	39,153.5	39,323.4	39,153.5	43,137.15	47,091.17	51,162.81	55,500.13	60,243.55	65,530.22	70,435.8	75,070.44	79,520.37	83,838.65
Order Intake	14,723.3	5,750.9	10,699.88	16,450.78	17,563.9	18,858.29	20,377.49	22,154.49	24,225.66	25,262.33	26,330.86	27,432.22	28,548.62	29,684.56
Growth Forecast	-	-	86.06%	11.73%	6.77%	7.37%	8.06%	8.72%	9.35%	4.28%	4.23%	4.18%	4.07%	3.98%
Europe					4.6%	5.5%	6.2%	6.8%	7.5%	2.5%	2.5%	2.5%	2.5%	2.5%
EU Baseline					7.82%	8.95%	10.07%	11.15%	12.17%	4.00%	4.00%	4.00%	4.00%	4.00%
EU Baseline 2.0 0					6.82%	7.95%	9.07%	10.15%	11.17%	3.00%	3.00%	3.00%	3.00%	3.00%
UK Baseline					5.28%	5.28%	5.28%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
French Debt Drag 0					-2.5%	-2.5%	-2.5%	-2.5%	-2.5%	-2.5%	-2.5%	-2.5%	-2.5%	-2.5%
North America					0.7%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Baseline					6.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Persistent Tariffs 0					-3.00%	-3.00%	-3.00%	-3.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%
Australia and New Zealand					0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%
Baseline					5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	3.54%	2.50%
Emerging Markets					1.3%	1.3%	1.3%	1.3%	1.3%	1.2%	1.2%	1.1%	1.1%	1.0%
Asia Pacific					5.50%	5.50%	5.50%	5.50%	5.50%	5.2%	4.8%	4.5%	4.3%	4.00%
Middle East Africa					6.00%	6.00%	6.00%	6.00%	6.00%	5.79%	5.58%	5.38%	5.19%	5.00%
Rest of the World					4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Conversion Rate	22.02%	12.43%	13.77%	22.42%	22.42%	22.42%	22.42%	22.42%	22.42%	22.42%	22.42%	22.42%	22.42%	22.42%
Ending Backlog	39,153.5	39,323.4	43,137.15	43,137.15	47,091.17	51,162.81	55,500.13	60,243.55	65,530.22	70,435.8	75,070.44	79,520.37	83,838.65	88,069.98
Cyber & Digital	4,023.6	1,861.5	2,472.06	4,333.56	4,758.83	5,295.97	5,905.84	6,587.98	7,349.27	8,051.77	8,670.04	9,202.49	9,654.55	10,034.29
Starting Backlog	815.6	875.4	910.8	875.4	885.58	972.48	1,082.25	1,206.88	1,346.28	1,501.85	1,645.41	1,771.75	1,880.56	1,972.94
Order Intake	4,031.6	1,896.9	2,446.84	4,343.74	4,845.74	5,405.74	6,030.46	6,727.38	7,504.84	8,195.33	8,796.38	9,311.3	9,746.93	10,111.89
Growth Forecast	-	-	28.99%	7.74%	11.56%	11.56%	11.56%	11.56%	11.56%	9.20%	7.33%	5.85%	4.68%	3.74%
Europe					6.6%	6.6%	6.6%	6.6%	6.6%	5.1%	4.0%	3.1%	2.4%	1.8%
Baseline					10.80%	10.80%	10.80%	10.80%	10.80%	8.36%	6.47%	5.01%	3.88%	3.00%
French Debt Drag 0					-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%
North America					1.2%	1.2%	1.2%	1.2%	1.2%	1.0%	0.8%	0.6%	0.5%	0.4%
Baseline					11.00%	11.00%	11.00%	11.00%	11.00%	8.99%	7.34%	6.00%	4.90%	4.00%
Persistent Tariffs 0					-3.00%	-3.00%	-3.00%	-3.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%
Australia and New Zealand					0.7%	0.7%	0.7%	0.7%	0.7%	0.5%	0.4%	0.3%	0.3%	0.2%
Baseline					14%	14%	14%	14%	14%	11%	9%	7%	6%	5%
Emerging Markets					3.1%	3.1%	3.1%	3.1%	3.1%	2.6%	2.2%	1.8%	1.5%	1.3%
Asia Pacific					15.50%	15.50%	15.50%	15.50%	15.50%	13%	11%	9%	7%	6.00%
Middle East Africa					12.50%	12.50%	12.50%	12.50%	12.50%	10%	9%	7%	6%	5.00%
Rest of the World					10%	10%	10%	10%	10%	9%	8%	7%	6%	5%
General					2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
M&A Contribution 0					2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Conversion Rate	83.01%	67.15%	73.62%	83.03%	83.03%	83.03%	83.03%	83.03%	83.03%	83.03%	83.03%	83.03%	83.03%	83.03%
Ending Backlog	875.4	910.8	885.58	885.58	972.48	1,082.25	1,206.88	1,346.28	1,501.85	1,645.41	1,771.75	1,880.56	1,972.94	2,050.54
Other	113.1	63.	48.39	111.39	124.59	133.83	141.23	147.84	154.18	160.5	166.94	173.57	180.43	187.55
Starting Backlog	73.6	87.4	70.7	87.4	108.21	121.02	130.	137.19	143.62	149.77	155.91	162.17	168.61	175.27
Order Intake	100.3	46.3	85.9	132.2	137.4	142.81	148.43	154.27	160.34	166.64	173.2	180.01	187.1	194.46
Growth Baseline		-	85.53%	31.81%	3.93%	3.93%	3.93%	3.93%	3.93%	3.93%	3.93%	3.93%	3.93%	3.93%
Conversion Rate	65.04%	47.12%	30.90%	50.73%	50.73%	50.73%	50.73%	50.73%	50.73%	50.73%	50.73%	50.73%	50.73%	50.73%
Ending Backlog	87.4	70.7	108.21	108.21	121.02	130.	137.19	143.62	149.77	155.91	162.17	168.61	175.27	182.18

Costs

Year	2024	H1 2025	H2 2025	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
COGS		(7,556.)	(9,374.76)	(16,930.76)	(18,410.76)	(20,011.56)	(21,742.52)	(23,639.04)	(25,741.)	(27,741.72)	(29,644.98)	(31,467.66)	(33,224.98)	(34,932.66)
Baseline		73.61%	74.87%	74.30%	74.68%	75.06%	75.45%	75.83%	76.22%	76.61%	77.00%	77.40%	77.79%	78.19%
R&D		(627.3)	(755.92)	(1,383.22)	(1,496.49)	(1,618.34)	(1,749.38)	(1,892.3)	(2,050.08)	(2,198.19)	(2,337.06)	(2,468.13)	(2,592.71)	(2,712.11)
Baseline		6.11%	6.04%	6.07%	6.07%	6.07%	6.07%	6.07%	6.07%	6.07%	6.07%	6.07%	6.07%	6.07%
SG&A		(1,128.9)	(1,372.05)	(2,500.95)	(2,652.57)	(2,812.18)	(2,980.15)	(3,160.27)	(3,356.5)	(3,528.26)	(3,677.44)	(3,807.37)	(3,920.96)	(4,020.92)
Baseline		11.00%	10.96%	10.98%	10.76%	10.55%	10.34%	10.14%	9.94%	9.74%	9.55%	9.36%	9.18%	9.00%
Implied EBIT		9.3%	8.1%	8.7%	8.5%	8.3%	8.1%	8.0%	7.8%	7.6%	7.4%	7.2%	7.0%	6.7%
Total Costs		(9,312.2)	(11,502.7)	(20,814.9)	(22,559.8)	(24,442.1)	(26,472.1)	(28,691.6)	(31,147.6)	(33,468.2)	(35,659.5)	(37,743.2)	(39,738.7)	(41,665.7)

Taxes

(EUR Millions)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Taxes																	
Core EBT	1,506.70	1,336.70	857.80	1,213.40	1,437.90	1,575.90	1,765.70	1,875.89	1,996.84	2,121.79	2,250.49	2,385.27	2,528.48	2,647.69	2,743.93	2,819.48	2,876.25
Non-Core EBT	-204.50	116.00	-249.00	-45.60	-96.60	-317.90	-431.30	-10.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financing EBT	-104.8	-147.3	-139.7	-106.9	-174.4	-224.6	-249.9	-258.6	-135.9	-136.2	-135.3	-102.7	-84.4	-85.2	-59.6	-60.5	-61.4
Net Income before tax and share in net income of equity affiliates	**1,197.40**	**1,305.40**	**469.10**	**1,060.90**	**1,166.90**	**1,033.40**	**1,084.50**	**1,607.19**	**1,860.93**	**1,985.55**	**2,115.14**	**2,282.52**	**2,444.08**	**2,562.46**	**2,684.36**	**2,759.02**	**2,814.87**
Income Tax	**-314.2**	**-301.0**	**-64.5**	**-147.7**	**-225.1**	**-252.2**	**-247.3**	**-467.9**	**-449.0**	**-479.0**	**-510.3**	**-550.7**	**-589.7**	**-618.2**	**-647.6**	**-665.7**	**-679.1**
Increased Tax Burden	0	0	0	0	0	0	0	-80	0	0	0	0	0	0	0	0	0
Effective Tax Rate	26.2%	23.1%	13.7%	13.9%	19.3%	24.4%	22.8%	24.1%	24.1%	24.1%	24.1%	24.1%	24.1%	24.1%	24.1%	24.1%	24.1%
	Avg effective tax rate (excluding COVID Impact)	24.1%															

Pensions/ Provisions

(EUR Millions)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Pension Provisions																	
Provisions (at Opening)		(2,326.7)	(2,945.2)	(3,404.4)	(2,447.3)	(1,907.7)	(1,552.5)	(1,589.3)	(1,609.98)	(1,631.36)	(1,653.46)	(1,676.32)	(1,699.96)	(1,724.41)	(1,749.68)	(1,775.82)	(1,802.85)
Service Cost	(108.8)	(120.5)	(123.)	(133.)	(129.4)	(92.8)	(97.5)	(95.15)	(95.15)	(95.15)	(95.15)	(95.15)	(95.15)	(95.15)	(95.15)	(95.15)	(95.15)
Interest Cost	(46.7)	(49.)	(31.7)	(24.5)	(28.5)	(70.8)	(48.1)	(54.11)	(54.82)	(55.54)	(56.3)	(57.07)	(57.88)	(58.71)	(59.57)	(60.46)	(61.38)
Actuarial gains/losses	294.5	(519.7)	(572.5)	628.7	467.8	(266.6)	65.8	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
Benefits and Contributions	227.2	245.9	249.	210.3	231.8	1,181.5	129.9	128.59	128.59	128.59	128.59	128.59	128.59	128.59	128.59	128.59	128.59
Other non-recurring adjustments		(175.2)	19.	275.6	(2.1)	(396.1)	(86.9)	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
Provisions (at Closing)	(2,326.7)	(2,945.2)	(3,404.4)	(2,447.3)	(1,907.7)	(1,552.5)	(1,589.3)	(1,609.98)	(1,631.36)	(1,653.46)	(1,676.32)	(1,699.96)	(1,724.41)	(1,749.68)	(1,775.82)	(1,802.85)	(1,830.79)
Pension Provisons (as %)																	
Service Cost (average last 2 years)	-	-	-	-	-	-	(95.15)	(95.15)	(95.15)	(95.15)	(95.15)	(95.15)	(95.15)	(95.15)	(95.15)	(95.15)	(95.15)
Interest Cost (as a % of opening Provisions)		2.11%	1.08%	0.72%	1.16%	3.71%	3.10%	3.40%	3.40%	3.40%	3.40%	3.40%	3.40%	3.40%	3.40%	3.40%	3.40%
Actuarial gains/losses	294.5	(519.7)	(572.5)	628.7	467.8	(266.6)	65.8	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
Benefits and Contributions	227.2	245.9	249.	210.3	231.8	1,181.5	129.9										
Of which not from the deficit payment in the UK	128.9	147.8	154.4	111.6	136.7	103.3	117.4	128.59	128.59	128.59	128.59	128.59	128.59	128.59	128.59	128.59	128.59

PP&E/ Intangible Assets

(EUR Millions)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Gross Fixed Assets																	
Intangible Assets	3433.5	6108.2	6007.8	5463.3	5395.2	5175.6	6965.6	7,035.32	7,143.22	7,256.85	7,379.50	7,515.03	7,660.18	7,817.31	7,983.37	8,158.31	8,342.37
PP&E	5572.3	9010.3	9081.1	9126.5	9503.4	9946.3	10633.7	11,475.84	12,546.28	13,708.88	14,962.92	16,320.87	17,791.26	19,368.31	21,044.75	22,815.34	24,675.23
CAPEX		7,711.40	444.50	281.10	1,028.40	4,354.20	2,479.00	379.71	1,601.21	1,396.02	1,502.75	1,626.35	1,755.77	1,882.29	1,999.02	2,110.90	2,218.64

PP&E and INTANGIBLES - CHANGES IN NET ASSETS

Intangibles	**769.3**	**2,810.4**	**2,284.5**	**1,943.2**	**1,565.8**	**1,288.1**	**2,532.7**	**2,488.7**	**2,301.42**	**2,115.16**	**1,932.86**	**1,757.84**	**1,586.45**	**1,420.53**	**1,256.69**	**1,094.5**	**933.82**
Acquisitions	69.4	95.5	77.9	69.6	65.1	85.6	83.4	69.72	107.91	113.62	122.65	135.53	145.16	157.12	166.06	174.94	184.06
Ammortization	(168.6)	(467.)	(513.4)	(434.9)	(439.5)	(433.4)	(528.)	(475.91)	(357.16)	(362.84)	(368.97)	(375.75)	(383.01)	(390.87)	(399.17)	(407.92)	(417.12)
Exchange Rate, change of scope and others	(14.8)	2,412.6	(50.7)	47.4	(2.3)	70.3	1,689.3	362.19	61.98	62.96	64.03	65.2	66.46	67.82	69.26	70.78	72.38
PP&E	**3,290.4**	**3,830.4**	**3,569.9**	**3,399.**	**3,478.9**	**3,596.1**	**3,715.5**	**3,698.87**	**4,044.85**	**4,415.86**	**4,805.89**	**5,221.42**	**5,664.48**	**6,123.14**	**6,584.38**	**7,037.54**	**7,472.61**
Acquisitions	323.8	706.5	481.8	518.4	668.3	706.3	682.5	842.14	1,070.44	1,162.6	1,254.04	1,357.95	1,470.39	1,577.04	1,676.44	1,770.59	1,859.9
Disposal	(12.9)	(7.)	(6.1)	(4.8)	(8.5)	(3.9)	(6.2)	(0.9)									
Exchange Rate and other Adjust.	(5.5)	486.	(71.6)	54.7	39.4	26.5	70.5	(214.47)	52.02	56.84	62.03	67.66	73.76	80.3	87.25	94.59	102.3
Assets held for sale	0.	0.	0.	(111.5)	0.	0.	0.	0.									
Goodwill	**3,445.2**	**5,981.5**	**6,034.4**	**5,202.9**	**5,470.**	**8,939.6**	**8,899.2**	**8,529.1**	**8,529.1**	**8,529.1**	**8,529.1**	**8,529.1**	**8,529.1**	**8,529.1**	**8,529.1**	**8,529.1**	**8,529.1**
Acquisitions	3.5	2.67	165.5	30.6	332.4	3,563,8	(247.3)	-	-	-	-	-	-	-	-	-	-

Intangibles (% growth)																	
Acquisitions (Additions to intangibles) **% sales**	0.44%	0.52%	0.51%	0.43%	0.37%	0.46%	0.41%	0.45%	0.44%	0.43%	0.43%	0.43%	0.43%	0.43%	0.43%	0.43%	0.43%
Ammortization **% gross intagibles**		7.65%	8.55%	7.96%	8.15%	8.37%	7.58%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Exchange Rate and other Adjust. **% gross intangibles**	-0.43%	39.50%	-0.84%	0.87%	-0.04%	1.36%	24.25%	0.87%	0.87%	0.87%	0.87%	0.87%	0.87%	0.87%	0.87%	0.87%	0.87%
PP&E (% growth)																	
Acquisitions **% sales**	2.04%	4.46%	3.04%	3.27%	4.22%	4.45%	4.30%	4.38%	4.34%	4.36%	4.35%	4.36%	4.35%	4.36%	4.35%	4.35%	4.35%
Depreciation % **Gross PP&E**	9.62%	7.16%	7.32%	6.88%	6.52%	6.15%	5.90%	6.19%	6.19%	6.19%	6.19%	6.19%	6.19%	6.19%	6.19%	6.19%	6.19%
Exchange Rate and other Adjust. **% of gross PP&E**	-0.10%	5.39%	-0.79%	0.60%	0.41%	0.27%	0.66%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%
Total Depreciation and Ammortization	485.00	1,112.50	1,178.00	1,062.60	1,058.80	1,045.10	1,155.40	1,119.31	1,133.64	1,211.27	1,295.02	1,385.84	1,484.10	1,589.55	1,701.61	1,819.94	1,944.25

NWC and other Balance Sheet Items

(EUR Millions)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Other Items																	
Inventories	3080.6	3731.3	3508.5	3336	3672.3	4250.8	4935.5	5,382.4	5,373.11	5,857.55	6,344.76	6,846.37	7,378.33	7,956.26	8,595.36	9,194.62	9,765.32
Prepaid Expenses (Short-Term)	652.3	549.5	433.9	411	641.9	786.4	895.7	933.6	1015.2	1103.5	1198.9	1303.5	1419.4	1529.8	1634.7	1735.2	1832.1
Accounts Receivable And Other Receivables	4,671.7	5,239.5	5,038.3	5,442.9	5,810.1	6,269.1	7,146.2	7,374.76	7,978.65	8,628.29	9,326.95	10,088.94	10,930.17	11,719.83	12,460.2	13,159.04	13,823.27
Contract Assets	2,538.4	3,088.9	2,935.2	2,477.6	2,410.5	2,897.	3,242.7	4,014.8	4,055.52	4,473.73	4,903.45	5,354.02	5,838.63	6,370.81	6,964.37	7,538.49	8,101.58
Taxes Receivable	45.8	212.6	220.2	214.5	194.7	194.3	160.6	127.7	0.	0.	0.	0.	0.	0.	0.	0.	0.
Trade Payable And Other Payables	(6,148.5)	(6,813.7)	(5,998.)	(6,066.6)	(6,918.7)	(7,644.1)	(8,332.7)	(8,846.3)	(9,619.59)	(10,456.01)	(11,360.43)	(12,351.36)	(13,449.63)	(14,495.01)	(15,489.45)	(16,441.8)	(17,360.)
Short-Term Provisions	(1,730.8)	(1,960.)	(2,052.2)	(1,771.8)	(1,752.)	(1,726.7)	(1,964.7)	(2,423.7)	(2,622.2)	(2,835.7)	(3,065.3)	(3,315.7)	(3,592.2)	(3,851.7)	(4,095.)	(4,324.7)	(4,543.)
Contract Liabilities	(6,108.2)	(6,414.9)	(6,453.5)	(7,068.5)	(8,313.6)	(9,788.6)	(11,541.1)	(11,185.21)	(11,019.29)	(11,855.07)	(12,672.52)	(13,494.85)	(14,352.45)	(15,273.44)	(16,283.64)	(17,190.2)	(18,017.46)
Income Taxes Accrued/Payable	(34.2)	(184.5)	(149.3)	(140.7)	(168.2)	(220.5)	(193.)	(264.1)	0.	0.	0.	0.	0.	0.	0.	0.	0.
Investment In Affiliates/Joint Ventures	1,306.3	1,333.1	1,283.1	1,341.6	1,589.3	1,648.4	1,648.2	1,716.96	1,788.58	1,863.19	1,940.92	2,021.89	2,106.23	2,194.1	2,285.63	2,380.97	2,480.3
Other Items (%)																	
Inventories **% of Opening Orders**	10%	12%	10%	11%	11%	10%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%
Prepaid Expenses (Short-Term) **% of COGS**	-6%	-4%	-4%	-3%	-5%	-6%	-6%	-6%	-6%	-6%	-6%	-6%	-6%	-6%	-6%	-6%	-6%
Contract Assets **% of Opening Orders**	8%	10%	9%	8%	7%	7%	7%	8%	8%	8%	8%	8%	8%	9%	9%	9%	9%
Short-Term Provisions **% Revenues**	-11%	-11%	-13%	-11%	-10%	-9%	-10%	-11%	-11%	-11%	-11%	-11%	-11%	-11%	-11%	-11%	-11%
Contract Liabilities **% of Opening Orders**	-19%	-20%	-19%	-23%	-24%	-24%	-26%	-22%	-22%	-21%	-21%	-21%	-21%	-20%	-20%	-20%	-20%
Investment In Affiliates/Joint Ventures **(Growth YoY)**		2%	-4%	5%	18%	4%	0%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%
Equity In Earnings of Affiliate/Joint Ventures **(Growth YoY)**		11%	4%	8%	11%	9%	6%	8.0%	8.0%	7.99%	7.99%	7.99%	7.99%	7.99%	7.99%	7.99%	7.99%

RECEIVABLES/ PAYABLES

Receivables/Payables																	
Accounts Receivable And Other Receivables	4,671.7	5,239.5	5,038.3	5,442.9	5,810.1	6,269.1	7,146.2	7,374.76	7,978.65	8,628.29	9,326.95	10,088.94	10,930.17	11,719.83	12,460.2	13,159.04	13,823.27
Trade Payable And Other Payables	(6,148.5)	(6,813.7)	(5,998.)	(6,066.6)	(6,918.7)	(7,644.1)	(8,332.7)	(8,846.3)	(9,619.59)	(10,456.01)	(11,360.43)	(12,351.36)	(13,449.63)	(14,495.01)	(15,489.45)	(16,441.8)	(17,360.)
Days payable	190.7	170.5	198.3	181.1	180.7	194.5	191.8	190.7	190.7	190.7	190.7	190.7	190.7	190.7	190.7	190.7	190.7
Days receivable	107.5	98.3	122.0	118.1	116.9	119.6	119.0	118.1	118.1	118.1	118.1	118.1	118.1	118.1	118.1	118.1	118.1

Long-Term Value Drivers

(EUR Millions)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Long Term Value Diver Computation																	
NOPLAT	1,256.04	1,170.48	784.85	1,148.07	1,340.52	1,338.7	1,458.17	1,480.43	1,657.92	1,758.68	1,862.53	1,971.26	2,086.66	2,184.12	2,264.46	2,329.39	2,380.4
Invested Capital	3,086.39	9,242.02	7,920.92	7,896.74	7,907.18	11,389.57	10,859.43	10,668.38	11,560.6	11,592.86	11,658.18	11,758.17	11,883.11	12,071.43	12,309.99	12,596.61	12,914.59
ROIC		0.38	8%	14%	17%	17%	13%	14%	16%	15%	16%	17%	18%	18%	19%	19%	19%
RONIC			-6%	-27%	-796%	-17%	3%	-4%	-93%	11%	322%	166%	115%	78%	43%	27%	18%
Reinvestment Rate			526%	-168%	-2%	1%	260%	-36%	-13%	54%	2%	4%	5%	6%	9%	11%	12%
Growth Rate			-33%	46%	17%	0%	9%	2%	12%	6%	6%	6%	6%	5%	4%	3%	2.190%

Scenarios Analysis

Scenario Creation																
Scenario Nº	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Lack of Implementation		x				x	x	x				x	x	x		x
French Debt Crisis			x			x			x	x		x	x		x	x
Intensity in M&A				x			x		x		x	x		x	x	x
Persistent Tariffs					x			x		x	x		x	x	x	x
Stock Price	202.29	189.47	193.7	222.9	197.63	181.73	208.02	187.18	211.62	189.41	217.16	197.93	177.99	203.06	206.42	193.42

Scenario Table	
Scenario Nº	1
Lack of Implementation	0
French Debt Crisis	0
Intensity in M&A	0
Persistent Tariffs	0
Share Price	202.29

Scenario Analysis	
Min	177.99
Median	197.78
Average	198.75
Max	222.90

Scenario Explanation	
Lack of Implementation	Baseline 2.0 for European Defence
French Debt Crisis	-2% applied to growth rate across all segments
Intensity in M&A	Flat 2% addition to Cyber yearly revenues
Persistent Tariffs	Added Negative Effect of Tariffs

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Buy	Expected total return (including expected capital gains and expected dividend yield) of more than 10% over a 12-month period.
Hold	Expected total return (including expected capital gains and expected dividend yield) between 0% and 10% over a 12-month period.
Sell	Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period.

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