The London Tunnels PLC

TLT's unique offering and prime location make it widely appealing

Price (07/08/2024) : p 222.00 |

Revision	03/25e	03/26e
EPS	ns	ns

Free cash flow of £ 24m by 2029 with stable costs and strategic debt plan

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Sources : ODDO BHF Securities, SIX

Share data		
TLT NA | TLT.AS		
Market Cap (£m)		145
Enterprise value (£m)		144
Extrema 12 months (p)	202.0 -	222.0
Free Float (%)		ns

Performance (%)	1m	3m	12m
Absolute	0.0	0.0	0.0
Perf. rel. Country Index	4.2	3.6	-7.3
Perf. rel. AMS Small Cap	3.7	-0.8	10.4

P&L	03/25e	03/26e	03/27e
Sales (£m)	0.0	0.0	0.0
EBITDA (£m)	-11.4	-11.7	-12.2
Current EBIT (£m)	-12.2	-12.5	-13.0
Attr. net profit (£m)	-13	-15	-19
Adjusted EPS (p)	-19.61	-22.33	-27.21
Dividend (p)	0.00	0.00	0.00
P/E (x)	ns	ns	ns
P/B (x)	4.1	7.4	135.9
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	ns	ns	ns
EV/Sales (x)	ns	ns	ns
EV/EBITDA (x)	ns	ns	ns
EV/Current EBIT (x)	ns	ns	ns
Gearing (%)	-3	265	ns
Net Debt/EBITDA (x)	0.1	-4.5	-9.1

Next Events

In this note, we initiate coverage on The London Tunnels PLC (TLT), listed on Euronext Amsterdam since 26 June. TLT plans to develop visitor attractions in the Kingsway Exchange Tunnels, built by the UK government to protect its citizens during the London Blitz. The project has secured full planning permission from The City of London and Camden Council. Construction, estimated to cost £ 150m, is expected to begin soon. The attraction, which is designed to host maximum three million visitors annually and take up to three years to build, is anticipated to open by mid-2027. Acknowledging the uncertainties as well as the early stage, we value TLT's equity at £ 119-306m.

TLT's unique offering and prime location make it widely appealing

The refurbishment of the London Tunnels is expected to take up to three years and require a £ 150m investment. Located 30 meters beneath London, the site will offer both historical and contemporary cultural exhibitions, as well as a bar. It is designed to accommodate up to 750 visitors per hour, with an annual capacity of three million visitors. Located in the heart of London, TLT is designed to become a vibrant tourist attraction appealing to a wide audience.

Comparable to other high-profile London tourist attractions

Despite an 87% increase in overseas visitors and 172% growth in visitor spending in 2002-2019, London's post-Covid upturn in tourism has been slow compared to other international destinations. That said, the city's attractiveness is clear, ranking second worldwide for tourist attractions. TLT's unique and interactive experiences, combined with its prime location, in our view, is comparable with the London Eye (3.5m visitors) and the Making of Harry Potter (2m).

Free cash flow of £ 24m by 2029 with stable costs and strategic debt plan

We project TLT's mature annual sales potential to be about £ 100m, driven mainly by ticket and retail sales. With operational costs seen as relatively stable, EBITDA potential could be significant, in our view. TLT plans to raise £ 30m through equity, and we assume the remaining £ 120m will be funded by debt, likely replaced by different funding later on. We forecast net debt of £ 160m by the end of 2027, implying a financial leverage ratio of 3.7x on normalised earnings. In what we see as the first normal fiscal year of 2029, we expect FCF of £ 24m, enabling initial debt repayments that we expect to be prioritised over paying dividends.

This special project also comes with special risks

TLT is a unique project still in its early stages, and investors should consider potential risks in both the pre-operational and operational phases. In our view, risks include TLT's financial position, industry-related challenges, and issues related to the share listing. Examples of key risks for investors, in our view, are insufficient funding, cost overruns and delays, disappointing visitor numbers, share listing illiquidity, and corporate governance concerns due to a dominant major shareholder (CEO).

Equity value range of £ 119-306m

We value TLT using DCF and peer multiples. Our DCF analysis includes 10-year cash flow forecasts, covering all investment assumptions up to the planned opening in mid-2027. For our peer analysis, we use 2024e EV/EBITDA, EV/EBIT, FCF-yield and P/E multiples of listed peers, and apply those to our 2029 forecasts for TLT. We then discount these outcomes to today, which gives an overall potential equity value range of £ 119-306m. Given the project's uncertainties and early stage, this wide range aligns with our view of TLT's risk-return profile.

The London Tunnels PLC	No reco
Leisure | United Kingdom	Target price :
Market Cap: M£ 145	Price (07/08/2024) : p 222.00

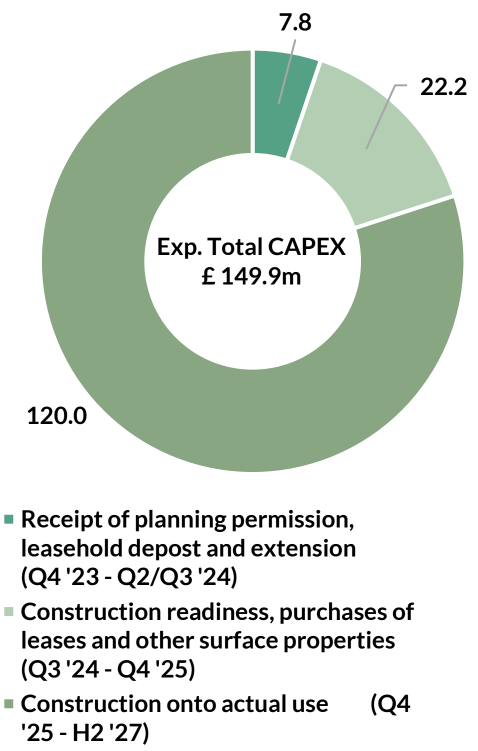
Company profile

The London Tunnels is a company dedicated to the development of the Kingsway Exchange Tunnels. The refurbishment project aims to transform these tunnels into a major tourist attraction in the heart of London, with an estimated completion time of up to three years and a required investment of £ 150m. Figure 1 (left hand side) details the capex allocation across key line items. Upon completion in 2027, the company is projected to generate £ 20m in revenue. By 2029, revenue is forecast to rise to £ 88m. Figure 1 (right hand side) illustrates the sales breakdown. EBITDA is expected to increase from -£ 12m (in 2027) to £ 55m by 2029.

Shareholders

Cupcake Partners Limited	76.33%
Free float	16.33%
Private Equity Fund (ESG) Inc.	7.33%

Total project capex estimates with indicative timeline (£ m) and sales breakdown in 2029 (%)



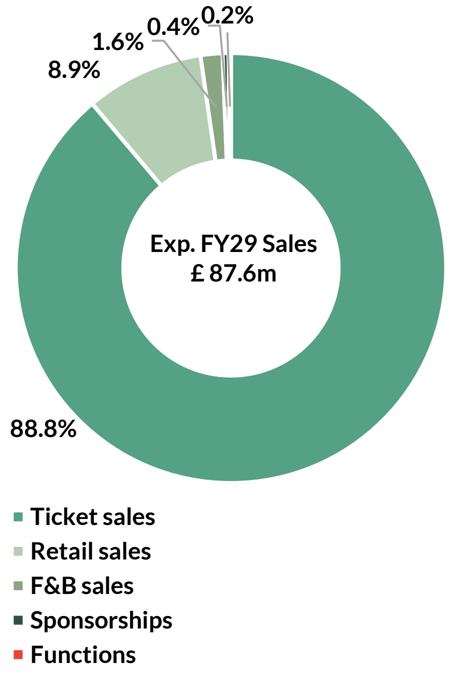


Figure 1 - Source: ABN AMRO – ODDO BHF Equity Research estimates

SWOT analyses project and TLT PLC

Figure 2 highlights our SWOT analysis for the London Tunnels project. Figure 3 highlights our SWOT analysis for the London Tunnels company. The project carries a high execution risk given its complexity and cost structure. However, the listing grants access to capital markets, which is crucial to bridge future funding needs. The historical and cultural significance of the London Tunnels, located in the heart of touristic London, makes it appealing to a wide audience. Nevertheless, there are key disadvantages, such as the uncertainty regarding visitor numbers and the dependency on ticket pricing. Additionally, competition from low-entry-fee tourist attractions poses a challenge. Despite these uncertainties, we believe the project offers substantial potential upside thanks to its low cost structure.

The London Tunnels SWOT Analysis – Project

Strengths	Weaknesses
- High return on equity and low cost structure provides substantial RoE potential - All local planning permits obtained - Manageable execution risk by having a singular location	- Non-contracted future projected cash flows which are highly dependent on ticket sales - Operational losses during pre-opening phase - Lack of comparable project financing structures that run via the equity market
Opportunities	**Threats**
- Listing can help access to debt financing - Access to capital markets for share issues - Alignment of incentives of key shareholder (lease holder) to finalise construction and guarantee profitability	- Complexity (asbestos, a.o.) and costs (incl. inflation) involved in construction and restoration may result in time and cost overruns - Further funding shortages in later project stages - Completion of the acquisition of the leasehold on or before 30 June 2025

Figure 2 - Source: ABN AMRO – ODDO BHF Equity Research estimates

The London Tunnels SWOT Analysis – Company

Strengths	Weaknesses
- The combination of historic and cultural value and immersive makes it suited to a broad target audience - Located in highly populated area and access for tourists in the heart of London - Strong brand recognition and marketing capabilities	- Historic value is low for the international population of London and timespan the Tunnels were built - Visitor capacity during holiday high season - High cost structure with ~100 employees and external operator
Opportunities	**Threats**
- X-sell opportunities to high margin products like food & beverages and gift shop - Opportunity to host company events for the business district (given limited noise disturbance) - Benefit from increased tourism in London by offering a niche interactive experience	- Competition from low entry fee tourist attractions - The loss of one or more key members of the company's management or other personnel - High operational maintenance capex costs given the structure's age, and other unforeseen factors

Figure 3 - Source: ABN AMRO – ODDO BHF Equity Research estimates

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A PROJECT TO SHOWCASE HISTORY'S HERITAGE

The London Tunnels PLC (TLT) is a company whose purpose is the development and the public opening of the Kingsway Exchange Tunnels that initially were built as part of the UK government's strategy to protect its citizens from bombing during the London Blitz. The tunnels were designed and constructed between 1940 and 1942, and during the Blitz, the tunnels were a deep-level air-raid shelter for up to 8,000 people. During the Cold War, the tunnels were repurposed as a covert telephone exchange, operating the first transatlantic telephone cable which would be used later as the 'hotline' between Moscow and Washington during the Cuban missile crisis. The London Tunnels will enrol into a three-year and c. £150m investment to refurbish the place. Located in the heart of London, deep below the Chancery Lane tube station (40 meters below ground), the company aims to create through the 1.2km long tunnels a unique cultural and historical experience intended to welcome up to three million visitors per year.

£ 150m investment and a three-year project

The refurbishment of the Kingsway Exchange Tunnels is expected to take up to three years and to require £ 150m of investment. From the current structure of the tunnels, the company (helped by construction experts) would like to create an experience of three distinct sections, being a permanent exhibition, a temporary exhibition, and a food and drink area, allowing visitors to walk through the entire space. This experience would have a capacity of up to 750 visitors per hour.

£150m of investment to refurbish the tunnels

The Kingsway Exchange Tunnels refurbishment was subject to planning approval for the change of use of existing deep level tunnels to a visitor and cultural attraction, as well as the reconstruction and redevelopment of surface facilities (i.e., 38-41 Furnival Street and 31-33 High Holborn). On 11 July 2024, the London Borough of Camden Council passed a resolution to grant the company planning permission for its development plans. This decision follows the approval to change the Kingsway Exchange Tunnels into a visitor and cultural attraction by the City of London Corporation on 11 June 2024.

The London Tunnels aims to raise a first round of equity of £ 30m in order to purchase the tunnels under a 100-year lease (costs for the completion of the acquisition of the leases and preparation work to progress the project towards construction are estimated at £ 22.2m). The process for the £ 30m equity raise is currently in the placing period which runs up to and including 25 September. Furthermore, this equity raise aims to secure the acquisition of the surface level property as a compliment to the visitor experience. It will also be used to complete RIBA 3 and RIBA 4 (which we explain later in the note). Finally, the company needs this equity raise for ongoing working capital; it expects that the equity raise should be sufficient to cover funding needs for the next 1-2 years. On top of the £ 30m of equity raised, the London Tunnels company aims to raise an additional c. £ 120m (periodically during 2025-2027). These funds are necessary to redevelop the Tunnels and create the proposed visitor experience. Finally, an additional £ 80m of lease contracts with Samsung for screens (allowing immersive art projection) will be agreed.

A three-year project

The Kingsway Exchange Tunnels were kept secret from the public for nearly 70 years. Designed and constructed between 1940 and 1942 during the Blitz, the tunnels were a deep-level air-raid shelter for up to 8,000 people. During the Cold War, the tunnel was repurposed as a covert telephone exchange, operating the first transatlantic telephone cable which would be used later as the 'hotline' between Moscow and Washington during the Cuban missile crisis. The London Tunnels wants to restore the tunnels and recreate their historic journey. The transformation of the tunnels is supported by Wilkinson Eyre Architects who estimated a three-year project duration, starting as soon as the planning approval is granted (i.e., July 2024). The London Tunnels will also be working with McGee, a specialist engineering contractor with over 60 years' experience in delivering high profile, complex engineering projects, on this project. The time-schedule of the project would enable a starting date in mid-2027, which is when we start forecasting 1501 in our model.

❖ Current

The tunnels were designed by London Transport and intended to be incorporated into the Underground network after the war. However, instead The General Post Office took charge of the site in 1949 and the underground structure was expanded by what is called The Avenues (2) in 1950 (see Chart 4), this part of the site offers the greatest volume with a diameter of over 7m. Following this expansion, The Dog Leg (3) was built in order to link The Streets with The Avenues. The floors of both The Streets and The Avenues are constructed from a concrete slab supported by a steel frame that is positioned at about one-third of the height of the tunnel. There is little information about the structure beneath the floor. Besides the above mentioned parts, the site has a secondary network of ventilation tunnels (4), and despite the fact that these are too narrow for public use, they can potentially be used for the distribution of services, according to Wilkinson Eyre. Finally, the area consists of a number of disused shafts (5) that cannot be utilised due to above-ground developments.

Unveiling London's underground tunnels

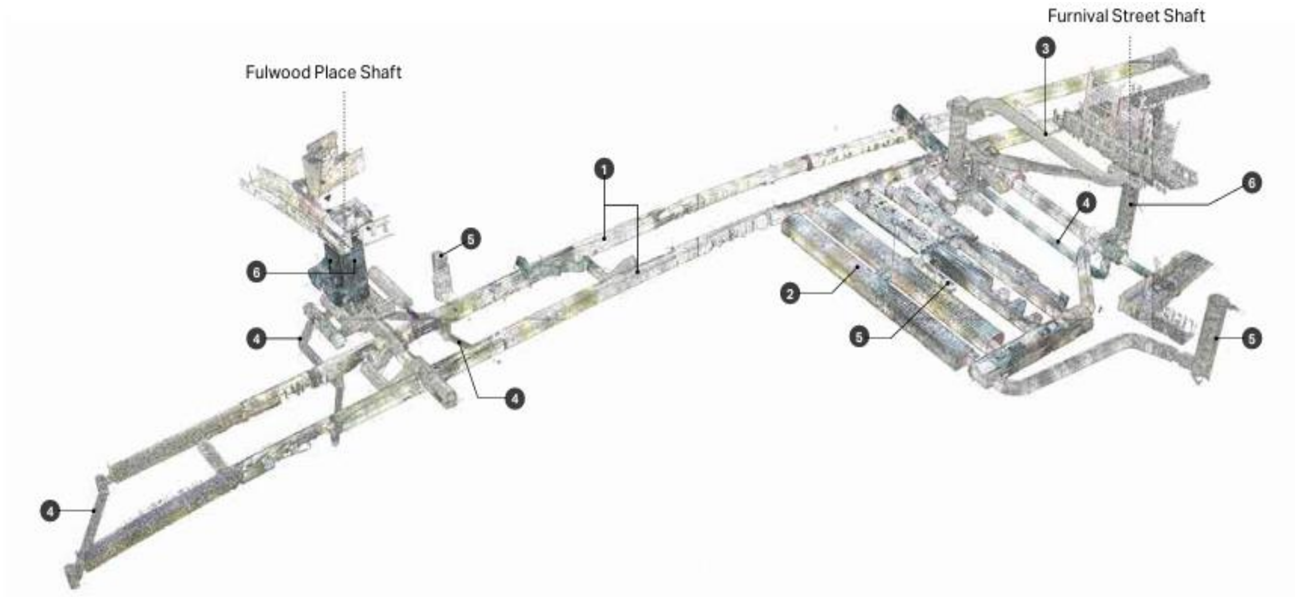


Chart 4 - Source: Wilkinson Eyre – The London Tunnels

Plan of work for the tunnels

Chart 5 illustrates the Royal Institute of British Architects' (RIBA) plan of work for a project such as The London Tunnels. The RIBA plan of work is a widely adopted framework that systematically guides the design and construction of buildings. It elegantly divides the process into eight well-defined stages, providing clarity on expected outcomes, essential tasks, and critical information exchanges at each stage. The company has already been through the strategic definition of the project as well as the preparation & briefing and the concept design, according to management. The London Tunnels has been collaborating with Future City and Volterra for the strategic definition of the project. For the preparation briefing and concept design, it has been working with Wilkinson Eyre Architects, which among others participated in the Battersea Power Station heritage project. Now that planning approval has been granted, we expect the company to start working on stages 3 and 4 shortly (which will involve contractors). McGee was appointed as contractor to support TLT in the project. The two stages should take nine months, during which engineering analysis and cost exercises to test architectural concepts will be performed. The management of The London Tunnels does not envisage any delay during these stages and expects stage 5 of the plan of work to start in Q2 2025. The delivery date has been estimated by the architect in mid-2027.

RIBA Plan of Work for The London Tunnels

Chart 5 - Source: Royal Institute of British Architects, Plan of work 2020

Creation of an historical and immersive experience

The London Tunnels experience should consist of three distinct areas with 1/ History & Heritage, 2/ Contemporary Culture and 3/ Tunnels bar within the venue, as illustrated by Chart 6. The capacity of the tunnels was calculated by architect Wilkinson Eyre taking into account the available exhibition area of 4,900 m^2 and the maximum target density of 6.53 m^2/pp (square metres per person). Overall, architectural decisions are grounded on the 'design day occupancy', while the engineering design for ventilation, fire safety, and thermal comfort is based on a higher peak capacity to ensure the tunnels' safety. The peak capacity of the tunnels is estimates at 750 people, staying for a maximum of 1 hour and 20 minutes on the site, according to the project's architect.

The London Tunnels, a new cultural venue for London

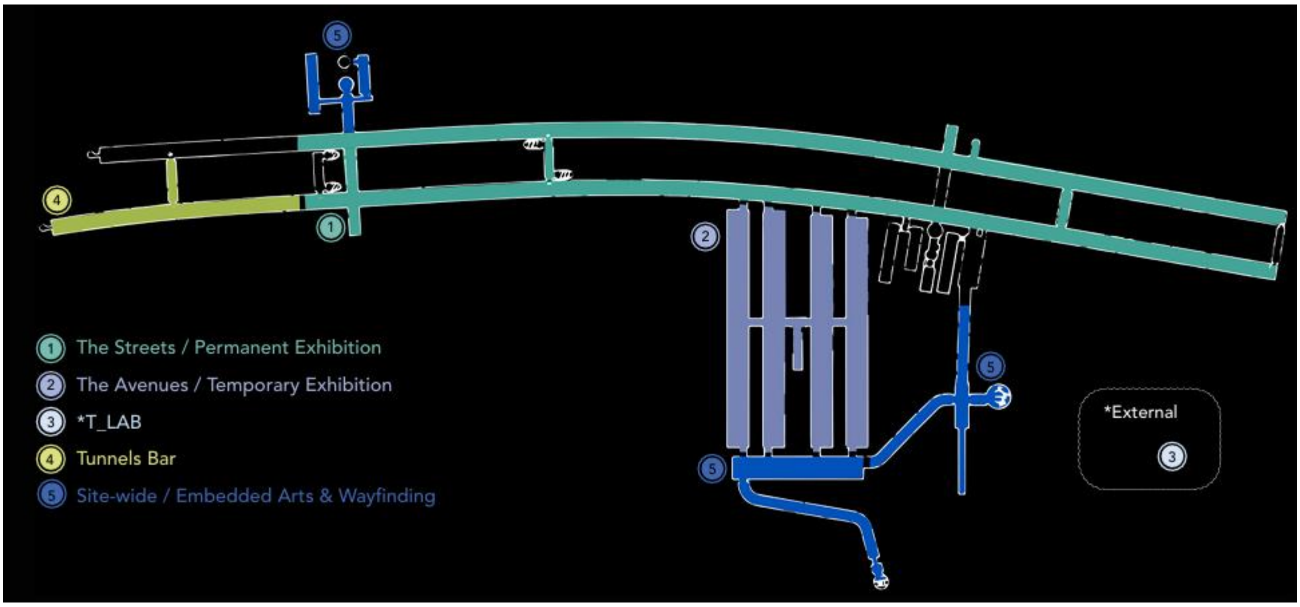


Chart 6 - Source: Future City - The London Tunnels Cultural Plan

The Streets of the tunnels will host the permanent heritage trail. Potential associated medium-term special exhibitions will also be hosted there to encourage repeat visits. These special exhibitions should be organised to coincide with school holidays and peak tourist periods, according to the company.

The Avenues will host a range of exhibitions and events. The diagram shows an indicative calendar where Third Avenue hosts a year-long installation and First & Second Avenues could be used concurrently but also separately, as illustrated in Chart 7. In addition, it is anticipated that the Avenues will be able to host larger scale events that tie in with the wider cultural calendar of London such as London Fashion Week, London Design Week and Half-Term events.

Indicative annual activity calendar in the Tunnels

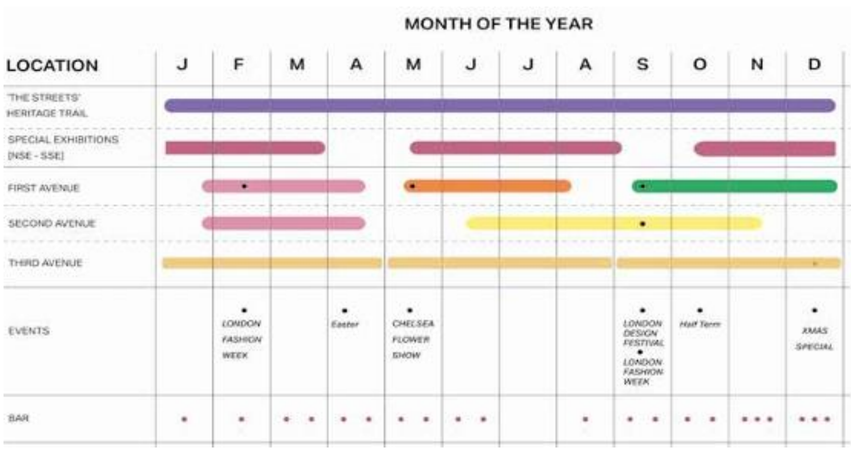


Chart 7 - Source: Wilkinson Eyre – The London Tunnels

One experience, three multicultural divisions

The London Tunnels seeks to create a unique experience, including a permanent exhibition around history, a temporary contemporary culture one, and a bar. The economic model will consist of several options for visitors, ranging from permanent exhibition access only to full access to multi-cultural experiences or just bar access.

Permanent exhibition to travel through history

The permanent exhibition, which will be located in “the Streets” of the tunnels, will allow visitors to dive deep into the history of the tunnels as well as the environment, according to The London Tunnels. The art collection might be sourced from two different routes: partnerships with museums and private collections. In addition, the London Tunnels will recreate the tunnels’ history through advanced technologies, as illustrated in Chart 8.

Partnerships with museums such as the Imperial War Museum, the British Museum or the Military Intelligence Museum could allow visitors to the tunnels access to a broad range of historic artefacts. The London Tunnels expects to be renting and insuring the pieces of art from the museums it partners with. With private collections, The London Tunnels aims to allow the collector to exhibit their art in the tunnels for free, while The London Tunnels will be responsible for keeping and insuring the art collection.

Heritage experience, a vision of the past

Chart 8 - Source: The London Tunnels Cultural Experience, Future City

Temporary exhibition to experience interactive digital art

The temporary exhibition, intended to be in “the Avenues” of the tunnels, should host contemporary culture experiences. With the installation of high-resolution, large-scale curved digital screens and projection systems, The London Tunnels aims to provide an immersive experience for visitors, as illustrated in Chart 9. The temporary exhibition will be able to host a broad range of experiences including art commissioning, cultural institutions’ exhibitions and festival partnerships. This part of the Kingsway Exchange tunnels will allow recurrence in the business model because of its temporary nature.

The art commissioning will allow the tunnels to collaborate or participate in digital and tech-based art projects with prominent blue-chip artists, galleries and curators. Emblematic artists such as Mat Collishaw or TeamLab could be invited to exhibit their work. It will also be an opportunity for The London Tunnels to be a testing ground for new technologies and emerging artists.

In addition to the art commissioning, The London Tunnels will seek to establish partnerships with cultural institutions from the City of London and London Borough of Camden. As an example, The London Tunnels mentioned that this could include collaboration with the Guildhall School of Music & Drama's innovative digital programmes which combines projections of music and visuals realised by students. In its cultural plan, The London Tunnels also mentions collaborations with 180 studios and the Wemba's Dream (Royal Philharmonic Orchestra) as further examples.

The temporary exhibition will also offer the space for new commissions and events. Visitors will then be able to access cultural programming from a broad range of festivals organised by curators from the worlds of design, architecture, fashion, film, etc. The cultural plan mentions events such as the Secret Cinema as an example of a potential participant.

Contemporary culture experience, an immersive experience

Chart 9 - Source: The London Tunnels

Sip in the deepest bar of the UK

The last section of the tunnels will be dedicated to the Tunnels Bar, illustrated in Chart 10 below, which already exists and is regarded as the deepest licensed bar in London. The bar will have a broader time slot than the rest of the experience. Therefore, during the day it will be part of the cultural experience and will be accessible to visitors. In the evening the London Tunnels intends the bar to become a place for design & artistic collaboration, talks or events. It might also simply be a unique bar experience with online-booking access.

Projection of the Tunnels Bar

Chart 10 - Source: The London Tunnels

Up to 750 visitors per hour

The London Tunnels plans to hire more than 100 employees and an external operator to welcome up to 750 visitors per hour. The capacity and expected number of visitors could result in The London Tunnels welcoming more than two million visitors per year, in our view, with a design capacity of up to three million visitors per annum.

More than 100 employees...

The London Tunnels will have around 105 employment positions across admin/management, on-site operations and the bar. The majority of employees will be in admin/management roles. Furthermore, an estimated 37 staff members are expected to be engaged in on-site operations. These operational roles are expected to be outsourced to an external operator, which we discuss further below. Finally, there will be five FTE positions at the bar.

The total workforce will encompass a diverse range of skill levels, including 35 FTEs at entry level, 45 medium-skilled, five upper-skilled and 20 highly-skilled FTEs. Also, The London Tunnels is committed to provide FTEs with a London Living Wage and a 10% local procurement target.

... and external operator to be onboarded...

The London Tunnels plans to utilise the services of an operator to manage the flow of visitors through the tunnels. The company did not mention a specific company, but we note that there are two main operators in the UK: Merlin Entertainments (managing operations for Legoland discovery centre and Madame Tussauds, among others) and Continimum attractions (managing operations for the Loch Ness Center). The latter being smaller, would allow the London Tunnels to appoint a more economically advantageous operator, in our view. This operator will be in charge of collecting tickets as well as arranging the security and staff in the tunnels (i.e., 37 staff members, according to The London Tunnels). It would allow the company to be flexible in terms of the number of visitors and to adapt at peak periods (i.e., the operator could adjust the number of staff and security).

The cost structure of appointing an operator would be a "cost +" model. The operator's fees would correspond to a certain level of ticket and retail profits collected. The company highlights some possible economies of scales behind that model. By appointing an external operator, the London Tunnels mentioned being confident in the possibility of more than two million visitors per year.

… to welcome up to 750 visitors per hour

As mentioned above, the tunnels have a maximum capacity of three million visitors per annum (i.e., 750 per hour). However, the London Tunnels does not anticipate operating at full capacity. WilkinsonEyre, architect for the project, performed an analysis on a targeted annual two million visitors for the London Tunnels. Chart 11 below illustrates the routing to arrive at this figure. It also shows that two million visitors per annum would imply an average of 560 visitors per hour, including 11% of peak hours at 750 visitors per hour.

Illustrated design day formula

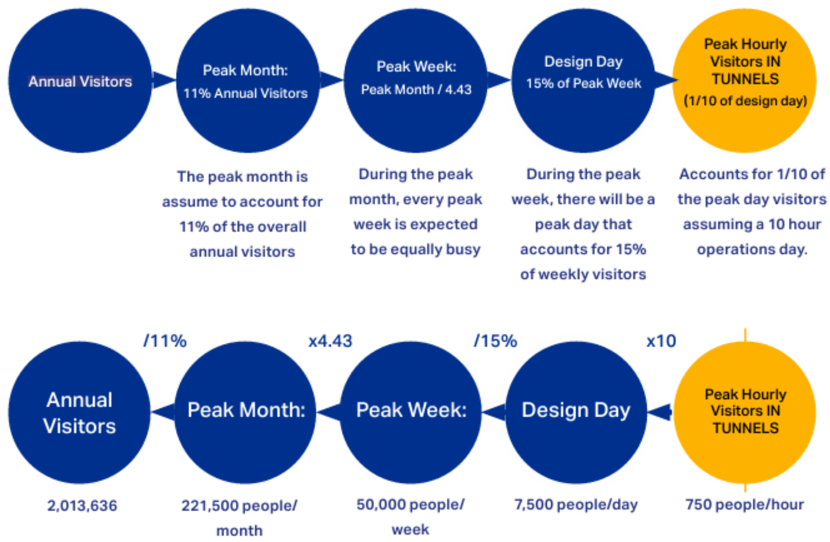


Chart 11 - Source: WilkinsonEyre – The London Tunnels

According to WilkinsonEyre, the visitor throughput in the tunnels is based on groups of 60 people, entering every five minutes at peak periods, as illustrated in Chart 12 below. The anticipated duration of the visit to either of the proposed exhibitions is estimated typically at 60 minutes, with additional time to visit the retail elements.

Furnival Street and Tunnels visitor throughput

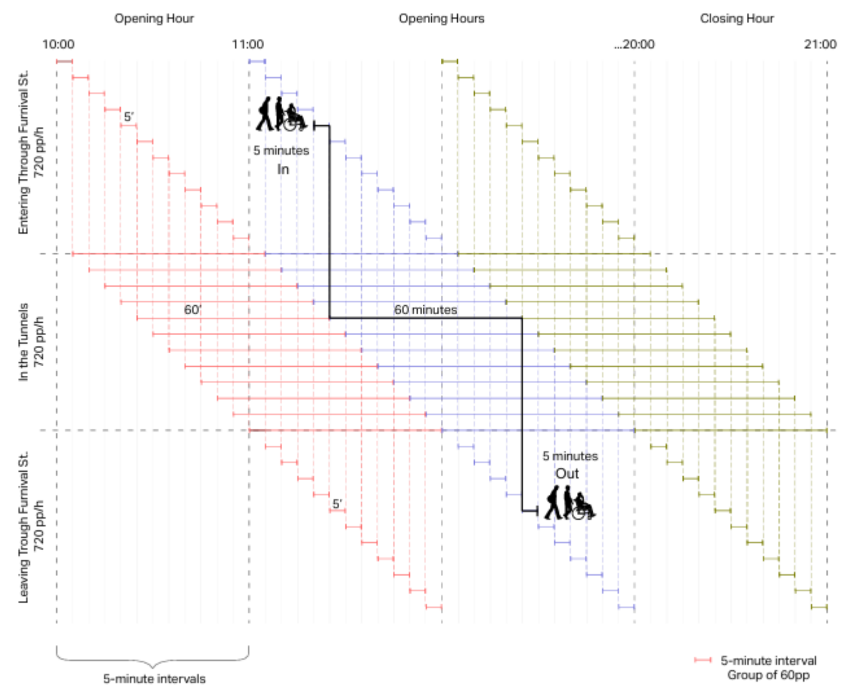


Chart 12 - Source: WilkinsonEyre – The London Tunnels

Overall, the Kingsway Exchange tunnels are expected to be built in a continuous walking way, as shown in Chart 13 below. It should allow the company to optimise the number of visitors to a maximum of 750 per hour in a safe manner. In total, 37 operational staff will be required to carry out the operations (which will be handled by an external operator), excluding the bar, as well as 38 management staff (of whom two will be on site).

Simultaneous maximum occupancy in the Kingsway Exchange tunnels

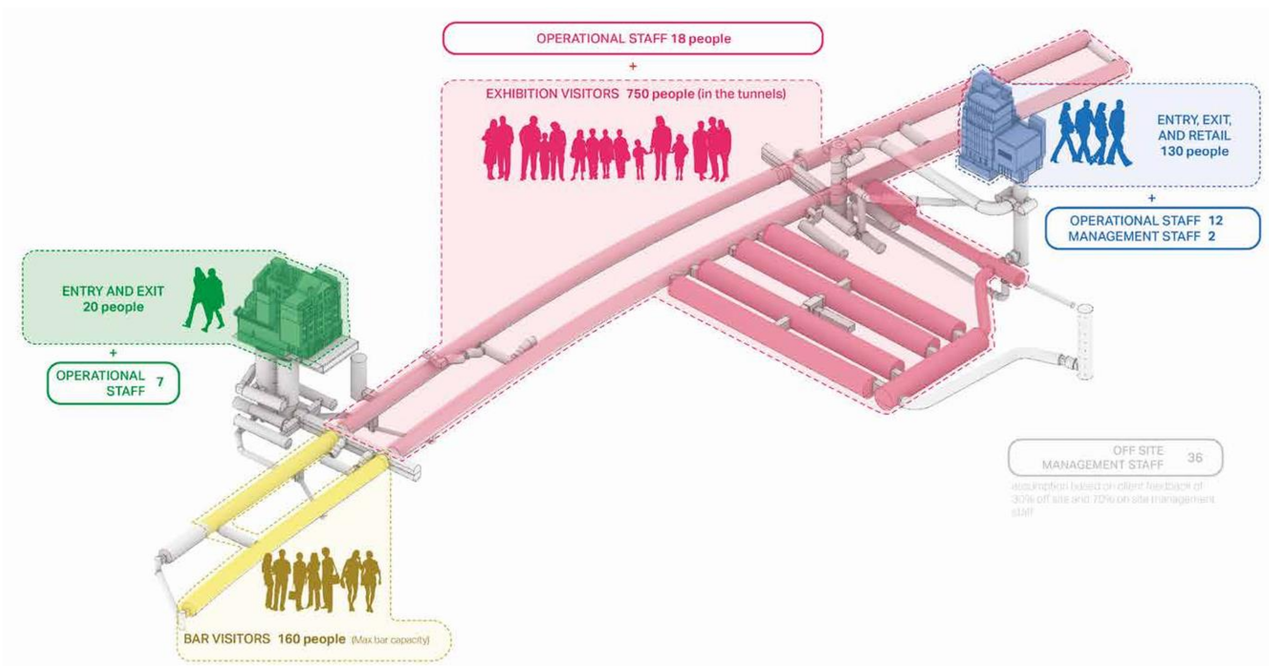


Chart 13 - Source: WilkinsonEyre – The London Tunnels

In between the British Museum and Tate Modern

Chart 14 illustrates the tunnels' locale and highlights their central positioning, accessible to over 200 million people who enter London each year. Located between Camden and the City of London, the Kingsway Exchange Tunnels could become popular with tourists in the city, in our view.

The Site borders Camden and the City of London underneath High Holborn

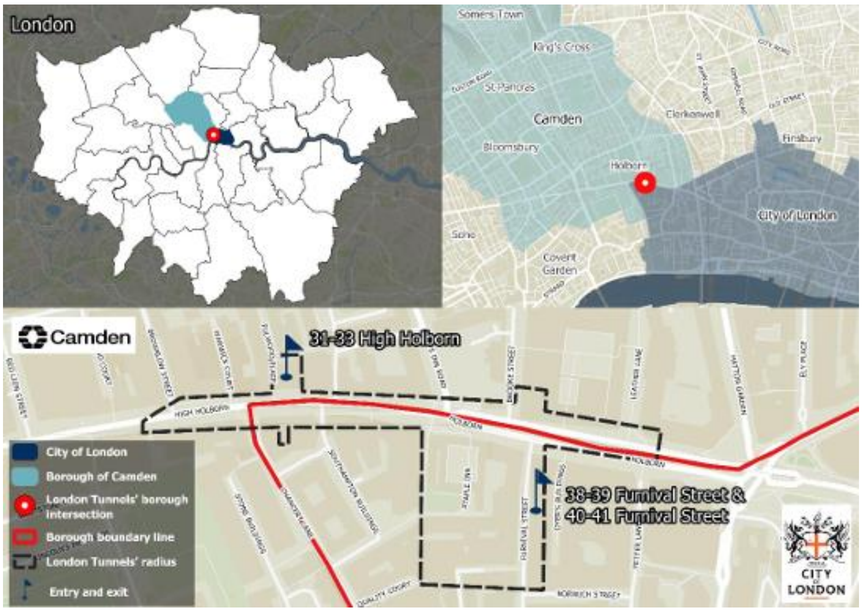
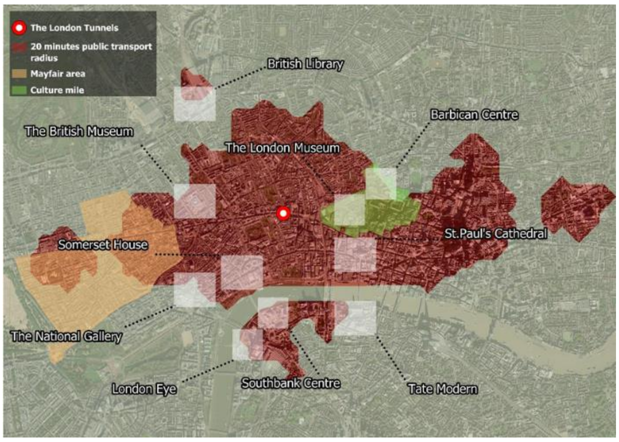


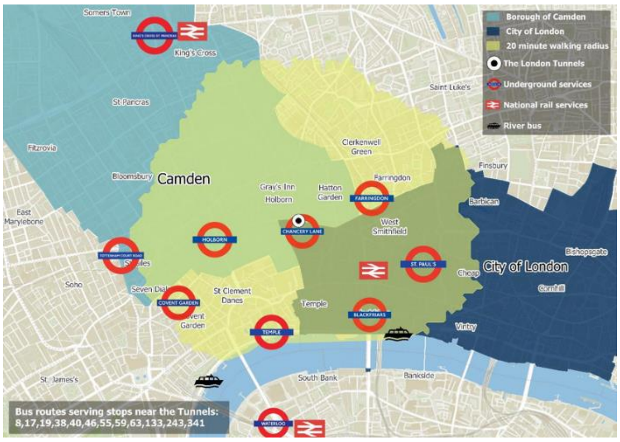
Chart 14 - Source: Volterra, The London Tunnels, Socio-economic Assessment

The experience will be located in the Holborn area of Central London. Located in the heart of the museum area as illustrated by the graph on the left in Charts 15. The site will be accessible from key attractions within a 20 minute public transport journey. In addition, the graph on the right shows that the two proposed entrances to the tunnels are well connected and easily reached by public transport.

The tunnels to complement the surrounding attractions



Transport accessibility around the tunnels



Charts 15 - Sources: Volterra, The London Tunnels, Socio-economic Assessment

A DYNAMIC LONDON TOURISM MARKET

In this chapter we analyse the dynamics of the London tourism market. London, a leading global city for culture and business, saw an 87% increase in overseas visitors and a 172% rise in visitor expenditure from 2002 to 2019. It ranks second worldwide for tourist attractions and fifth for both the quality and quantity of paid tourist offerings. Its recovery from the COVID-19 pandemic has been slower compared to other international destinations. To differentiate itself from free attractions, TLT focuses on offering unique and interactive experiences. This strategy aligns with changing consumer preferences and leverages strategic plans and digital technology to enhance cultural offerings, mirroring the impact seen in other major cities worldwide.

London, a beacon of global tourism excellence

London stands out as a leading global city renowned for its rich cultural offerings and prominent status as a key business area, in our view. In the socio-economic report from Volterra, it is pointed out that as a result of analysis conducted on 23 million online reviews, London secures the second spot worldwide for tourist attractions, second only to New York. Also, it highlights that London holds the fifth position for both the quality (rated at 4.4 out of five) and quantity (nearly 7,000) of its paid tourist offerings.

The Index of trends in London international tourism (Chart 16) shows that the influx of overseas visitors to London exhibited a consistent upward trend prior to the onset of the coronavirus pandemic, surging from 12 million in 2002 to 22 million in 2019, representing an 87% increase. Concurrently, visitor nights saw a 58% rise, accompanied by a substantial 172% surge in visitor expenditure, indicating a significant increase in spending per trip and per night.

Index of trends in London international tourism, 2002-2022 (2002=100)

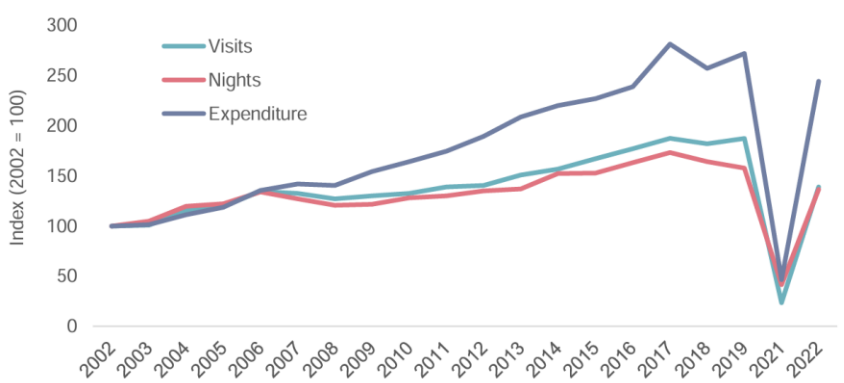


Chart 16 - Sources: Volterra, The London Tunnels, Socio-economic Assessment

Despite experiencing a notable decline during the pandemic, London still welcomed 16 million international visitors in 2022, representing 74% of pre-pandemic levels, as illustrated. These visitors contributed approximately £ 14bn to the city's economy, equivalent to 90% of the pre-pandemic figure, according to *Visit Britain*.

Also according to *Visit Britain*, in 2023 the catch-up vs 2019 was even stronger. The number of international visitors increased by 26% compared to 2022, meaning this data is now 7% below 2019. In terms of spending, visitors to London spent a record £ 17bn in 2023 which is 6% above 2019 and 18% above 2022, as illustrated in Table 17.

International Passengers to London survey

	2019	2021	2022	2023
Visits (m)	21.7	2.6	16.1	20.3
Spend (£ m)	15.7	2.7	14.1	16.7

Table 17 - Sources: International Passenger Survey - Office for National Statistics, Visit Britain

Despite London's international visitor numbers, its recovery from the coronavirus pandemic has been slower compared to other international destinations, as illustrated in Chart 18. In 2022, London ranks towards the bottom of the list of top European destinations in terms of international visitor recovery post-pandemic, even though many experiences in London are free to access.

Post-pandemic tourism recovery by country, 2019-2022 (£ m, %)

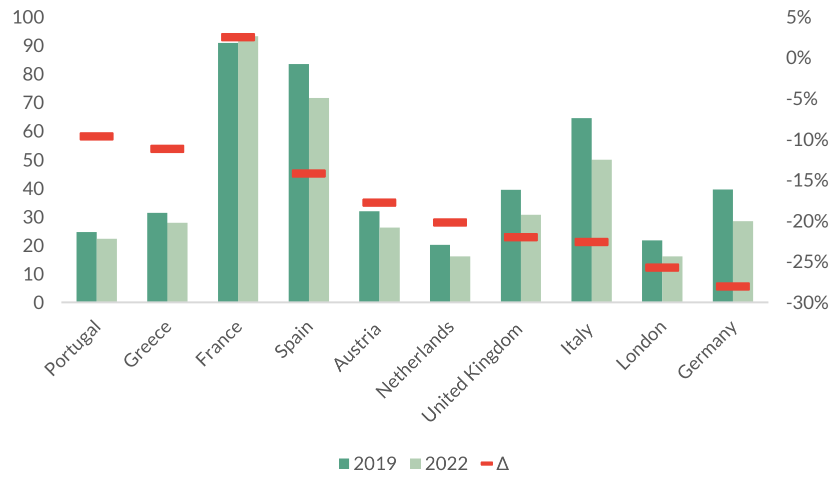


Chart 18 - Sources: International Passenger Survey - Office for National Statistics, United Nation's World Tourism Organisation 2023 - Global and regional tourism performance dashboard

Entry to the biggest attractions is free

Based on the list in Chart 19, we believe that the London experience industry is characterised by a sharp contrast between free and paid experiences, as well as a competitive landscape among paid experiences, where attractions must provide unique and compelling offerings to justify visitors paying their entrance fees over others.

When exploring London's most popular attractions, visitors encounter two distinct types of experiences: free and paid. Free experiences, such as those found in museums, are renowned for their historical significance and consistently attract large numbers of visitors, ranging from approximately 3.2m to 6.3m annually. These high visitor numbers can likely be attributed to their free admissions and impressive exhibitions.

In contrast, paid experiences generally attract fewer visitors. For instance, the London Eye attracts 3.5 million annual visitors, while the Making of Harry Potter draws 2 million annual visitors. These attractions rely on offering captivating and unique experiences to justify their entry fees. We note that the actual entry fee prices displayed in Chart 19 could be higher due to premium charges for fast-track ticketing and same-day bookings.

While free experiences compete for visitors' time, paid attractions face the additional challenge of justifying their cost. Therefore, paid experiences must provide something distinctly special to motivate visitors to choose them. This necessity is reflected in the diverse offerings among paid attractions in the city.

Biggest number of visitors to experiences in London in 2022

#	Name of Experience	Visitors	Free Entry	Entry Fee*
1	Outernet London	6,252,356	●	-
2	Tate Modern	5,868,562	●	-
3	British Museum	5,828,552	●	-
4	National Gallery	5,735,831	●	-
5	Natural History Museum	5,226,320	●	-
6	V&A Museum	3,967,566	●	-
7	The London Eye	3,500,000	●	£30
8	Somerset House	3,413,626	●	-
9	Science Museum	3,174,963	●	-
10	Tower of London	2,855,438	●	£34.80
11	Madame Tussauds	2,500,000	●	£33
12	Making of Harry Potter	2,000,000	●	£47
13	Royal Botanic Gardens	1,858,513	●	£17
14	St Paul's Cathedral	1,657,446	●	£25
15	Royal Academy of Arts	1,594,017	●	£15
			Average entrance fee	£28.83

Chart 19 – Sources: The London Tunnels, ABN AMRO – ODDO BHF Equity Research

Tourism evolving towards interactive experiences

The immersive art market in London is growing rapidly and attracting more visitors, reflecting the international trend of rising popularity of immersive digital art exhibitions. According to The New Yorker, attendance at these experiences is relatively high, with figures ranging from 400,000 to 600,000 in regional destinations and up to 2 million in major international destinations. Notably, there is a growing portfolio of digital art content providers, such as Culturespaces, TeamLab, Superblue, and Meow Wolf. However, London currently lacks comparable permanent projects, although several temporary exhibitions have opened recently.

This rise in immersive art not only reflects changing consumer preferences but also signals the potential for significant economic impact and cultural enrichment. According to a report by REMIX Summits, with its current growth trajectory, the immersive experience industry in London could evolve into something akin to the West End or Broadway. Additionally, a report by the Immersive Experience Network identifies immersive entertainment as the fastest-growing segment within the UK's creative industries sector.

London's cultural and heritage attractions already draw large visitor numbers, particularly those with broad, family-friendly appeal. To enhance its existing cultural offerings and attract more visitors, London has developed several strategic plans: London's 2030 Tourism Vision, emphasising innovation and technology; The London Plan, supporting the enhancement and extension of attractions; and the Tourism Recovery Plan, advocating an innovative industry utilising digital technology.

Furthermore, research by Barclaycard indicates a preference for experiences over material possessions, especially among millennials. This desire for experiences has fuelled the popularity of digital art venues, which blend technology, creativity and interactivity to transform the visitor's experience. Additionally, digitalisation can be used to bring the city's history to life, as seen in examples such as the Acropolis Museum in Athens and the New Orleans National World War Two Museum.

OUR FORECASTS FOR THE LONDON TUNNELS

In this section, we outline the key elements of our profit and loss, cash flow, and balance sheet forecasts for the London Tunnels project. We project sales to grow from £ 19.5m in 2027 to £ 95.1m by 2031, with ticket and retail sales being the primary revenue drivers. Total operational costs are expected to remain relatively stable at approximately £ 30m, leading to an EBITDA increase to £ 61.8m in 2031, up from -£ 12.1m in 2027. Depreciation and amortisation expenses are estimated at around £ 15m, with EBIT rising in line with sales growth. TLT is expected to achieve positive profits in 2028, with profitability projected to reach £ 23m in 2029 and continue to grow in subsequent years. To meet its funding needs, TLT plans to raise £ 30m through an equity offering, with the remainder to be financed through debt. By the end of 2027, we forecast TLT to have a net debt position of approximately £ 160m, excluding lease liabilities. Based on our forecast we expect a run-rate EBITDA (adjusted for leases) of around £ 45m from 2029 onwards. This would imply a financial leverage ratio of 3.7x. We also project annual free cash flow of approximately £ 25m starting from 2029. However, we do not expect TLT to pay dividends in the near future, in accordance with the company's stated dividend policy. Our forecasts assume that TLT will start to repay its debt in 2029. We estimate TLT to be EBITDA breakeven with c. 1m annual visitors.

Profit and loss – only costs and losses until 2027

Table 20 shows The London Tunnels' profit and loss statement forecast for the estimated first five years of operations (2027-2031). We note that we do not forecast revenue during the planning/construction phase which we currently expect to be from 2024-2026. As mentioned, the company expects to be able to open to the public in mid-2027.

The London Tunnels profit and loss statement 2027e-2031e (£ m)

	2027e	2028e	2029e	2030e	2031e
Sales	19.5	59.0	87.6	89.3	95.1
Cost of goods sold	(1.0)	(2.8)	(3.9)	(4.0)	(4.2)
Labour	(3.6)	(3.7)	(3.8)	(3.8)	(3.9)
Marketing	(15.6)	(11.8)	(8.8)	(8.7)	(8.6)
Operator	(2.0)	(4.7)	(6.2)	(6.4)	(6.8)
Exhibition	(6.8)	(3.0)	(3.1)	(4.9)	(3.2)
Repairs and maintenance	(0.2)	(0.5)	(0.5)	(0.5)	(0.6)
Property	(2.0)	(3.5)	(4.2)	(4.1)	(4.2)
Other opex	(0.4)	(1.2)	(1.8)	(1.8)	(1.9)
EBITDA	**(12.1)**	**27.9**	**55.4**	**55.1**	**61.8**
Depreciation and amortisation	(6.5)	(13.4)	(14.8)	(15.1)	(15.6)
EBIT	**(18.6)**	**14.6**	**40.6**	**40.0**	**46.2**
Net financials	(9.1)	(10.6)	(10.0)	(8.8)	(7.4)
EBT	**(27.7)**	**4.0**	**30.6**	**31.2**	**38.8**
Taxes	0.0	(1.0)	(7.7)	(7.8)	(9.7)
Profit for the year	**(27.7)**	**3.0**	**23.0**	**23.4**	**29.1**

Table 20 - Sources: The London Tunnels PLC, ABN AMRO – ODDO BHF Equity Research estimates

Ticket and retail sales to be the largest revenue contributors

Our revenue forecasts for The London Tunnels can be split into five contributors, with revenue from ticket and retail sales being the two largest. In the first two years of operations (i.e., 2027-2028), we forecast revenue of £ 20m and £ 59m, respectively. We note that based on current planning, 2027 will contain only six months of operations. We expect revenues to ramp up further in 2028, while we see 2029 as the first year with full revenue potential. We forecast 2.2m visitors and revenue of £ 88m in 2029. We then expect modest growth to 2.3m visitors in 2031 with accompanying revenue of £ 95m.

❖ Revenue from ticket sales as first contributor

We start our revenue forecast from the time where we expect operations to begin (i.e., mid-2027). We expect The London Tunnels to progressively increase its number of visitors to 2.2m in 2029, anticipating the company will be ready to welcome an optimal number of visitors and the experience to become very popular. Going forward, we foresee the number of visitors increasing gradually to around 2.5m annual visitors in 2033. This figure aligns with the visitor numbers for the London Eye and the Making of Harry Potter, which attract 3.5m and 2m visitors respectively.

Regarding the price per ticket, we used the mid-point of the entry fee range (£ 15-47) of the paying experiences in 2024 and added a £ 1 premium for the exclusivity and novelty of the experience. We added a 2% inflation rate per annum and arrive at a starting point in 2027 of £ 34 per ticket price. Going forward, we continue to apply a 2% inflation rate per annum.

Ticket price and number of visitors per annum, 2027e-2031e (£, #m)

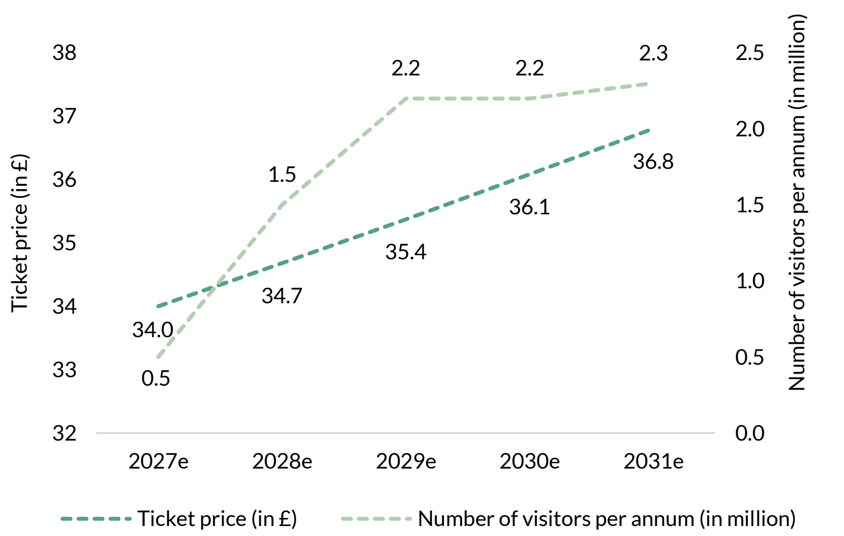


Chart 21 – Sources: ABN AMRO – ODDO BHF Equity Research estimates

❖ Supporting revenue from retail sales

We forecast the revenue from retail sales by using the average entrance fee and on-site spending of the experience peer group, as illustrated in Chart 22. The peer group average total spending for an experience is in the same range as the entrance fee expected for The London Tunnels. For this reason, we do not expect visitors to spend as much as at other experiences on-site (i.e., average of 50%). Hence, we expect visitors to spend around 10% of ticket price on-site. In this way, we take a conservative view on revenue on top of ticket sales, in our view.

Experience peer group entrance fee and on-site spending analysis, 2024

£	Hollywood Bowl Group	Borussia Dortmund	Kinepolis	United Parks & Resorts	Tivoli Gardens	Peer Group Average
(Average) entrance fee	5.9	50.3	9.1	34.6	18.1	23.6
Average per capita on-site spending	3.3	11.4	4.6	24.9	8.2	10.5
%	55.9%	22.7%	51.2%	72.0%	45.3%	49.4%

Chart 22 - Sources: Companies websites, ABN AMRO-ODDO BHF Equity Research

❖ Revenue in full swing from 2029

In addition to the revenue from ticket and retail sales, The London Tunnels plans to realise revenue from the bar as well as from events and partnerships. We do not anticipate these sources contributing materially to the company's revenue. However, we believe they will be a positive marketing driver. The maximum hourly visitor capacity for the underground bar is, according to management, some 160 per opening hour. Assuming four hours of daily opening and c. 50% capacity utilisation on average, this equates to 320 daily visitors to the bar, or some 115,200 pa. In our forecasts, we assume average spend of £ 12.50 per visitor or annual revenue of c. £ 1.4m. Also here, we think that our assumptions are conservatively set. Overall, with most revenue coming from ticket and retail sales, we expect revenue to gradually increase to a fully operational rate of £ 89m in 2029 onwards.

The London Tunnels revenue split, 2027e-2031e (£ m)

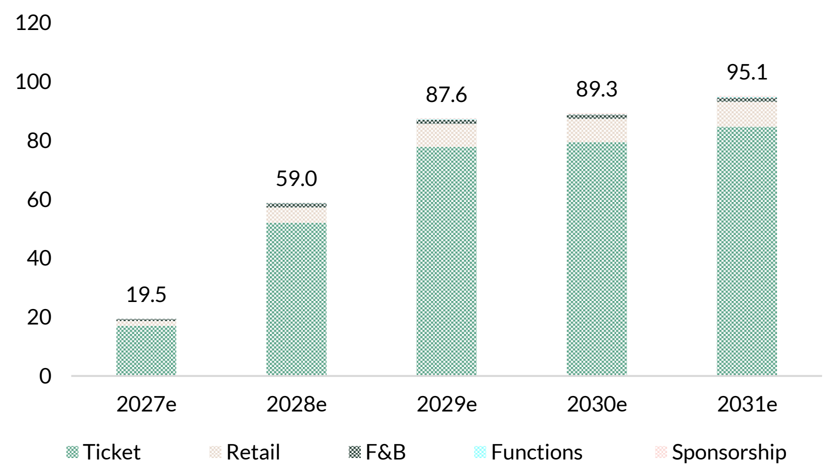


Chart 23 - Sources: ABN AMRO – ODDO BHF Equity Research estimates

Relatively stable operating costs

Table 24 shows our forecasts for The London Tunnels' operating costs for 2027-2031e. We note that these costs exclude depreciation and amortisation costs, which we will explain later on. Based on estimated annual operating costs of about £ 30m, we estimate that TLT could become EBITDA breakeven at a level of about one million annual visitors.

ABN AMRO – ODDO BHF forecast 2027e-2031e (£ m)

	2027e	2028e	2029e	2030e	2031e
Marketing	**(15.6)**	**(11.8)**	**(8.8)**	**(8.7)**	**(8.6)**
% of total sales	*80.0*	*20.0*	*10.0*	*9.7*	*9.0*
Sales growth (%)		*(24.5)*	*(25.8)*	*(1.1)*	*(1.2)*
Operator	**(2.0)**	**(4.7)**	**(6.2)**	**(6.4)**	**(6.8)**
% of total sales	*12.0*	*9.0*	*8.0*	*8.0*	*8.0*
YoY growth (%)		*129.5*	*33.0*	*2.0*	*6.6*
Exhibition	**(6.8)**	**(3.0)**	**(3.1)**	**(4.9)**	**(3.2)**
% of total sales	*35.0*	*5.0*	*3.5*	*5.5*	*3.4*
YoY growth (%)		*(56.8)*	*3.9*	*60.2*	*(34.1)*
Utilities	**(2.0)**	**(3.5)**	**(4.2)**	**(4.1)**	**(4.2)**
% of total sales	*10.0*	*6.0*	*4.8*	*4.6*	*4.4*
YoY growth (%)		*81.3*	*18.7*	*(2.3)*	*1.9*
Labour	**(3.6)**	**(3.7)**	**(3.8)**	**(3.8)**	**(3.9)**
FTEs (#)	68.0	68.0	68.0	68.0	68.0
Average benefits per FTE (£)	53,035	54,096	55,177	56,281	57,407
% of total sales	*18.5*	*6.2*	*4.3*	*4.3*	*4.1*
YoY growth (%)		*2.0*	*2.0*	*2.0*	*2.0*
Repairs and maintenance	**(0.2)**	**(0.5)**	**(0.5)**	**(0.5)**	**(0.6)**
% of total sales	*2.0*	*2.0*	*3.0*	*3.0*	*3.0*
YoY growth (%)		*136.1*	*11.3*	*2.0*	*6.5*
Other Opex	**(0.4)**	**(1.2)**	**(1.8)**	**(1.8)**	**(1.9)**
% of total sales	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*
YoY growth (%)		*202.1*	*48.4*	*2.0*	*6.5*
Total operating costs	**(30.7)**	**(28.3)**	**(28.3)**	**(30.2)**	**(29.1)**
% of total sales	*156.9*	*48.0*	*32.3*	*33.8*	*30.6*
YoY growth (%)		*(7.7)*	*(0.1)*	*6.7*	*(3.5)*

Table 24 - Sources: ABN AMRO – ODDO BHF Equity Research estimates

In the Marketing line, we forecast The London Tunnels to spend a significant amount (£ 15.6m) during the first year of operation (i.e., 2027) to promote the experience. We expect this to decrease slightly to £ 11.8m in 2028, as marketing efforts will continue. From 2029 onwards we forecast marketing expenses (as % of sales) to decrease below 10%.

In the Operator line, we forecast costs related to an external operator. The cost item includes a hire for FTE remuneration for those employed by the external operator, as well as the fees charged by the latter. These costs are expected to decrease from 12% of sales in 2027 to 8% in 2031 due to further spread of fixed costs.

In the Exhibition line, we foresee a circular dynamic, taking into account a material cost for the renewal of exhibitions every three years, as mentioned by management.

In the Property line, we expect the accommodation costs to be around £ 4m per annum, including electricity costs for the biggest part.

The Utilities line includes costs for cooling and heating, water, and ventilation. Our assumptions for these costs are based on company guidance (c. £ 4m pa).

EBITDA margin to improve over time

We expect The London Tunnels to reach an EBITDA margin of 63% in 2029, once the operations are fully up and running. Then, we expect the margin to increase to 65% in 2031 as we expect revenue to increase while costs should remain constant. However, we note that exhibitions will be renewed on average every three years, which will have an impact on the EBITDA margin, before catching up to cruise pace the year after. During these years, we expect profitability to decrease to around 62%, just like we forecast for 2030.

EBITDA and margin, 2027e-2031e (£ m, %)

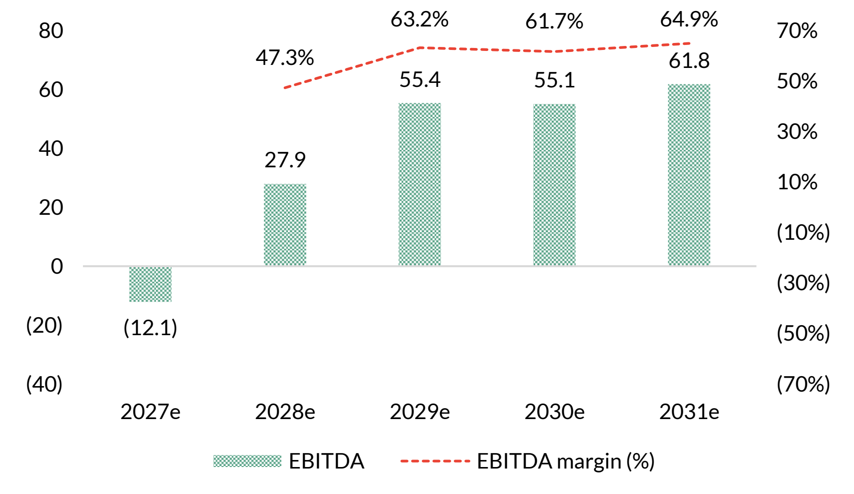


Chart 25 - Sources : ABN AMRO – ODDO BHF Equity Research estimates

D&A mainly from technology lease contract

The London Tunnels' non-current assets split into three elements: intellectual property, the tunnels and the investments to refurbish them and the lease of technologies, as illustrated in Chart 26. The first concerns intellectual property gained by Cupcake and developed over a number of years, prior to the incorporation of The London Tunnels. Examples are significant investment in the development of concepts, original ideas, and comprehensive architectural and engineering studies. The valuation of this intellectual property was acquired by The London Tunnels because it underpins the creation of future commercial value and demonstrates what could be achieved with the assets. In our forecasts, we amortise over 15 years. The tunnels and inherent investment will be depreciated over 100 years which only leaves a small portion to be depreciated every year. The biggest portion of the D&A line comes from the lease of technologies. This represents a seven-year lease contract to equip the tunnels with technology (i.e., large screens). We assume contracts with a value of c. £ 80m. Assuming depreciation over seven years, this would lead to an annual depreciation charge of c. £ 11m.

Depreciation & Amortisation as a percentage of revenue, 2027e-2031e (%)

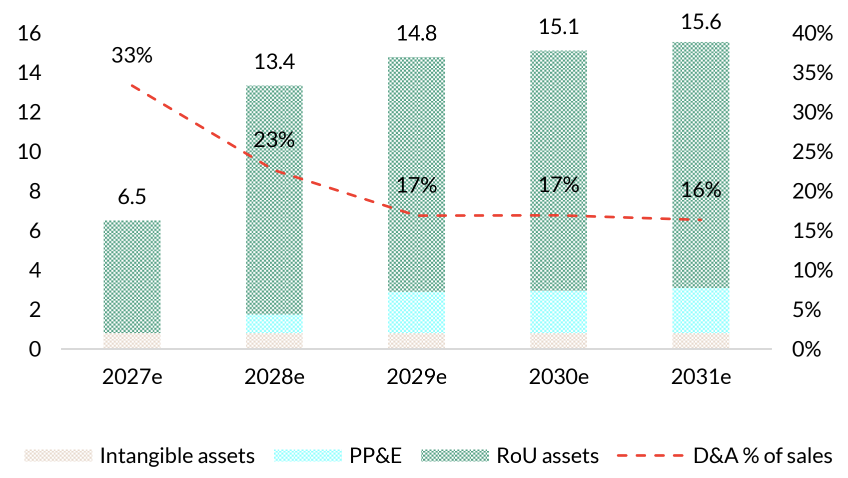


Chart 26 - Sources : ABN AMRO – ODDO BHF Equity Research estimates

Corporate tax rate forecast of 25%

In line with the company, we estimate a corporate tax rate of 25% for TLT. We expect the company to become profitable from 2028, as illustrated in Chart 27. This corporate tax rate is also in line with the UK corporation tax rate.

Corporate tax rate, 2027e-2031e (%)

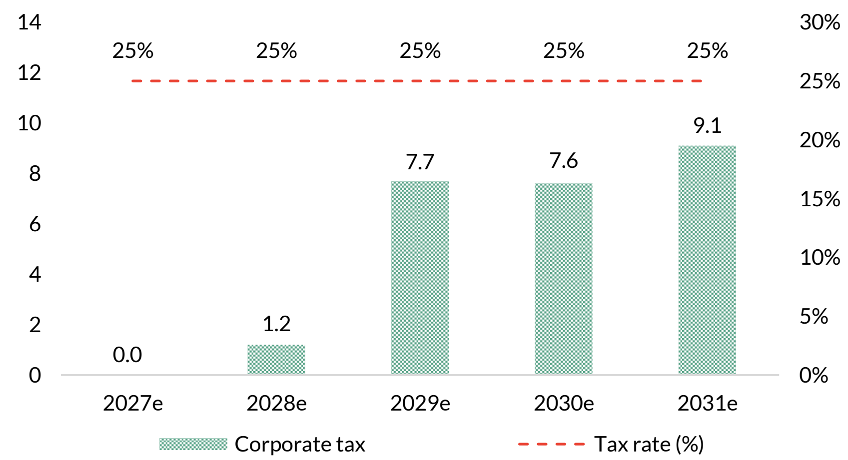


Chart 27 - Sources : ABN AMRO – ODDO BHF Equity Research estimates

Balance sheet

Table 28 shows our 2024-2031e forecasts for The London Tunnels' balance sheet. We note that the asset side of the projected 2024 balance sheet includes a right-of-use for the tunnels and intangible assets associated with the acquisition of intellectual property, which we estimate will amortise at £ 0.8m per year. On the liabilities side, the short-term and long-term obligations relate to the right-to-use and acquire the aforementioned assets. We note that TLT's management expects total investments of c. £ 150m to bring the project to the operational stage. We expect that approximately £ 120m of these total investments will be capitalised. We expect an additional £ 30m to be part of operating expenses during the pre-operation phase (i.e., 2024-2026), split among marketing, exhibition and repairs and maintenance. We note that the actual amounts could deviate from our estimates, and we will adjust our projections when more information about the project's planning is disclosed. As per the prospectus, TLT expects to raise this through a combination of equity (an additional £ 30m is currently being raised), bank lending, non-bank lending (private credit), and/or the issue of a project bond. In our current forecasts, we assume that for the remaining funding needs, 100% will be debt financed, which could turn out to be unrealistic. We will adjust these assumptions if and when more clarity is provided on the matter by TLT. To illustrate, in our current forecasts, we now expect TLT to end 2027 with a net debt position of about £ 160m (excluding lease liabilities). Applying our forecast for TLT's run-rate (2029 and beyond) EBITDA (adjusted for leases) of c. £ 45m, this would imply financial leverage of 3.7x. Such a leverage ratio is high, but taking into consideration run-rate annual cash generation potential of c. £ 25m plus further upside potential for EBITDA, we think it could come down quite quickly. Moreover, we assume that the, in our view, strong cash generating potential of TLT should enable it to gain access to additional financing. Nonetheless, we believe that an additional £ 50m in equity financing could bring the financial leverage down to a lower level (i.e. 2.5x Net debt to EBITDA).

The London Tunnels balance sheet forecast 2024e-2031e (£ m)

	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e
Intangible fixed assets	11.2	10.4	9.6	8.8	8.0	7.2	6.4	5.6
Net tangible assets - PP&E	25.3	65.3	105.3	125.3	125.3	125.3	125.3	125.3
Right-of-use assets	0.0	0.0	80.0	80.0	80.0	80.0	80.0	80.0
Inventories	0.0	0.0	0.0	0.3	0.3	0.3	0.3	0.3
Accounts receivable	0.0	0.0	0.0	0.1	0.3	0.4	0.4	0.5
Cash & securities	17.1	18.1	15.3	17.4	21.0	24.7	28.9	33.8
Total Assets	**53.6**	**93.7**	**210.2**	**231.8**	**234.9**	**237.8**	**241.4**	**245.5**
Shareholders' funds	35.1	20.0	1.1	(26.6)	(23.6)	(0.6)	22.8	51.9
Long-term liabilities	12.8	56.8	100.8	140.8	140.8	124.8	108.8	88.8
Short-term liabilities	3.2	14.2	25.2	35.2	35.2	31.2	27.2	22.2
Long-term leases	0.0	0.0	0.0	64.0	64.0	64.0	64.0	64.0
Short-term leases	0.0	0.0	0.0	16.0	16.0	16.0	16.0	16.0
Payroll	0.2	0.4	0.6	1.8	1.8	1.9	1.9	2.0
Accounts payable	2.3	2.3	2.4	0.6	0.6	0.6	0.6	0.6
Total Equity and Liabilities	**53.6**	**93.7**	**130.2**	**231.8**	**234.9**	**237.8**	**241.4**	**245.5**

Table 28 - Sources: The London Tunnels PLC, ABN AMRO – ODDO BHF Equity Research estimates

Going concern capital expenditure around 2% per annum

The London Tunnels has a material capital expenditure plan during the pre-operation phase (i.e., before mid-2027) to refurbish the tunnels and transform them into a touristic experience. During the operation phase, the company will have limited capital requirements, in our view. We expect annual going concern (maintenance) capex of c. £ 2m over the first five years of operations of The London Tunnels, as illustrated in Chart 29.

Going concern capital expenditure, 2027e-2031e (£ m, %)

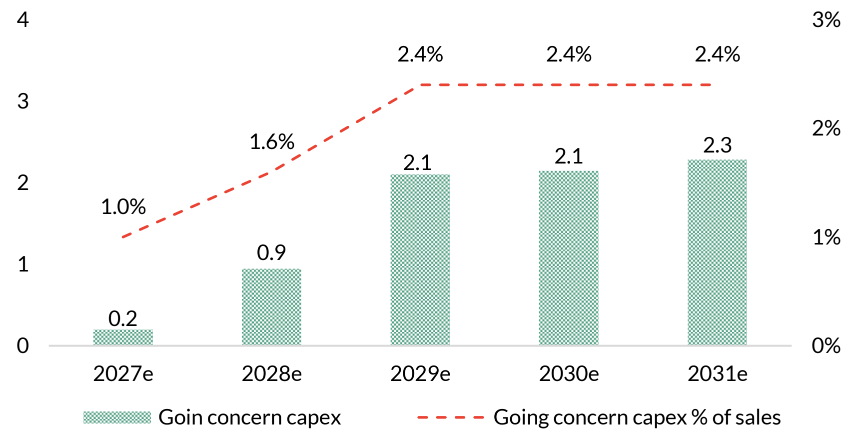


Chart 29 - Sources : ABN AMRO – ODDO BHF Equity Research estimates

Cash flow statement

Table 30 shows The London Tunnels' cash flow statement forecast for 2024-2031e. We expect the company to reach a cruising pace from 2029 onwards. We also expect this to be the case for free cash flow generation and we forecast annual free cash flow of about £ 25m from 2029 onwards.

As highlighted in the table, we expect cumulative net investment of £ 120m in 2024-2027. We assume that the remainder of the estimated required £ 150m to bring the tunnels to the operational phase (£ 30m) will not be capitalised but go through the P&L directly. As more information about the project's planning is disclosed, we will update our projections to reflect any deviations from our initial estimates.

We do not expect TLT to pay a dividend in the foreseeable future, which is in line with the company's statement on the dividend policy. In our forecasts, we assume TLT will start repaying its debt from 2029.

The London Tunnels' cash flow statement forecast 2024-2031e (£ m)

	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e
EBIT	(12.2)	(12.5)	(13.0)	(18.6)	14.6	40.6	40.0	46.2
D&A	0.8	0.8	0.8	6.5	13.4	14.8	15.1	15.6
Change working capital	0.1	0.1	0.1	(2.2)	(0.2)	(0.1)	0.0	(0.0)
Net investments	(20.0)	(40.0)	(40.0)	(20.0)	(0.9)	(2.1)	(2.1)	(2.3)
Other cash flow	0.2	0.1	0.3	1.2	0.0	0.0	0.0	0.0
Gross operating cash-flow	**(31.0)**	**(51.5)**	**(51.8)**	**(33.2)**	**26.8**	**53.2**	**53.0**	**59.5**
Income taxes paid	0.0	0.0	0.0	0.0	(1.0)	(7.7)	(7.8)	(9.7)
Net operating cash-flow	**(31.0)**	**(51.5)**	**(51.8)**	**(33.2)**	**25.8**	**45.5**	**45.2**	**49.8**
Net financials	(0.7)	(2.6)	(5.9)	(9.1)	(10.6)	(10.0)	(8.8)	(7.4)
Lease obligations	0.0	0.0	0.0	(5.7)	(11.6)	(11.9)	(12.2)	(12.5)
Servicing of finance	**(0.7)**	**(2.6)**	**(5.9)**	**(14.8)**	**(22.2)**	**(21.9)**	**(20.9)**	**(19.9)**
Change in debt	10.0	55.0	55.0	50.0	0.0	(20.0)	(20.0)	(25.0)
Change in equity	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in cash balance	**8.3**	**0.9**	**(2.7)**	**2.0**	**3.6**	**3.7**	**4.3**	**4.9**
FCF	**(31.7)**	**(54.1)**	**(57.7)**	**(48.0)**	**3.6**	**23.7**	**24.3**	**29.9**

Table 30 - Sources: The London Tunnels PLC, ABN AMRO – ODDO BHF Equity Research estimates

EQUITY VALUE RANGE: £ 119-306M

In this chapter, we focus on The London Tunnels' equity value. This value range implies that the London Tunnels' two expected fund raisings of £ 30m and £ 120m are successful, and the operations start as expected (i.e., mid-2027). As valuation tools we use DCF and a valuation based on the valuation multiples of most comparable listed peers. Varying the WACC and the terminal growth rate for The London Tunnels, our DCF points to an equity value in the range of £ 185-298m. The peer group used for valuing the London Tunnels includes leisure activities companies, and leisure operators. Based on the EV/EBITDA, EV/EBIT, P/E and FCF yield of peers we value TLT's equity in a range of £ 119-306m. The aggregate implied equity range is thus £ 119-306m.

Basic hypotheses

We analyse The London Tunnels as a three-phase project with 1) the pre-planning approval phase, 2) the pre-operation phase, and 3) the operation phase. The first phase does not appear in our model. The company's project development and success now depends on the second and third phases, as illustrated in Chart 31.

The London Tunnels three-phase project

Chart 31 - Sources: ABN AMRO – ODDO BHF Equity Research

Phase 2: Pre-operation

The pre-operation phase (i.e., the second phase of the London Tunnels' project) refers to the refurbishment and the financing part of the Kingsway Exchange Tunnels. We highlight this phase as being high-risk. The company has to successfully raise the funds required to complete the project (c. £ 150m according to management). We note that if this requirement is not met, it could prevent all or part of the project from being carried out. On top of that, the company expects this pre-operation phase to last a maximum of three years from the moment when the planning approval is granted. Now that the permission has been granted (at the beginning of July 2024), management expects the third phase of the project to start in mid-2027. In this note, we assume that the two steps of the pre-operation phase (i.e., fund raising and timeline) are successfully managed. However, given the high-risk profile of the project, we analyse the inherent risks of this phase in the last chapter of the note.

For modelling purposes, we will assume that all the costs to be spent during the pre-operational period are recorded between 2024 and 2027H1, our justification for 2027H1 is that operations start in 2027H2 and that the time prior to that is part of the pre-operational phase. In Table 32, we illustrate pre-operation costs which total c. £ 175m. This consists of £ 120m capex and c. £ 55m operational costs.

Pre-operation cumulative discounted FCF expectations, 2024e-H1 2027e (£ m)	2024e	2025e	2026e	H1 2027e
Sales	0.0	0.0	0.0	0.0
Operating costs	(12.2)	(12.5)	(13.0)	(19.1)
EBIT	(12.2)	(12.5)	(13.0)	(19.1)
Taxes paid	0.0	0.0	0.0	0.0
NOPAT	**(12.2)**	**(12.5)**	**(13.0)**	**(19.1)**
D&A	0.8	0.8	0.8	0.4
∆ in WCR	0.1	0.1	0.1	(1.1)
Capex	(20.0)	(40.0)	(40.0)	(20.0)
Operational cash flow	**(31.3)**	**(51.6)**	**(52.1)**	**(39.8)**

Table 32 - Sources: ABN AMRO – ODDO BHF Equity Research estimates

Phase 3: Operation

The third phase of the project refers to the start and continuation of the operations as from mid-2027 in our model. From that time, we expect the company to open the premises to the public and to enter a phase of operations. In Table 33, we illustrate the operational cash flow as of the start of operations (i.e., mid-2027). We expect discounted free cash flow to be positive as per 2028.

Operations cumulative discounted FCF statement, 2027e-2033e (£ m)	2027e	2028e	2029e	2030e	2031e	2032e	2033e
Sales	19.5	59.0	87.6	89.3	95.1	101.2	107.4
Operating costs	(38.2)	(44.4)	(47.0)	(49.3)	(48.9)	(49.6)	(52.2)
EBIT	**(18.6)**	**14.6**	**40.6**	**40.0**	**46.2**	**51.5**	**55.2**
Taxes paid	0.0	(1.0)	(7.7)	(7.8)	(9.7)	(11.4)	(12.8)
NOPAT	**(18.6)**	**13.6**	**32.9**	**32.2**	**36.5**	**40.1**	**42.4**
D&A	0.8	1.7	2.9	2.9	3.1	3.2	3.4
∆ in WCR	(2.2)	(0.2)	(0.1)	0.0	(0.0)	(0.0)	(0.0)
Capex	(20.0)	(0.9)	(2.1)	(2.1)	(2.3)	(2.4)	(2.6)
Operational cash flow	**(40.0)**	**14.2**	**33.6**	**33.0**	**37.3**	**40.9**	**43.2**
Discounted FCF	**(27.6)**	**9.0**	**19.5**	**17.6**	**18.3**	**18.4**	**17.9**
Cumulative disc. FCF	**(27.6)**	**(18.6)**	**0.9**	**18.5**	**36.9**	**55.3**	**73.2**

Table 33 - Sources: ABN AMRO – ODDO BHF Equity Research estimates

Operational cash flow to be positive as of 2028e

Before mid-2027 (i.e., during the pre-operation phase), we anticipate no sales but operating costs. These costs mainly result in non-capitalised investments which we expect to amount to 20% of the total investment realised. We note other non-material costs such as labour and exhibition costs. We also do not anticipate any tax to be paid given that there will be no revenue, on our estimates. As mentioned above in the Phase 2: Pre-operation section, we expect total operating costs to amount to £ 55m. Also, we do not expect material depreciation and amortisation excluding right-of-use assets depreciation and anticipate a limited change in working capital. Finally, we expect the remaining 80% of investments to be added to the capital expenditure line. Table 34 shows our DCF forecasts for TLT for the next ten years.

The London Tunnels DCF analysis, 2024e-2033e (£ m)	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e
Sales	0.0	0.0	0.0	19.5	59.0	87.6	89.3	95.1	101.2	107.4
Change (%)	nmf	nmf	nmf	nmf	202.1	48.4	2.0	6.5	6.3	6.2
EBIT	**(12.2)**	**(12.5)**	**(13.0)**	**(18.6)**	**14.6**	**40.6**	**40.0**	**46.2**	**51.5**	**55.2**
Change (%)	(1.0)	0.0	0.0	0.4	(1.8)	1.8	(0.0)	0.2	0.1	0.1
EBIT margin (%)	nmf	nmf	nmf	(95.3)	24.7	46.3	44.8	48.6	50.9	51.4
Taxes paid	0.0	0.0	0.0	0.0	(1.0)	(7.7)	(7.8)	(9.7)	(11.4)	(12.8)
Tax rate (%)	0.0	0.0	0.0	0.0	6.9	18.9	19.5	21.0	22.2	23.2
NOPAT	**(12.2)**	**(12.5)**	**(13.0)**	**(18.6)**	**13.6**	**32.9**	**32.2**	**36.5**	**40.1**	**42.4**
Change (%)	(99.5)	2.3	4.3	43.2	(172.9)	142.5	(2.2)	13.4	9.8	5.7
D&A	0.8	0.8	0.8	0.8	1.7	2.9	2.9	3.1	3.2	3.4
as % of sales	nmf	nmf	nmf	4.1	3.0	3.3	3.3	3.2	3.2	3.1
Change in WCR	0.1	0.1	0.1	(2.2)	(0.2)	(0.1)	0.0	(0.0)	(0.0)	(0.0)
Capex	(20.0)	(40.0)	(40.0)	(20.0)	(0.9)	(2.1)	(2.1)	(2.3)	(2.4)	(2.6)
as % of sales	nmf	nmf	nmf	102.4	1.6	2.4	2.4	2.4	2.4	2.4
Operational cash flow	**(31.3)**	**(51.6)**	**(52.1)**	**(40.0)**	**14.2**	**33.6**	**33.0**	**37.3**	**40.9**	**43.2**
Change (%)	nmf	66.3	1.2	(22.7)	(136.4)	136.6	(1.8)	12.8	9.5	5.5
Discounted FCF	**(27.8)**	**(42.1)**	**(39.1)**	**(27.6)**	**9.0**	**19.5**	**17.6**	**18.3**	**18.4**	**17.9**
Cumulative disc. FCF	**(27.8)**	**(69.9)**	**(108.9)**	**(136.5)**	**(127.5)**	**(108.0)**	**(90.4)**	**(72.1)**	**(53.6)**	**(35.7)**

Table 34 - Sources: ABN AMRO – ODDO BHF Equity Research estimates

After mid-2027 (i.e., during the operation phase), we expect operations to begin and hence, we expect The London Tunnels to start generating revenue. We foresee sales progressively increasing during the first two years before reaching a normalised level in 2029. We expect the biggest cost lines to be marketing, external operator and exhibitions. The depreciation & amortisation line increases slightly as we believe that depreciation expenses will grow in line with sales. Finally, we expect no material change in working capital and maintenance capex of up to of £ 3m per annum. Overall, we expect operational cash flow to be positive as of 2028 and foresee cumulative discounted cash flow (starting in 2024) remaining negative at least until 2033, when we expect it to hit a negative £ 36m.

Mid-point WACC of 8.8%

Table 35 highlights our WACC calculation for The London Tunnels. As explained earlier, we use a risk-free rate and equity risk premium as provided by ODDO BHF's strategy team. We use these estimates for DCF calculations for all companies in our coverage universe. For The London Tunnels' unleveraged beta, we use Services and other beta of 1.01 provided by Stern-Stewart. Furthermore, in order to calculate The London Tunnels' WACC, we assume a target debt/EV ratio of 50%. For The London Tunnels' tax rate, we use 25%. Based on these assumptions, we calculated a cost of equity of 13.2% and an after-tax cost of debt of 4.5% for The London Tunnels (using a pre-tax cost of debt of 6%). With this all included, we calculate The London Tunnels' WACC at 8.8%. In our sensitivity analysis, we vary The London Tunnels' WACC by 0.25% increments, ranging from 8.33% to 9.33%.

The London Tunnels WACC calculation (%)	
Risk-free rate	3.0
Market risk premium	5.8
Unleveraged beta (x)	1.0
Leveraged beta (x)	1.8
Cost of equity	**13.2**
Interest rate	6.0
Tax rate	25.0
Cost of debt	**4.5**
Target debt as percentage of EV	50
WACC	**8.83**

Table 35 - Sources: ABN AMRO – ODDO BHF Equity Research estimates

Sensitivity analysis for terminal growth and WACC

Table 36 highlights our DCF sensitivity analysis for the terminal growth rate and WACC used. Varying the WACC and the terminal growth rate, The London Tunnels's DCF outcome ranges from £ 185m to £ 298m for the equity value.

Sensitivity analysis for terminal growth and WACC

		WACC (%)				
		8.33	8.58	8.83	9.08	9.33
Terminal growth (%)	1.50	246.7	229.5	213.5	198.7	184.9
	1.75	258.1	239.8	222.9	207.3	192.8
	2.0	270.3	250.9	233.0	216.5	201.2
	2.25	283.5	262.8	243.8	226.3	210.2
	2.50	297.9	275.8	255.5	237.0	219.9

Table 36 - Sources: ABN AMRO – ODDO BHF Equity Research estimates

Peer multiples: £ 119-306m

We focus on EV/EBITDA, EV/EBIT and P/E

Apart from DCF, we also use a peer valuation multiple analysis to value The London Tunnels. Table 37 highlights our key estimates for The London Tunnels for 2027-2031, the first five years of operations. Our EV/equity bridge includes net debt (including lease liabilities) and our fair value estimates for minorities and participations. Although we included estimates for 2027-2031, we base our implied valuation analysis on valuation multiples of peers for 2024e.

Key estimates used for peer multiple-based valuation, 2027e-2031e (£ m)

	2027e	2028e	2029e	2030e	2031e
Sales	19.5	59.0	87.6	89.3	95.1
EBITDA	(12.1)	27.9	55.4	55.1	61.8
EBITDA margin (%)	**(61.9)**	**47.3**	**63.2**	**61.7**	**64.9**
EBIT	(18.6)	14.6	40.6	40.0	46.2
EBIT margin (%)	**(95.3)**	**24.7**	**46.3**	**44.8**	**48.6**
Net profit	(27.7)	3.0	23.0	23.4	29.1
Free cash flow	**(40.0)**	**14.2**	**33.6**	**33.0**	**37.3**
EV to equity bridge	**238.6**	**235.0**	**211.3**	**187.1**	**157.2**

Table 37 - Sources: ABN AMRO – ODDO BHF Equity Research estimates

In valuing The London Tunnels using peer multiples, we focus on EV/EBITDA, EV/EBIT and P/E. We decided not to use EV/sales as it does not distinguish between the profitability of the companies analysed. In the three next paragraphs, we highlight the peers' valuation multiples, as well as other financial metrics, in order to compare these with The London Tunnels' financial metrics.

Two subsets of peers used for valuing The London Tunnels

Table 38 highlights the 2024-2026e valuation multiples of The London Tunnels listed peers. In order to value The London Tunnels, we use leisure activities companies that offer experiences for customers. The second sub-group of listed peers is leisure operators. These leisure operators external operation services for leisure activities companies. We deem The London Tunnels in between these two peers groups given that it is a leisure company, willing to externalise the management of its operations.

Valuation multiples of peers (x)

		EV/EBITDA (x)		EV/EBIT (x)		P/E (x)		FCF-Yield (%)	
Leisure Activities	**MC (£ m)**	**24e**	**25e**	**24e**	**25e**	**24e**	**25e**	**24e**	**25e**
Hollywood Bowl Group PLC (GBp)	620	8.3	7.8	12.1	11.2	14.5	13.9	3.9	5.3
Borussia Dortmund GMBH&CO (EUR)	391	3.7	3.7	7.7	13.7	8.2	16.1	10.6	8.2
Kinepolis (EUR)	1,008	9.0	8.0	15.4	12.8	15.6	12.1	9.8	10.4
United Parks & Resorts INC (USD)	2,650	6.7	6.7	9.5	9.1	10.7	9.7	2.6	3.7
Median		7.5	7.2	10.8	12.0	12.6	13.0	6.9	6.7
Mean		6.9	6.5	11.2	11.7	12.3	13.0	6.7	6.9
Leisure Operators	**MC (£ m)**	**24e**	**25e**	**24e**	**25e**	**24e**	**25e**	**26e**	**26e**
Companie des Alpes (EUR)	649	4.1	3.8	8.6	7.6	5.8	5.0	(1.8)	(1.8)
CTS Eventim AG&CO KGAA (EUR)	7,243	10.9	10.2	13.2	12.2	24.3	23.0	4.3	4.3
GL events (EUR)	564	6.7	6.6	11.1	10.9	7.9	8.0	0.7	0.7
Six Flags Entertainment Corp (USD)	4,036	7.7	5.6	11.4	8.9	11.6	11.5	(0.4)	(0.4)
Median		7.2	6.1	11.3	9.9	9.7	9.8	0.2	0.2
Mean		7.4	6.5	11.1	9.9	12.4	11.9	0.7	0.7
All peers		**24e**	**25e**	**24e**	**25e**	**24e**	**25e**	**26e**	**26e**
Median		7.2	6.7	11.3	11.1	11.2	11.8	3.3	4.0
Mean		7.1	6.5	11.1	10.8	12.3	12.4	3.7	3.8

Table 38 - Sources: Bloomberg (8 August 2024), ABN AMRO – ODDO BHF Equity Research estimates

Benchmarking financial leverage and profitability

Table 39 highlights the 2024-2026e financial leverage and EBIT(DA) profitability of The London Tunnels' listed peers. We highlight the Leisure Activities peer group as more relevant to analyse EBIT(DA) margin since all of these companies are more likely to have a similar cost structure. We note that EBIT(DA) margin of Leisure Activities companies are significantly lower than our expectations for The London Tunnels. We believe this is due to higher ticket prices for The London Tunnels compared with those for bowling or cinemas. Compared to football clubs, we highlight a lower cost base for The London Tunnels.

Financial leverage, EBIT(DA) profitability of all peers

Leisure Activities	Net debt/EBITDA (x)			EBITDA margin (%)			EBIT margin (%)		
	24e	**25e**	**26e**	**24e**	**25e**	**26e**	**24e**	**25e**	**26e**
Hollywood Bowl Group PLC (GBp)	0.5	0.5	0.4	35.7	35.8	35.6	24.4	24.7	24.2
Borussia Dortmund GMBH&CO (EUR)	0.1	(0.1)	(0.4)	28.1	27.4	26.1	13.3	7.4	5.3
Kinepolis (EUR)	1.5	1.0	0.8	31.2	32.1	32.4	18.1	20.0	20.8
United Parks & Resorts INC (USD)	2.4	2.0	1.4	41.7	41.3	42.0	29.2	29.9	30.7
Median	1.0	0.7	0.6	33.5	33.9	34.0	21.3	22.4	22.5
Mean	1.1	0.8	0.6	34.2	34.1	34.0	21.3	20.5	20.3
Leisure Operators	**24e**	**25e**	**26e**	**24e**	**25e**	**26e**	**24e**	**25e**	**26e**
Companie des Alpes (EUR)	2.9	2.7	2.3	29.2	30.2	30.9	14.0	14.9	15.5
CTS Eventim AG&CO KGAA (EUR)	(1.8)	(2.0)	(2.3)	20.6	20.8	21.2	17.1	17.3	17.8
GL events (EUR)	2.9	2.6	1.8	16.5	17.2	17.1	10.0	10.5	10.5
Six Flags Entertainment Corp (USD)	4.8	3.1	2.5	33.9	37.5	36.6	23.1	23.5	25.3
Median	2.9	2.6	2.0	24.9	25.5	26.0	15.6	16.1	16.7
Mean	2.2	1.6	1.1	25.1	26.4	26.4	16.1	16.6	17.3
All peers	**24e**	**25e**	**26e**	**24e**	**25e**	**26e**	**24e**	**25e**	**26e**
Median peers	2.0	1.5	1.1	30.2	31.1	31.7	17.6	18.7	19.3
Mean peers	1.7	1.2	0.8	29.6	30.3	30.2	18.7	18.5	18.8

Table 39 - Sources: Bloomberg (8 August 2024), ABN AMRO – ODDO BHF Equity Research

Benchmarking capital requirements and cash conversion

Table 40 highlights the 2024-2026e operating expenses as a percentage of sales, depreciation and amortisation as a percentage of sales and capital expenditure as a percentage of sales. Depreciation and amortisation expenses are difficult to compare given the nature of the London Tunnels project, where there is only maintenance capex during operations (when peers also incur growth capex).

Depreciation & amortisation, capital expenditure of all peers

	D&A to sales (%)			Capex to sales (%)		
Leisure Activities	**24e**	**25e**	**26e**	**24e**	**25e**	**26e**
Hollywood Bowl Group PLC (GBp)	11.3	11.0	11.4	12.2	12.3	na
Borussia Dortmund GMBH&CO (EUR)	14.8	20.0	20.7	7.2	8.8	9.3
Kinepolis (EUR)	13.1	12.0	11.6	6.4	6.3	6.2
United Parks & Resorts INC (USD)	12.0	11.0	11.2	13.3	13.3	12.8
Median	12.6	11.5	11.5	9.7	10.6	9.3
Mean	12.8	13.5	13.7	9.8	10.2	9.4
Leisure Operators	**24e**	**25e**	**26e**	**24e**	**25e**	**26e**
Companie des Alpes (EUR)	15.2	15.3	15.4	21.8	20.4	18.4
CTS Eventim AG&CO KGAA (EUR)	3.5	3.4	3.3	6.4	4.8	2.8
GL events (EUR)	6.5	6.7	6.6	7.4	5.4	4.8
Six Flags Entertainment Corp (USD)	11.2	14.8	11.3	12.2	12.6	12.4
Median	8.9	10.8	8.9	9.8	9.0	8.6
Mean	9.1	10.1	9.2	12.0	10.8	9.6
All peers	**24e**	**25e**	**26e**	**24e**	**25e**	**26e**
Median peers	11.7	11.5	11.3	9.8	10.6	9.3
Mean peers	11.0	11.8	11.4	10.9	10.5	9.5

Table 40 - Sources: Bloomberg (8 August 2024), ABN AMRO – ODDO BHF Equity Research

In valuing The London Tunnels, we focus on fiscal 2024

Table 41 shows The London Tunnels' implied equity value using a range of multiples. Based on 2024 peer multiples, we highlight the ranges that we deem the most appropriate for valuing The London Tunnels. Taking into consideration The London Tunnels' two-phase profile with the refurbishment project and the operations, we deem a valuation using 2029e estimates as appropriate (i.e., we expect the operations to be at a normal level in 2029).

For our valuation, we have adjusted our mid-point multiples for EV/EBITDA, EV/EBIT, and P/E slightly upwards compared to the median of the peer group. We believe this adjustment is justified to reflect TLT's higher profitability relative to its peers. To account for the inherent risks of this project, we apply a variance of 1x for EV/EBITDA and EV/EBIT, and 2x for P/E. We adjust our mid-point assumption for the FCF yield to above that of the peers to account for lack of track record for cash generation. Due to the wide spread in FCF yield among the peers, we apply a higher variance (calculated as a percentage of the mid-point) of 1x for the FCF yield.

Implied equity value based on range of multiples and years (£ m)					
EV/EBITDA	**7.0**	**7.5**	**8.0**	**8.5**	**9.0**
2027	(223)	(227)	(231)	(235)	(239)
2028	(25)	(16)	(7)	2	10
2029	103	119	135	151	167
2030	106	121	136	150	165
2031	135	150	166	181	196
EV/EBIT	10.0	11.0	12.0	13.0	14.0
2027	(293)	(305)	(318)	(331)	(344)
2028	(56)	(47)	(38)	(29)	(20)
2029	113	137	160	184	207
2030	114	135	157	178	199
2031	150	172	195	218	241
P/E	9.0	11.0	13.0	15.0	17.0
2027	(172)	(210)	(248)	(286)	(324)
2028	17	21	25	29	32
2029	120	147	174	200	227
2030	113	138	163	188	213
2031	129	157	186	214	243
FCF-Yield	7.5	6.5	5.5	4.5	3.5
2027	(440)	(508)	(601)	(734)	(944)
2028	31	35	42	51	66
2029	183	212	250	306	393
2030	173	200	236	288	371
2031	196	226	267	326	420

Table 41 - Sources : Bloomberg (8 August 2024), ABN AMRO – ODDO BHF Equity Research

Aggregate equity value range of £ 119-306m

In Table 42, we highlight The London Tunnels' implied valuation multiples on the lower end, mid-point, and upper end of our equity valuation range based on DCF and peer valuation multiples combined.

Implied valuation multiples for The LTs based on our equity range (£ m)					
Lower end	**2027**	**2028**	**2029**	**2030**	**2031**
Equity value (£ m)	119	119	119	119	119
EV (£ m)	357	354	330	306	276
EV/EBITDA (x)	(29.5)	12.7	6.0	5.5	4.5
EV/EBIT (x)	(19.2)	24.3	8.1	7.6	6.0
P/E (x)	(4.3)	39.3	5.2	5.1	4.1
FCF-Yield (%)	(40.4)	3.1	19.9	20.5	25.2
Mid-point	2027	2028	2029	2030	2031
Equity value (£ m)	212	212	212	212	212
EV (£ m)	451	447	424	399	369
EV/EBITDA (x)	(37.3)	16.0	7.6	7.2	6.0
EV/EBIT (x)	(24.2)	30.7	10.4	10.0	8.0
P/E (x)	(7.7)	70.4	9.2	9.1	7.3
FCF-Yield (%)	(22.6)	1.7	11.1	11.4	14.1
Upper end	2027	2028	2029	2030	2031
Equity value (£ m)	306	306	306	306	306
EV (£ m)	544	541	517	493	463
EV/EBITDA (x)	(45.0)	19.4	9.3	8.9	7.5
EV/EBIT (x)	(29.2)	37.1	12.7	12.3	10.0
P/E (x)	(11.0)	101.4	13.3	13.0	10.5
FCF-Yield (%)	(15.7)	1.2	7.7	7.9	9.8

Table 42 - Sources: Bloomberg (8 August 2024), ABN AMRO – ODDO BHF Equity Research

Chart 43 highlights the outcome of our valuation analysis for The London Tunnels when using the different valuation methodologies. The low end of the range of £ 119m is determined by EV/EBITDA, and the high end of the range of £ 306m is determined by FCF-yield.

TLT's implied equity value range using different valuation tools (£ m)

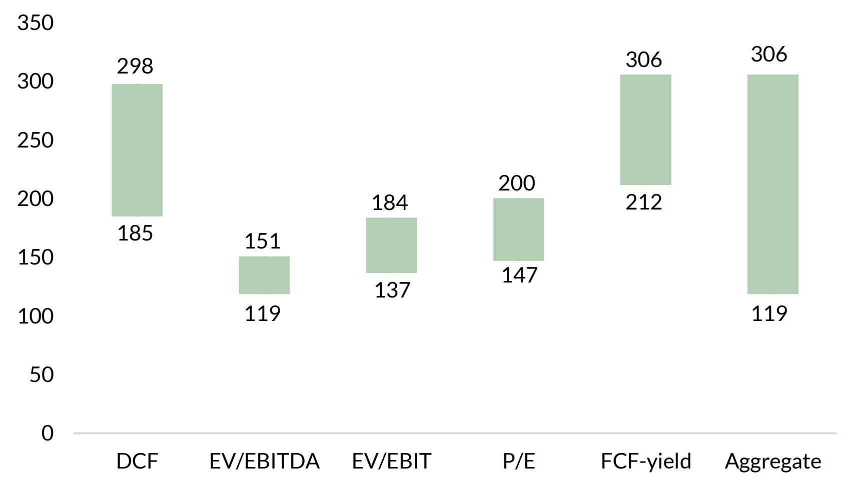


Chart 43 - Sources: Bloomberg (8 August 2024), ABN AMRO – ODDO BHF Equity Research

CORPORATE GOVERNANCE

In this chapter, we describe The London Tunnels' corporate governance, focusing on the shareholders' structure and the management board. The London Tunnels intends to raise up to £ 30m by issuing up to 15m new shares at £ 2 each within 90 days post-listing, with irrevocable commitments already secured for 12,490,000 shares. Share delivery will occur weekly on a rolling basis, with the first three tranches of shares already placed in July. Additionally, The London Tunnels has agreed with PEF ESG for the early cash redemption of convertible bonds, converting them into new shares. Founder and CEO Angus Murray, through Cupcake Partners and PEF ESG, is expected to hold more than 61% equity post-issuance. The company has a one-tier board, consisting of Angus Murray, Katy Leo, Andrew Jones, Charles Nelson and Peter Curtin. All five board members are investment specialists. Several board members have prior experience collaborating through their involvement with Nature Walks Pty Limited and Art for Preventable Extinction (APE). The salaries of the management board vary between £ 30,000 and £ 140,000 per annum.

80.5m shares post current £ 30m placing

Table 44 highlights The London Tunnels' shareholder structure before the listing, upon listing and post the assumed placing of 15m shares. The company intends to raise up to £ 30m through the issue of up to a further 15m new shares, at the issue price of £ 2 for up to 90 days following the listing (i.e., up to and including 25 September 2024). This amount will be used for the development of the project over the next 1-2 years. Investors may subscribe for new shares during the placing period. Shares will be allocated to eligible investors on a first come, first served basis. In the event the placing is over-subscribed, the placing will be closed and subscription for new shares will no longer be possible. The London Tunnels would then issue a press release with respect to the end of the placing. The London Tunnels has already received irrevocable commitments from 15 investors to subscribe for 12,490,000 shares.

Shareholders' structure of The London Tunnels

Shareholders' number of shares (#)	24 June	27 June	Post placing	Post conversion convertibles
Cupcake Partners Limited	50,000,000	50,000,000	50,000,000	50,000,000
Private Equity Fund (ESG) Inc.	4,452,850	4,802,100	4,802,100	5,854,078
Other shareholders	7,320,172	10,698,822	25,698,822	25,698,822
Total	**61,773,022**	**65,500,922**	**80,500,922**	**81,552,900**

Shareholders' percentage of shares (%)	24 June	27 June	Post placing	Post conversion convertibles
Cupcake Partners Limited	80.94	76.33	62.21	61.31
Private Equity Fund (ESG) Inc.	7.21	7.33	5.97	7.18
Other shareholders	11.85	16.34	31.82	31.51
Total	**100.00**	**100.00**	**100.00**	**100.00**

Table 44 - Source : Prospectus 24 June 2024

Going forward, delivery of the new shares will take place on a rolling basis. Every Tuesday during the placing period, starting on the second Tuesday following the listing date, i.e., on 9 July, all shares subscribed for during the previous week will be delivered. On 9 July, the group announced the placing of the first tranche of new shares following its listing on 27 June. The London Tunnels issued 353,881 new shares to investors at an issue price of £ 2 per share. On 12 July the company announced that it received subscriptions for 100,139 new ordinary shares that were listed on 16 July, and, on 19 July, another tranche of 98,330 shares was placed, and these shares were listed on 23 July. Moreover, The London Tunnels agreed with Private Equity Fund ESG (PEF ESG) to the early cash redemption of an amount of £ 1,322,950 of the outstanding balance of the zero coupon convertible bonds, and that the cash amount, receivable by ESG, will be applied to subscribe for 661,475 new ordinary shares at £ 2 per share.

CEO to hold >61% of the shares

Cupcake Partners is wholly owned by founder and CEO Angus Murray. PEF ESG is an investment fund of which Angus Murray is a director. On the date of the prospectus (24 June), PEF ESG held 1,722,993 shares for the benefit of Castlestone, an investment advisor fully owned by Angus Murray, and 2,729,857 shares for the benefit of a number of independent shareholders. The group of other shareholders consists of 324 shareholders (24 June), including both individual and institutional investors who are mainly located outside the UK/EU. Eventually (assuming the conversion of the outstanding balance of the convertible bonds and no further equity raise beyond the planned £ 30m), we thus expect that the CEO and founder will have an equity stake in the company of more than 63%, held via Cupcake Partners (61.31%), and, for a small part via PEF ESG (2.11%). Upon initial listing, his direct stake amounted to 76.33% and his indirect stake (1,722,993 shares) amounted to 2.63% of the total outstanding shares.

One-tier board with five members currently

The company has a single tier board consisting of Angus Murray, Katy Leo, Andrew Jones, Charles Nelson and Peter Curtin (see Chart 45). The board members are five investment specialists with extensive experience and a proven track record across a diverse investment portfolio, all operating from London. Several board members have prior experience collaborating through their involvement with Nature Walks Pty Limited and Art for Preventable Extinction (APE). According to the prospectus of 24 June, the salaries of the management board vary between £ 30,000 and £ 140,000 per annum.

Furthermore, the directors are entitled to receive fees for their services, which may include retainers, board meeting fees, committee meeting fees, and other similar fees. The total amount of these fees shall be determined by the Board from time to time, but shall not exceed £ 500,000 per annum or such other amount as may be determined by the company in a general meeting.

The London Tunnels current management board and salary

Angus Murray	Director & CEO	United Kingdom	£ 140,000 gross per annum	Angus Murray is the CEO of The London Tunnels PLC and founder of Castlestone Management LLC, advising funds in Malta and the Cayman Islands. With experience at NatWest Markets USA and Macquarie Bank, he holds multiple US Securities Licences and is a registered Investment Advisor Representative. Additionally, Angus was the Managing Principal for Nature Walks Pty Limited and Co-Founder of Art for Preventable Extinction (APE).
Katy Leo	Director & COO	Australian	£ 30,000 gross per annum	Katy Leo, with over 40 years of finance experience, will oversee administrative and operational functions as Director and COO. She has expertise in asset management, fund administration, and regulatory compliance, working with various clients. Ms Leo owns UK companies providing back-office services to investment advisers and holds roles as CFO of Nature Walks Pty Limited and Treasurer of Art for Preventable Extinction (APE).
Andrew Jones	Independent Non-Executive Director	United Kingdom	£ 25,000 per annum before tax	Andrew Jones serves as an independent non-executive director. Mr. Jones specialised in arbitrage trading of Australian resource equities, working on the London Stock Exchange floor as a market maker for White & Cheesman. Over two decades, Mr Jones held various roles in Australasian equities with global investment banks, ending at Citigroup in 2004. Additionally, he founded Bespoke Sports Limited in 2005 to manage professional golfers and later consulted for Jago Partners (London) Limited on digital strategies.
Charles Nelson	Independent Non-Executive Director	United Kingdom	£ 25,000 per annum before tax	Charles Nelson, independent non-executive director, brings over 35 years of experience in investment banking, notably at Macquarie Securities Group London. He led equity sales teams and European equity syndication as a Senior Managing Director. Currently, he serves as the Managing Director Head of UK at Morrow Sodali, specializing in shareholder services and capital markets transactions. Mr Nelson also oversaw EMEA and APAC business for Meetyl, a fintech corporate access firm, and held various Controlled Functions designations at Macquarie Securities Group.
Peter Curtin	Chairman	United Kingdom	£ 25,000 per annum before tax	Peter Curtin will serve as the Chairman for The London Tunnels PLC, and has over 40 years' experience in the securities industry, managing assets exceeding US$ 2 billion at Merrill Lynch Investment Managers before retiring in 2000. He specialised in international equity markets, particularly in Asia Pacific. Post-retirement, Mr Curtin served as a non-executive director for investment companies and advised a family wealth office. Starting as a broker's settlement clerk in 1964, he rose to vice president/director level in large investment management businesses and is a member of the Chartered Institute for Securities & Investment.

Chart 45 - Source : The London Tunnels, LinkedIn, Prospectus 24 June 2024

RISKS

The London Tunnels could face pre-operational and operational risks going forward. In this chapter, we summarise risks that potentially could disrupt the processes and impact the financial performance of The London Tunnels. The risks are split between 1) risks related to TLT's financial position, 2) risks relating to TLT's business and industry, and 3) risks relating to the listing of the shares. We consider the risk of insufficient funding in order to complete the project, the risk of cost overruns and delays in finishing the project, the risk of insufficient visitor numbers, the illiquidity of the share listing, and the corporate governance related risk of a very dominant major shareholder as the main risks for investors.

Risks relating to TLT's financial position

- TLT may not have sufficient capital for its longer-term requirements. After paying the balance of the costs of the listing, TLT's remaining funds will only be sufficient to allow the company to complete its Phase 1 work programme and to pay costs to the end of March 2026. Hence, further funding may be needed because otherwise there may be challenges in continuing the activities and achieving the goal of the commercial launch. TLT estimates that additional funding in the region of £ 120m could be needed, and difficulties obtaining this funding poses a risk. TLT expects funding to be a combination of equity, bank lending, non-bank lending and/or the issue of a project bond.
- The leasehold of the tunnels still need to be acquired by TLT. Completion of the acquisition of the leasehold must take place on or before 30 June 2025. If not completed, TLT will not be able to implement its business plan.
- Prolonged periods of high inflation (i.e., building materials, labour and machinery costs) could have an impact on the construction and operational phases of the project, including cost overruns and budget constraints.

Risks relating to TLT's business and industry

- TLT was incorporated in 2021 and has no track record as an operating company. TLT has not yet generated a net positive operating cash flow or any revenue or profit. The future success of TLT is contingent upon the successful implementation and execution of TLT's business plan which is based on many assumptions that may turn out to be wrong.
- The tunnels were built between 1940 and 1942, and their structural integrity may be affected by factors such as their age. The composition of the tunnels, as well as surrounding ground and properties, could have negative effects on the structural integrity of the tunnels. Structural and potential weaknesses may be discovered during pre-construction and construction phases and could lead to higher costs.
- TLT needs to remove asbestos from the tunnels before full restoration of the tunnels can commence. TLT has planned and budgeted for this, but there can be no certainty as to how long it may take to complete this phase or how much it may cost the company.

- The loss of one or more key members of TLT's management team or other personnel, or its failure to attract and retain personnel in the future, poses a risk, in our view. We particularly note a key-man risk for founder/majority shareholder and CEO Angus Murray, knowing that he has a major role in creating, envisioning and executing the entire project.
- There is no guarantee that the tunnels will attract sufficient visitor numbers. The market is very competitive and TLT also has to compete with attractions for which there is no entrance fee. Moreover, the absolute number of visitors to the UK and London is variable and impacted by a variety of factors outside the control of TLT.
- The development, installation and maintenance of new technologies purpose-built and designed for TLT may take longer and/or cost more than is currently anticipated. The technologies are key to the project and include large format interactive and curved screens built for the tunnels. The development of these technologies could lead to extended timelines and cost overruns. Moreover, such technologies evolve rapidly, necessitating continuous investment in upgrading and enhancing the systems.
- Failures in, or disruption to, TLT's IT and other systems may have a material adverse effect on TLT's ability to generate revenue. Any disruptions, outages or delays in systems could affect the availability of TLT's services in the tunnels and therefore access to the cultural and heritage exhibits and digital displays.
- TLT has appointed specialists to advise it on developing the tunnels. Moreover, TLT outsources certain general administration and accounting services. These service providers themselves are subject to operational risks. The failure of a service provider to deliver their services on time and on budget, the termination of a relationship, or any delay in appointing a replacement could disrupt TLT's business materially.
- TLT is exposed to safety, construction and environmental risks due to the complex development of the tunnels. If such risks (i.e., inclement weather, defective building methods or materials, industrial accidents, etc.) materialise, this could have a material adverse effect on TLT's relationships, reputation, business and operating and financial results.
- The tunnels are situated 30 metres below London, which poses distinct safety and evacuation challenges compared to above-ground structures. Specific risks include water, electricity, stored items and human behaviour, as well as structural concerns such as collapse risk and access challenges.
- TLT's current and future insurance cover may not be adequate to protect it against all potential losses to which TLT may be subject. TLT believes that the insurance cover that it currently maintains is adequate to cover all the risks associated with its operations. However, there can be no assurance that, in respect of current or future insurance coverage any claim under such insurance will be honoured fully or in a timely manner, the insurance cover will be sufficient and will cover relevant risks, or the insurance premiums will not increase substantially. Furthermore, some risks generally cannot be insured such as certain market risks or natural disasters.
- TLT has only one operational location. If the tunnels would become inaccessible, then potential visitor numbers and further revenue would be negatively impacted and TLT's financial position would be materially and adversely affected.

Risks relating to the listing and the ordinary shares

- There is a risk that an active and liquid trading market for the shares may not develop or be maintained and that the price of the shares may be volatile. ABN AMRO Bank N.V., in its capacity as liquidity provider will promote and support an orderly and liquid market. However, the liquidity provider may not achieve this goal because it may not be able to match acquire interests via regular open market purchases on Euronext Amsterdam due to insufficient supply or via purchases from the existing shareholders. We note that, in particular, the lock-up arrangements agreed with the existing shareholders could complicate achieving the desired liquidity levels. As such, investments in shares may be relatively illiquid for as long as TLT is listed on Euronext Amsterdam. Shareholders should not expect that they will necessarily be able to realise their investment in shares within a period that they would regard as reasonable. Also, we note that the shares are priced in pound sterling, implying that investors resident outside the UK are subject to risks arising from adverse exchange rate fluctuations.
- As per the listing date, Cupcake, which is wholly owned by CEO Angus Murray, holds 76.33% of the shares. As a result, Cupcake will possess sufficient voting power to exercise significant influence over all matters requiring shareholder approval. TLT has therefore entered into a relationship agreement with Cupcake and Angus Murray to regulate Cupcake's relationship with TLT following the listing in order to ensure that TLT conducts its transactions with Cupcake and Angus Murray at arm's length and on normal commercial terms, and Cupcake and Angus Murray and persons connected to Cupcake and Angus Murray will not act to unduly influence TLT, the board or otherwise interfere with the day-to-day management of TLT. Notwithstanding this agreement, the shareholder structure may have the effect of delaying, deferring or preventing a change of control, merger, consolidation, takeover or other business combination or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of TLT, which in turn could have an adverse effect on the trading price of the shares.
- It may be necessary for TLT to issue additional shares to fund future plans. It is uncertain whether such funding will be available or whether it will be available at favourable terms for TLT or its shareholders. Any additional capital raised through the issue of additional shares may dilute an investor's interest in TLT. After Cupcake's lock-up period of 360 days after the listing ends, the entity is allowed to sell in the market shares it holds. Moreover, TLT has full discretion to waive the lock-up restrictions in connection with the major shareholders at any time before its expiry, which could lead to the major shareholders selling their shares before expiry of the lock-up periods.

APPENDIX 1 - DESCRIPTION OF PEERS

In this appendix, we provide descriptions of the groups of peers as well as all their constituent companies. We start by describing the Leisure Activities peers. Then, we focus on the Leisure Operators. Due to the nature of the tunnels project, it is difficult, in our view, to compare TLT with listed peers. That said, we conclude that the eight addressed and listed European and US peers, combined are the most optimal peer group we can use for TLT, also because t.

Leisure Activities peers

To analyse the landscape for the proposed project, we examine the financial and operational performance of five publicly-listed companies from the broader experience industry for the fiscal year 2023: Hollywood Bowl Group (UK), Borussia Dortmund (Germany), Kinepolis (Belgium), United Parks & Resorts Inc. (US). Despite operating in different segments — from bowling alleys and football clubs to cinema chains and theme parks — we believe these companies exhibit characteristics relevant to the proposed project, such as entertainment, on-site spending, entrance fees, and immersive/interactive experiences.

Hollywood Bowl Group, UK (FY 2023, Revenue: £ 215m)

Hollywood Bowl Group, founded in the UK in 1960, operates Hollywood Bowl-branded bowling lanes and mini-golf centres. Publicly listed on the London Stock Exchange since 2016, the company manages 79 bowling and 5 mini-golf centres across the UK and Canada. In 2023, Hollywood Bowl Group reported revenue of £ 215m, with 47% from bowling and golf, 26% from food and beverages, and 27% from amusements. That year, 17.1m games were bowled, with the average customer spending £ 10.82 per game. The company experienced 4.5% revenue growth compared to 2022, driven by the expansion and improvement of facilities in the UK and the acquisition of the Canadian-based bowling business Teaquinn in 2022.

Borussia Dortmund, Germany (FY 2023, Revenue: £ 394m)

Borussia Dortmund, founded in Germany in 1909, is a football club based in Dortmund, Germany, and has been publicly listed on the German Stock Market since 2000. Competing in the Bundesliga and international tournaments such as the Champions League and the UEFA League, the club reported £ 394m in revenue in 2023. This revenue comprised 10% from food and beverages, 8% from merchandising, 38% from TV rights, 34% from advertisements, and 10% from matchday activities. During the 2022/2023 season, approximately 1.4m visitors attended games, with the average visitor spending £ 11.40 per game. Borussia Dortmund saw 9.8% revenue growth in 2023 compared to 2022, and expects sustainable growth attributed to its success in international competitions.

❖ **Kinepolis, Belgium (FY 2023, Revenue: £ 605m)**

Kinepolis, founded in Belgium in 1997, is an international cinema chain publicly listed on the Euronext Brussels exchange since 1998. The company operates 109 cinemas in Europe and North America. In 2023, Kinepolis reported revenue of £ 605m, with 53% from box office sales, 32% from drinks and snacks, and the remainder from advertising and real estate. The company had 35.4m visitors in 2023, with average on-site spending of £ 4.64. Kinepolis experienced 21% revenue growth in 2023 compared to 2022, driven by the expansion of existing facilities, loyalty programs, and marketing efforts.

❖ **United Parks & Resorts Inc., US (FY 2023, Revenue: £ 1.36bn)**

United Parks & Resorts, founded in the US in 1959, operates theme parks and has been publicly listed on the New York Stock Exchange since 2013. The company owns and operates 12 recreational destinations in the US, including eight theme parks and four water parks, such as SeaWorld and Busch Gardens. In 2023, the company reported revenue of £ 1.36bn, with 55% from ticket sales and 45% from on-site spending (e.g., food and merchandise). The company welcomed 21.6 million guests in 2023, with the average consumer spending £ 24.90 on-site. Despite a 1.5% drop in attendance, revenue declined by just 0.3% compared to 2022, offset by increased per capita admission spending.

Leisure Operators peers

To further assess the landscape for the proposed project, we also delve into the performance of four operators in the theme park and leisure industry for the fiscal year 2023: Compagnie des Alpes (France), CTS Eventim (Germany), GL Events (France), Six Flags Entertainment Corporation (US). These operators, responsible for managing theme parks, ski resorts, and event venues, play an important role within the broader experience industry. As such, their performance serves as a valuable indicator of the financial prospects and operational dynamics relevant to the proposed project.

❖ **Compagnie des Alpes, France (FY 2023, Revenue: £ 961m)**

Compagnie des Alpes, founded in France in 1989, operates ski resorts, leisure parks, and distribution and hospitality services. The company has been publicly listed on the Paris Stock Exchange since 1994. It manages 13 well-known parks in France and abroad, including Parc Astérix, Futuroscope, Grévin, and Walibi, and holds a minority interest with LVMH in Jardin d'Acclimatation. The mountain resorts managed by Compagnie des Alpes, located exclusively in the French Alps, are among the largest and most renowned globally, including La Plagne, Les Arcs, Tignes, Val d'Isère, Méribel, Les Menuires, Serre Chevalier, and Grand Massif. In 2023, the company reported revenue of £ 961m, reflecting 10.6% growth compared to the previous year, driven by increases in visitor spending and numbers.

❖ **CTS Eventim, Germany (FY 2023, Revenue: £ 2.36bn)**

CTS Eventim, founded in Germany in 1989, operates in the leisure-events market, and specialises in ticketing and live entertainment. It became partially public on the Frankfurt Stock Exchange in 2000. The group holds stakes in promoters such as Austrian Barracuda Music, Italian Vertigo, and Holiday on Ice. CTS Eventim has diversified its ticketing operations to include cinema ticket sales in Germany. In 2023, the company reported revenue of £ 2.36bn, marking 22% growth compared to the previous year. This growth was driven by presales for 2024 tours featuring stars such as Taylor Swift, Paul McCartney, and Coldplay, as well as the expansion of the global ticketing and live entertainment network.

- **GL Events, France (FY 2023, Revenue: £ 1.22bn)**

  GL Events, founded in France in 1978, is an entertainment and events company. It has been publicly listed on the Paris Stock Exchange since 1998. The company provides comprehensive event solutions and services across various market segments, including conventions, trade shows, and cultural and sports events. It operates through three divisions: GL Events Live, offering full-service event management; GL Events Exhibitions, managing over 300 trade fairs across multiple sectors; and GL Events Venues, overseeing 40 venues in France and abroad. The company reported revenue of £ 1.22 bn in 2023, reflecting 8.5% growth compared to the previous year, driven mainly by the Exhibitions and Venues divisions and a rebound in operations in Asia.

- **Six Flags Entertainment Corporation, US (FY 2023, Revenue: £ 1.22bn)**

  Six Flags Entertainment Corporation, founded in the US in 1957, is an amusement park corporation. It has been publicly listed on the New York Stock Exchange since 2010. Following its merger with Cedar Fair, the company operates 51 properties, including 27 amusement parks, 15 water parks, and 9 resorts across Canada, Mexico, and the United States. The company reported revenue of £ 1.22bn in 2023, marking 5% growth compared to 2022. Despite a decrease in per capita guest spending, the growth was driven by higher attendance and increased sponsorship revenue.

The London Tunnels PLC **No reco** **Price 222.00 p**
Leisure | United Kingdom

PER SHARE DATA (£)				03/27e
Adjusted EPS	-2.23	-19.61	-22.33	-27.21
Reported EPS	**-2.23**	**-19.61**	**-22.67**	**-28.01**
Growth in adjusted EPS	-	ns	ns	ns
Net dividend per share	0.00	0.00	0.00	0.00
FCF to equity per share	0.00	-48.37	-81.32	-85.53
Book value per share	27.38	53.57	30.09	1.63
Number of shares market cap (m)	65.50	65.50	65.50	65.50
Number of diluted shares (m)	65.50	65.50	66.50	67.50

VALUATION (£m)	03/24	03/25e	03/26e	03/27e
12m highest price (p)		222		
12m lowest price (p)		202		
(*) Reference price (p)		222	222	222
Capitalization		145	145	145
Restated Net debt	-2.8	-1.1	52.9	111
Minorities (fair value)	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0
Enterprise Value		**144**	**198**	**256**
P/E (x)		ns	ns	ns
P/CF (x)		ns	ns	ns
Net Yield		0.0%	0.0%	0.0%
FCF yield		ns	ns	ns
P/B incl. GW (x)		4.14	7.38	136
P/B excl. GW (x)		4.14	7.38	136
EV/Sales (x)		ns	ns	ns
EV/EBITDA (x)		ns	ns	ns
EV/Current EBIT (x)		**ns**	**ns**	**ns**

(*) historical average price

PROFIT AND LOSS (£m)	03/24	03/25e	03/26e	03/27e
Sales	0.0	0.0	0.0	0.0
EBITDA	0.0	-11.4	-11.7	-12.2
Depreciations	0.0	-0.8	-0.8	-0.8
Current EBIT	**0.0**	**-12.2**	**-12.5**	**-13.0**
Published EBIT	0.0	-12.2	-12.5	-13.0
Net financial income	-1.5	-0.7	-2.6	-5.9
Corporate Tax	0.0	0.0	0.0	0.0
Net income of equity-accounted companies	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0
Attributable net profit	-1.5	-12.8	-15.1	-18.9
Adjusted attributable net profit	**-1.5**	**-12.8**	**-15.1**	**-18.9**

BALANCE SHEET (£m)	03/24	03/25e	03/26e	03/27e
Goodwill	0.0	0.0	0.0	0.0
Other intangible assets	12.0	11.2	10.4	9.6
Tangible fixed assets	5.3	25.3	65.3	105
WCR	-2.2	-2.5	-2.7	-3.1
Financial assets	0.0	0.0	0.0	0.0
Ordinary shareholders equity	17.9	35.1	20.0	1.1
Minority interests	0.0	0.0	0.0	0.0
Shareholders equity	17.9	35.1	20.0	1.1
Non-current provisions	0.0	0.0	0.0	0.0
Net debt	**-2.8**	**-1.1**	**52.9**	**111**

CASH FLOW STATEMENT (£m)	03/24	03/25e	03/26e	03/27e
EBITDA	**0.0**	**-11.4**	**-11.7**	**-12.2**
Change in WCR	0.0	0.1	0.1	0.1
Interests & taxes	0.0	-0.7	-2.6	-5.9
Others	0.0	0.2	0.1	0.3
Operating Cash flow	0.0	-11.7	-14.1	-17.7
CAPEX	0.0	-20.0	-40.0	-40.0
Free cash-flow	**0.0**	**-31.7**	**-54.1**	**-57.7**
Acquisitions / disposals	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0
Net capital increase	0.0	30.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
Change in net cash	0.0	-1.7	-54.1	-57.7

GROWTH MARGINS PRODUCTIVITY	03/24	03/25e	03/26e	03/27e
Sales growth	-	-	-	-
Lfl sales growth	**-**	**-**	**-**	**-**
Current EBIT growth	-	ns	ns	ns
Growth in adjusted EPS	-	ns	ns	ns
Net margin	ns	ns	ns	ns
EBITDA margin	**ns**	**ns**	**ns**	**ns**
Current EBIT margin	**ns**	**ns**	**ns**	**ns**
CAPEX / Sales		high	high	high
WCR / Sales	high	high	high	high
Tax Rate	0.0%	0.0%	0.0%	0.0%
Normative tax rate		0.0%	0.0%	0.0%
Asset Turnover	-	0.0	0.0	0.0
ROCE post-tax (normative tax rate)	**-**	**-49.7%**	**-23.3%**	**-14.1%**
ROCE post-tax hors GW (normative tax rate)	-	-49.7%	-23.3%	-14.1%
ROE	-	-48.5%	-54.7%	ns

DEBT RATIOS	03/24	03/25e	03/26e	03/27e
Gearing	-16%	-3%	265%	10 035%
Net Debt / Market Cap		-0.01	0.36	0.76
Net debt / EBITDA	**ns**	**0.10**	**-4.54**	**-9.07**
EBITDA / net financial charges	0.0	-17.3	-4.5	-2.1

Sources: ODDO BHF Securities, SIX

- **Valuation method**

Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on ODDO BHF' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

- **Sensitivity of the result of the analysis/ risk classification:**

The opinions expressed in the financial analysis are opinions as per a particular date, i.e. the date indicated in the financial analysis. The recommendation (cf. explanation of the recommendation systematic) can change owing to unforeseeable events which may, for instance, have repercussions on both the company and on the whole industry.

- **Our stock market recommendations**

Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.
Outperform: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).
Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).
Underperform: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

- **The prices of the financial instruments used and mentioned in this document are the closing prices.**
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Recommendation and target price changes history over the last 12 months for the company analysed in this report				
Date	**Reco**	**Price Target (GBP)**	**Price (GBP)**	**Analyst**
08/08/2024	No reco	No target price	222.00	Robert Jan Vos

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Recommendation split		Outperform	Neutral	Underperform
Our whole coverage	(704)	51%	40%	9%
Liquidity providers coverage	(77)	47%	44%	9%
Research service coverage	(51)	59%	27%	14%
Investment banking services	(41)	56%	41%	2%

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