

14 December 2023

The London Tunnels PLC
2nd Floor Nicola Jane House,
Southern Gate,
Chichester,
PO19 8SE

Dear Sirs

VSA REVIEW OF COMPANY VALUATION PARAMETERS – THE LONDON TUNNELS PLC

Background

VSA Capital (“VSA”) has been appointed as Corporate Broker and Research provider to The London Tunnels Plc (“TLT” or the “Company”) in connection with its proposed admission to trading on the Standard Segment of the Main Market of the London Stock Exchange (“Admission”). As part of our preparations for the post Admission initiation research note, VSA Capital has been carrying out preliminary work to ascertain a valuation range for TLT.

This note has been prepared to provide the board of TLT with preliminary views on the valuation range for the Company.

Overview

Using two methodologies:

- Management have articulated a pathway to profitability on which our analysis is based. This underpins a valuation range of between **£92.4m and £146.6m** based primarily on DCF analysis but is also supported by relative peer group analysis.
- This is a unique opportunity and determining direct peers is difficult, however, based on the two phases of operations current peer multiples indicate a potential valuation in the region of **£122.0m and £168.1m**.

Valuation Parameters

VSA has opted to primarily rely on the DCF methodology to guide our preliminary assessment. This is due to a lack of listed peers given the unique nature of the investment opportunity. Furthermore, the Company will have two growth phases, one between 2024 and 2026 when the Company will only be operating limited guided tours and the other from 2027 onwards when the Company will be fully operational. The DCF is able to capture both phases which rely on different assumptions and we note that both are able to support profitability according to management guidance. VSA’s assessment relied on management’s forecast financials, with key assumptions being;

- the estimated number of visitors
- estimated margins.

- target capital structure and capex assumptions

Based on the DCF method. VSA's preliminary work resulted in a valuation range of between **£92.4m and £146.6m**.

VSA further supplemented the DCF methodology by carrying out a peer comparison. VSA chose a peer group of 14 small, mid, and mid-to-large-cap companies across hospitality, leisure and entertainment. This yielded an average current forward EV/EBITDA multiple of 10.7x. We note that there are no direct peers, however, the peer group has a narrow spread of multiples and many of the companies offer comparable aspects to London Tunnels meaning the average figure is appropriate.

VSA have based an average of Year 1 EV /EBITDA (phase 1) and steady state (phase 2) Year 4 EV/EBITDA discounted backwards to obtain a comparative valuation range between **£122.0m and £168.4m**.

Conclusion

Based on our preliminary views on valuation parameters, VSA believe that the Company's valuation will range between **£92.4m and £168.1m**. This assessment provides reassurance that we are positioning the market cap of the Company on listing in the right range. As the project progresses and new information becomes available, assumptions and views are subject to change.

Please feel free to contact me (araca@vsacapital.com) or Simba Khatai (skhatai@vsacapital.com) for any further information.

Yours faithfully,

A handwritten signature in blue ink that reads 'Andrew Raca'.

Andrew Raca
Head of Corporate Finance
VSA Capital