

DESK NOTE

20.12.2024

Tetra Tech, Inc, – *Avoid Until* ***Growth and Contract Visibility Improve***

Conclusive Summary: Tetra Tech (TTEK) faces headwinds due to its reliance on government contracts, especially in areas like international aid and renewable energy, which are vulnerable to potential budget cuts and shifting political priorities. The company's slowing revenue growth, with a forecasted 7.6% increase in 2025 compared to its historical 14% growth, further signals challenges ahead and convergence to industry averages. Competitive pressures and market uncertainty, particularly in key segments such as water and environmental markets, add to the downside risk. Given the current valuation, which reflects only modest upside potential, **we recommend avoiding the stock at present levels. Investors should reconsider Tetra Tech near the Buy Price of \$32 or following the next quarterly earnings report for clearer visibility.**

Competitive Position: Market leader in water-related services, environmental management and climate adaptation with strong global presence—spanning 100,000+ projects across 100 countries in 2023. Operates in a competitive market, facing rivals such as AECOM, Arcadis NV, Jacobs Solutions, and WSP Global. Its differentiation lies in its "Leading with Science®" approach, leveraging advanced technologies like AI, machine learning, and proprietary tools through the Tetra Tech Delta platform.

Valuation: Based on a target EV/EBITDA multiple of 18.5x versus the current 17.35x yields a Price Target of \$42.00 indicating a modest ~5% upside from current price levels.

Ticker: TTEK US

Previous day close price: \$40.30

Price range (52w.): \$ 31.61 - \$51.20

Target price: \$42.00

Buy price: \$32.00

Reason for note: Trader Request

Recommendation: **Avoid**

Description: Tetra Tech, Inc. (TTEK) is a global leader in high-end consulting and engineering services, specializing in water management, environmental protection, and sustainable infrastructure. Its focus on sustainability and advanced technologies positions it well for long-term growth in climate adaptation and renewable energy markets.

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Forward Target Multiple		Current Factor	Target EV	Net Debt	Target MCap	Shares	Target Price	Standard Deviation	Buy Price
BF EV/EBITDA	18.5	17.4	11,570.0	783.5	11,554.9	275.11	\$42.00	34.3%	\$31.3

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