

## FY20: Strong Profitability Growth and Cash Generation

ADD | Fair Value: 5.23 (€3.49) | Current Price: €3.10 | Upside: 68.6%

€ Million	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Total Revenues	15.6	18.5	18.6	17.7	22.5	25.6	28.9
EBITDA	4.6	5.0	3.4	3.6	5.0	6.2	7.5
margin	29.5%	27.2%	18.2%	20.1%	22.3%	24.3%	26.0%
Net Profit	2.5	3.0	1.7	2.4	2.5	3.3	4.3
margin	15.8%	16.2%	9.1%	13.8%	11.0%	13.0%	14.8%
EPS	n.m.	0.23	0.13	0.19	0.19	0.26	0.34

Source: Company Data; KT&Partners' elaboration

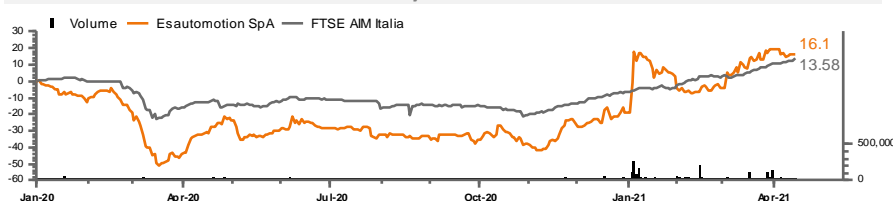
**FY20 Results Showed Business Resilience, Profitability Growth and Strong Cash Generation.** After a sluggish 1H20, ESAU closed FY20 with a slight decrease in revenue (-4.8% YoY to €17.7mn) also thanks to a rebound in orders especially in the last quarter of the year (+40% YoY). ESAU's slowdown was lower than the performance recorded by Fanuc (-9% YoY), the world leader in CNC and industrial automation. EBITDA margin was up by 1.9pp to 20.1% and +2.1pp above our estimates, mainly thanks to gross margin improvement – following the relocation of production in China – and a lower incidence of other operating costs. FY20 net income was €2.4mn (+44.2 vs FY19). Finally, a strong cash generation was recorded as well, with an OCF/EBITDA of 105% (vs 74% in 2019) and FCF/EBITDA of 86% (vs 27% in 2019), respectively. As a result, net cash position improved from €7.0mn in FY19 to €8.3mn in FY20 (+€0.4mn above our estimates). Finally, ESAU's board approved a €0.05 dividend per shares (1.6% dividend yield).

**Business Development & Growth Strategy Update.** The increasing trend in orders recorded during the last quarter of 2020 persists in the 1Q21. In the coming years, ESAU is expected to remain focused on its international development while expanding its offer both in the high- and low-end market. The Company aims at strengthening its presence in China also following recent investments and agreements with new clients which are suppliers of international brands (Tesla, BMW and CRRC, the world's largest rolling stock manufacturer). We expect that these partnerships will increase ESAU's visibility allowing the Company to win new business. Furthermore, by the end of 2021, ESAU will complete its production delocalization regarding Asian sales in Shanghai. In addition to China, ESAU will keep expanding in Turkey and the U.S. In pursuing this goal, ESAU will appoint: i) a technical/commercial figure supporting the local distributor in Turkey; ii) an on-site manager based in the U.S. Finally, to continuously innovate its solutions, ESAU has hired an R&D manager with more than 25 years of experience in the CNC field.

**Estimates Update.** On the back of FY20 financials and recent developments, our outlook for 2021 and the coming years is extremely positive. We anticipate revenues to grow at +17.8% CAGR2020-23 (vs +17.4% of our previous estimates), reaching €28.9mn by 2023. EBITDA is expected to reach €7.5mn in FY23 (+13% vs previous estimates) with a 26% marginality. We forecast net income amounting to €2.5mn in FY21 and €4.3mn in FY23. We expect the Company to remain cash positive throughout the forecasted period and we also think that ESAU can leverage its strong balance sheet and cash position for expanding through M&As (which however are not included in our estimates).

**Valuation.** Our valuation – based on both DCF and a market multiples model – returns an average equity value of €68.47mn or €5.23ps. The expected price indicates a potential upside of 68.6% on the current market price.

### Relative Performance Chart since January 2020



## Research Update

April 19, 2021 – 7.00 h

### Equity Research Update

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### Market Data

Main Shareholders	
Franco Fontana	34.56%
Gianni Senzolo	30.69%
Mkt Cap (€ mn)	40.6
EV (€ mn)	32.3
Shares issued (mn)	13.1
Shares outstanding (mn)	12.7
Free Float (%)	20.1

Market multiples	2020	2021	2022
EV/EBITDA			
Esautomotion SpA	9.1x	6.4x	5.2x
Comps median	24.3x	22.4x	20.7x
Esautomotion SpA vs Median	-63%	-71%	-75%
P/EPS			
Esautomotion SpA	16.1x	15.9x	13.4x
Comps median	45.8x	35.6x	31.7x
Esautomotion SpA vs Median	-65%	-55%	-58%

Stock Data	
52 Wk High (€)	3.30
52 Wk Low (€)	1.46
Avg. Daily Trading 90d	24,563
Price Change 1w (%)	-0.6%
Price Change 1m (%)	7.3%
Price Change YTD (%)	44%

Note: Share Capital is calculated without considering multiple-voting shares

## Key Figures – Esautomotion S.p.A.

	Current price (€)	Fair Value (€)	Sector						Free Float (%)	
	3.10	5.23	Industrial Software						20.08	
Per Share Data										
	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	
Total shares issued (mn)	n.m.	n.m.	13.10	13.10	13.10	13.10	13.10	13.10	13.10	
Total shares outstanding (mn)	n.m.	n.m.	12.72	12.72	12.72	12.72	12.72	12.72	12.72	
EPS	n.m.	n.m.	0.24	0.13	0.19	0.19	0.26	0.34	0.40	
Dividend per share (ord)	n.a.	n.a.	0.05	0.04	0.05	0.04	0.04	0.05	0.07	
Dividend pay out ratio (%)	n.a.	n.a.	10.1%	16.7%	38.3%	20.0%	20.0%	20.0%	20.0%	
Profit and Loss (EUR million)										
Revenues	12.7	15.6	18.5	18.6	17.7	22.5	25.6	28.9	32.3	
EBITDA	3.2	4.6	5.0	3.4	3.6	5.0	6.2	7.5	8.7	
EBIT	2.4	3.5	3.8	1.8	1.9	3.4	4.6	5.9	7.0	
EBT	2.3	3.5	3.7	1.8	1.7	3.4	4.6	5.8	7.0	
Taxes	(0.7)	(1.0)	(0.7)	(0.1)	0.8	(0.9)	(1.2)	(1.6)	(1.9)	
Tax rate	31%	29%	18%	4%	-44%	27%	27%	27%	27%	
Net Income	1.6	2.5	3.0	1.7	2.4	2.5	3.3	4.3	5.1	
Net Income attributable to the Group	1.6	2.5	3.0	1.7	2.4	2.5	3.3	4.3	5.1	
Balance Sheet (EUR million)										
Total fixed assets	1.1	1.3	2.0	2.6	2.4	2.2	1.9	1.7	1.5	
Net Working Capital (NWC)	2.8	4.3	5.8	6.6	7.0	8.0	9.1	10.0	11.1	
Provisions	(0.1)	(0.2)	(0.3)	(0.3)	(0.3)	(0.7)	(1.1)	(1.4)	(1.8)	
Total Net capital employed	3.8	5.4	7.6	9.0	9.1	9.5	9.9	10.3	10.8	
Net financial position/(Cash)	0.7	0.0	(7.7)	(7.0)	(8.3)	(9.8)	(12.2)	(15.6)	(19.5)	
Group Shareholder's Equity	3.1	5.3	15.2	16.0	17.4	19.2	22.1	25.8	30.3	
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total Shareholder's Equity	3.1	5.3	15.2	16.0	17.4	19.3	22.1	25.8	30.3	
Cash Flow (EUR million)										
Net operating cash flow	0.0	0.0	4.3	3.3	3.2	4.1	5.0	5.9	6.8	
Change in NWC	0.0	0.0	(1.5)	(0.8)	(0.4)	(1.0)	(1.0)	(1.0)	(1.1)	
Capital expenditure	0.0	0.0	(1.9)	(1.6)	(0.7)	(1.2)	(1.2)	(1.2)	(1.2)	
Other cash items/Uses of funds	0.0	0.0	(0.1)	(0.0)	(0.1)	0.2	0.2	0.2	0.2	
Free cash flow	0.0	0.0	0.9	0.9	1.9	2.1	2.9	3.9	4.6	
Enterprise Value (EUR million)										
Market Cap	n.a.	n.a.	41.4	36.3	40.6	40.6	40.6	40.6	40.6	
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net financial position/(Cash)	0.7	0.0	(7.7)	(7.0)	(8.3)	(9.8)	(12.2)	(15.6)	(19.5)	
Enterprise value	n.a.	n.a.	33.7	29.3	32.3	30.8	28.5	25.0	21.1	
Ratios (%)										
EBITDA margin	25.2%	29.5%	27.2%	18.2%	20.1%	22.3%	24.3%	26.0%	26.8%	
EBIT margin	18.6%	22.5%	20.4%	9.7%	10.6%	15.2%	18.0%	20.3%	21.8%	
Gearing - Debt/equity	21.7%	0.7%	-50.3%	-44.0%	-47.9%	-50.8%	-55.1%	-60.3%	-64.4%	
Interest cover on EBIT	2.4%	1.2%	2.6%	2.4%	9.3%	0.9%	0.7%	0.5%	0.5%	
NFP/EBITDA	21.2%	0.8%	-152.1%	-208.3%	-234.7%	-194.5%	-195.8%	-207.9%	-225.0%	
ROCE	61.8%	65.4%	49.8%	20.2%	20.6%	36.2%	46.3%	57.2%	65.4%	
ROE	50.4%	46.3%	19.7%	10.6%	14.1%	12.9%	15.1%	16.5%	16.9%	
EV/Sales	n.m.	n.m.	1.75	1.74	1.83	1.43	1.26	1.12	1.00	
EV/EBITDA	n.m.	n.m.	6.42	9.56	9.08	6.42	5.20	4.31	3.72	
P/E	n.m.	n.m.	13.16	23.29	16.11	15.91	11.84	9.25	7.70	
Free cash flow yield	n.m.	n.m.	n.m.	3%	7%	8%	10%	14%	17%	
Growth Rates (%)										
Sales	-	23.1%	18.5%	0.5%	-4.8%	27.5%	13.5%	12.9%	11.8%	
EBITDA	-	44.1%	9.3%	-32.9%	5.3%	41.5%	23.5%	20.7%	15.7%	
EBIT	-	49.1%	7.5%	-52.0%	3.2%	83.8%	34.0%	27.8%	20.0%	
Net Income	-	56.6%	21.6%	-43.5%	44.5%	1.3%	34.3%	28.0%	20.1%	

Source: Company Data, KT&amp;Partners' elaboration

## FY20 Financial Results

The adoption over the last two years of a counter-cyclical strategy (i.e. aggressive price policy in order to acquire and retain clients, expansion of the product range to include hardware components, expansion in China and Turkey and production relocation eastwards) has paid back in 2020, allowing ESAU to show a good resilience in a weakening macroeconomic scenario.

After a sluggish 1H20, ESAU closed FY20 with a slight decrease in sales (-4.6% YoY) also thanks to a rebound in orders especially in the last quarter of the year (+40% YoY). Sales suffered especially in Italy and Europe, falling by -13% YoY, but were partially offset by the +8% performance recorded in foreign countries. At the end of 2020, sales came in at €17.5mn – substantially in line with our estimates (+2%) – with direct export sales accounting for 54% (ca. 80% factoring in resellers' share).

While revenue remained almost stable with respect to 2019, in FY20 ESAU posted a strong improvement in profitability. Gross margin increased by +1.7pp to 47.3% (+0.9pp above our expectations), mainly following lower purchase and production costs as a result of the relocation of hardware production to China. It is to be remembered that in 2020 ESAU promoted, through its Chinese subsidiary, a joint venture in China - two companies already suppliers of ESAU in Italy – with the aim of starting local production.

Gross margin improvement, along with a lower incidence of services costs and other operating costs, led EBITDA margin to increase by 1.9pp achieving 20.1%, exceeding our estimates by 2.1pp. FY20 EBITDA grew by +5.3% amounting to €3.6mn.

As for the bottom line, net income came in at €2.4mn, up by 44% and €1.3mn above our estimates, benefitting from a higher profitability and tax shield related to revaluation of assets carried during 2020 in accordance with D.L. 104/2020 and despite higher than previously expected D&As. By adjusting for tax credit, net income came in at €1.3mn, almost in line with our estimates.

Finally, a strong cash generation was recorded as well, with an OCF/EBITDA of 105% (vs 74% in 2019) and FCF/EBITDA of 86% (vs 27% in 2019) respectively. As a result, the net cash position improved from €7.0mn in FY19 to €8.3mn in FY20 (+€0.4mn above our estimates), notwithstanding investments carried out over the period and €0.92mn shareholder remuneration through dividends (€0.65mn) and buyback (€0.29mn).

Following FY20 results, ESAU's board approved a €0.05 dividend per share and a payout ratio of ca. 27%.

## FY20 Income Statement

€ Million	FY19A	FY20A	YoY Growth	FY20E (OLD)	A vs E
Revenues from sales and services	18.3	17.5	-4.6%	16.8	4.2%
Other Revenues	0.2	0.2	-17.2%	0.5	n.m.
<b>Total Revenues</b>	<b>18.6</b>	<b>17.7</b>	<b>-4.8%</b>	<b>17.3</b>	<b>2.2%</b>
Products and Raw materials	(10.1)	(9.3)	-7.7%	(9.3)	0.4%
<b>Gross Profit</b>	<b>8.5</b>	<b>8.4</b>	<b>-1.3%</b>	<b>8.0</b>	<b>4.3%</b>
<i>Gross Margin</i>	45.7%	47.3%	1.7%	46.4%	0.9%
Cost of Services	(3.0)	(2.8)	-6.2%	(2.7)	7.3%
Personnel Expenses	(1.8)	(1.8)	-1.0%	(1.8)	-1.4%
Other Operating Expenses	(0.2)	(0.1)	-34.8%	(0.4)	n.m.
<b>EBITDA</b>	<b>3.4</b>	<b>3.6</b>	<b>5.3%</b>	<b>3.1</b>	<b>14.4%</b>
<i>EBITDA margin</i>	18.2%	20.1%	1.9%	18.0%	2.1%
D&A and Provisions	(1.6)	(1.7)	7.7%	(1.5)	14.3%
<b>EBIT</b>	<b>1.8</b>	<b>1.9</b>	<b>3.2%</b>	<b>1.6</b>	<b>14.4%</b>
<i>EBIT margin</i>	9.7%	10.6%	0.8%	9.4%	
Financial Income and Expenses	(0.0)	(0.2)	n.m.	(0.2)	-5.9%
Extraordinary items	0.0	0.0		0.0	
<b>EBT</b>	<b>1.8</b>	<b>1.7</b>	<b>-4.1%</b>	<b>1.4</b>	<b>17.0%</b>
Taxes	(0.1)	0.8	n.m.	(0.3)	n.m.
<i>Tax Rate</i>	3.8%	-44.4%	-48.2%	23.2%	n.m.
<b>Net Income</b>	<b>1.7</b>	<b>2.4</b>	<b>44.0%</b>	<b>1.1</b>	<b>120.1%</b>
<i>Net margin</i>	9.1%	13.8%	0.0	6.4%	7.4%
Minorities		(0.0)		0.0	
<b>Net Income attributable to the Group</b>	<b>1.7</b>	<b>2.4</b>	<b>44.2%</b>	<b>1.1</b>	<b>120.4%</b>
<i>Net margin</i>	9.1%	13.8%	4.7%	6.4%	7.4%

Source: Company data

## FY20 Balance Sheet

€ Million	FY18A	FY19A	FY20A
<b>Fixed Assets</b>	<b>2.0</b>	<b>2.6</b>	<b>2.4</b>
Trade receivables	6.7	6.9	6.2
Inventory	3.9	4.0	3.1
Trade Payables	(4.3)	(3.8)	(2.8)
<b>Trade Working Capital</b>	<b>6.3</b>	<b>7.1</b>	<b>6.6</b>
Other assets and liabilities	(0.4)	(0.4)	0.5
<b>Net Working Capital</b>	<b>5.8</b>	<b>6.6</b>	<b>7.0</b>
<b>Net Capital Employed</b>	<b>7.6</b>	<b>9.0</b>	<b>9.1</b>
<b>Total shareholders' equity</b>	<b>15.2</b>	<b>16.0</b>	<b>17.4</b>
<b>Net Financial Position</b>	<b>(7.7)</b>	<b>(7.0)</b>	<b>(8.3)</b>
<b>Sources</b>	<b>7.6</b>	<b>9.0</b>	<b>9.1</b>

Source: Company data

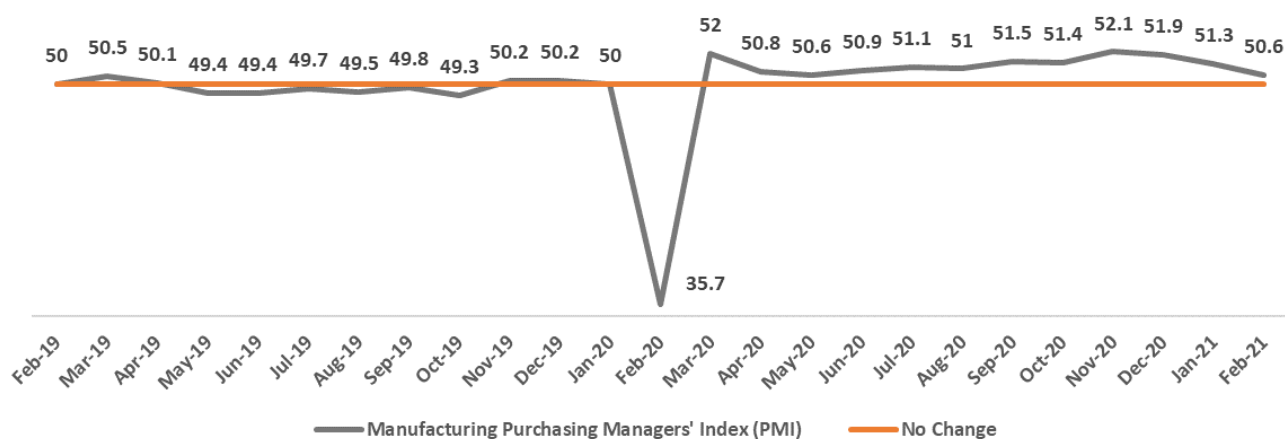
## Macro Trend Outlook and COVID-19 Impact

The pandemic that broke out around a year ago has profoundly compromised the results of the Italian machine tool industry, which according to the Italian association UCIMU, has recorded double-digit falls in 2020 (-23.7% YoY), closing the year with a production value of €4.9bn. The main driver of the contraction was the Italian market (-28.2% YoY), reaching a production of €2.09bn; the export market experienced a -20% decrease, reaching €2.88bn. In addition, 2020 also registered a decrease in order intake, down by -16% YoY.

On the international front, according to UCIMU's analysis based on ISTAT data, in the first nine months of the year (last available survey), the drop in exports of machine tools alone was heavy and generalized. Sales in the U.S., the top destination country for Italian products in the sector, fell to €229mn (-21.4%), followed by Germany €185mn (-31.2%), China €162mn (-28.2%), France €115mn (-34.3%) and Poland €92mn (-30.8%).

Special mention must be made of the Chinese market; the lockdown registered a significant impact on Chinese industrial and order activities that were depressed in February 2020. In the latter period, China's Purchasing Managers Index (PMI), which provides an early indication each month of economic activity in the Chinese manufacturing sector, hit a record low of 35.7 but rebounded above 50 in a year, suggesting a broad recovery over 2021.

Chinese PMI Evolution from February 2019 to February 2021



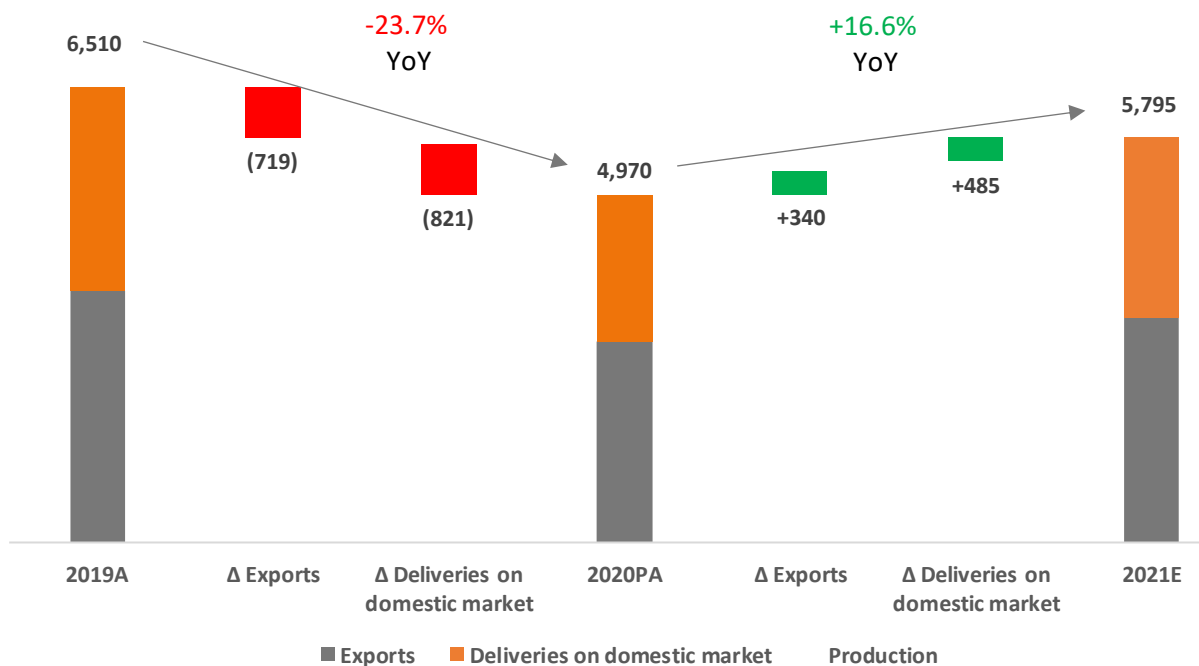
Source: National Bureau of Statistics, KT&Partners' elaboration; a PMI below 50 suggests a contraction, while a PMI above 50 suggests expansion

The health crisis made its effects felt even more strongly on the domestic front. In 2020, consumption of machine tools, robots and automation in Italy fell by -30.3% to €3.38bn, penalizing both deliveries by Italian manufacturers and imports, which fell by -33.4% to €1.3bn. The strong reduction in domestic consumption of machine tools led to the increase in the ratio of exports to production, from 55.3% in 2019 to 57.9% in 2020.

Despite a weak 2020, the outlook for 2021 is positive although the ground lost in the past twelve months will not be fully recovered. For the Italian machine tool, robot and automation industry, according to the forecasts drawn up by the UCIMU Study Centre, in 2021 production will grow to €5.8bn (+16.6% compared to 2020), driven by the recovery of exports, which will reach €3.2bn (+11.8%), and by the increase in deliveries by manufacturers on the domestic market, which will rise to €2.6bn (+23.2%). Consumption

will become dynamic again, rising by 23.3% to €4.2bn. Imports will also return to growth at €1.6bn, up by 23.6% on the previous year. Exports as a percentage of production will return to 55.6% as a result of the balance of Italian manufacturers' activities between the domestic and foreign markets.

#### Italian Machine Tool, Automation and Robot Industry Evolution from 2019A to 2021E



Source: Studies Department UCIMU-SISTEMI PER PRODURRE, KT&Partners' elaboration; 2020 unofficial data and 2021 forecast

## Change in Estimates

COVID-19 pandemic has proven that automation and connected solutions allow operations to continue even in situations where traditional labor physically cannot. As a result, companies are accelerating their investments in computer-controlled equipment and robotic technology as they are increasingly seen as key factors for future competitiveness. In 4Q20, ESAU's business benefitted from a rebound in orders (+40%YoY), recording a positive trend also in 1Q21.

In the coming years, ESAU is expected to remain focused on its international development while expanding its offer both in the high- and low-end market. The Company also aims at strengthening its presence in China following recent investments and agreements with new clients which are suppliers of international brands such as Tesla, BMW and CRRC (the world's largest rolling stock manufacturer, which for 2021 has already ordered 33 laser machines equipped with ESAU CNCs). Although the impact on ESA's FY21 top-line is expected to be marginal, we think that these new partnerships will bring greater visibility allowing the Company to win new business.

In addition to China, ESAU will keep expanding in Turkey and the U.S. In pursuing this goal, ESAU will appoint: i) a technical/commercial figure supporting the local distributor in Turkey; and ii) an on-site manager operating in the U.S.

This comes with a product offer expansion: new state-of-the-art solutions are scheduled to be released by mid-2021. Furthermore, ESAU has recently appointed two figures with long experience in the CNC market as R&D Manager (Francesca Villoresi) and Production Manager (Lorenzo Ruspaggiari).

Additionally, in FY21 ESAU will carry on the relocation of production to China. According to the management, the production of the entire range of ESAU's products could be carried out in the production site based in Shanghai by the end of 2021. As a result, we expect a further improvement of the Company's profitability following the reduction of production costs and the optimization of logistics and the distribution process.

In view of all this, we expect a positive outlook for 2021 in terms of sales volumes, profitability and cash generation. We have slightly revised upward our top-line estimates, anticipating revenue to grow at +17.8% CAGR2020-23 (vs +17.4% CAGR2020-23 of our previous estimates), reaching ca. €28.9mn by 2023.

We now expect EBITDA to grow at the higher pace of +28.2% CAGR2020-23 (or +5.2pp above our previous forecast) mainly thanks to a lower incidence of production costs following production's relocation to China. We forecast EBITDA to go from ca. €5.0mn (22% EBITDA margin) to €7.5mn in FY23 (26% EBITDA margin).

Following the higher than previously expected improvement in profitability, we now expect net income to increase from €2.4mn to €4.3mn in FY23, growing at a +20.3% CAGR2020-23 and +6.7pp above our previous estimates.

Lastly, we expect that the growing and profitable business, along with the asset-light business model and a better management of inventory will lead to strong cash generation, allowing ESAU to remain cash positive for the length of the plan, reaching a net cash position of €15.6mn by 2023.

## Change in Estimates

€ Million	2019A	2020A	2021E Old KT&P	2021E New KT&P	Change	2022E Old KT&P	2022E New KT&P	Change	2023E Old KT&P	2023E New KT&P	Change	CAGR Old 2020-'23	CAGR New 2020-'23
Revenues	18.6	17.7	22.1	22.5	1.9%	25.1	25.6	1.9%	28.6	28.9	0.9%	17.4%	17.8%
YoY Change (%)			25.1%	27.5%		13.5%	13.5%		14.0%	12.9%			
EBITDA	3.4	3.6	4.4	5.0	13.6%	5.5	6.2	13.2%	6.6	7.5	13.3%	23.0%	28.2%
YoY Change (%)			24.6%	41.5%		23.9%	23.5%		20.6%	20.7%			
EBITDA margin%	18.2%	20.1%	20.0%	22.3%		21.9%	24.3%		23.1%	26.0%			
EBIT	1.8	1.9	2.9	3.4	17.4%	4.0	4.6	15.1%	5.1	5.9	15.7%	39.6%	46.5%
YoY Change (%)			56.6%	83.8%		36.7%	34.0%		27.2%	27.8%			
Net Income	1.7	2.4	2.2	2.5	13.4%	2.8	3.3	18.2%	3.6	4.3	18.8%	13.6%	20.3%
YoY Change (%)			-10.7%	1.3%		28.8%	34.3%		27.3%	28.0%			
Net Debt	(7.0)	(8.3)	(8.5)	(9.8)	(1.3)	(10.2)	(12.2)	(1.9)	(12.6)	(15.6)	(3.0)		

Source: FactSet, KT&amp;Partners' elaboration



## Valuation

Following the projections of ESAU's future financials, we carried out the valuations of the Company by applying the DCF and market multiples methods:

1. EV/EBITDA and P/EPS multiples, which returns a value of €6.54ps;
2. DCF analysis based on WACC of 11.3% and 1.5% perpetual growth, returns a value of €3.91ps.

The average of the two methods yields a fair value of €5.23ps or an equity value of €68.47mn.

### Valuation Recap

	Equity Value €mn	Value per share €
DCF	51.20	3.91
EV/EBITDA	96.62	7.37
P/EPS	74.86	5.71
Average Multiples	85.74	6.54
<b>Total Average</b>	<b>68.47</b>	<b>5.23</b>

*Source: FactSet, KT&Partners' elaboration*

## Market Multiples Valuation

Following the comparables analysis, we proceeded with the definition of market multiples for each peer group, focusing on 2021-22 data.

### Peer Comparison – Market Multiples 2021-2022

Company Name	Exchange	Market Cap	EV/SALES 2020	EV/SALES 2021	EV/SALES 2022	EV/EBITDA 2020	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBIT 2020	EV/EBIT 2021	EV/EBIT 2022	P/EPS 2020	P/EPS 2021	P/EPS 2022
Fanuc Corporation	Tokyo	42,153	8.7x	7.1x	6.6x	30.4x	20.7x	18.0x	n.m	26.3x	22.7x	58.0x	36.4x	31.4x
Renishaw plc	London	5,397	9.2x	8.2x	7.4x	n.m	30.2x	25.6x	n.m	39.9x	32.9x	131.4x	54.0x	43.1x
Dassault Systemes SA	Euronext Paris	50,539	11.8x	11.0x	10.1x	n.m	31.0x	28.0x	39.0x	35.7x	31.9x	50.7x	46.0x	41.0x
Hexagon AB Class B	OMXStockholm	30,838	8.8x	8.1x	7.6x	24.2x	22.1x	20.7x	35.4x	29.7x	27.4x	40.9x	34.7x	32.0x
Rockwell Automation, Inc.	NYSE	25,645	5.1x	4.7x	4.5x	24.4x	22.6x	20.7x	25.7x	26.3x	23.4x	34.0x	29.5x	27.6x
IGE+XAO SA	Euronext Paris	257	6.4x	6.1x	5.8x	17.0x	16.9x	15.9x	19.8x	19.2x	17.9x	32.6x	30.7x	28.1x
<b>Average peer group</b>		<b>25,805</b>	<b>8.3x</b>	<b>7.5x</b>	<b>7.0x</b>	<b>24.0x</b>	<b>23.9x</b>	<b>21.5x</b>	<b>30.0x</b>	<b>29.5x</b>	<b>26.0x</b>	<b>58.0x</b>	<b>38.6x</b>	<b>33.9x</b>
<b>Median peer group</b>		<b>28,242</b>	<b>8.7x</b>	<b>7.6x</b>	<b>7.0x</b>	<b>24.3x</b>	<b>22.4x</b>	<b>20.7x</b>	<b>30.6x</b>	<b>28.0x</b>	<b>25.4x</b>	<b>45.8x</b>	<b>35.6x</b>	<b>31.7x</b>
Esautomotion SpA	Milan	41	1.8x	1.4x	1.3x	9.1x	6.4x	5.2x	17.3x	9.4x	7.0x	16.1x	15.9x	13.4x

Source: FactSet, KT&Partners' elaboration

We based our evaluation upon our estimates of ESAU's EBITDA and EPS for 2021 and 2022.

### EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2021E	2022E
EV/EBITDA Comps	22.4x	20.7x
ESA EBITDA	5.0	6.2
<b>Enterprise value</b>	<b>112.5</b>	<b>128.5</b>
ESA FY20A Net Debt	-8.3	-8.3
<b>Equity Value</b>	<b>120.8</b>	<b>136.9</b>
Average Equity Value	<b>128.8</b>	
Liquidity Discount	25%	
<b>Equity Value Post-Discount</b>	<b>96.6</b>	
Number of shares (thousand)	<b>13,103</b>	
<b>Value per Share €</b>	<b>7.4</b>	

Source: FactSet, KT&Partners' elaboration

### P/EPS Multiple Valuation

Multiple Valuation (€mn)	2021E	2022E
P/EPS Comps	35.6x	31.7x
ESA EPS	0.195	0.262
<b>Equity Value per Share</b>	<b>6.9</b>	<b>8.3</b>
Average Value per Share	<b>7.6</b>	
Liquidity Discount	25%	
<b>Value per Share Post-Discount</b>	<b>5.7</b>	
<b>Equity Value Post discount</b>	<b>74.9</b>	
Number of shares (mn)	<b>13,103</b>	
<b>Value per Share €</b>	<b>5.7</b>	

Source: FactSet, KT&Partners' elaboration

## DCF Valuation

We have also conducted our valuation using a five-year DCF model, based on 13.1% cost of equity, 3% cost of debt and a D/E ratio of 20% (Damodaran for Machinery where ESAU is included). The cost of equity is a function of the risk-free rate of 0.7% (Italian 10y BTP), 5.39% equity risk premium (Damodaran – June ERP T12 m with sustainable payout) and a premium for size and liquidity of 5.9%. We, therefore, obtained 11.3% WACC.

We discounted 2021E-24E annual cash flows and considered a terminal growth rate of 1.5%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

### DCF Valuation

€ Million	2021E	2022E	2023E	2024E
EBIT	3.4	4.6	5.9	7.0
Taxes	(0.9)	(1.2)	(1.6)	(1.9)
D&A	1.4	1.4	1.4	1.4
Change in Net Working Capital	(1.0)	(1.0)	(1.0)	(1.1)
Change in Funds	0.4	0.4	0.4	0.4
<b>Net Operating Cash Flow</b>	<b>3.3</b>	<b>4.1</b>	<b>5.1</b>	<b>5.8</b>
Capex	(1.2)	(1.2)	(1.2)	(1.2)
<b>FCFO</b>	<b>2.1</b>	<b>2.9</b>	<b>3.9</b>	<b>4.6</b>
<b>g</b>	<b>1.5%</b>			
<b>Wacc</b>	<b>11.3%</b>			
FCFO (discounted)	1.9	2.4	3.0	3.1
Discounted Cumulated FCFO	10.4			
TV	48.2			
TV (discounted)	32.4			
<b>Enterprise Value</b>	<b>42.9</b>			
NFP FY20	(8.3)			
<b>Equity Value</b>	<b>51.2</b>			
Current number of shares (k)	13.1			
<b>Value per share (€)</b>	<b>3.91</b>			

Source: Company Data, KT&Partners' elaboration

### Sensitivity Analysis (€mn)

€ Million		WACC				
Terminal growth Rate		11.8%	11.5%	11.3%	11.0%	10.8%
	1.0%	47.4	48.4	49.5	50.6	51.7
	1.3%	48.2	49.2	50.3	51.4	52.6
	1.5%	49.0	50.1	51.2	52.4	53.6
	1.8%	49.8	50.9	52.1	53.4	54.7
	2.0%	50.7	51.9	53.1	54.4	55.8

Source: Company Data, KT&Partners' elaboration

## Appendix

### Peer Comparison

We carried out an in-depth analysis of public companies that could potentially be considered as peers of ESAU, considering its two business units together with its growth profile and the profitability structure.

We built a six-company sample which includes:

- **Fanuc Corporation:** listed on the Tokyo stock exchange, with a market capitalization of €42.2bn, Fanuc Corp. engages in the development, manufacture, sale and maintenance of CNC systems, lasers, robot systems, robomachines, roboshot, robocut and nano robots. It operates through the following divisions: Factory Automation (FA), Robot, and Robomachine. In 2020, the company revenues reached €4.2bn.
- **Dassault Systemes SA:** listed on the Paris Euronext, with a market capitalization of €50.5bn, Dassault Systemes provides software solutions and consulting services. It offers end-to-end software applications which cover a wide range of industry segments. In 2020, the company revenues reached €4.5bn.
- **Renishaw plc.:** listed on the London stock exchange, with a market capitalization of €5.4bn, Renishaw engages in the design, manufacture, and marketing of metrology and healthcare products. In 2020, the company revenues reached €0.6bn.
- **Rockwell Automation, Inc.:** listed on the NYSE, with a market capitalization of €25.6bn, Rockwell Automation, Inc. engages in the provision of industrial automation and information services. It operates through the Architecture and Software, and Control Products and Solutions segment. The Architecture and Software segment contains hardware, software, and communication components of its integrated control and information architecture. In 2020, the company revenues reached €5.4bn.
- **Hexagon AB:** quoted on the Stockholm stock exchange, with a market capitalization of €30.8bn, Hexagon AB provides information technology solutions that drive productivity and quality across geospatial and industrial enterprise applications. The company operates through the following business segments: Geospatial Enterprise Solutions and Industrial Enterprise Solutions. In 2020, the company revenues reached €3.8bn.
- **Ige+Xao SA:** quoted on the Euronext Paris exchange, with a market capitalization of €0.25bn, Ige+Xao SA engages in design, production, sales and support for Computer Aided Design (CAD) and Product Lifecycle Management (PLM) software. In 2020, the company revenues reached €0.03bn.

## Peer Comparison – Performance Analysis

Company Name	Price change % 3Month	Price change % 6Month	Price change % 1Year	Price change % YTD	Price change % Latest Update (07.10.2019) to Date	From Latest Update (07.10.2019) to Date	Price change % From COVID spread in Italy (20.02.2020) to Date
Fanuc Corporation	-0.9%	32.5%	81.0%	8.1%	43.4%		34.9%
Renishaw plc	10.4%	9.7%	99.7%	10.4%	74.5%		61.3%
Dassault Systemes SA	16.9%	19.6%	46.9%	15.3%	43.5%		22.6%
Hexagon AB Class B	11.2%	23.7%	80.7%	12.4%	90.4%		47.4%
Rockwell Automation, Inc.	-0.3%	7.4%	59.9%	4.4%	66.9%		27.6%
IGE+XAO SA	-2.0%	16.9%	42.6%	-2.0%	19.8%		19.0%
Average	5.9%	18.3%	68.5%	8.1%	56.4%		35.5%
Median	5.1%	18.2%	70.3%	9.3%	55.2%		31.2%
<b>Esautomotion SpA</b>	<b>4.7%</b>	<b>60.6%</b>	<b>71.6%</b>	<b>45.4%</b>	<b>6.2%</b>		<b>28.6%</b>

Source: FactSet, KT&amp;Partners' elaboration

## Peers Comparison – Sales (€mn) and Sales CAGR (%)

Company Name	Sales		YoY %	Sales			CAGR 2020-'23
	2019	2020		2021	2022	2023	
Fanuc Corporation	4,208	4,107	-2.4%	5,014	5,416	5,600	81.3%
Dassault Systemes SA	4,018	4,465	11.1%	4,775	5,203	5,644	85.5%
Renishaw plc	651	564	-13.3%	634	704	758	82.1%
Rockwell Automation, Inc.	5,935	5,355	-9.8%	5,790	6,166	6,414	88.7%
Hexagon AB Class B	3,908	3,764	-3.7%	4,084	4,325	4,551	88.1%
IGE+XAO SA	34	33	-3.6%	34	36	n.a.	n.a.
<b>Esautomotion SpA</b>	<b>19</b>	<b>18</b>	<b>-4.8%</b>	<b>23</b>	<b>26</b>	<b>29</b>	<b>71.5%</b>
<b>Average Peers</b>	<b>8,807</b>	<b>8,898</b>	<b>1.0%</b>	<b>9,480</b>	<b>10,031</b>	<b>11,197</b>	<b>85.8%</b>

Source: FactSet, KT&amp;Partners' elaboration

## Peers Comparison – EBITDA Margin, EBIT Margin and Net Margin

Company Name	EBITDA Margin					EBIT Margin				Net Margin				
	2019	2020	2021	2022	2023	2020	2021	2022	2023	2019	2020	2021	2022	2023
Fanuc Corporation	26.4%	28.6%	34.4%	36.7%	n.m.	20.0%	27.0%	29.0%	29.6%	14.4%	16.8%	21.7%	23.4%	23.7%
Dassault Systemes SA	30.9%	33.4%	35.6%	36.1%	35.2%	30.2%	30.9%	31.7%	31.0%	15.3%	22.3%	23.1%	23.7%	24.4%
Renishaw plc	23.4%	16.0%	27.2%	28.9%	29.6%	6.8%	20.6%	22.4%	23.0%	16.1%	0.1%	16.3%	18.4%	18.9%
Rockwell Automation, Inc.	22.4%	20.9%	20.9%	21.5%	22.3%	19.9%	18.0%	19.1%	19.6%	10.4%	16.2%	17.1%	14.7%	15.4%
Hexagon AB Class B	30.2%	36.2%	36.6%	36.9%	36.8%	24.8%	27.2%	27.9%	28.3%	18.0%	16.6%	21.3%	22.0%	22.4%
IGE+XAO SA	30.8%	37.6%	36.2%	36.5%	n.m.	32.4%	31.8%	32.3%	n.m.	20.3%	24.2%	24.5%	25.1%	n.m.
Average	21.9%	25.5%	27.9%	29.0%	28.3%	21.1%	23.9%	25.1%	25.3%	12.7%	16.8%	19.0%	19.9%	20.1%
<b>Esautomotion SpA</b>	<b>18.2%</b>	<b>20.1%</b>	<b>22.3%</b>	<b>24.3%</b>	<b>26.0%</b>	<b>10.6%</b>	<b>15.2%</b>	<b>18.0%</b>	<b>20.3%</b>	<b>9.1%</b>	<b>13.8%</b>	<b>11.0%</b>	<b>13.0%</b>	<b>14.8%</b>

Source: FactSet, KT&amp;Partners' elaboration

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- HOLD – FOR A FAIR VALUE <15% AND >-15% ON CURRENT PRICE
- REDUCE – FOR A FAIR VALUE < -15% ON CURRENT PRICE



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