

Outperforming the Market with Sound Profitability!

ADD | Fair Value: €8.25 (€8.25) | Current Price: €5.10 | Upside: 61.7%

€ Million	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Total Revenues	18.5	18.6	17.7	28.6	31.2	33.6	36.0
EBITDA	5.0	3.4	3.6	8.0	8.8	9.6	10.3
margin	27.2%	18.2%	20.1%	28.1%	28.2%	28.5%	28.7%
Net Profit	3.0	1.7	2.4	5.0	5.2	5.8	6.4
margin	16.2%	9.1%	13.8%	17.6%	16.8%	17.3%	17.6%
EPS	0.23	0.13	0.19	0.40	0.41	0.46	0.50
NFP	(7.7)	(7.0)	(8.3)	(10.5)	(14.0)	(18.2)	(22.9)

Source: Company data; KT&Partners' elaboration

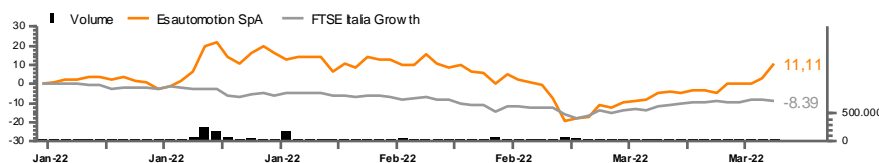
Strong Performance, Profitability, and Cash Generation in FY21. ESAU-IT closed 2021 with €28.3mn of sales (+62% YoY), outperforming the FA division of FANUC – one of the market's leaders in CNC – which increased by +50% over the same period. According to the management, the positive trend has been also recorded in the 1Q22. In FY21, ESAU-IT's management has remained focused on implementing its strategy based on: i) further penetration of the most resilient markets (China, Turkey), and high potential markets (USA); ii) strengthening its workforce by hiring key figures in R&D and logistics; and iii) expanding its offer with complementary products to leverage on cross- and up-selling opportunities. Gross margin amounted to 47.9%, up by +0.6pp YoY – despite the persistent impact of the global shortage on raw material cost – also benefitting from production delocalization of Asian sales in Shanghai. Gross margin improvement along with economies of scale in OpEx led EBITDA margin increase by 8pp YoY to 28.1%. EBITDA grew at triple-digit pace, reaching €8mn. Net income came in at €5mn (ca. 2x FY20 figures and +7.8% above our estimates thanks to lower taxes) with an outstanding net margin of 17.6%. The company recorded strong cash generation, improving its cash position by €2.2mn to €10.5mn. ESAU-IT's BoD will propose a €0.1per share dividend payment (+100%) to the Shareholders' Meeting, implying a dividend yield of ca. 2%.

Update on the machine tools market. In 2021, according to UCIMU, the Italian production of machine tools (the primary market for CNC systems), posted a +22.1% YoY growth, reaching €6.3bn, although still below pre-COVID level due to longer lead time following the global shortage. For 2022, UCIMU anticipates a double digit-growth of +10.9% compared to 2021 in the production of machine tools. A boost to the domestic consumption will keep coming also from the government measures to support the renovation and digitalization of machines.

Estimates unchanged. On the back of FY21 financial results and the good signals of 1Q22, we confirm our 2022-24 estimates updated in February 2022 following preliminary results. We note that ESAU-IT does not have customers and supply relationships in countries involved in the Russian-Ukraine conflict, thus it will not suffer a direct impact on its business. We anticipate total revenues to grow at a CAGR21-24 of 8%, driven by a growing contribution from foreign countries (i.e. China, Turkey, and USA), the recovery in global demand for machine tools and up- and cross-selling activities on existing clients. We prudentially anticipate FY22E EBITDA margin at 28.2% (almost in line with FY21), reaching 28.7% in 2024. Finally, we expect net cash to improve by ca. €12mn to €21.7mn in FY24.

Fair value confirmed at €8.25ps. ESAU-IT is trading at 67% and 53% discount on 2022 EV/EBITDA and P/EPS, respectively, vs its peers. Our valuation – based on both DCF and a market multiples model – returns an average equity value of €108mn or €8.25ps, implying a potential upside of +61.7% on the current market price.

Relative Performance Chart YTD



Research Update

April 1, 2022 – 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)	66.8
EV (€ mn)	56.3
Shares issued (mn)	13.1
Shares outstanding (mn)	12.7
Free Float (%)	24.9

Market multiples	2021	2022	2023
EV/EBITDA			
Esautomotion SpA	7.0x	6.4x	5.9x
Comps median	21.9x	19.2x	13.6x
Esautomotion SpA vs Median	-68%	-67%	-57%
P/EPS			
Esautomotion SpA	12.9x	12.4x	11.2x
Comps median	26.7x	26.1x	23.4x
Esautomotion SpA vs Median	-52%	-53%	-52%

Stock Data

52 Wk High (€)	6.00
52 Wk Low (€)	3.00
Avg. Daily Trading 90d	31,453
Price Change 1w (%)	12.3%
Price Change 1m (%)	6.3%
Price Change YTD (%)	9%

Note: Share Capital is calculated considering multiple-voting shares

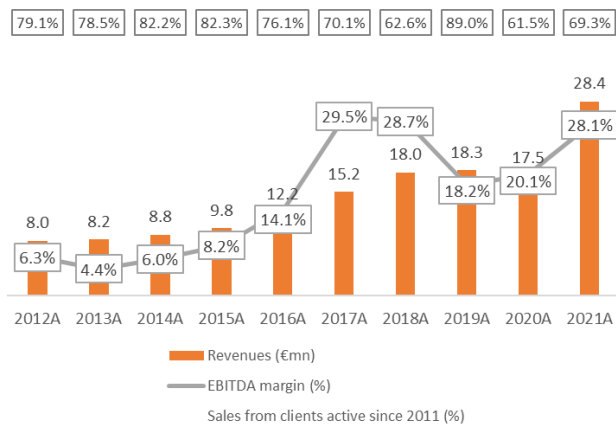
Key Figures – Esautomotion S.p.A.

	Current price (€)	Fair Value (€)	Sector					Free Float (%)
	5.10	8.25	Industrial Software					24.9
Per Share Data	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Total shares issued (mn)	13.10	13.10	13.10	13.10	13.10	13.10	13.10	13.10
Total shares outstanding (mn)	12.72	12.72	12.72	12.72	12.72	12.72	12.72	12.72
EPS	0.24	0.13	0.19	0.40	0.41	0.46	0.50	0.55
Dividend per share (ord)	0.05	0.04	0.05	0.05	0.10	0.10	0.11	0.13
Dividend pay out ratio (%)	10.1%	16.7%	37.6%	26.0%	25.2%	25.2%	25.2%	25.2%
Profit and Loss (EUR million)								
Revenues	18.5	18.6	17.7	28.6	31.2	33.6	36.0	38.6
EBITDA	5.0	3.4	3.6	8.0	8.8	9.6	10.3	11.2
EBIT	3.8	1.8	1.9	6.4	7.2	8.0	8.7	9.6
EBT	3.7	1.8	1.7	6.4	7.2	8.0	8.7	9.6
Taxes	(0.7)	(0.1)	0.8	(1.4)	(1.9)	(2.1)	(2.4)	(2.6)
Tax rate	18%	4%	-44%	21%	27%	27%	27%	27%
Net Income	3.0	1.7	2.4	5.0	5.2	5.8	6.4	7.0
Balance Sheet (EUR million)								
Total fixed assets	2.0	2.6	2.4	2.4	2.2	2.0	1.7	1.5
Net Working Capital (NWC)	5.8	6.6	7.0	9.4	10.3	10.9	11.5	11.4
Provisions	(0.3)	(0.3)	(0.3)	(0.4)	(0.6)	(0.7)	(0.9)	(1.1)
Total Net capital employed	7.6	9.0	9.1	11.4	11.9	12.1	12.3	11.8
Net financial position/(Cash)	(7.7)	(7.0)	(8.3)	(10.5)	(14.0)	(18.2)	(22.9)	(28.7)
Total Shareholder's Equity	15.2	16.0	17.4	21.9	25.9	30.3	35.2	40.6
Cash Flow (EUR million)								
Net operating cash flow	4.3	3.3	3.2	6.7	6.9	7.4	8.0	8.6
Change in NWC	(1.5)	(0.8)	(0.4)	(2.4)	(0.9)	(0.6)	(0.6)	0.0
Capital expenditure	(1.9)	(1.6)	(0.7)	(1.3)	(1.4)	(1.4)	(1.4)	(1.4)
Other cash items/Uses of funds	(0.1)	(0.0)	(0.1)	0.1	0.2	0.2	0.2	0.2
Free cash flow	0.9	0.9	1.9	3.1	4.7	5.7	6.2	7.5
Enterprise Value (EUR million)								
Market Cap	41.4	36.3	23.4	41.7	66.8	66.8	66.8	66.8
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial position/(Cash)	(7.7)	(7.0)	(8.3)	(10.5)	(14.0)	(18.2)	(22.9)	(28.7)
Enterprise value	33.7	29.3	15.1	31.2	52.9	48.6	44.0	38.1
Ratios (%)								
EBITDA margin	27.2%	18.2%	20.1%	28.1%	28.2%	28.5%	28.7%	29.1%
EBIT margin	20.4%	9.7%	10.6%	22.4%	23.1%	23.7%	24.2%	24.9%
Gearing - Debt/equity	-50.3%	-44.0%	-47.9%	-48.1%	-54.0%	-60.2%	-65.1%	-70.9%
Interest cover on EBIT	2.6%	2.4%	9.3%	-0.5%	0.3%	0.3%	0.2%	0.2%
NFP/EBITDA	-152.1%	-208.3%	-234.7%	-131.1%	-158.6%	-190.1%	-221.1%	-255.8%
ROCE	49.8%	20.2%	20.6%	56.2%	60.5%	66.1%	71.0%	81.3%
ROE	19.7%	10.6%	14.1%	23.0%	20.3%	19.2%	18.1%	17.3%
EV/Sales	3.0x	3.0x	3.2x	2.0x	1.8x	1.7x	1.6x	1.5x
EV/EBITDA	11.2x	16.7x	15.8x	7.0x	6.4x	5.9x	5.4x	5.0x
P/E	21.7x	38.3x	26.5x	12.9x	12.4x	11.2x	10.2x	9.3x
Free cash flow yield	n.m.	2%	3%	6%	8%	10%	11%	13%
Growth Rates (%)								
Revenues	18.5%	0.5%	-4.8%	61.8%	9.1%	7.6%	7.1%	7.1%
EBITDA	9.3%	-32.9%	5.3%	126.3%	9.6%	8.8%	7.9%	8.6%
EBIT	7.5%	-52.0%	3.2%	242.8%	12.6%	10.6%	9.5%	10.2%
Net Income	21.6%	-43.5%	44.5%	106.1%	4.0%	10.7%	9.5%	10.2%

Source: Company data, KT&Partners' elaboration

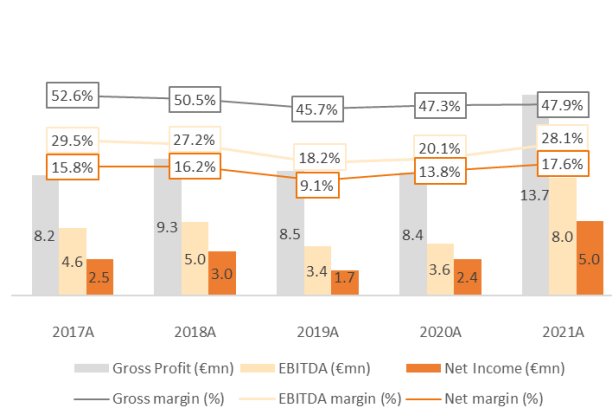
Key charts

Revenue and EBITDA margin (€mn, %)



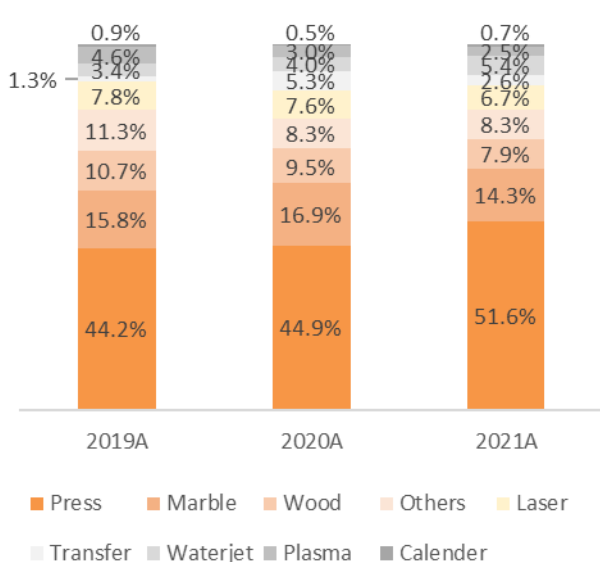
Source: Company data, KT&Partners' elaboration.

Profitability Evolution (€mn, %)



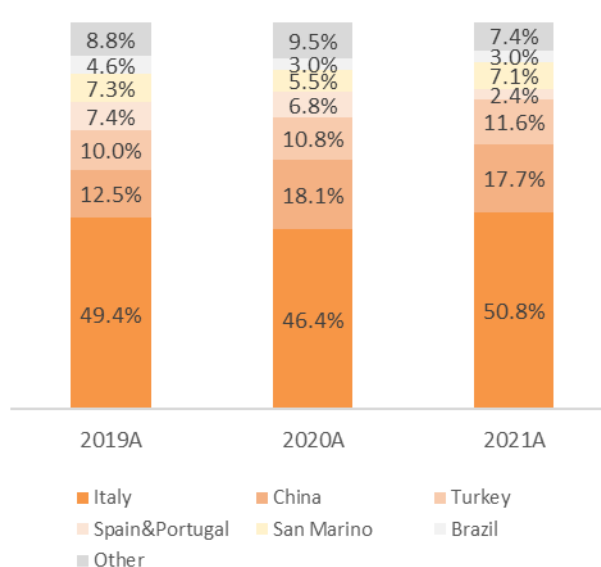
Source: Company data, KT&Partners' elaboration

Revenues by Application (%)



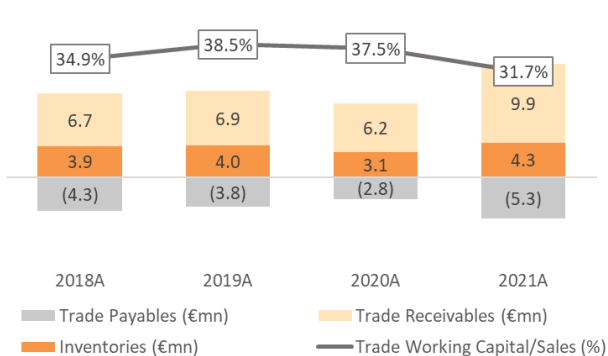
Source: Company data, KT&Partners' elaboration

Revenues by Geography (%)



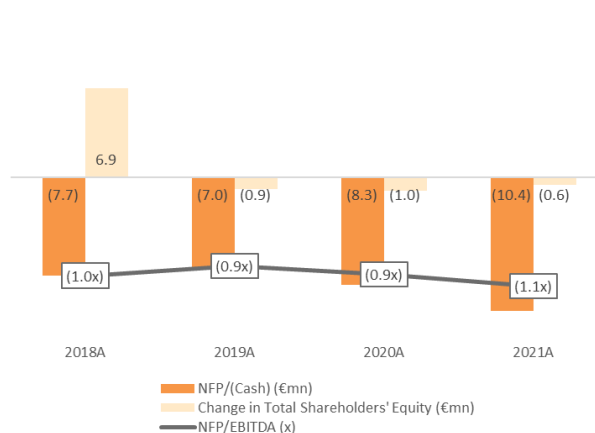
Source: Company data, KT&Partners' elaboration

Trade Working Capital (€mn, %)



Source: Company data, KT&Partners' elaboration

NFP and Change in Total Shareholders' Equity (€mn)



Source: Company data, KT&Partners' elaboration

Overview

Company description

Esautomation (ESA-IT) is active in the B2B high-end CNC market, developing and selling Integrated Mechatronic CNC Systems (Software and HW), Motors, Drivers, and other tools for the automation of industrial production machines. ESAU is the only manufacturer in the world that offers integrated CNC systems able to cover all the processing phases (up to the interface) of sheet metal, wood, and marble.

ESAU-IT listed on Euronext Growth Milan on July 6th, 2018, with an IPO market capitalization of ca. €35.1mn and ca. €9mn of capital raised, aimed at: i) further expanding eastward (China, Turkey and India); ii) expanding offer in both high- and low-end CNC markets, including other hardware components as well; and iii) acquiring self-making CNC manufacturers and/or manufacturers of complementary products to CNC.

Investment case

- **Strong Performance, Profitability, and Cash Generation.** Since the management buyout, the Group has shown a great ability in matching sustainable growth with profitability and cash flow generation, leveraging the growth of the reference market, the cross-selling opportunities, and operating efficiency. ESAU's turnover has gone from €8mn in FY12 to €28.3mn in FY21, while EBITDA margin went from 6.3% in FY12 to 28.1% in FY21. Finally, a strong cash generation was recorded as well. At the end of 2021, OCF/EBITDA and FCF/EBITDA ratios stood at 54% and 39%, respectively, leading net cash position to €10.5mn (from €8.3mn in FY20). Leveraging on the strong cash position and balance sheet, greater growth could come from M&As.
- **Strategy's validity confirmed also during weakening macroeconomic scenarios.** The adoption over the 2019-20 period 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 relocation of part of production eastward) has allowed ESAU to show a good resilience in a weakening macroeconomic scenario.
- **New opportunities to foster business growth.** The recovery in global demand for machine tools – the primary market for CNC systems – has been driven by: i) a renovation wave involving CNC machines in developed countries, also boosted by government measures, where the installed fleet is 5-20 years old and risks becoming obsolete; ii) the gradual shift from manual machines to CNC machines in emerging countries, where the current installed CNC fleet is 20%-45% of the total.
- **A Global Presence.** Since 2011, ESAU has also undertaken an internationalization process in 32 countries, which allowed the company to directly sell abroad ca. 50% of its products in 2020 (ca. 80% if also considering indirect sales). China is one of the fastest growing markets, with an incidence on turnover of ca. 18% in FY21, underlining the importance for Chinese manufacturers of equipping their industrial machines with high-quality CNC systems.

Recent developments

- **Client base expansion.** In 2021, ESAU-IT acquired new clients that are suppliers of international brands (Tesla, BMW, and CRRC, the world's largest rolling stock manufacturers), allowing the company to increase its visibility.
- **A strengthened management team.** In 2021, ESAU has appointed two figures with long experience in the CNC market as R&D Manager (Francesca Villaresi) and Production Manager (Lorenzo Ruspaggiari).
- **Production delocalization regarding Asian sales in Shanghai.** In 2020 ESAU-IT promoted, through its Chinese subsidiary, a joint venture in China – with two companies already suppliers of ESAU in Italy – with the aim of starting local production.

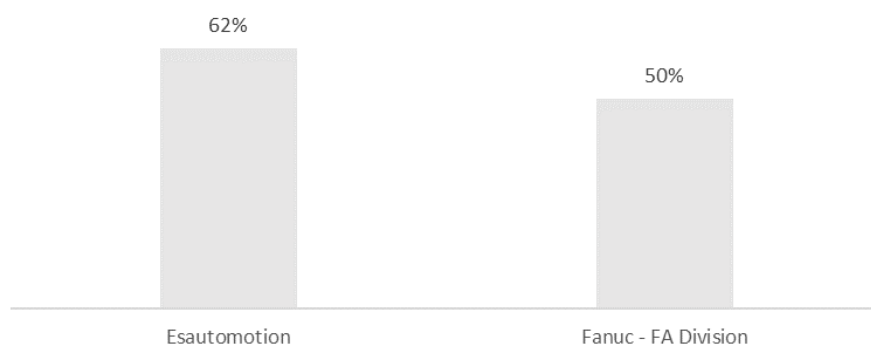
FY21 Financial Results

ESAU-IT closed FY21 with €28.3mn of revenues, posting a remarkable growth of +62% YoY and outperforming the FA division of FANUC – one of the market's leaders in CNC – which increased by +50% over the same period.

According to ESAU-IT's management, the strong business growth was driven by a strong recovery in global demand for machine tools – the primary market for CNC systems – thanks to: i) a renovation wave involving CNC machines in developed countries, also boosted by government measures, where the installed fleet is 5-20 years old and risks becoming obsolete; ii) the gradual shift from manual machines to CNC machines in emerging countries, where the current installed CNC fleet is 20%-45% of the total.

Sales from historical clients (i.e, from active clients since 2011) accounted for ca. 70% of the total (vs 62% in FY20), highlighting high customer loyalty along with ESAU-IT's offer validity.

FY21 Sales Growth YoY: ESAU-IT vs FANUC's FA Division



Source: Company data

Note: Fanuc closed FY21 in March 2022

Despite the persisting impact of the global shortage on raw material cost, gross margin increased by +0.6pp to 47.9% (-0.5pp our expectations), mainly following: i) the strong increase in volume; and ii) lower purchase and production costs as a result of the relocation of hardware production to China started in 2020.

Gross margin improvement, along with a lower incidence of services costs (-4.2pp YoY), personnel expenses (-2.8pp YoY), and other operating costs (-0.4pp YoY), led EBITDA margin to jump by 8pp, achieving a remarkable 28.1% (exceeding our estimates by only 0.3pp). In absolute terms, FY21 EBITDA recorded a triple-digit growth of +126.3%, amounting to €8mn (vs €3.6mn in 2020).

Net income more than doubled (+106.1%) in FY21, reaching €5mn (7.8% above with our estimates thanks to lower taxes) with an outstanding net margin of 17.6% (+3.8pp YoY).

The strong profitability led net cash position improved from €8.3mn in FY20 to €10.5mn in FY21, notwithstanding €1.3mn of investments carried out over the period, €2.4mn of NWC absorption (mainly due to an increase in receivables) and €0.63mn of dividend payment.

FY21 Income Statement

€ Million	FY18A	FY19A	FY20A	FY21A	YoY Growth	FY21E	A vs E
Revenues from sales and services	17.9	18.3	17.5	28.3	62.0%	28.6	-1.0%
Other Revenues	0.5	0.2	0.2	0.3	49.5%	0.3	n.m.
Total Revenues	18.5	18.6	17.7	28.6	61.8%	28.9	-1.1%
Products and Raw materials	(9.1)	(10.1)	(9.3)	(14.9)	60.0%	(14.9)	-0.1%
Gross Profit	9.3	8.5	8.4	13.7	63.8%	14.0	-2.1%
<i>Gross Margin</i>	<i>50.5%</i>	<i>45.7%</i>	<i>47.3%</i>	<i>47.9%</i>	<i>0.6%</i>	<i>48.5%</i>	<i>-0.5%</i>
Cost of Services	(2.3)	(3.0)	(2.8)	(3.4)	19.7%	(3.6)	-5.4%
Personnel Expenses	(1.6)	(1.8)	(1.8)	(2.1)	17.2%	(2.1)	-0.5%
Other Operating Expenses	(0.4)	(0.2)	(0.1)	(0.1)	-14.9%	(0.2)	-41.3%
EBITDA	5.0	3.4	3.6	8.0	126.3%	8.0	0.0%
<i>EBITDA margin</i>	<i>27.2%</i>	<i>18.2%</i>	<i>20.1%</i>	<i>28.1%</i>	<i>8.0%</i>	<i>27.8%</i>	<i>0.3%</i>
D&A and Provisions	(1.3)	(1.6)	(1.7)	(1.6)	-2.4%	(1.6)	3.0%
EBIT	3.8	1.8	1.9	6.4	242.8%	6.4	-0.8%
<i>EBIT margin</i>	<i>20.4%</i>	<i>9.7%</i>	<i>10.6%</i>	<i>22.4%</i>	<i>11.8%</i>	<i>22.3%</i>	<i>0.1%</i>
Financial Income and Expenses	(0.1)	(0.0)	(0.2)	0.0	n.m.	(0.0)	n.m.
Extraordinary items	0.0	0.0	0.0	0.0		0.0	
EBT	3.7	1.8	1.7	6.4	279.9%	6.4	0.2%
Taxes	(0.7)	(0.1)	0.8	(1.4)	n.m.	(1.7)	-20.3%
<i>Tax Rate</i>	<i>18.3%</i>	<i>3.8%</i>	<i>-44.4%</i>	<i>21.5%</i>	<i>65.9%</i>	<i>27.0%</i>	
Net Income	3.0	1.7	2.4	5.0	106.6%	4.7	7.8%
<i>Net margin</i>	<i>16.2%</i>	<i>9.1%</i>	<i>13.8%</i>	<i>17.6%</i>	<i>3.8%</i>	<i>16.2%</i>	<i>1.5%</i>
Minorities	0.0	0.0	(0.0)	0.0		0.0	
Net Income attributable to the Group	3.0	1.7	2.4	5.0	106.1%	4.7	7.7%
<i>Net margin</i>	<i>16.2%</i>	<i>9.1%</i>	<i>13.8%</i>	<i>17.6%</i>	<i>3.8%</i>	<i>16.2%</i>	<i>1.4%</i>

Source: Company data

FY21 Balance Sheet

€ Million	FY18A	FY19A	FY20A	FY21A
Goodwill	0.1	0.1	0.1	0.1
Intangible	1.2	1.2	1.1	1.2
Tangible	0.7	1.4	1.2	1.0
Other LT Assets	0.0	0.0	0.0	0.0
Fixed Assets	2.0	2.6	2.4	2.4
Trade receivables	6.7	6.9	6.2	11.2
Inventory	3.9	4.0	3.1	4.2
Trade Payables	(4.3)	(3.8)	(2.8)	(5.5)
Trade Working Capital	6.3	7.1	6.6	9.9
Other assets and liabilities	(0.4)	(0.4)	0.5	(0.5)
Net Working Capital	5.8	6.6	7.0	9.4
Other Provisions	(0.3)	(0.3)	(0.3)	(0.4)
Net Capital Employed	7.6	9.0	9.1	11.4
Group shareholders' equity	15.2	16.0	17.4	21.9
Minority shareholders' equity	0.0	0.0	0.0	0.0
Total shareholders' equity	15.2	16.0	17.4	21.9
Short-term debt / Cash (-)	(8.0)	(7.7)	(8.7)	(10.8)
Long-term liabilities	0.3	0.7	0.4	0.3
Net Financial Position	(7.7)	(7.0)	(8.3)	(10.5)
Sources	7.6	9.0	9.1	11.4

Source: Company data

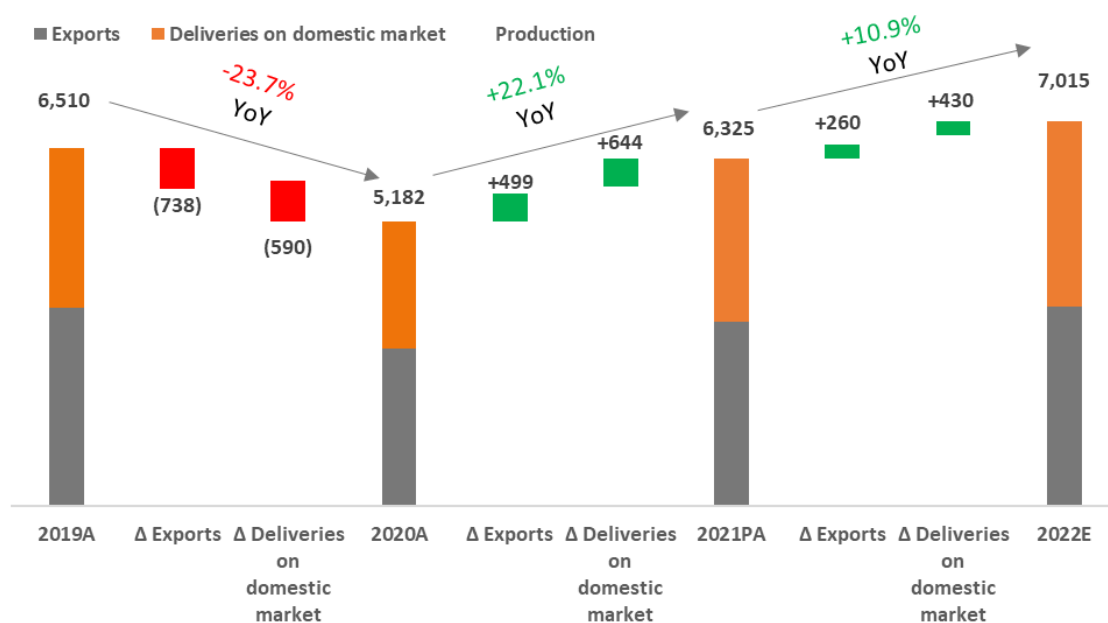
Market Update

After the negative impact of COVID-19 on the Italian machine tool industry, according to the Italian association UCIMU the industry in 2021 rebounded. Indeed, the production value reached €6.3bn in 2021 (+22.1 YoY), although still below pre-COVID level due to longer lead time following the global shortage driven by both the Italian market and export growth (+27.8% YoY and +17.4% YoY, respectively).

In 2021, consumption of machine tools, robots, and automation in Italy increased by +30.4% to ca. €4.6mn. The strong increase in domestic consumption of machine tools led to the decrease in the ratio of exports to production, from 57.9% in 2020 to 53.1% in 2021.

The outlook for 2022 remained positive. According to UCIMU forecasts, in 2022 production will grow by +10.9% YoY to €7bn, with the domestic market recording the highest growth of +14.5% YoY while export is expected to increase at a slower pace of +7.7% YoY.

Italian Machine Tool, Automation, and Robot Industry Evolution from 2019A to 2022E



Source: Studies Department UCIMU-SISTEMI PER PRODURRE, KT&Partners' elaboration; 2021 unofficial data and 2022 forecast

Change in Estimates

We confirmed our 2022-24 estimates updated in February 2022 following preliminary results. We note that ESAU-IT does not have direct exposure (i.e., clients, suppliers, production) in countries involved in the Russian-Ukraine conflict, thus we believe it will not suffer a direct impact on its business.

We anticipate total revenues to grow at +8% CAGR2021-24, going from €28.6mn in FY21A to €36mn in FY24E. We believe that future growth will be driven by: i) a growing contribution from foreign countries (i.e., China, Turkey, and USA) thanks to a higher penetration both in the high- and low-end markets; ii) a growing demand in developed countries as old CNC machines need to be replaced with more technological and advanced machines, also boosted by government funds; iii) up- and cross-selling activities on existing clients; and iv) a higher contribution from the recently launched IoT related offer.

As for profitability, we prudentially anticipate FY22E EBITDA margin at 28.2% (almost in line FY21) — also taking into account the uncertainties associated to the global shortage of materials — reaching 28.7% in 2024. In absolute terms, we anticipate EBITDA to increase by +8.7% CAGR2021-24, amounting to €10.3mn in FY24.

Looking at the bottom line, we expect net income to increase from €5mn in FY21 to €6.3mn in FY24, growing at a +8% CAGR2021-24.

Finally, we expect ESAU-IT to remain cash positive for the length of the plan, reaching a net cash position of €22.8mn by 2024 (without considering any future M&A deals).

Key financial indicators can be summed up as follows:

- FY22E revenues for €31.2, reaching €36mn in FY24E (8% CAGR FY21A-FY24E);
- FY22E EBITDA for €8.8mn, growing at €10.3mn in FY24E (8.7% CAGR FY21A-FY24E);
- FY22E net income for €5.2mn, reaching €6.3mn in FY24E (7.9% CAGR FY21A-FY24E);
- FY22E NFP for -€14mn, reaching -€22.8mn in FY24E.

Change in Estimates

€ Million	2019A	2020A	2021A	Change	2022E Old KT&P	2022E New KT&P	Change	2023E Old KT&P	2023E New KT&P	Change	2024E Old KT&P	2024E New KT&P	Change	CAGR New 2021-'24
Revenues	18.6	17.7	28.6	-1.1%	31.2	31.2	0.0%	33.6	33.6	0.0%	36.0	36.0	0.0%	8.0%
YoY Change (%)			61.8%		7.9%	9.1%		7.6%	7.6%		7.1%	7.1%		
EBITDA	3.4	3.6	8.0	0.0%	8.8	8.8	0.0%	9.6	9.6	0.0%	10.3	10.3	0.0%	8.7%
YoY Change (%)		5.3%	126.3%		9.5%	9.5%		8.8%	8.8%		7.9%	7.9%		
EBITDA margin %	18.2%	20.1%	28.1%		28.2%	28.2%		28.5%	28.5%		28.7%	28.7%		
EBIT	1.8	1.9	6.4	-0.8%	7.2	7.2	0.0%	8.0	8.0	0.0%	8.7	8.7	0.0%	10.9%
YoY Change (%)		3.2%	242.8%		11.6%	12.5%		10.6%	10.6%		9.5%	9.5%		
EBITDA margin %	9.7%	10.6%	22.4%		23.0%	23.1%		23.7%	23.7%		24.2%	24.2%		
Net Income	1.7	2.4	5.0	7.7%	5.2	5.2	0.0%	5.8	5.8	0.0%	6.3	6.3	0.0%	7.9%
YoY Change (%)		44.5%	106.1%		11.7%	3.7%		10.7%	10.7%		9.5%	9.5%		
Net Income margin %	9.1%	13.8%	17.6%		16.7%	16.7%		17.2%	17.2%		17.6%	17.6%		
Net Debt	(7.0)	(8.3)	(10.5)	(0.1)	(14.0)	(14.0)	0.0	(18.2)	(18.2)	0.0	(22.8)	(22.8)	(0.0)	

Source: FactSet, KT&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 €8.88ps;
2. DCF analysis based on WACC of 9.3% and 1.5% perpetual growth, returns a value of €7.61ps.

The average of the two methods yields a fair value of €8.25ps or an equity value of €108.05mn.

Valuation Recap

	Equity Value €mn	Value per share €
DCF	99.78	7.61
EV/EBITDA	120.08	9.16
P/EPS	112.56	8.59
Average Multiples	116.32	8.88
Total Average	108.05	8.25

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 2021–23 data.

Peer Comparison – Market Multiples 2021–23

Company Name	Exchange	Market Cap	EV/SALES 2021	EV/SALES 2022	EV/SALES 2023	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBIT 2021	EV/EBIT 2022	EV/EBIT 2023	P/EPS 2021	P/EPS 2022	P/EPS 2023
Fanuc Corporation	Tokyo	32,364	4.9x	4.5x	4.4x	14.9x	13.3x	12.7x	18.6x	16.1x	15.5x	25.8x	22.8x	22.0x
Renishaw plc	London	3,353	4.8x	3.9x	3.7x	17.5x	12.5x	12.2x	23.3x	15.6x	15.4x	26.7x	20.1x	19.7x
Dassault Systemes SA	Euronext Paris	60,874	12.7x	11.4x	10.5x	n.m	30.6x	28.2x	n.m	34.6x	31.1x	n.m	44.9x	40.6x
Hexagon AB Class B	OMXStockholm	34,706	8.5x	7.5x	5.3x	21.9x	19.2x	13.6x	28.7x	25.6x	n.a.	41.6x	29.7x	26.9x
Rockwell Automation, Inc.	NYSE	29,216	5.6x	4.5x	4.2x	27.5x	20.5x	18.5x	31.7x	22.9x	20.4x	25.9x	26.1x	23.4x
IGE+XAO SA	Euronext Paris	334	7.7x	n.a.	n.a.	24.1x	n.a.	n.a.	28.6x	n.m	n.m	42.1x	n.m	n.m
Average peer group		26,808	7.4x	6.4x	5.6x	21.2x	19.2x	17.0x	26.2x	23.0x	20.6x	32.4x	28.7x	26.5x
Median peer group		30,790	6.7x	4.5x	4.4x	21.9x	19.2x	13.6x	28.6x	22.9x	18.0x	26.7x	26.1x	23.4x
Esautomotion SpA	Milan	67	2.0x	1.8x	1.7x	7.0x	6.4x	5.9x	8.8x	7.8x	7.1x	12.9x	12.4x	11.2x

Source: FactSet, KT&Partners' elaboration

We based our evaluation upon our estimates of ESAU's EBITDA and EPS for 2022 and 2023.

EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E
EV/EBITDA Comps	19.2x	13.6x
ESA EBITDA	8.8	9.6
Enterprise value	168.9	130.2
ESA FY21A Net Debt	-10.5	-10.5
Equity Value	179.5	140.7
Average Equity Value	160.1	
Liquidity Discount	25%	
Equity Value Post-Discount	120.1	
Number of shares (thousand)	13,103	
Value per Share €	9.16	

Source: FactSet, KT&Partners' elaboration

P/EPS Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E
P/EPS Comps	26.7x	26.1x
ESA EPS	0.41	0.46
Equity Value per Share	11.0	11.9
Average Value per Share	11.5	
Liquidity Discount	25%	
Value per Share €	8.6	
Equity Value Post discount	112.6	
Number of shares (thousand)	13,103	
Value per Share €	8.59	

Source: FactSet, KT&Partners' elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 9.9% cost of equity, 3% cost of debt, and a D/E ratio of 9.2% (Damodaran for the Machinery industry where ESAU is included). The cost of equity is a function of the risk-free rate of 2.1% (Italian 10y BTP), 4.61% equity risk premium (Damodaran – ERP T12 m with sustainable payout) and a premium for size and liquidity of 2.6%. We, therefore, obtained 9.3% WACC.

We discounted 2022E–25E 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	2022E	2023E	2024E	2025E
EBIT	7.2	8.0	8.7	9.6
Taxes	(1.9)	(2.2)	(2.4)	(2.6)
D&A	1.6	1.6	1.6	1.6
Change in Net Working Capital	(0.9)	(0.6)	(0.6)	0.0
Net Operating Cash Flow	6.1	7.1	7.6	8.9
Capex	(1.4)	(1.4)	(1.4)	(1.4)
FCFO	4.7	5.7	6.2	7.5
g	1.5%			
Wacc	9.3%			
FCFO (discounted)	4.4	4.8	4.8	5.4
Discounted Cumulated FCFO	19.4			
TV	97.4			
TV (discounted)	69.8			
Enterprise Value	89.2			
NFP FY21	(10.5)			
Equity Value	99.8			
Current number of shares (mn)	13.1			
Value per share (€)	7.61			

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis (€mn)

€ Million		WACC				
Terminal growth Rate		9.8%	9.5%	9.3%	9.0%	8.8%
	1.0%	90.3	92.7	95.2	98.0	100.8
	1.3%	92.2	94.7	97.4	100.3	103.4
	1.5%	94.2	96.9	99.8	102.8	106.1
	1.8%	96.4	99.2	102.3	105.5	109.0
	2.0%	98.7	101.7	104.9	108.4	112.1

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:

- **Dassault Systemes SA:** listed on the Paris Euronext, with a market capitalization of €60.9bn, Dassault Systemes provides software solutions and consulting services. It offers end-to-end software applications which cover a wide range of industry segments. In 2021, the company revenues reached €4.9bn.
- **FANUC Corporation:** listed on the Tokyo stock exchange, with a market capitalization of €32.4bn, FANUC Corp. engages in the development, manufacture, sales 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 €4.5bn.
- **Hexagon AB:** quoted on the Stockholm stock exchange, with a market capitalization of €34.7bn, 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 2021, the company revenues reached €4.4bn.
- **Ige+Xao SA:** quoted on the Euronext Paris exchange, with a market capitalization of €0.3bn, Ige+Xao SA engages in design, production, sales and support for Computer Aided Design (CAD) and Product Lifecycle Management (PLM) software. In 2021, the company revenues reached €0.04bn.
- **Renishaw plc.:** listed on the London stock exchange, with a market capitalization of €3.4bn, Renishaw engages in the design, manufacture, and marketing of metrology and healthcare products. In 2021, the company revenues reached €0.6bn.
- **Rockwell Automation, Inc.:** listed on the NYSE, with a market capitalization of €29.2bn, 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 segments. The Architecture and Software segment contains hardware, software, and communication components of its integrated control and information architecture. In 2021, the company revenues reached €5.9bn.

Peer Comparison – Performance Analysis

Company Name	Price change % 3Month	Price change % 6Month	Price change % 1Year	Price change % YTD	Price change %
					From Latest Update (09/02/2022) to Date
Fanuc Corporation	-11.2%	-11.9%	-17.3%	-11.2%	-4.6%
Renishaw plc	-14.5%	-1.6%	22.6%	-14.5%	8.2%
Dassault Systemes SA	-19.0%	-18.5%	-39.6%	-19.0%	-21.9%
Hexagon AB Class B	-18.8%	-3.7%	6.7%	-18.8%	-2.0%
Rockwell Automation, Inc.	-7.6%	-2.4%	15.3%	-7.6%	1.3%
IGE+XAO SA	-1.6%	-2.3%	36.6%	-1.6%	4.9%
Average	-12.1%	-6.7%	4.0%	-12.1%	-2.4%
Median	-12.9%	-3.0%	11.0%	-12.9%	-0.4%
Esautomotion SpA	9.0%	32.8%	60.4%	9.0%	-2.8%

Source: FactSet, KT&Partners' elaboration

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

Company Name	Sales						CAGR 19-'24
	2019	2020	2021	2022	2023	2024	
Fanuc Corporation	4,208	4,461	5,386	5,848	5,919	6,585	69.9%
Dassault Systemes SA	4,018	4,452	4,860	5,380	5,879	6,397	68.9%
Renishaw plc	651	580	640	793	828	877	78.8%
Rockwell Automation, Inc.	5,935	5,656	5,854	7,314	7,799	8,189	77.3%
Hexagon AB Class B	3,908	3,771	4,347	4,959	5,360	5,754	73.4%
IGE+XAO SA	34	33	36	n.a.	n.a.	n.a.	n.a.
Esautomotion SpA	19	18	29	31	34	36	58.9%
Average Peers	3,126	3,159	3,521	4,859	5,157	5,560	63.1%

Source: FactSet, KT&Partners' elaboration

Peers Comparison – EBITDA Margin, EBIT Margin and Net Margin

Company Name	EBITDA Margin						EBIT Margin						Net Margin					
	2019	2020	2021	2022	2023	2024	2019	2020	2021	2022	2023	2024	2019	2020	2021	2022	2023	2024
Fanuc Corporation	26.4%	28.6%	32.7%	33.8%	35.0%	32.3%	17.4%	20.4%	26.3%	28.0%	28.6%	28.9%	14.4%	17.1%	22.1%	23.0%	23.5%	23.9%
Dassault Systemes SA	30.9%	29.9%	33.5%	37.4%	37.2%	37.3%	21.1%	16.3%	21.6%	33.1%	33.6%	34.4%	15.3%	11.0%	15.9%	25.3%	25.6%	26.3%
Renishaw plc	23.4%	20.9%	27.6%	31.1%	30.7%	30.8%	16.6%	11.3%	20.8%	25.0%	24.2%	24.4%	16.1%	0.1%	19.6%	20.8%	19.8%	19.8%
Rockwell Automation, Inc.	22.4%	20.0%	20.4%	22.0%	22.8%	23.4%	20.1%	17.2%	17.7%	19.7%	20.7%	21.1%	10.4%	16.2%	19.4%	14.9%	15.6%	16.2%
Hexagon AB Class B	30.2%	32.7%	39.0%	39.0%	39.4%	39.9%	25.0%	26.9%	29.7%	29.2%	29.8%	30.4%	18.0%	16.4%	18.4%	22.3%	23.0%	23.5%
IGE+XAO SA	30.8%	35.2%	32.1%	n.m.	n.m.	n.m.	26.0%	29.9%	27.1%	n.m.	n.m.	n.m.	20.3%	24.4%	21.7%	n.m.	n.m.	n.m.
Average	27.4%	27.9%	30.9%	32.7%	33.0%	32.7%	21.0%	20.3%	23.9%	27.0%	27.4%	27.8%	15.8%	14.2%	19.5%	21.2%	21.5%	21.9%
Esautomotion SpA	18.2%	20.1%	28.1%	28.2%	28.5%	28.7%	9.7%	10.6%	22.4%	23.1%	23.7%	24.2%	9.1%	13.8%	17.6%	16.8%	17.3%	17.6%

Source: FactSet, KT&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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