

## Double-Digit Growth Confirmed

ADD | Fair Value: €7.50 (€8.25) | Current Price: €3.63 | Upside: +106.6%

€ Million	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Total Revenues	18.5	18.6	17.7	28.6	33.1	35.7	38.2
EBITDA	5.0	3.4	3.6	8.0	9.3	10.2	11.0
margin	27.2%	18.2%	20.1%	28.1%	28.0%	28.5%	28.7%
Net Profit	3.0	1.7	2.4	5.0	5.3	6.1	6.7
margin	16.2%	9.1%	13.8%	17.6%	16.0%	17.2%	17.6%
EPS	0.23	0.13	0.19	0.40	0.42	0.48	0.53
NFP	(7.7)	(7.0)	(8.3)	(10.5)	(13.0)	(17.9)	(23.2)

Source: Company data; KT&amp;Partners' elaboration

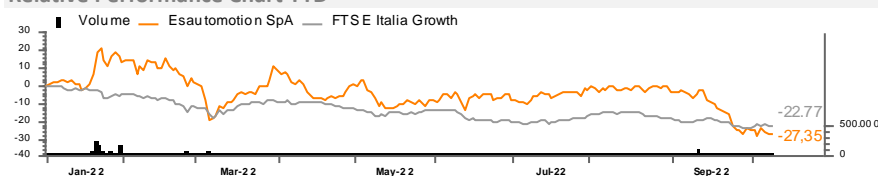
**1H22 financial results confirm business growth.** Despite a challenging macroeconomic scenario characterized by raw materials' shortage and extended delivery time, ESAU-IT kept its business expansion path showing a remarkable double-digit growth of +18.2% YoY to €16.5mn, in line with our estimates (+1.2%). Business growth was mainly driven by i) domestic market (+42% YoY), Turkey (+9% YoY), and Iberian Peninsula (+8% YoY). China – one of the main ESAU-IT's foreign markets – increased by only +7% YoY mainly following the stop of Esautomotion Trading (Shanghai) Co. due to lockdown restrictions occurring during 1H22. Gross margin was negatively impacted by a different revenue mix with a lower incidence of CNC solutions following the postponement of some deliveries to 2H22 due to supply-chain disruptions. Following gross margin reduction, EBITDA margin came in at 27.1% (-2.1pp YoY and -1pp compared to our estimates). On the capital structure side, the net cash position worsened from €10.6mn in FY21 to €8.5mn in 1H22, also on the back of €0.7mn investments carried out over the period, a €1.3mn dividend payment, and the absorption of net working capital (ca. €3.6mn) following business growth and the strong increase in stock inventory due to the advance purchase of semiconductors and other raw materials to face the supply-chain disruptions.

**Good portfolio and order intake despite a market slowdown.** According to ESAU-IT's management, the Company is still recording a positive order intake, supporting growth outlook. Furthermore, the management expects that growth could also benefit from the decoupling and reshoring that could offset the slowing in demand that the machine tools market has been recording in 2022. Indeed, according to UCIMU, in 1H22 orders for machine tools declined by 10.7% compared to 1H21.

**Estimate revision.** On the back of 1H22 financial results and considering the positive order intake trend that ESAU-IT is still recording, we upward revised our topline revenue. We now anticipate total revenues to grow at a CAGR21-24 of 10.1%, reaching €38.2mn in FY24, driven by a growing contribution from foreign countries and up- and cross-selling activities on existing clients. On the profitability side, we expect a stronger 2H22 EBITDA margin compared to 1H22, thanks to a higher contribution from CNCs, leading FY22 EBITDA margin at 28% in FY22 (-0.2pp below our previous estimates). We left unchanged our marginality estimates for 2023-2024, expecting an EBITDA margin of 28.7% in 2024. Finally, we now expect net cash at ca. €13mn in 2022 – also factoring a higher NWC absorption – reaching €23.2mn in FY24E.

**Valuation Update.** Our valuation – based on both DCF and a market multiples model – returns an average equity value of €98.26mn or €7.50ps, implying a potential upside of +106.6% on the current market price. We note that, despite the upward revision of our estimates, valuation has been negatively impacted by: i) higher WACC parameters due to the current uncertain market situation and ii) median market multiples reduction. The company is currently trading at 74% and 61% discount on 2022 EV/EBITDA and P/EPS compared to its peers. We also note that on May 5, 2022, Schneider Electric SE launched a tender offer – through its subsidiary – on the remaining 13.42% minority stake in IGE+XAO SA for €37.86mn in stock or 26.4x EV/EBITDA.

## Relative Performance Chart YTD



## Research Update

October 12, 2022 – 7.00 h

## Equity Research Team

[connect@ktepartners.com](mailto:connect@ktepartners.com)

## Federica FIORENZA

[ffiorenza@ktepartners.com](mailto:ffiorenza@ktepartners.com)

+39 340 5372563

## Gabriele TRAPANI

[gtrapani@ktepartners.com](mailto:gtrapani@ktepartners.com)

+39 366 7703290

## Market Data

<b>Main Shareholders</b>	
Franco Fontana	34.56%
Gianni Senzolo	30.69%
<b>Mkt Cap (€ mn)</b>	47.6
<b>EV (€ mn)</b>	37.0
<b>Shares issued (mn)</b>	13.1
<b>Shares outstanding (mn)</b>	12.7
<b>Free Float (%)</b>	24.9

Market multiples	2021A	2022E	2023E
<b>EV/EBITDA</b>			
Esautomotion SpA	4.6x	4.0x	3.6x
Comps median	17.0x	15.3x	14.0x
Esautomotion SpA vs Median	-73%	-74%	-74%
<b>P/EPS</b>			
Esautomotion SpA	9.1x	8.7x	7.5x
Comps median	24.3x	22.6x	20.5x
Esautomotion SpA vs Median	-62%	-61%	-63%

<b>Stock Data</b>	
52 Wk High (€)	6.00
52 Wk Low (€)	3.29
Avg. Daily Trading 90d	10,917
Price Change 1w (%)	2.8%
Price Change 1m (%)	-19.2%
Price Change YTD (%)	-22%

Note: Share Capital is calculated considering multiple-voting shares

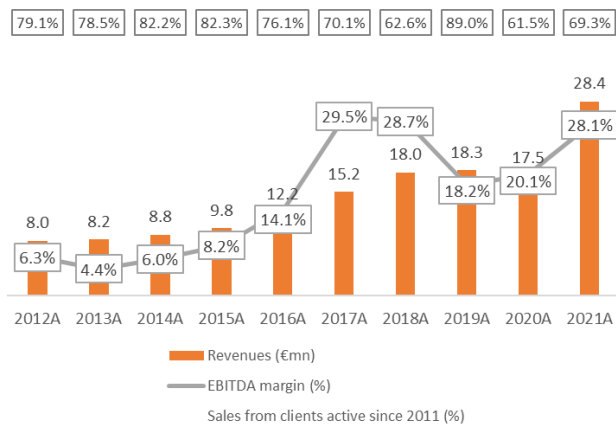
## Key Figures – Esautomotion S.p.A.

	Current price (€)	Fair Value (€)	Sector					Free Float (%)
	3.63	7.50	Industrial Software					24.9
<b>Per Share Data</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
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	0.42	0.48	0.53	0.58
Dividend per share (ord)	0.05	0.04	0.05	0.05	0.10	0.10	0.12	0.13
Dividend pay out ratio (%)	10.1%	16.7%	37.6%	26.0%	25.2%	25.2%	25.2%	25.2%
<b>Profit and Loss (EUR million)</b>								
Total Revenues	18.5	18.6	17.7	28.6	33.1	35.7	38.2	40.9
EBITDA	5.0	3.4	3.6	8.0	9.3	10.2	11.0	11.9
EBIT	3.8	1.8	1.9	6.4	7.3	8.4	9.2	10.2
EBT	3.7	1.8	1.7	6.4	7.2	8.4	9.2	10.2
Taxes	(0.7)	(0.1)	0.8	(1.4)	(2.0)	(2.3)	(2.5)	(2.7)
Tax rate	18%	4%	-44%	21%	27%	27%	27%	27%
Net Income	3.0	1.7	2.4	5.0	5.3	6.1	6.7	7.4
<b>Balance Sheet (EUR million)</b>								
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	11.4	11.8	12.2	12.4
Provisions	(0.3)	(0.3)	(0.3)	(0.4)	(0.7)	(1.0)	(1.3)	(1.7)
Total Net capital employed	7.6	9.0	9.1	11.4	12.9	12.8	12.6	12.3
Net financial position/(Cash)	(7.7)	(7.0)	(8.3)	(10.5)	(13.0)	(17.9)	(23.2)	(29.2)
Total Shareholder's Equity	15.2	16.0	17.4	21.9	25.9	30.7	35.8	41.5
<b>Cash Flow (EUR million)</b>								
Net operating cash flow	4.3	3.3	3.2	6.7	7.3	7.9	8.5	9.2
Change in NWC	(1.5)	(0.8)	(0.4)	(2.4)	(2.1)	(0.4)	(0.4)	(0.2)
Capital expenditure	(1.9)	(1.6)	(0.7)	(1.1)	(1.7)	(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	3.7	6.3	6.9	7.8
<b>Enterprise Value (EUR million)</b>								
Market Cap	41.4	36.3	23.4	47.6	47.6	47.6	47.6	47.6
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)	(13.0)	(17.9)	(23.2)	(29.2)
Enterprise value	33.7	29.3	15.1	37.0	34.6	29.7	24.4	18.3
<b>Ratios (%)</b>								
EBITDA margin	27.2%	18.2%	20.1%	28.1%	28.0%	28.5%	28.7%	29.1%
EBIT margin	20.4%	9.7%	10.6%	22.4%	21.9%	23.6%	24.2%	24.9%
Gearing - Debt/equity	-50.3%	-44.0%	-47.9%	-48.1%	-50.2%	-58.4%	-64.7%	-70.5%
Interest cover on EBIT	2.6%	2.4%	9.3%	-0.5%	0.3%	0.2%	0.2%	0.2%
NFP/EBITDA	-152.1%	-208.3%	-234.7%	-131.1%	-140.0%	-176.2%	-211.1%	-245.3%
ROCE	49.8%	20.2%	20.6%	56.2%	56.2%	65.9%	73.1%	82.9%
ROE	19.7%	10.6%	14.1%	23.0%	20.4%	20.0%	18.8%	17.9%
EV/Sales	2.0x	2.0x	2.1x	1.3x	1.1x	1.0x	1.0x	0.9x
EV/EBITDA	7.4x	11.0x	10.4x	4.6x	4.0x	3.6x	3.4x	3.1x
P/E	15.4x	27.3x	18.9x	9.2x	8.7x	7.5x	6.9x	6.2x
Free cash flow yield	n.m.	2%	5%	8%	10%	17%	19%	21%
<b>Growth Rates (%)</b>								
Revenues	18.5%	0.5%	-4.8%	61.8%	15.8%	7.6%	7.1%	7.1%
EBITDA	9.3%	-32.9%	5.3%	126.3%	15.5%	9.3%	8.0%	8.6%
EBIT	7.5%	-52.0%	3.2%	242.8%	13.6%	15.8%	9.7%	10.2%
Net Income	21.6%	-43.5%	44.5%	106.1%	4.9%	15.8%	9.7%	10.2%

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

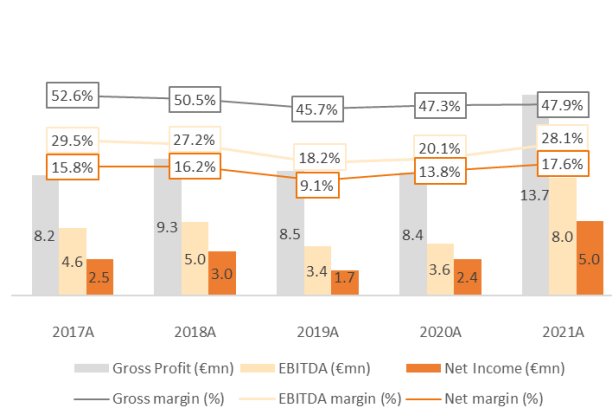
## Key charts

Revenue and EBITDA margin (€mn, %)



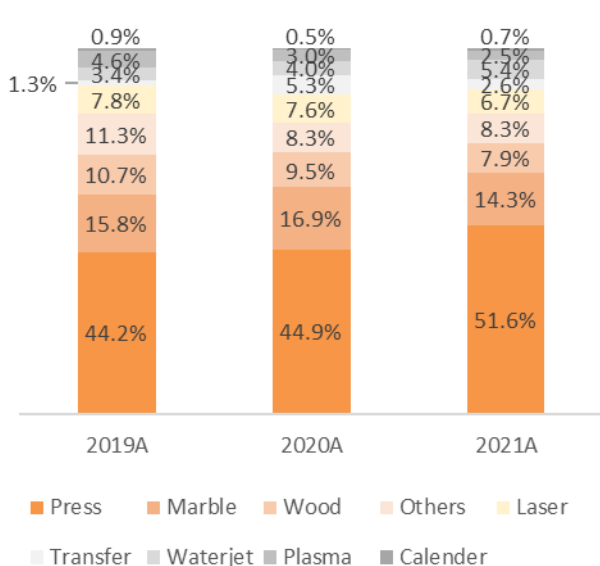
Source: Company data, KT&amp;Partners' elaboration.

Profitability Evolution (€mn, %)



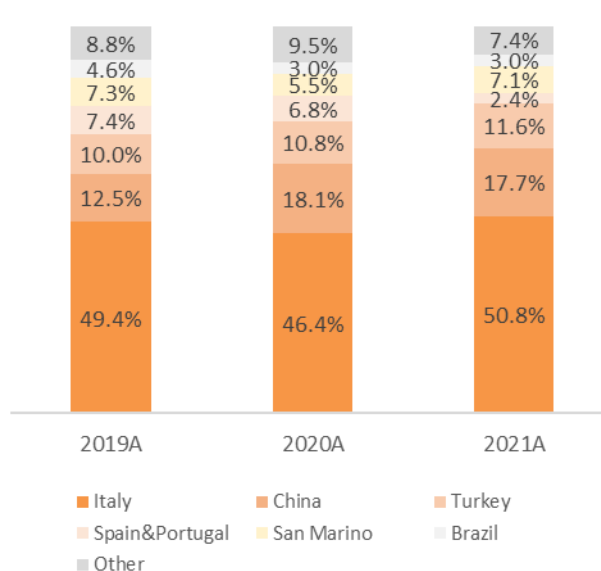
Source: Company data, KT&amp;Partners' elaboration

Revenues by Application (%)



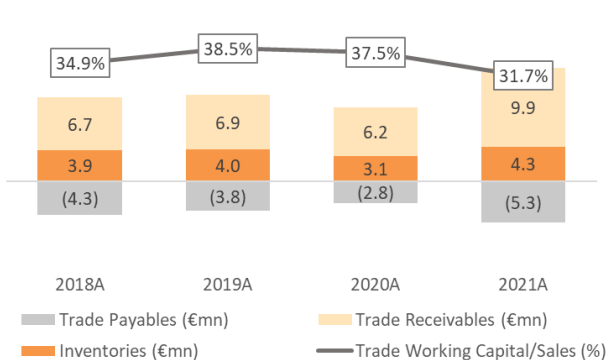
Source: Company data, KT&amp;Partners' elaboration

Revenues by Geography (%)



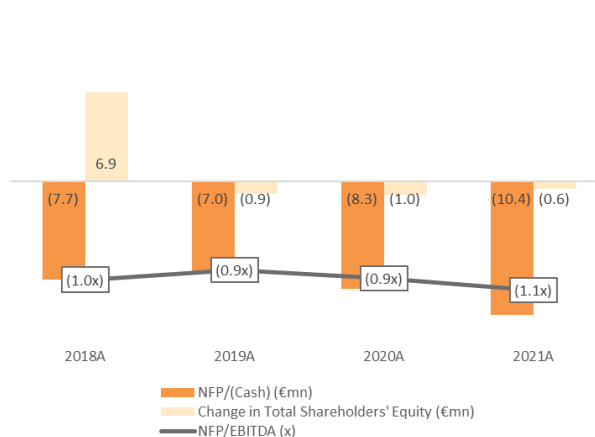
Source: Company data, KT&amp;Partners' elaboration

Trade Working Capital (€mn, %)



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

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



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

## Overview

### Company description

Esautomation (ESAU-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-IT 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 6, 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-IT'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-IT 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-IT 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

- **Strong R&D activities to strengthen product offerings.** R&D remains the Group's largest investment area, enabling to develop Industry 4.0 and consolidate product performance in new application areas. The company has invested in the last three years (2020 - 2022) about 4.8% of sales in R&D.
- **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.

## 1H22 Financial Results

Despite a challenging macroeconomic scenario characterized by raw materials' shortage and extended delivery time, ESAU-IT kept its business expansion path showing a remarkable double-digit growth of +18.2% YoY to €16.5mn (almost in line with our estimates, despite the postponement of some deliveries of CNC solutions to 2H22). Business growth benefitted, among other things, from i) a diversified sales portfolio, also thanks to the market share acquired in strategic countries during 2021 (i.e., Turkey); ii) increasing R&D investments in order to face the competition through innovative products offering; and iii) the development of new sales' strategy both on new and historical clients.

Domestic sales have driven the growth, increasing by +42% YoY, ii) followed by Turkey (+9% YoY); iii) Iberian Peninsula (+8% YoY), and iv) China – one of the main ESAU-IT foreign markets – increased by only +7% YoY following the stop of Esautomotion Trading (Shanghai) Co. due to lockdown restrictions that occurred in 1H22. Overall, in the first semester of 2022, foreign sales decreased by 9.4% YoY, accounting for 46.8% from 55.2% in 1H21, mainly due to one important client that had relocated its warehouse from San Marino to Italy.

Looking at the profitability, gross profit was up by 13% YoY with gross margin dropping by 2.1pp to 46.4% (vs 47.6% of our estimates), mainly due to a different revenue mix following the postponement of some deliveries of CNC solutions to the second half of 2022 caused by supply-chain disruptions. The drop in gross margin led EBITDA margin to 27.1% (-2.1pp YoY and -1pp compared to our expectations).

On the bottom line, following business growth, net profit came in at €2.8mn, growing by 10.6% YoY with a net margin of 16.8% (-1.2pp YoY).

Focusing on the capital structure side, the net cash position worsened from €10.6mn in FY21 to €8.5mn in 1H22, mainly due to i) €0.7mn investments carried out over the period; ii) a €1.3mn dividend payment; and iii) the absorption of net working capital (ca. €3.6mn) following business growth and the strong increase in stock inventory due to the advance purchase of semiconductors and other raw materials to face the supply-chain disruptions. Finally, it is worth pointing out that ESAU-IT's top management expects procurement will improve, allowing the Company to further increase its production activity and reduce the NWC cash absorption.

## 1H22 Income Statement

€ Million	1H19	1H20	1H21	1H22	YoY Growth	1H22E	A vs E %
Revenues from sales and services	9.6	8.1	13.9	16.4	18.1%	16.2	1.3%
Other Revenues	0.2	0.1	0.0	0.1	23.8%	0.1	n.m.
<b>Total Revenues</b>	<b>9.7</b>	<b>8.2</b>	<b>13.9</b>	<b>16.5</b>	<b>18.2%</b>	<b>16.3</b>	<b>1.2%</b>
Growth %	2.5%	-15.7%	70.2%	18.2%		16.7%	
Products and Raw materials	(5.2)	(4.4)	(7.2)	(8.8)	23.0%	(8.5)	3.6%
<b>Gross Profit</b>	<b>4.5</b>	<b>3.8</b>	<b>6.8</b>	<b>7.6</b>	<b>13.0%</b>	<b>7.7</b>	<b>-1.3%</b>
Gross Margin	46.7%	45.9%	48.5%	46.4%	-2.1%	47.6%	-1.2%
Cost of Services	(1.4)	(1.4)	(1.6)	(2.0)	21.3%	(1.9)	1.0%
Personnel Expenses	(1.0)	(0.9)	(1.0)	(1.1)	9.5%	(1.1)	-0.6%
Other Operating Expenses	(0.1)	(0.1)	(0.0)	(0.1)	81.3%	(0.1)	n.m.
<b>EBITDA</b>	<b>2.0</b>	<b>1.4</b>	<b>4.1</b>	<b>4.5</b>	<b>9.8%</b>	<b>4.6</b>	<b>-2.4%</b>
EBITDA margin	21.0%	16.7%	29.2%	27.1%	-2.1%	28.1%	-1.0%
D&A and Provisions	(0.7)	(0.7)	(0.7)	(0.8)	15.6%	(0.7)	17.2%
<b>EBIT</b>	<b>1.4</b>	<b>0.7</b>	<b>3.4</b>	<b>3.7</b>	<b>8.6%</b>	<b>3.9</b>	<b>-5.8%</b>
EBIT margin	14.1%	8.2%	24.2%	22.2%	-2.0%	23.9%	-1.7%
Financial Income and Expenses	(0.0)	(0.2)	0.0	0.0		(0.0)	
Extraordinary items	-	-	-	-		-	
<b>EBT</b>	<b>1.4</b>	<b>0.5</b>	<b>3.4</b>	<b>3.7</b>	<b>8.2%</b>	<b>3.9</b>	<b>-5.0%</b>
Taxes	(0.3)	(0.2)	(0.9)	(0.9)	1.4%	(1.0)	-5.9%
Tax Rate	24.7%	36.1%	26.4%	24.8%		25.0%	
<b>Net Income</b>	<b>1.0</b>	<b>0.3</b>	<b>2.5</b>	<b>2.8</b>	<b>10.6%</b>	<b>2.9</b>	<b>-4.8%</b>
Net margin	10.6%	4.0%	18.0%	16.8%	-1.2%	17.9%	-1.1%

Source: Company data

## Change in Estimates

Despite ESAU-IT registering record orders, the global shortage of semiconductors and logistics expenses is representing a strenuous challenge, causing delay both on price adjustment and product delivery in the first semester. ESAU-IT's top management announced that this is a temporary situation that will be recovered by the second half of 2022. As a result, we revised upward our topline forecast, now expecting 2H22 to growth almost in line with 1H22. We now expect that ESAU-IT will reach our previous sales estimates one year in advance. Therefore, we anticipate total revenues to grow at +10.1% CAGR2021–24, going from €28.6mn in FY21 to €38.2mn in FY24E.

On the profitability side, we expect a stronger 2H22 EBITDA margin compared to 1H22, thanks to a higher contribution from CNCs, leading FY22 EBITDA margin at 28% in FY22 (-0.2pp below our previous estimates). We left unchanged our marginality estimates for 2023-2024, expecting an EBITDA margin of 28.7% in 2024. Following higher than previously expected sales, we now anticipate FY22 EBITDA at €9.3mn (+5.4% vs our previous estimates), increasing by +10.9% CAGR2021–24 (vs +8.7% CAGR2021–24 of our previous research) to €11mn in FY24E.

At the bottom line, we now expect net income to increase from €5mn in FY21 to €6.7mn in FY24E, growing at a +10.1% CAGR2021–24 (2.2pp above our previous estimates).

Finally, factoring in business growth and a higher absorption of NWC to face semiconductors and other raw materials' shortage, we now expect a FY22 net cash position of €13mn. We estimate ESAU-IT to remain cash positive over the length of the plan, reaching a net cash position of €23.2mn in FY24 thanks to increasing profitability, the asset-light business model, and a better management of inventory.

### Change in Estimates

€ Million	2021A	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 Old 2021-'24	CAGR New 2021-'24
<b>Total Revenues</b>	<b>28.6</b>	<b>31.2</b>	<b>33.1</b>	<b>6.1%</b>	<b>33.6</b>	<b>35.7</b>	<b>6.1%</b>	<b>36.0</b>	<b>38.2</b>	<b>6.1%</b>	<b>7.9%</b>	<b>10.1%</b>
YoY Change (%)	61.8%	9.1%	15.8%		7.6%	7.6%		7.1%	7.1%			
<b>EBITDA</b>	<b>8.0</b>	<b>8.8</b>	<b>9.3</b>	<b>5.4%</b>	<b>9.6</b>	<b>10.2</b>	<b>6.0%</b>	<b>10.3</b>	<b>11.0</b>	<b>6.2%</b>	<b>8.7%</b>	<b>10.9%</b>
YoY Change (%)	126.3%	9.6%	15.5%		8.7%	9.3%		7.9%	8.0%			
EBITDA margin %	28.1%	28.2%	28.0%		28.5%	28.5%		28.7%	28.7%			
<b>EBIT</b>	<b>6.4</b>	<b>7.2</b>	<b>7.3</b>	<b>0.9%</b>	<b>8.0</b>	<b>8.4</b>	<b>5.8%</b>	<b>8.7</b>	<b>9.2</b>	<b>6.0%</b>	<b>10.9%</b>	<b>13.0%</b>
YoY Change (%)	242.8%	12.6%	13.6%		10.5%	15.8%		9.5%	9.7%			
EBITDA margin %	22.4%	23.1%	21.9%		23.7%	23.6%		24.2%	24.2%			
<b>Net Income</b>	<b>5.0</b>	<b>5.2</b>	<b>5.3</b>	<b>0.9%</b>	<b>5.8</b>	<b>6.1</b>	<b>5.9%</b>	<b>6.3</b>	<b>6.7</b>	<b>6.1%</b>	<b>7.9%</b>	<b>10.1%</b>
YoY Change (%)	106.1%	4.0%	4.9%		10.3%	15.8%		9.5%	9.7%			
Net income margin %	17.6%	16.8%	16.0%		17.2%	17.2%		17.6%	17.6%			
<b>NFP</b>	<b>(10.5)</b>	<b>(14.0)</b>	<b>(13.0)</b>	<b>1.0</b>	<b>(18.2)</b>	<b>(17.9)</b>	<b>0.3</b>	<b>(22.8)</b>	<b>(23.2)</b>	<b>(0.4)</b>		

Source: Company data, KT&Partners' elaborations

## 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 €8.31ps;
2. DCF analysis based on WACC of 11.3% and 1.5% perpetual growth, returns a value of €6.69ps.

The average of the two methods yields a fair value of €7.50ps or an equity value of €98.26mn.

### Valuation Recap

	Equity Value €mn	Value per share €
DCF	87.67	6.69
EV/EBITDA	114.51	8.74
P/EPS	103.22	7.88
Average Multiples	108.86	8.31
<b>Total Average</b>	<b>98.26</b>	<b>7.50</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 2021–23 data.

It worth to point out that on May 5, 2022, Schneider Electric SE launched a tender offer – through its subsidiary – on the remaining 13.42% minority stake in IGE+XAO SA for €37.86mn in stock or 26.4x EV/EBITDA. Therefore, from May 10, 2022, IGE+XAO shares were delisted from Euronext Paris, replaced by new Schneider Electric shares resulting from the M&A. As result, we have updated our peer sample by excluding IGE +XAO.

### 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	29,847	4.5x	4.1x	4.1x	14.4x	13.4x	13.0x	18.1x	16.4x	16.0x	24.6x	22.6x	22.3x
Renishaw plc	London	2,883	4.1x	3.4x	3.3x	14.7x	11.9x	11.3x	19.6x	13.8x	13.7x	22.9x	18.6x	18.6x
Dassault Systemes SA	Euronext Paris	45,091	9.2x	8.1x	7.4x	27.8x	21.3x	20.0x	n.m	23.9x	21.9x	n.m	30.7x	28.9x
Hexagon AB Class B	OMXStockholm	25,235	6.6x	5.6x	5.3x	17.0x	15.3x	14.0x	22.3x	19.8x	18.4x	30.2x	21.0x	19.7x
Rockwell Automation, Inc.	NYSE	26,809	5.3x	3.9x	3.6x	25.8x	18.8x	16.4x	29.7x	22.1x	18.3x	24.0x	23.9x	20.5x
<b>Average peer group</b>		<b>25,973</b>	<b>5.9x</b>	<b>5.0x</b>	<b>4.7x</b>	<b>19.9x</b>	<b>16.1x</b>	<b>14.9x</b>	<b>22.4x</b>	<b>19.2x</b>	<b>17.6x</b>	<b>25.4x</b>	<b>23.4x</b>	<b>22.0x</b>
<b>Median peer group</b>		<b>26,809</b>	<b>5.3x</b>	<b>4.1x</b>	<b>4.1x</b>	<b>17.0x</b>	<b>15.3x</b>	<b>14.0x</b>	<b>20.9x</b>	<b>19.8x</b>	<b>18.3x</b>	<b>24.3x</b>	<b>22.6x</b>	<b>20.5x</b>
Esautomotion SpA	Milan	48	1.3x	1.1x	1.0x	4.6x	4.0x	3.6x	5.8x	5.1x	4.4x	9.1x	8.7x	7.5x

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	15.3x	14.0x
ESA EBITDA	9.3	10.2
<b>Enterprise value</b>	<b>142.1</b>	<b>142.2</b>
ESA FY21A Net Debt	-10.5	-10.5
<b>Equity Value</b>	<b>152.6</b>	<b>152.7</b>
Average Equity Value	<b>152.7</b>	
Liquidity Discount	25%	
<b>Equity Value Post-Discount</b>	<b>114.5</b>	
Number of shares (thousand)	<b>13,103</b>	
<b>Value per Share €</b>	<b>8.74</b>	

Source: FactSet, KT&Partners' elaboration

### P/EPS Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E
P/EPS Comps	24.3x	22.6x
ESA EPS	0.42	0.48
<b>Equity Value per Share</b>	<b>10.1</b>	<b>10.9</b>
Average Value per Share	<b>10.5</b>	
Liquidity Discount	25%	
<b>Value per Share €</b>	<b>7.9</b>	
<b>Equity Value Post discount</b>	<b>103.2</b>	
Number of shares (thousand)	<b>13,103</b>	
<b>Value per Share €</b>	<b>7.88</b>	

Source: FactSet, KT&Partners' elaboration

## DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 12.1% cost of equity, 4% 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 3.6% (Italian 10y BTP), 5.1% equity risk premium (Damodaran – ERP T12 m with sustainable payout) and a premium for size and liquidity of 2.5%. We, therefore, obtained 11.3% WACC (+2pp compared to our latest research)

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
<b>EBIT</b>	<b>7.3</b>	<b>8.4</b>	<b>9.2</b>	<b>10.2</b>
Taxes	(2.0)	(2.3)	(2.5)	(2.7)
D&A	1.9	1.6	1.6	1.6
Change in Net Working Capital	(2.1)	(0.4)	(0.4)	(0.2)
<b>Net Operating Cash Flow</b>	<b>5.4</b>	<b>7.7</b>	<b>8.3</b>	<b>9.2</b>
Capex	(1.7)	(1.4)	(1.4)	(1.4)
<b>FCFO</b>	<b>3.7</b>	<b>6.3</b>	<b>6.9</b>	<b>7.8</b>
g	1.5%			
Wacc	11.3%			
FCFO (discounted)	3.7	5.5	5.4	5.5
Discounted Cumulated FCFO	20.1			
TV	80.5			
TV (discounted)	57.0			
<b>Enterprise Value</b>	<b>77.1</b>			
NFP FY21	(10.5)			
<b>Equity Value</b>	<b>87.7</b>			
Current number of shares (mn)	13.1			
<b>Value per share (€)</b>	<b>6.69</b>			

Source: Company data, KT&Partners' elaboration

### Sensitivity Analysis (€mn)

€ Million		WACC				
Terminal growth Rate		11.8%	11.6%	11.3%	11.1%	10.8%
	1.0%	81.2	82.9	84.6	86.5	88.4
	1.3%	82.6	84.3	86.1	88.0	90.0
	1.5%	84.0	85.8	87.7	89.7	91.8
	1.8%	85.4	87.3	89.3	91.4	93.6
	2.0%	87.0	88.9	91.0	93.2	95.5

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-IT, 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 €29.9bn, 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 2021, the company revenues reached €5.6bn.
- **Renishaw plc.:** listed on the London stock exchange, with a market capitalization of €2.9bn, Renishaw engages in the design, manufacture, and marketing of metrology and healthcare products. In 2021, the company revenues reached €0.6bn.
- **Dassault Systemes SA:** listed on the Paris Euronext, with a market capitalization of €45.1bn, Dassault Systemes provides software solutions and consulting services. It offers end-to-end software applications that cover a wide range of industry segments. In 2021, the company revenues reached €4.9bn.
- **Hexagon AB:** quoted on the Stockholm stock exchange, with a market capitalization of €25.2bn, 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.
- **Rockwell Automation, Inc.:** listed on the NYSE, with a market capitalization of €26.8bn, 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
Fanuc Corporation	-8.0%	-5.2%	-13.0%	-17.3%
Renishaw plc	-8.7%	-16.6%	-22.5%	-35.3%
Dassault Systemes SA	-11.9%	-8.3%	-23.1%	-28.1%
Hexagon AB Class B	13.9%	-14.0%	-23.4%	-34.4%
Rockwell Automation, Inc.	-9.1%	-22.6%	-20.6%	-29.0%
Average	-4.8%	-13.4%	-20.5%	-28.8%
Median	-8.7%	-14.0%	-22.5%	-29.0%
<b>Esautomotion SpA</b>	<b>-17.9%</b>	<b>-23.6%</b>	<b>-7.9%</b>	<b>-22.4%</b>

Source: FactSet, KT&amp;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	5,431	5,921	5,913	6,067	74.6%
Dassault Systemes SA	4,018	4,452	4,860	5,567	6,042	6,568	67.5%
Renishaw plc	651	580	640	771	800	844	81.2%
Rockwell Automation, Inc.	5,935	5,656	5,854	7,997	8,585	9,020	71.5%
Hexagon AB Class B	3,908	3,771	4,347	5,127	5,430	5,844	72.5%
<b>Esautomotion SpA</b>	<b>19</b>	<b>18</b>	<b>29</b>	<b>33</b>	<b>36</b>	<b>38</b>	<b>56.1%</b>
<b>Average Peers</b>	<b>3,744</b>	<b>3,784</b>	<b>4,227</b>	<b>5,077</b>	<b>5,354</b>	<b>5,669</b>	<b>71.8%</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	2022	2023	2024	2019	2020	2021	2022	2023	2024	2019	2020	2021	2022	2023	2024
Fanuc Corporation	26.4%	28.6%	30.8%	32.0%	32.8%	17.4%	20.4%	25.0%	25.3%	26.0%	26.1%	14.4%	17.1%	21.2%	21.1%	21.4%	21.7%
Dassault Systemes SA	30.9%	29.9%	37.8%	37.1%	37.0%	21.1%	16.3%	21.6%	33.7%	33.9%	34.4%	15.3%	11.0%	15.9%	26.2%	25.8%	25.6%
Renishaw plc	23.4%	20.9%	28.5%	28.8%	29.5%	16.6%	11.3%	20.8%	24.5%	23.8%	24.1%	16.1%	0.1%	19.6%	20.1%	20.0%	20.0%
Rockwell Automation, Inc.	22.4%	20.0%	20.5%	21.9%	22.2%	20.1%	17.2%	17.7%	17.4%	19.7%	19.8%	10.4%	16.2%	19.4%	12.7%	14.8%	15.2%
Hexagon AB Class B	30.2%	32.7%	36.7%	37.8%	38.4%	25.0%	26.9%	29.7%	28.3%	28.8%	29.4%	18.0%	16.4%	18.4%	21.0%	22.1%	22.6%
Average	26.7%	26.4%	30.8%	31.5%	32.0%	20.0%	18.4%	23.0%	25.8%	26.4%	26.8%	14.8%	12.1%	18.9%	20.2%	20.8%	21.0%
Esautomotion SpA	18.2%	20.1%	28.0%	28.5%	28.7%	9.7%	10.6%	22.4%	21.9%	23.6%	24.2%	9.1%	13.8%	17.6%	16.0%	17.2%	17.6%

Source: FactSet, KT&amp;Partners' elaboration

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Via della Posta, 10 – Piazza Affari, 20123 Milano – Italy  
Tel: +39.02.83424007 Fax: +39.02.83424011  
[segreteria@ktepartners.com](mailto:segreteria@ktepartners.com)