

Business Growth Confirmed despite Extended Delivery Time

ADD | Fair Value: €8.33 (€7.50) | Current Price: €4.45 | Upside: +87.2%

€ Million	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Total Revenues	18.6	17.7	28.6	34.1	38.6	43.0	46.0
EBITDA	3.4	3.6	8.0	8.7	10.3	11.8	12.9
margin	18.2%	20.1%	28.1%	25.5%	26.5%	27.4%	28.0%
Net Profit	1.7	2.4	5.0	5.1	6.0	7.4	8.2
margin	9.1%	13.8%	17.6%	15.0%	15.6%	17.2%	17.8%
EPS	0.13	0.19	0.40	0.40	0.47	0.58	0.64
NFP	(7.0)	(8.3)	(10.5)	(10.8)	(15.2)	(21.1)	(27.1)

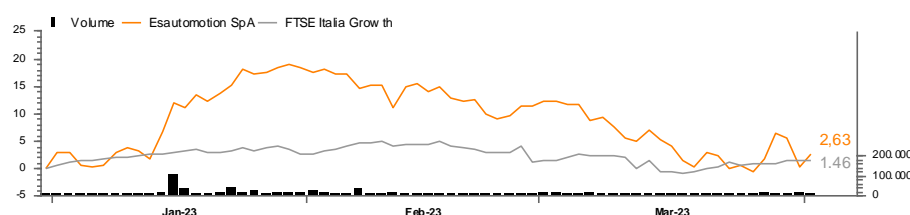
Source: Company data; KT&Partners' elaboration

FY22A results: business growth confirmed despite raw materials' shortage and extended delivery time. ESAU-IT closed FY22 with €34.1mn of revenue, up by 19.2% YoY and +2.9% compared to our estimates. Business growth was driven by: i) cross- and up-selling activities on existing clients, leveraging on a complementary offer; ii) acquisition of new clients; iii) further expansion in foreign markets (China, Turkey, the Iberian Peninsula, and USA). On the profitability side, gross profit increased by 13.6% YoY to €15.6mn with an incidence on total revenue of 45.7%, down by 2.3pp and 2pp compared to the previous year and our expectations, respectively, mainly due to: i) a different revenue mix, with a higher contribution from motors and drivers, following a postponement of some deliveries of CNC solutions to FY23 caused by the persisting global shortage of raw materials; and ii) higher raw material costs. Following gross margin reduction, EBITDA margin came in at 25.5% (-2.6pp YoY and to our estimates also due to higher-than-expected logistics costs). On the capital structure side, the net cash position came almost in line with the previous year (€10.8mn in FY22 vs €10.5mn in FY21), penalized by: i) the lower profitability; ii) €3.7mn of NWC mainly due to the shortage of raw materials; iii) €1.1mn of investments carried out over the period; and iv) €1,272,000 of dividend payment.

Estimate revision. On the back of FY22 financial results and considering the positive order intake trend that ESAU-IT is still recording, we upwardly revised our topline revenue. We now anticipate total revenues to grow at a CAGR22-25 of 10.5%, reaching €46mn in FY25, driven by a growing contribution from foreign countries and up- and cross-selling activities on existing clients. On the profitability side, we expect FY23 EBITDA margin at 26.5% thanks to a higher contribution from CNCs, gradually improving to 28% by 2025 also thanks to operating cost savings given a higher than previously expected business growth. At the bottom line, we foresee net income to increase at a CAGR of 17.1%, reaching €8.2mn in 2025E with a margin of 17.8%. Finally, we now expect a net cash position of €15.2mn in 2023 – also factoring a higher NWC absorption – reaching €27.1mn in FY25E (without considering any future M&A deals).

Valuation Update. Our valuation – based on both DCF and a market multiples model – returns an average equity value of €109.2mn or €8.33ps, implying a potential upside of +87.2% on the current market price. The company is currently trading at 72% and 62% discount on 2023 EV/EBITDA and P/EPS compared to its peers.

Relative Performance Chart YTD



Research Update

April 6, 2023 – 7.00 h

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Market Data			
Main Shareholders			
Franco Fontana			34.56%
Gianni Senzolo			30.69%
Mkt Cap (€ mn)			58.3
EV (€ mn)			47.5
Shares issued (mn)			13.1
Shares outstanding (mn)			12.7
Free Float (%)			24.9
Market multiples			
	2022	2023E	2024E
EV/EBITDA			
Esautomotion SpA	5.5x	4.6x	4.0x
Comps median	16.5x	16.5x	15.0x
Esautomotion SpA vs Median	-67%	-72%	-73%
P/EPS			
Esautomotion SpA	11.1x	9.4x	7.7x
Comps median	27.8x	24.7x	22.8x
Esautomotion SpA vs Median	-60%	-62%	-66%
Stock Data			
52 Wk High (€)			5.10
52 Wk Low (€)			3.29
Avg. Daily Trading 90d			12,169
Price Change 1w (%)			7.0%
Price Change 1m (%)			-4.7%
Price Change YTD (%)			6%

Note: Share Capital is calculated considering multiple-voting shares

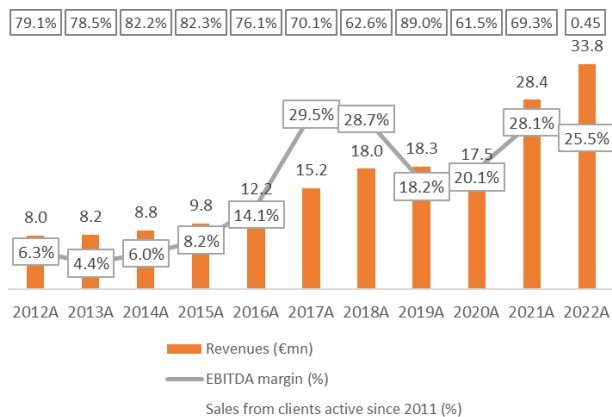
Key Figures – Esautomation S.p.A.

	Current price (€)	Fair Value (€)	Sector					Free Float (%)	
	4.45	8.33	Industrial Software					24.9	
Per Share Data	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Total shares issued (mn)	13.10	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	12.72
EPS	0.24	0.13	0.19	0.40	0.40	0.47	0.58	0.64	0.70
Dividend per share (ord)	0.05	0.04	0.05	0.05	0.10	0.10	0.12	0.15	0.16
Dividend pay out ratio (%)	10.1%	16.7%	37.6%	26.0%	25.2%	25.2%	25.2%	25.2%	25.2%
Profit and Loss (EUR million)									
Total Revenues	18.5	18.6	17.7	28.6	34.1	38.6	43.0	46.0	49.3
EBITDA	5.0	3.4	3.6	8.0	8.7	10.3	11.8	12.9	13.8
EBIT	3.8	1.8	1.9	6.4	6.8	8.1	9.9	11.0	11.9
EBT	3.7	1.8	1.7	6.4	6.8	8.1	9.9	11.0	11.9
Taxes	(0.7)	(0.1)	0.8	(1.4)	(1.7)	(2.0)	(2.5)	(2.8)	(3.0)
Tax rate	18%	4%	-44%	21%	25%	25%	25%	25%	25%
Net Income	3.0	1.7	2.4	5.0	5.1	6.0	7.4	8.2	8.9
Balance Sheet (EUR million)									
Total fixed assets	2.0	2.6	2.4	2.4	2.2	1.9	1.7	1.4	1.1
Net Working Capital (NWC)	5.8	6.6	7.0	9.4	13.1	14.2	14.7	15.9	17.1
Provisions	(0.3)	(0.3)	(0.3)	(0.4)	(0.3)	(0.8)	(1.3)	(1.8)	(2.3)
Total Net capital employed	7.6	9.0	9.1	11.4	15.0	15.3	15.1	15.4	15.8
Net financial position/(Cash)	(7.7)	(7.0)	(8.3)	(10.5)	(10.8)	(15.2)	(21.1)	(27.1)	(33.5)
Total Shareholder's Equity	15.2	16.0	17.4	21.9	25.8	30.5	36.3	42.5	49.3
Cash Flow (EUR million)									
Net operating cash flow	4.3	3.3	3.2	6.7	7.0	8.2	9.3	10.1	10.8
Change in NWC	(1.5)	(0.8)	(0.4)	(2.4)	(3.7)	(1.1)	(0.6)	(1.1)	(1.2)
Capital expenditure	(1.9)	(1.6)	(0.7)	(1.1)	(1.1)	(1.7)	(1.4)	(1.4)	(1.4)
Other cash items/Uses of funds	(0.1)	(0.0)	(0.1)	(0.1)	(0.3)	0.2	0.2	0.2	0.2
Free cash flow	0.9	0.9	1.9	3.1	1.8	5.7	7.6	7.9	8.5
Enterprise Value (EUR million)									
Market Cap	41.4	36.3	23.4	41.7	53.9	58.3	58.3	58.3	58.3
Minorities	0.0	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)	(10.8)	(15.2)	(21.1)	(27.1)	(33.5)
Enterprise value	33.7	29.3	15.1	31.2	43.2	43.1	37.2	31.2	24.8
Ratios (%)									
EBITDA margin	27.2%	18.2%	20.1%	28.1%	25.5%	26.5%	27.4%	28.0%	28.0%
EBIT margin	20.4%	9.7%	10.6%	22.4%	20.0%	20.9%	23.0%	23.8%	24.1%
Gearing - Debt/equity	-50.3%	-44.0%	-47.9%	-48.1%	-41.8%	-49.8%	-58.4%	-63.8%	-67.9%
Interest cover on EBIT	2.6x	2.4%	9.3%	-0.5%	0.1%	0.1%	0.1%	0.1%	0.1%
NFP/EBITDA	-1.5x	-2.1x	-2.3x	-1.3x	-1.2x	-1.5x	-1.8x	-2.1x	-2.4x
ROCE	49.8%	20.2%	20.6%	56.2%	45.6%	52.7%	65.4%	71.1%	75.1%
ROE	19.7%	10.6%	14.1%	23.0%	19.8%	19.8%	20.3%	19.3%	18.0%
EV/Sales	2.6x	2.6x	2.7x	1.7x	1.4x	1.2x	1.1x	1.0x	1.0x
EV/EBITDA	9.4x	14.1x	13.4x	5.9x	5.5x	4.6x	4.0x	3.7x	3.4x
P/E	18.9x	33.4x	23.1x	11.2x	11.1x	9.4x	7.7x	6.9x	6.4x
Free cash flow yield	n.m.	2%	4%	7%	4%	13%	18%	18%	20%
Growth Rates (%)									
Revenues	18.5%	0.5%	-4.8%	61.8%	19.2%	13.3%	11.2%	7.1%	7.1%
EBITDA	9.3%	-32.9%	5.3%	126.3%	8.1%	18.0%	14.9%	9.4%	7.1%
EBIT	7.5%	-52.0%	3.2%	242.8%	6.8%	18.0%	22.4%	11.1%	8.3%
Net Income	21.6%	-43.5%	44.5%	106.1%	1.1%	18.1%	22.5%	11.1%	8.3%

Source: Company data, KT&Partners' elaboration

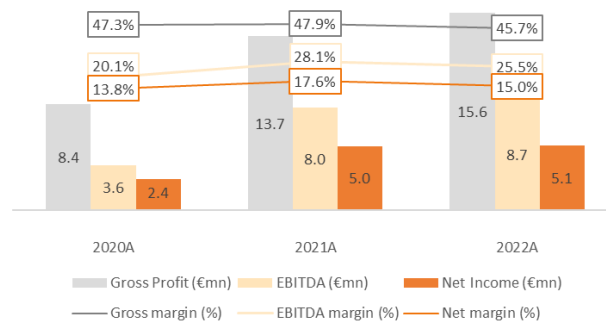
Key charts

Sales Revenue and EBITDA margin (€mn, %)



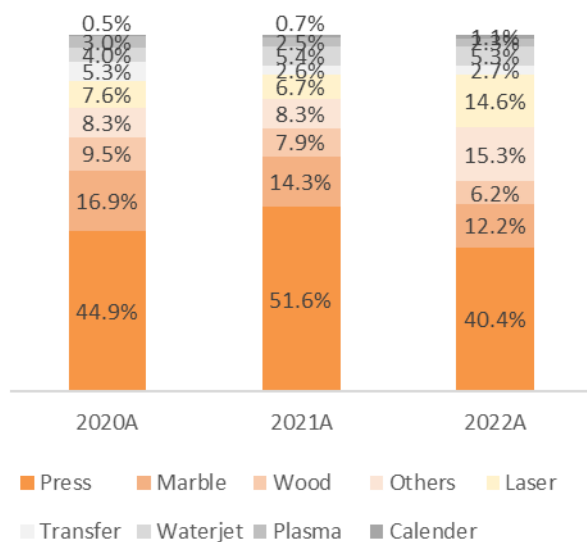
Source: Company data, KT&Partners' elaboration.

Profitability Evolution (€mn, %)



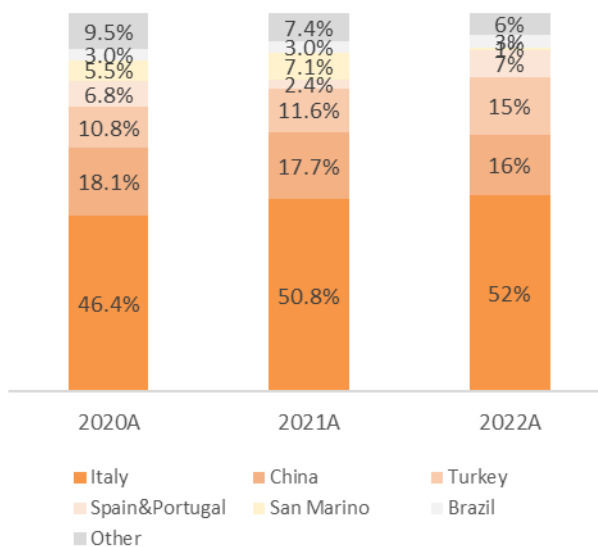
Source: Company data, KT&Partners' elaboration

Revenues by Application (%)



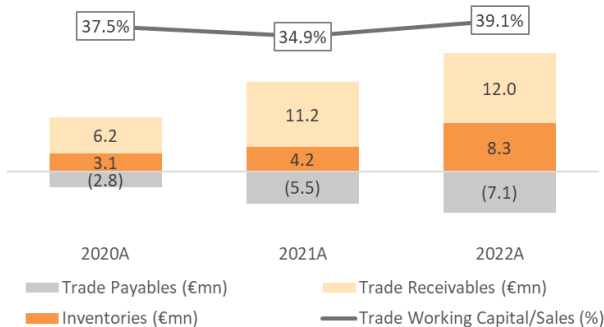
Source: Company data, KT&Partners' elaboration

Revenues by Geography (%)



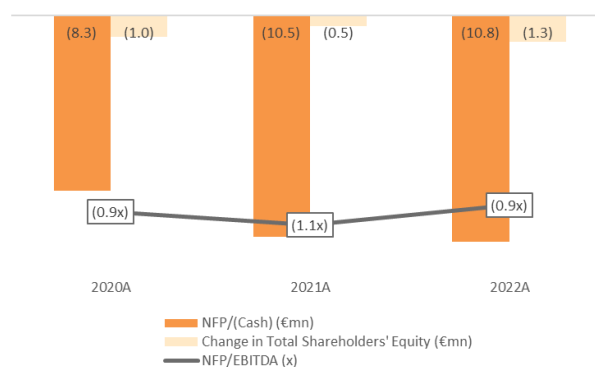
Source: Company data, KT&Partners' elaboration

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

Esautomotion (ESAU-IT) is active in the B2B high-end CNC market, developing and selling Integrated Mechatronic CNC Systems (Software and Hardware), 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 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-IT's total revenues has gone from €8mn in FY12 to €34.1mn in FY22, while EBITDA margin went from 6.3% in FY12 to 25.5% in FY22. Finally, a strong cash generation was recorded as well. Over the 2020-22 period the average OCF/EBITDA and FCF/EBITDA ratios stood at 64% and 49%, respectively, leading recording a net cash position of €10.8mn in FY22. Leveraging on the strong cash position and balance sheet, greater growth could come from M&As.
- **Strategy's validity also confirmed 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).

Recent developments

- **A strengthened team.** In 2022, ESAU-IT appointed two figures with long experience in the CNC market: an Operations Manager (Mauro Giglietti) and a hardware development manager (Leonardo Cristofani), as deputy R&D manager.

FY22 Financial Results

In FY22, ESAU-IT kept growing at a double-digit pace, achieving €34.1mn of total revenue (+19.2% YoY and +62.9% CAGR2018-22), exceeding our estimates and the Italian machine tools market by 2.9pp and 3.7pp, respectively.

Increasing sales volumes were recorded from historical and new clients. Sales from active clients since 2011 accounted for over 65%, showing high customer loyalty along with ESAU-IT's offer validity. In particular, ESAU-IT's management has leveraged on a complementary offer, including motors and drivers, to implement cross- and up-selling activities. At the same time, the Company has continuously innovated its product performance to anticipate and meet clients' needs, investing €1.2mn in R&D (ca. 3.5% of revenues).

Foreign sales (direct export) stood at 48%, almost in line with the previous year, with China accounting for 16% of total revenues followed by Turkey (15%).

Gross Profit increased by 13.6% YoY to €15.6mn with an incidence on total revenue of 45.7%, down by 2.3pp YoY and by 2pp compared to the previous year and our expectations mainly due to: i) a different revenue mix, with a higher contribution from motors and driver, following a postponement of some deliveries of CNC solutions to FY23 caused by the persisting global shortage of raw material; and ii) higher raw material costs.

Gross margin reduction, along with a higher incidence of services costs (+0.6pp YoY) - mainly due to higher logistics cost - and other operating expenses (+0.3pp YoY) only partially offset by a lower incidence of personnel expenses (-0.5pp YoY), led EBITDA margin to 25.5%, -2.6 compared to FY21 and our estimates. In absolute terms, EBITDA was up by 8.1% YoY but 46.5% below our estimates.

At the bottom line, net income after minorities came in at €5.1mn, almost in line with the previous year and -3.6% below our estimates.

On the balance sheet side, total fixed assets came to €2.2mn, almost in line with FY21. We note that in FY22 ESAU-IT started investing in the automatization of its warehouse. The incidence of inventories on revenues increased 15% in FY21 to 25% in FY22, mainly following business growth, combined with the postponement of the deliveries of some CNC solutions and the increase in stock inventory due to the advance purchase of semiconductors and other raw materials to face the supply-chain disruptions. The higher incidence of inventories, only partially offset by lower DSO, caused NWC/revenues to increase by +4pp YoY to 39%. In absolute terms, NWC went from €4.2mn in FY21 to €8.3mn in FY22.

The lower profitability along with €3.7mn NWC absorption, €1.1mn of investments carried out over the period and ca. €1.3mn of dividend payment, led net cash position almost in line with the previous year (-€10.8mn in FY22 vs -€10.5mn in FY21).

FY22 Income Statement

€ Million	FY20A	FY21A	FY22A	YoY Growth	FY22E	A vs E
Revenues from sales and services	17.5	28.3	33.8	19.4%	32.8	3.2%
Other Revenues	0.2	0.3	0.3	-6.4%	0.4	-25.7%
Total Revenues	17.7	28.6	34.1	19.2%	33.1	2.9%
Products and Raw materials	(9.3)	(14.9)	(18.5)	24.3%	(17.3)	6.8%
Gross Profit	8.4	13.7	15.6	13.6%	15.8	-1.4%
Gross Margin	47.3%	47.9%	45.7%	-2.3%	47.7%	-2.0%
Cost of Services	(2.8)	(3.4)	(4.3)	25.5%	(3.9)	8.8%
Personnel Expenses	(1.8)	(2.1)	(2.4)	10.7%	(2.4)	-2.6%
Other Operating Expenses	(0.1)	(0.1)	(0.2)	92.1%	(0.1)	n.m.
EBITDA	3.6	8.0	8.7	8.1%	9.3	-6.5%
EBITDA margin	20.1%	28.1%	25.5%	-2.6%	28.1%	-2.6%
D&A and Provisions	(1.7)	(1.6)	(1.9)	12.7%	(2.0)	-8.2%
EBIT	1.9	6.4	6.8	6.8%	7.3	-6.0%
EBIT margin	10.6%	22.4%	20.0%	-2.3%	21.9%	-1.9%
Financial Income and Expenses	(0.2)	0.0	(0.0)	n.m.	(0.0)	-55.2%
Extraordinary items	0.0	0.0	0.0	n.m.	0.0	n.m.
EBT	1.7	6.4	6.8	6.2%	7.2	-5.8%
Taxes	0.8	(1.4)	(1.7)	24.9%	(2.0)	-12.0%
Tax Rate	-44.4%	21.5%	25.2%	3.8%	27.0%	-6.5%
Net Income	2.4	5.0	5.1	1.1%	5.3	-3.6%
Net margin	13.8%	17.6%	15.0%	-2.7%	16.0%	-1.0%
Minorities	(0.0)	0.0	0.0	n.m.	0.0	n.m.
Net Income attributable to the Group	2.4	5.0	5.1	1.1%	5.3	-3.6%
Net margin	13.8%	17.6%	15.0%	-2.7%	16.0%	-1.0%
Net Financial Position	(8.3)	(10.5)	(10.8)	(0.2)	(13.0)	2.2

Source: Company data

FY22 Balance Sheet

€ Million	FY20A	FY21A	FY22A
Goodwill	0.1	0.1	0.1
Intangible	1.1	1.2	1.3
Tangible	1.2	1.0	0.8
Other LT Assets	0.0	0.0	0.0
Fixed Assets	2.4	2.4	2.2
Trade receivables	6.2	11.2	12.0
Inventory	3.1	4.2	8.3
Trade Payables	(2.8)	(5.5)	(7.1)
Trade Working Capital	6.6	9.9	13.2
Other assets and liabilities	0.5	(0.5)	(0.1)
Net Working Capital	7.0	9.4	13.1
Other Provisions	(0.3)	(0.4)	(0.3)
Net Capital Employed	9.1	11.4	15.0
Group shareholders' equity	17.4	21.9	25.7
Minority shareholders' equity	0.0	0.0	0.0
Total shareholders' equity	17.4	21.9	25.8
Short-term debt / Cash (-)	(8.7)	(10.8)	(10.9)
Long-term liabilities	0.4	0.3	0.1
Net Financial Position	(8.3)	(10.5)	(10.8)
Sources	9.1	11.4	15.0

Source: Company data

Change in Estimates

Following higher than expected top-line growth achieved in FY22 and considering the positive trend in orders that ESAU-IT has been recording in the first months of 2023, we revised upward our total revenues estimates.

We anticipate total revenues to grow at +10.5% CAGR2022-25 (+4.3% compared to our previous estimates), reaching 46mn in FY25. 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 IoT related offer.

As for profitability, we revised downward our 2023-25 EBITDA margin estimates factoring the persisting shortage of components and inflation causing higher raw material costs. However, we expect FY23E EBITDA margin at 26.5%, +1pp compared to FY22 mainly benefitting from a higher contribution from CNC solutions and from cost savings following a higher than previously expected business growth. As a result, we anticipate EBITDA margin improve reaching 28% by 2025. In absolute terms, we foresee EBITDA at €10.3mn in FY23, reaching €12.9mn in FY25E (+14.1% CAGR2022-25)

Looking at the bottom line, we expect net income to increase to €8.2mn in FY25, growing at a +17.1% CAGR2022-25.

Finally, we expect ESAU-IT to remain cash positive for the length of the plan, reaching a net cash position of €27.1mn by 2025 (without considering any future M&A deals).

Key financial indicators can be summed up as follows:

- FY23E revenues for €38.6mn, reaching €46mn in FY25E (+10.5% CAGR2022-25E);
- FY23E EBITDA for €10.3mn, growing at €12.9mn in FY25E (+14.1% CAGR2022-25E);
- FY23E net income for €6.0mn, reaching €8.2mn in FY25E (17.1% CAGR2022-25E);
- FY23E NFP at -€15.2mn, reaching -€27.1mn in FY25E.

Change in Estimates

€ Million	2021A	2022A	2023E Old KT&P	2023E New KT&P	Change	2024E Old KT&P	2024E New KT&P	Change	2025E Old KT&P	2025E New KT&P	Change	CAGR Old 2022-'25	CAGR New 2022-'25
Total Revenues	28.6	34.1	35.7	38.6	8.3%	38.2	43.0	12.5%	40.9	46.0	12.5%	6.3%	10.5%
YoY Change (%)	61.8%	19.2%	4.6%	13.3%		7.1%	11.2%		7.1%	7.1%			
EBITDA	8.0	8.7	10.2	10.3	0.9%	11.0	11.8	7.4%	11.9	12.9	8.2%	11.1%	14.1%
YoY Change (%)	126.3%	8.1%	16.9%	18.0%		8.0%	14.9%		8.6%	9.4%			
EBITDA margin %	28.1%	25.5%	28.5%	26.5%		28.7%	27.4%		29.1%	28.0%			
EBIT	6.4	6.8	8.4	8.1	-4.2%	9.2	9.9	6.9%	10.2	11.0	7.8%	14.2%	17.1%
YoY Change (%)	242.8%	6.8%	23.2%	18.0%		9.7%	22.4%		10.2%	11.1%			
EBITDA margin %	22.4%	20.0%	23.6%	20.9%		24.2%	23.0%		24.9%	23.8%			
Net Income	5.0	5.1	6.1	6.0	-1.8%	6.7	7.4	9.7%	7.4	8.2	10.5%	13.3%	17.1%
YoY Change (%)	106.1%	1.1%	20.2%	18.1%		9.7%	22.5%		10.2%	11.1%			
Net income margin %	17.6%	15.0%	17.2%	15.6%		17.6%	17.2%		18.1%	17.8%			
NFP	(10.5)	(10.8)	(17.9)	(15.2)	2.7	(23.2)	(21.1)	2.0	(29.2)	(27.1)	2.1		

Source: FactSet, KT&Partners' elaboration

Valuation

Following the projections of ESAU-IT'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 €10.04ps;
2. DCF analysis based on WACC of 12.1% and 1.5% perpetual growth, returns a value of €6.63ps.

The average of the two methods yields a fair value of €8.33ps or an equity value of €109.18mn.

Valuation Recap

	Equity Value €mn	Value per share €
DCF	86.83	6.63
EV/EBITDA	140.69	10.74
P/EPS	122.35	9.34
Average Multiples	131.52	10.04
Total Average	109.18	8.33

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 2022–24 data.

Peer Comparison – Market Multiples 2022–24

Company Name	Exchange	Market Cap	EV/SALES 2022	EV/SALES 2023	EV/SALES 2024	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBIT 2022	EV/EBIT 2023	EV/EBIT 2024	P/EPS 2022	P/EPS 2023	P/EPS 2024
Fanuc Corporation	Tokyo	33,073	4.7x	4.8x	4.4x	16.5x	16.5x	14.1x	20.9x	20.9x	18.1x	27.3x	28.2x	23.9x
Renishaw plc	London	3,184	3.7x	3.7x	3.6x	12.3x	14.5x	12.7x	14.9x	18.4x	16.1x	22.4x	22.4x	20.1x
Dassault Systemes SA	Euronext Paris	49,953	8.8x	8.2x	7.6x	25.9x	22.9x	20.6x	37.9x	25.3x	22.7x	n.m	31.3x	28.5x
Hexagon AB Class B	OMXStockholm	28,653	6.2x	6.0x	5.7x	16.1x	16.3x	15.0x	21.0x	21.8x	20.0x	28.3x	24.3x	22.2x
Rockwell Automation, Inc.	NYSE	29,169	4.6x	4.2x	4.0x	23.0x	19.2x	18.1x	27.2x	21.6x	20.5x	34.5x	24.7x	22.8x
Average peer group		28,806	5.6x	5.4x	5.1x	18.8x	17.9x	16.1x	24.4x	21.6x	19.5x	28.1x	26.2x	23.5x
Median peer group		29,169	4.7x	4.8x	4.4x	16.5x	16.5x	15.0x	21.0x	21.6x	20.0x	27.8x	24.7x	22.8x
Esautomotion SpA	Milan	58	1.4x	1.2x	1.1x	5.5x	4.6x	4.0x	7.0x	5.9x	4.8x	11.1x	9.4x	7.7x

Source: FactSet, KT&Partners' elaboration

We based our evaluation upon our estimates of ESAU-IT's EBITDA and EPS for 2023 and 2024.

EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2023E	2024E
EV/EBITDA Comps	16.5x	15.0x
ESA EBITDA	10.3	11.8
Enterprise value	169.3	177.2
<i>Liquidity Discount</i>	25%	
Enterprise value Post-Discount	127.0	132.9
ESA FY22A Net Debt	-10.8	-10.8
Equity Value Post-Discount	137.7	143.7
Average Equity Value Post-Discount	140.7	
<i>Number of shares (thousand)</i>	13,103	
Value per Share €	10.7	

Source: FactSet, KT&Partners' elaboration

P/EPS Multiple Valuation

Multiple Valuation (€mn)	2023E	2024E
P/EPS Comps	24.7x	22.8x
ESA EPS	0.47	0.58
Equity Value per Share	11.7	13.2
Average Value per Share	12.4	
<i>Liquidity Discount</i>	25%	
Value per Share €	9.3	

Source: FactSet, KT&Partners' elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 13.2% cost of equity, 4.5% cost of debt, and a D/E ratio of 12.9% (Damodaran for the Machinery industry where ESAU-IT is included). The cost of equity is a function of the risk-free rate of 4.2% (Italian 10y BTP), 5.13% equity risk premium (Damodaran – ERP T12 m with sustainable payout) and a premium for size and liquidity of 2.5%. We, therefore, obtained 12.1% WACC (+1.1pp compared to our previous update

We discounted 2023E–26E 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	2023E	2024E	2025E	2026E
EBIT	8.1	9.9	11.0	11.9
Taxes	(2.0)	(2.5)	(2.8)	(3.0)
D&A	1.9	1.6	1.6	1.7
Change in Net Working Capital	(1.1)	(0.6)	(1.1)	(1.2)
Net Operating Cash Flow	7.4	8.9	9.2	9.8
Capex	(1.7)	(1.4)	(1.4)	(1.4)
FCFO	5.7	7.6	7.9	8.5
g	1.5%			
Wacc	12.1%			
FCFO (discounted)	5.3	6.2	5.8	5.5
Discounted Cumulated FCFO	22.8			
TV	81.6			
TV (discounted)	53.3			
Enterprise Value	76.1			
NFP FY22	(10.8)			
Equity Value	86.8			
Current number of shares (mn)	13.1			
Value per share (€)	6.63			

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis (€mn)

€ Million		WACC				
Terminal growth Rate		12.6%	12.3%	12.1%	11.8%	11.6%
	1.0%	81.0	82.5	84.2	85.9	87.7
	1.3%	82.1	83.8	85.5	87.3	89.1
	1.5%	83.4	85.1	86.8	88.7	90.7
	1.8%	84.6	86.4	88.3	90.2	92.2
	2.0%	86.0	87.8	89.8	91.8	93.9

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 €49.9bn, Dassault Systemes provides software solutions and consulting services. It offers end-to-end software applications which cover a wide range of industry segments. In 2022, the company revenues reached €5.7bn.
- **FANUC Corporation:** listed on the Tokyo stock exchange, with a market capitalization of €33.1bn, 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.
- **Hexagon AB:** quoted on the Stockholm stock exchange, with a market capitalization of €28.7bn, 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 2022, the company revenues reached €5.2bn.
- **Renishaw plc.:** listed on the London stock exchange, with a market capitalization of €3.2bn, Renishaw engages in the design, manufacture, and marketing of metrology and healthcare products. In 2022, the company revenues reached €0.8bn.
- **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 2022, the company revenues reached €7.2bn.

Peer Comparison – Performance Analysis

Company Name	Price change % 3Month	Price change % 6Month	Price change % 1Year	Price change % YTD
Fanuc Corporation	15.6%	9.1%	4.5%	15.5%
Renishaw plc	6.7%	1.8%	-18.5%	11.8%
Dassault Systemes SA	-1.5%	0.5%	-3.7%	0.7%
Hexagon AB Class B	5.9%	16.7%	-1.8%	6.4%
Rockwell Automation, Inc.	2.2%	6.7%	-16.2%	6.0%
Average	5.8%	7.0%	-7.1%	8.1%
Median	5.9%	6.7%	-3.7%	6.4%
Esautomation SpA	6.0%	23.6%	-10.6%	6.5%

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	5,617	5,809	5,761	6,226	73.1%
Dassault Systemes SA	4,018	4,452	4,860	5,665	6,062	6,565	67.5%
Renishaw plc	651	580	640	795	793	828	82.5%
Rockwell Automation, Inc.	5,935	5,656	5,854	7,177	7,854	8,262	76.8%
Hexagon AB Class B	3,908	3,771	4,347	5,175	5,290	5,630	74.7%
Esautomation SpA	19	18	29	34	39	43	51.1%
Average Peers	3,744	3,784	4,264	4,925	5,152	5,502	73.5%

Source: FactSet, KT&Partners' elaboration

Peers Comparison – EBITDA Margin, EBIT Margin and Net Margin

Company Name	EBITDA Margin					EBIT Margin					Net Margin				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Fanuc Corporation	28.6%	31.4%	28.7%	29.0%	31.5%	20.4%	25.0%	22.8%	22.9%	24.5%	17.1%	21.2%	19.8%	19.8%	21.1%
Dassault Systemes SA	29.9%	33.2%	34.1%	36.1%	36.9%	16.3%	21.6%	23.3%	32.5%	33.5%	11.0%	15.9%	16.4%	26.1%	26.3%
Renishaw plc	20.9%	27.6%	30.3%	25.7%	28.1%	11.3%	20.8%	24.9%	20.3%	22.2%	0.1%	19.6%	17.9%	17.7%	19.0%
Rockwell Automation, Inc.	20.0%	20.4%	20.0%	21.9%	22.2%	17.2%	17.7%	16.9%	19.5%	19.6%	16.2%	19.4%	12.0%	15.2%	14.9%
Hexagon AB Class B	32.7%	39.0%	38.2%	37.0%	37.7%	26.9%	29.7%	29.4%	27.7%	28.4%	16.4%	18.4%	19.5%	20.8%	21.6%
Average	26.4%	30.3%	30.2%	29.9%	31.3%	18.4%	23.0%	23.4%	24.6%	25.6%	12.1%	18.9%	17.1%	19.9%	20.6%
Esautomation SpA	20.1%	28.1%	25.5%	26.5%	27.4%	10.6%	22.4%	20.0%	20.9%	23.0%	13.8%	17.6%	15.0%	15.6%	17.2%

Source: FactSet, KT&Partners' elaboration

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



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