

Growing in the Automation Industry through Sangalli's Acquisition

ADD | Fair Value: €8.67 (€8.33) | Current Price: €4.43 | Upside: +95.7%

€ Million	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Total Revenues	18.6	17.7	28.6	34.1	40.9	49.4	53.4
EBITDA	3.4	3.6	8.0	8.7	10.8	13.7	15.3
margin	18.2%	20.1%	28.1%	25.5%	26.4%	27.8%	28.6%
Net Profit	1.7	2.4	5.0	5.1	6.4	8.8	10.1
margin	9.1%	13.8%	17.6%	15.0%	15.7%	17.8%	19.0%
EPS	0.13	0.19	0.40	0.40	0.50	0.68	0.79
NFP	(7.0)	(8.3)	(10.5)	(10.8)	(6.5)	(13.5)	(20.5)

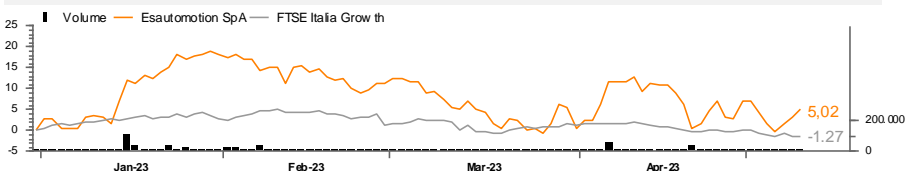
Source: Company data; KT&Partners' elaboration

Sangalli Servomotori acquisition: warming up the engine to accelerate business growth. On April 21, 2023, ESAU-IT signed a binding agreement for the acquisition of Sangalli Servomotori Srl – ESAU-IT's strategic supplier providing electric motors market – through the purchase of the 100% share capital of a newly established company (NewCo). The deal consideration was set at €10mn (assuming a zero net financial position) or at 6.1x FY22 EV/EBITDA, to be paid partly in cash and partly in ESAU-IT's shares (170,000 shares for a total value of €1,020,000). At the closing date (expected by July 2023), ESAU-IT will acquire a 65% of the NewCo with the right to purchase the remaining 35% by July 2027. Upon completion of the transaction, the Sangalli family, already holding 433,500 shares of ESAU-IT, will own a 4.99% stake of ESAU-IT share capital (4.05% considering multiple-voting shares). Active in the electric motor market since 1957, in FY22 Sangalli Servomotori generated €7.3mn of revenues of which 63% came from other clients than ESAU-IT. FY22 EBITDA amounted at €1.65mn with an EBITDA margin of 22.6% and a NFP of €1.3mn (0.8x NFP/EBITDA). Thanks to this strategic acquisition, the first since IPO, ESAU-IT is expected to: i) record savings in raw-material purchase costs; and ii) strengthen its portfolio with high-energy performance and low environmental-impact motors, boosting the development of special motors addressed to green, hybrid, or electric automation machines. At the same time, the acquisition of Sangalli Servomotori will allow ESAU-IT to acquire new clients (in Italy and abroad), entering new, highly innovative, and fast-growing automation segments, like electric-drive short-range mobility (scooters, small boats), wind power, and the agriculture machinery.

Estimate revision. We revised our estimates upward on the back of the announcement of the acquisition of Sangalli Servomotori. We note that, for FY23, we consider a five-month contribution from the target. We now anticipate total revenues to grow at a CAGR22-25 of 16.1%, reaching €53.4mn in FY25, considering the contribution from Sangalli netted by intercompany items. On the profitability side, we expect that following the acquisition of one of its suppliers, ESAU-IT will benefit from savings on raw material costs that more than offset the lower profitability of Sangalli's offer. As a result, we now forecast FY23 EBITDA margin at 26.4%, reaching 28.6% by 2025. At the bottom line, we foresee net income to increase at a CAGR22-25 of 24.8%, reaching €9.9mn in 2025E with a margin of 19.2%. Finally, we now expect a net cash position of €6.4mn in 2023 – following the €6.5mn of cash-out and €3.5mn of debt for future payments for Sangalli Servomotori's acquisition – reaching €20.3mn 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 €113.54mn or €8.67ps, implying a potential upside of 95.7% on the current market price. Despite the positive contribution to ESAU-IT's financials from Sangalli Servomotori, since our latest update valuation has been penalized by higher markets' parameters and peers' multiple contraction (-2.8% for EV/EBITDA 2024 and -4.9% for P/E 2023 and P/E 2024 estimates) mainly caused by peers' market capitalization contraction. The company is currently trading at 74% and 62% discount on 2023 EV/EBITDA and P/EPS compared to its peer's average.

Relative Performance Chart YTD



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Research Update

May 11, 2023 – 7.00 h

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Market Data

Main Shareholders	
Franco Fontana	34.56%
Gianni Senzolo	30.69%
Mkt Cap (€ mn)	58.0
EV (€ mn)	47.3
Shares issued (mn)	13.1
Shares outstanding (mn)	12.7
Free Float (%)	24.9

Market multiples	2022	2023E	2024E
EV/EBITDA			
Esautomotion SpA	5.4x	4.4x	3.4x
Comps median	15.9x	16.5x	14.5x
Esautomotion SpA vs Median	-66%	-74%	-76%
P/EPS			
Esautomotion SpA	11.1x	8.9x	6.5x
Comps median	26.7x	23.5x	21.6x
Esautomotion SpA vs Median	-59%	-62%	-70%

Stock Data

52 Wk High (€)	5.08
52 Wk Low (€)	3.29
Avg. Daily Trading 90d	9,082
Price Change 1w (%)	-1.1%
Price Change 1m (%)	-5.1%
Price Change YTD (%)	6%

Note: Share Capital is calculated considering multiple-voting shares. Enterprise Value has been calculated taking into consideration FY22 NFP adjusted by the cash-out for the acquisition of Sangalli Servomotori.

KT&PARTNERS PREPARED THIS DOCUMENT PURSUANT TO AN ENGAGEMENT LETTER ENTERED INTO WITH BPER BANCA S.P.A. ACTING AS SPECIALIST IN ACCORDANCE WITH ART. 35 OF EURONEXT GROWTH MILAN MARKET RULES FOR COMPANIES.

Key Figures – Esautomotion S.p.A.

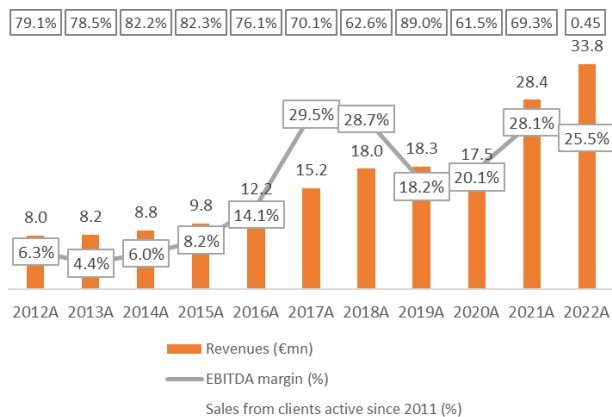
	Current price (€)	Fair Value (€)	Sector						Free Float (%)
	4.43	8.67	Industrial Software						24.9
Per Share Data	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Total shares issued (mn)	13.10	13.10	13.10	13.10	13.10	13.10	13.10	13.10	13.10
Total shares outstanding (mn)	12.93	12.83	12.72	12.72	12.72	12.89	12.89	12.89	12.89
EPS	0.23	0.13	0.19	0.40	0.40	0.50	0.68	0.79	0.86
Dividend per share (ord)	0.05	0.04	0.05	0.05	0.10	0.10	0.13	0.17	0.20
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	40.9	49.4	53.4	57.8
EBITDA	5.0	3.4	3.6	8.0	8.7	10.8	13.7	15.3	16.6
EBIT	3.8	1.8	1.9	6.4	6.8	8.6	11.8	13.6	14.9
EBT	3.7	1.8	1.7	6.4	6.8	8.6	11.8	13.5	14.9
Taxes	(0.7)	(0.1)	0.8	(1.4)	(1.7)	(2.2)	(3.0)	(3.4)	(3.8)
Tax rate	18%	4%	-44%	21%	25%	25%	25%	25%	25%
Net Income	3.0	1.7	2.4	5.0	5.102	6.4	8.8	10.1	11.1
Net Income attributable to the Group	3.0	1.7	2.4	5.0	5.099	6.4	8.8	10.1	11.1
Balance Sheet (EUR million)									
Total fixed assets	2.0	2.6	2.4	2.4	2.2	10.3	9.9	9.9	9.8
Net Working Capital (NWC)	5.8	6.6	7.0	9.4	13.1	16.0	17.0	18.6	20.2
Provisions	(0.3)	(0.3)	(0.3)	(0.4)	(0.3)	(0.8)	(1.4)	(2.0)	(2.6)
Total Net capital employed	7.6	9.0	9.1	11.4	15.0	25.4	25.6	26.5	27.5
Net financial position/(Cash)	(7.7)	(7.0)	(8.3)	(10.5)	(10.8)	(6.5)	(13.5)	(20.5)	(28.1)
Total Shareholder's Equity	15.2	16.0	17.4	21.9	25.8	31.9	39.1	47.0	55.6
Cash Flow (EUR million)									
Net operating cash flow	4.3	3.3	3.2	6.7	7.0	8.6	10.8	11.8	12.8
Change in NWC	(1.5)	(0.8)	(0.4)	(2.4)	(3.7)	(1.2)	(1.0)	(1.6)	(1.5)
Capital expenditure	(1.9)	(1.6)	(0.7)	(1.1)	(1.1)	(11.7)	(1.4)	(1.4)	(1.4)
Other cash items/Uses of funds	(0.1)	(0.0)	(0.1)	(0.1)	(0.3)	0.2	0.3	0.3	0.3
Free cash flow	0.9	0.9	1.9	3.1	1.8	(4.0)	8.6	9.2	10.2
Enterprise Value (EUR million)									
Market Cap	41.4	36.3	23.4	41.7	53.9	58.0	58.0	58.0	58.0
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)	(6.5)	(13.5)	(20.5)	(28.1)
Enterprise value	33.7	29.3	15.1	31.2	43.2	51.6	44.6	37.6	30.0
Ratios (%)									
EBITDA margin	27.2%	18.2%	20.1%	28.1%	25.5%	26.4%	27.8%	28.6%	28.7%
EBIT margin	20.4%	9.7%	10.6%	22.4%	20.0%	21.0%	23.8%	25.4%	25.8%
Gearing - Debt/equity	-50.3%	-44.0%	-47.9%	-48.1%	-41.8%	-20.3%	-34.5%	-43.6%	-50.6%
Interest cover on EBIT	2.6%	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	-0.6x	-1.0x	-1.3x	-1.7x
ROCE	49.8%	20.2%	20.6%	56.2%	45.6%	33.8%	46.0%	51.1%	54.3%
ROE	19.7%	10.6%	14.1%	23.0%	19.8%	20.1%	22.5%	21.5%	20.1%
EV/Sales	2.6x	2.5x	2.7x	1.7x	1.4x	1.2x	1.0x	0.9x	0.8x
EV/EBITDA	9.4x	14.0x	13.3x	5.9x	5.4x	4.4x	3.4x	3.1x	2.9x
P/E	19.1x	33.6x	23.0x	11.2x	11.1x	8.9x	6.5x	5.6x	5.1x
Free cash flow yield	n.m.	2%	4%	7%	4%	-9%	20%	21%	24%
Growth Rates (%)									
Revenues	18.5%	0.5%	-4.8%	61.8%	19.2%	20.1%	20.6%	8.1%	8.2%
EBITDA	9.3%	-32.9%	5.3%	126.3%	8.1%	24.5%	26.9%	11.2%	8.6%
EBIT	7.5%	-52.0%	3.2%	242.8%	6.8%	25.9%	36.7%	15.3%	10.1%
Net Income	21.6%	-43.5%	44.5%	106.1%	1.1%	26.0%	36.7%	15.3%	10.1%

Source: Company data, KT&Partners' elaboration

Note: Shares outstanding take into consideration treasury shares that will be used for Sangalli Servomotori's acquisition. Enterprise Value has been calculated taking into consideration FY22 NFP adjusted by the cash-out for the acquisition of Sangalli.

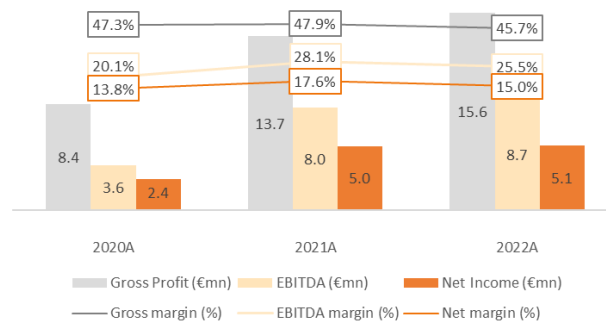
Key charts

Sales Revenue and EBITDA margin (€mn, %)



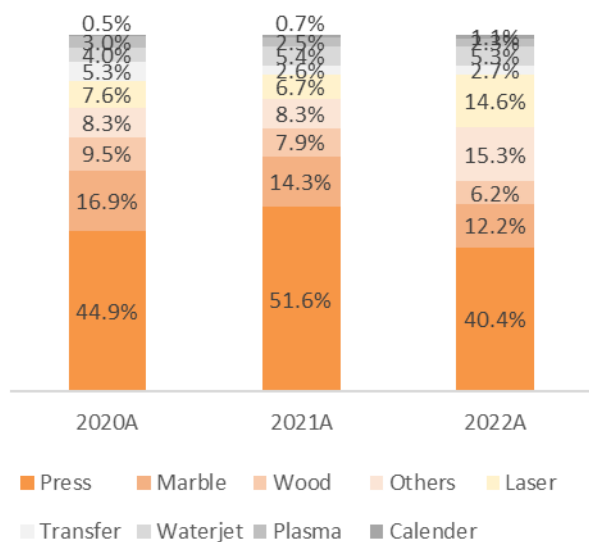
Source: Company data, KT&Partners' elaboration.

Profitability Evolution (€mn, %)



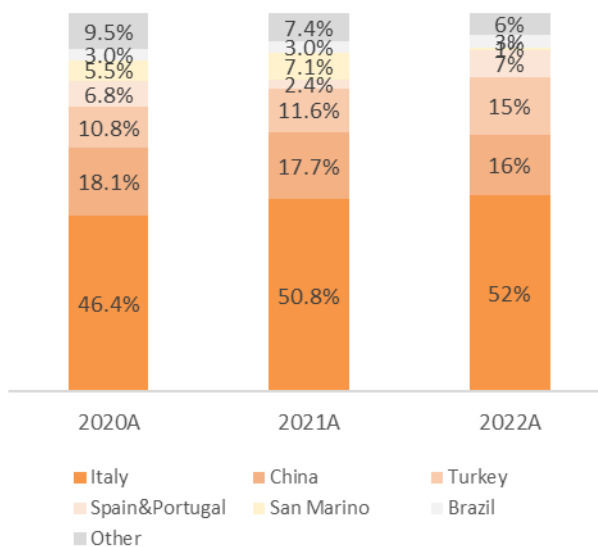
Source: Company data, KT&Partners' elaboration

Revenues by Application (%)



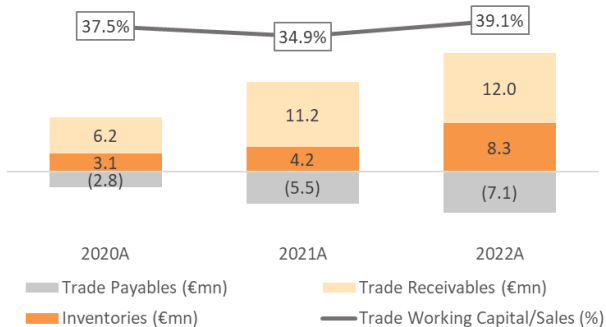
Source: Company data, KT&Partners' elaboration

Revenues by Geography (%)



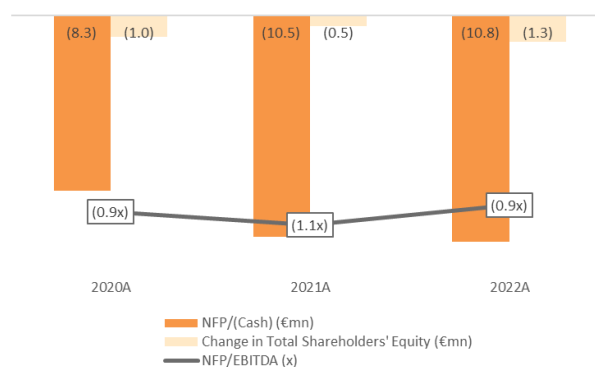
Source: Company data, KT&Partners' elaboration

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 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, cross-selling opportunities, and operating efficiency. ESAU-IT's total revenues have 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, 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

- **1Q23 results.** On May 5, 2023, Esautomotion released some 1Q23 key results. In line with our estimates, the Group achieved €9.7mn of total revenues (up by 18.1% compared to 1Q22), continuing its growth despite the persistent industry's difficulties in the procurement of components and raw materials, and in transportation as well. China and Turkey remain the group's top export markets with growth of +14% and +28% respectively (+8% in Italy). In 1Q23, ESAU-IT's net cash position improved by +4.6% compared to FY22.
- **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.

M&A Sangalli Servomotori Srl

On April 21st, 2023, Esautomotion SpA announced having signed a binding agreement for the acquisition of Sangalli Servomotori Srl through the purchase of 65% share capital of a newly established company (NewCo) by July 2023. ESAU-IT also has the right (call option) to acquire the remaining 35% stake in the NewCo by 2027.

The deal consideration was set at €10mn and will be paid partially in cash and partially in Esautomotion shares, for a total value of ca. €1.02mn (170,000 shares). Following the completion of the transaction, the Sangalli family, already holding 433,500 shares of ESAU-IT, will own a 4.99% stake of ESAU-IT share capital (4.05% considering multiple-voting shares).

Based in Monza, Sangalli Servomotori – one of ESAU-IT's strategic suppliers (in FY22 Sangalli Servomotori accounted for ca. 12% of ESAU-IT's raw materials costs) – boasts 15+ years of experience in the electric motor market. In FY22, Sangalli Servomotori accounted for ca. €7.3mn of total revenues (+16% CAGR18-22) – of which 63% came from clients other than ESAU-IT – with an EBITDA margin of ca. 22.6%. With two production sites and 49 employees, Sangalli Servomotori manufactures a full range of i) brushless servomotors for application in industrial automation, robotics. and machine tools; ii) energy-efficient and fuel-efficient components and generators for renewable energy and light-traction applications; iii) direct-drive solutions for both torque motor applications; and iv) wide range of servo motor accessories.

Sangalli Servomotori's brushless servomotors offer



Sangalli Servomotori represents ESAU-IT's first acquisition and it will allow ESAU-IT to accelerate its growth by:

- i) **strengthening its low-environmental-impact strategy.** Sangalli Servomotori's high-energy performance and low environmental-impact motors will allow ESAU-IT to better address market demand for hybrid and full electric automation machines. These special motors, along with 4.0 technology, are expected to drive both the machine turnover in the more developed countries and attract customers from high growth countries;
- ii) **increasing the contribution from full-package products** (including CNC, motors, drivers, networking, accessories) which in FY22 accounted for 42% of ESAU-IT's;
- iii) **expanding its domestic and international customer base and entering new businesses** with high growth potential in the world of automation (wind power, automation of moving machines).

Change in Estimates

Following the M&A announcement of Sangalli Servomotori, we revised upward our estimates to factor in the contribution of the new target netted by intercompany items (in FY23, ca. 37% of Sangalli's revenue came from ESAU-IT). We note that for 2023, we consider a five-month contribution based on an expected closing of the deal by July 2023.

We now anticipate total revenues to increase at a CAGR22A-25 of 16.1% (+5.6pp vs our previous) going from €34.1mn in FY22 to €53.4mn in FY25.

We now expect EBITDA to grow in absolute terms from €10.8mn in FY23 (+5.5% than expected before) to €15.3mn in FY25 (+18.4% than expected before). On the profitability side, we expect that following the acquisition of one of its strategic suppliers, ESAU-IT will benefit from savings on raw-material costs that more than offset the lower profitability of Sangalli's offer. As a result, we project FY23 EBITDA margin at 26.4%, increasing to 28.6% in FY25E (ca. +0.6pp compared to our previous forecast).

On the bottom line, we now foresee net income to grow at a CAGR22A-25 of 24.8% (+7.7% than our previous projections), amounting to €9.9mn in FY25.

Finally, we expect a FY23 net cash of €6.4mn vs €15.2mn of net cash expected in our latest update, mainly factoring in €6.5mn of cash-out and €3.5mn of debt for future payments for Sangalli Servomotori's acquisition. Net cash position is forecasted to progressively improve, reaching €20.3mn by 2025.

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	38.6	40.9	6.0%	43.0	49.4	14.9%	46.0	53.4	16.0%	10.5%	16.1%
YoY Change (%)	61.8%	19.2%	13.3%	20.1%		11.2%	20.6%		7.1%	8.1%			
EBITDA	8.0	8.7	10.3	10.8	5.5%	11.8	13.7	16.5%	12.9	15.3	18.4%	14.1%	20.7%
YoY Change (%)	126.3%	8.1%	18.0%	24.5%		14.9%	26.9%		9.4%	11.2%			
EBITDA margin %	28.1%	25.5%	26.5%	26.4%		27.4%	27.8%		28.0%	28.6%			
EBIT	6.4	6.8	8.1	8.6	6.7%	9.9	11.8	19.1%	11.0	13.6	23.5%	17.1%	25.6%
YoY Change (%)	242.8%	6.8%	18.0%	25.9%		22.4%	36.7%		11.1%	15.3%			
EBITDA margin %	22.4%	20.0%	20.9%	21.0%		23.0%	23.8%		23.8%	25.4%			
Net Income	5.0	5.1	6.0	6.5	7.2%	7.4	8.7	17.6%	8.2	9.9	20.9%	17.1%	24.8%
YoY Change (%)	106.1%	1.1%	18.1%	26.5%		22.5%	34.4%		11.1%	14.3%			
Net income margin %	17.6%	15.0%	15.6%	15.9%		17.2%	18.0%		17.8%	19.2%			
NFP	(10.5)	(10.8)	(15.2)	(6.4)	8.8	(21.1)	(13.4)	7.7	(27.1)	(20.3)	6.8		

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 €10.44ps;
2. DCF analysis based on WACC of 12.5% and 1.5% perpetual growth, returns a value of €6.89ps.

The average of the two methods yields a fair value of €8.67ps or an equity value of €113.54mn.

Valuation Recap

	Equity Value €mn	Value per share €
DCF	90.33	6.89
EV/EBITDA	143.50	10.95
P/EPS	129.99	9.92
Average Multiples	136.75	10.44
Total Average	113.54	8.67

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	31,564	4.5x	4.6x	4.2x	15.9x	16.5x	14.0x	20.2x	21.4x	18.3x	25.9x	28.5x	24.0x
Renishaw plc	London	3,073	3.6x	3.5x	3.4x	11.8x	13.9x	12.1x	14.4x	17.9x	15.9x	21.6x	21.8x	19.9x
Dassault Systemes SA	Euronext Paris	47,542	8.2x	7.7x	7.1x	24.0x	21.5x	19.5x	35.1x	23.9x	21.5x	n.m	30.0x	27.5x
Hexagon AB Class B	OMXStockholm	27,854	6.0x	5.8x	5.5x	15.8x	15.7x	14.5x	20.5x	20.9x	19.2x	27.5x	23.4x	21.4x
Rockwell Automation, Inc.	NYSE	29,125	4.6x	4.1x	3.9x	22.9x	18.4x	17.4x	27.1x	21.1x	20.0x	34.4x	23.5x	21.6x
Average peer group		27,832	5.4x	5.2x	4.8x	18.1x	17.2x	15.5x	23.5x	21.0x	19.0x	27.4x	25.5x	22.9x
Median peer group		29,125	4.6x	4.6x	4.2x	15.9x	16.5x	14.5x	20.5x	21.1x	19.2x	26.7x	23.5x	21.6x
Esautomotion SpA	Milan	58	1.4x	1.2x	1.0x	5.4x	4.4x	3.4x	6.9x	5.5x	4.0x	11.1x	8.9x	6.5x

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	14.5x
ESA EBITDA	10.8	13.7
Enterprise value	178.9	199.0
Liquidity Discount	25%	
Enterprise value Post-Discout	134.2	149.3
ESA FY22A Net Debt Adj*	-1.8	-1.8
Equity Value Post-Discout	136.0	151.1
Average Equity Value Post-Discout	143.5	
Number of shares (thousand)	13,103	
Value per Share €	11.0	

* FY22 NFP has been adjusted by the cash-out for the acquisition of Sangalli Servomotori

Source: FactSet, KT&Partners' elaboration

P/EPS Multiple Valuation

Multiple Valuation (€mn)	2023E	2024E
P/EPS Comps	23.5x	21.6x
ESA EPS	0.50	0.68
Equity Value per Share	11.7	14.7
Average Value per Share	13.2	
Liquidity Discount	25%	
Value per Share €	9.9	
Equity Value Post discount	130.0	
Number of shares (thousand)	13,103	
Value per Share €	9.92	

Source: FactSet, KT&Partners' elaboration

From our multiple analysis we obtain an average fair value of €10.44ps. Despite the positive contribution to ESAU-IT's financials from Sangalli Servomotori, valuation has been penalized by peers' multiple contraction (-2.8% for EV/EBITDA 2024 and -4.9% for P/E 2023 and P/E 2024 estimates). This reduction is mainly caused by peers' market capitalization contraction from our latest update (-1.6% on average).

Peer's Change in Price and Estimates (%)

Company Name	Price change % 3Month	Price change % 6Month	Price change % 1Year	Price change % YTD	Price change % From Latest Update to Date
Fanuc Corporation	1.6%	17.4%	19.4%	17.1%	-4.6%
Renishaw plc	-7.2%	-7.1%	-10.4%	-0.9%	-0.7%
Dassault Systemes SA	-3.4%	-1.9%	-6.1%	6.7%	-5.1%
Hexagon AB Class B	-3.0%	-7.4%	-0.3%	5.2%	0.7%
Rockwell Automation, Inc.	-2.6%	4.6%	35.4%	7.8%	1.8%
Average	-2.9%	1.1%	7.6%	7.2%	-1.6%
Median	-3.0%	-1.9%	-0.3%	6.7%	-0.7%
Esautomotion SpA	-4.3%	4.0%	6.5%	6.5%	-6.0%

Company Name	EBITDA 2023 Old	EBITDA 2023 New	% Change	EBITDA 2024 Old	EBITDA 2024 New	% Change	EPS 2023 Old	EPS 2023 New	% Change	EPS 2024 Old	EPS 2024 New	% Change
Fanuc Corporation	1671.1	1585.5	-5.1%	1961.9	1870.5	-4.7%	1.2	1.1	-5.4%	1.4	1.3	-5.0%
Renishaw plc	203.7	205.5	0.9%	233.0	235.1	0.9%	2.0	1.9	-1.0%	2.2	2.1	-2.5%
Dassault Systemes SA	2187.4	2158.6	-1.3%	2420.9	2374.5	-1.9%	1.2	1.2	-0.9%	1.3	1.3	-1.3%
Hexagon AB Class B	1957.4	1978.9	1.1%	2122.1	2149.4	1.3%	0.4	0.4	0.8%	0.5	0.5	0.7%
Rockwell Automation, Inc.	1722.8	1788.4	3.8%	1831.2	1898.0	3.6%	10.3	10.8	5.0%	11.2	11.7	4.9%
Average peer group	1548.5	1543.4	-0.1%	1713.8	1705.5	-0.1%	3.0	3.1	-0.3%	3.3	3.4	-0.7%
Median peer group	1722.8	1788.4	0.9%	1961.9	1898.0	0.9%	1.2	1.2	-0.9%	1.4	1.3	-1.3%

Source: FactSet, KT&Partners' elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 13.6% 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 12.5% WACC (+0.4pp compared to our latest 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	8.6	11.8	13.6	14.9
Taxes	(2.2)	(3.0)	(3.4)	(3.8)
D&A	1.9	1.7	1.4	1.4
Change in Net Working Capital	(1.2)	(1.0)	(1.6)	(1.5)
Net Operating Cash Flow	7.6	10.0	10.5	11.6
Capex	(10.6)	(1.4)	(1.4)	(1.4)
Organic	(1.7)			
M&A	(9.0)			
FCFO	(3.0)	8.6	9.2	10.2
g	1.5%			
Wacc	12.5%			
FCFO (discounted)	(2.8)	7.1	6.7	6.7
Discounted Cumulated FCFO	17.7			
TV	94.8			
TV (discounted)	61.8			
Enterprise Value	79.6			
NFP FY22	(10.8)			
Equity Value	90.3			
Current number of shares (mn)	13.1			
Value per share (€)	6.89			

Source: Company data, KT&Partners' elaboration

Note: FY22 NFP has been adjusted by the cash-out for the acquisition of Sangalli Servomotori

Sensitivity Analysis (€mn)

€ Million		WACC				
Terminal growth Rate		13.0%	12.7%	12.5%	12.2%	12.0%
	1.0%	83.7	85.5	87.3	89.3	91.3
	1.3%	85.1	86.9	88.8	90.8	92.9
	1.5%	86.5	88.3	90.3	92.4	94.6
	1.8%	87.9	89.9	91.9	94.1	96.4
	2.0%	89.4	91.5	93.6	95.9	98.2

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 €47.5bn, Dassault Systemes provides software solutions and consulting services. It offers end-to-end software applications that 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 €31.6bn, 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 €27.9bn, 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 €3.0bn, 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 €29.1bn, 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.

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

Company Name	Sales					CAGR 20-'24
	2020	2021	2022	2023	2024	
Fanuc Corporation	4,461	5,617	5,769	5,724	6,169	77.2%
Dassault Systemes SA	4,452	4,860	5,665	5,989	6,491	74.0%
Renishaw plc	580	640	795	804	833	74.9%
Rockwell Automation, Inc.	5,656	5,854	7,177	8,084	8,510	72.1%
Hexagon AB Class B	3,771	4,347	5,175	5,348	5,687	72.0%
Esautomotion SpA	18	29	34	41	49	45.7%
Average Peers	3,784	4,264	4,916	5,190	5,538	73.1%

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%	28.5%	27.7%	30.3%	20.4%	25.0%	22.5%	21.4%	23.2%	17.1%	21.2%	20.0%	18.8%	20.1%
Dassault Systemes SA	29.9%	33.2%	34.1%	36.0%	36.6%	16.3%	21.6%	23.3%	32.4%	33.2%	11.0%	15.9%	16.4%	26.1%	26.5%
Renishaw plc	20.9%	27.6%	30.3%	25.6%	28.2%	11.3%	20.8%	24.9%	19.8%	21.6%	0.1%	19.6%	17.9%	17.6%	19.0%
Rockwell Automation, Inc.	20.0%	20.4%	20.0%	22.1%	22.3%	17.2%	17.7%	16.9%	19.4%	19.4%	16.2%	19.4%	12.0%	15.5%	15.2%
Hexagon AB Class B	32.7%	39.0%	38.2%	37.0%	37.8%	26.9%	29.7%	29.4%	27.9%	28.5%	16.4%	18.4%	19.5%	20.7%	21.5%
Average	26.4%	30.3%	30.2%	29.7%	31.0%	18.4%	23.0%	23.4%	24.2%	25.2%	12.1%	18.9%	17.2%	19.7%	20.4%
Median	20.1%	20.5%	25.8%	26.6%	29.3%	14.7%	15.4%	18.5%	20.2%	22.4%	8.5%	15.9%	16.3%	17.6%	19.0%
Esautomotion SpA	20.1%	28.1%	25.5%	26.4%	27.8%	10.6%	22.4%	20.0%	21.0%	23.8%	13.8%	17.6%	15.0%	15.7%	17.8%

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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