

1H23: Double-Digit Growth in Operating Results and Earnings

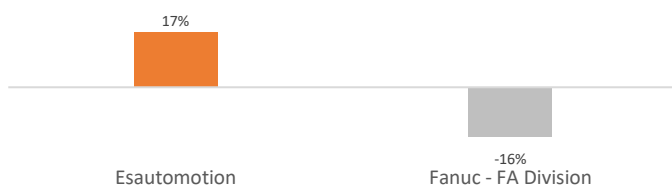
ADD | Fair Value: €8.90 (€8.67) | Current Price: €4.54 | Upside: +95.9%

€ Million	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Revenues	18.6	17.7	28.6	34.1	40.9	49.4	53.4	57.8
EBITDA	3.4	3.6	8.0	8.7	10.8	13.7	15.3	16.6
margin	18.2%	20.1%	28.1%	25.5%	26.4%	27.8%	28.6%	28.7%
Net Profit	1.7	2.4	5.0	5.1	6.4	8.8	10.1	11.1
margin	9.1%	13.8%	17.6%	15.0%	15.7%	17.8%	19.0%	19.3%
EPS	0.13	0.19	0.40	0.40	0.50	0.68	0.79	0.86
NFP	(7.0)	(8.3)	(10.5)	(10.8)	(5.6)	(11.8)	(19.0)	(26.5)

Source: Company data; KT&Partners' elaboration

1H23 Financial Results. ESAU-IT closed 1H23 successfully and in line with preliminary results announced in July 2023, generating total revenues of €19.3mn, +17.2% YoY and slightly above our estimate of €18.8mn (+2.8%). The growth turns remarkable when compared with the results achieved by the FA division of the industry leader Fanuc, which over the same period (Jan-June 2022-23) recorded a decrease of -16% YoY (+5.8% CAGR1H21-23, lower than Esautomotion's CAGR1H21-23 of 17.8%).

1H22-23 YoY revenues growth (%): ESAU-IT vs Fanuc - FA Division



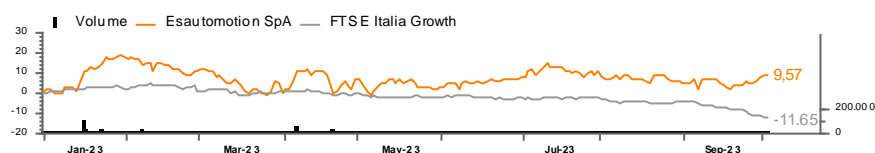
Source: Company data, KT&Partners' elaborations

At the EBITDA level, the Group reported a 1H23 EBITDA of €5.4mn (+20.4% YoY), almost in line with our latest projection of €5.2mn. In terms of profitability, EBITDA margin improved from 27.1% in 1H22 to 27.8% in 1H23 – fully in line with our estimates – mainly thanks to a different revenue mix and higher selling prices, implying a gross margin improvement of 30bps, and a lower incidence of services costs. EBIT reached €4.6mn (+25.2% compared to 1H22), slightly above our estimates of €4.3mn, with an EBIT margin at 23.7% (+1.5pp YoY). Looking at the bottom line, in 1H23 the Group showed a net income of €3.5mn (+25.3% YoY), slightly above our estimates of €3.1mn. As for the balance sheet, net working capital increased from €13.0mn in 1H22 to €16.1mn in 1H23, mainly due to higher inventories resulting from an increase in volumes and the purchases in advance of raw materials to face semiconductor shortage. Finally, ESAU-IT confirms a strongly positive net cash position of -€9.7mn (compared to -€10.8mn in FY22), slightly worsening due to working capital absorption and €1.3mn dividend payment.

Estimates. On the back of 1H23 financial results in line with our projections of May 2023, we have left our P&L estimates unchanged. Also factoring in the contribution from Sangalli Servomotori, we anticipate FY23E total revenues to be €40.9mn, growing at a CAGR22A-26E of 14.1% up to €57.8mn in FY26E. Focusing on profitability, 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 Servomotori's offer. As a result, we forecast FY23 EBITDA margin at 26.4%, reaching 28.7% by 2026. At the bottom line, we estimate FY23E net income at €6.4mn with a net margin equal to 15.7%, reaching a net income of €11.1mn and a net margin of 19.3% in FY26E. Finally, we revised net cash position estimates to factor a higher level of inventory (DIO), projecting a 1H23 net cash position of -€5.6mn at the end of FY23E (vs prior -€6.5mn), up to -€26.5mn in FY26E.

Valuation. We updated our valuation to take into consideration a lower level of the market risk premium. Our valuation – based on both DCF and EV/EBITDA multiple models – returns an equity value of €116.56mn or €8.90ps, implying an upside of 95.9% on the current market price.

Relative Performance Chart YTD



Research Update

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Market Data

Main Shareholders	
Franco Fontana	34.56%
Gianni Senzolo	30.69%
Mkt Cap (€ mn)	59.5
EV (€ mn)	48.7
Shares issued (mn)	13.1
Shares outstanding (mn)	12.7
Free Float (%)	24.9

Market multiples	2022	2023E	2024E
EV/EBITDA			
Esautomotion SpA	5.6x	4.5x	3.5x
Comps median	12.8x	17.4x	13.8x
Esautomotion SpA vs Median	-56%	-74%	-74%
P/EPS			
Esautomotion SpA	11.3x	9.1x	6.7x
Comps median	20.6x	23.8x	21.4x
Esautomotion SpA vs Median	-45%	-62%	-69%

Stock Data

52 Wk High (€)	5.08
52 Wk Low (€)	3.29
Avg. Daily Trading 90d	4,136
Price Change 1w (%)	2.3%
Price Change 1m (%)	3.4%
Price Change YTD (%)	9.6%

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

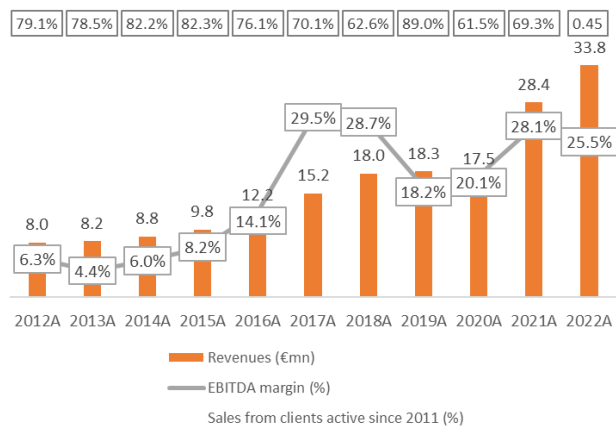
Key Figures - Esautomotion S.p.A.

	Current price (€)	Fair Value (€)	Sector					Free Float (%)	
	4.54	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	16.8	18.8	20.2	21.8
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	26.3	27.3	28.1	29.1
Net financial position/(Cash)	(7.7)	(7.0)	(8.3)	(10.5)	(10.8)	(5.6)	(11.8)	(19.0)	(26.5)
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)	(2.1)	(2.0)	(1.4)	(1.6)
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	(4.8)	7.7	9.4	10.1
Enterprise Value (EUR million)									
Market Cap	41.4	36.3	23.4	41.7	53.9	59.5	59.5	59.5	59.5
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)	(5.6)	(11.8)	(19.0)	(26.5)
Enterprise value	33.7	29.3	15.1	31.2	43.2	53.9	47.8	40.6	33.0
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%	-17.7%	-30.1%	-40.3%	-47.7%
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	-0.5x	-0.9x	-1.2x	-1.6x
ROCE	49.8%	20.2%	20.6%	56.2%	45.6%	32.8%	43.0%	48.3%	51.3%
ROE	19.7%	10.6%	14.1%	23.0%	19.8%	20.1%	22.5%	21.5%	20.1%
EV/Sales	2.6x	2.6x	2.8x	1.7x	1.4x	1.2x	1.0x	0.9x	0.8x
EV/EBITDA	9.7x	14.4x	13.7x	6.1x	5.6x	4.5x	3.5x	3.2x	2.9x
P/E	19.6x	34.4x	23.6x	11.5x	11.3x	9.1x	6.7x	5.8x	5.3x
Free cash flow yield	n.m.	2%	4%	7%	4%	-11%	18%	22%	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%

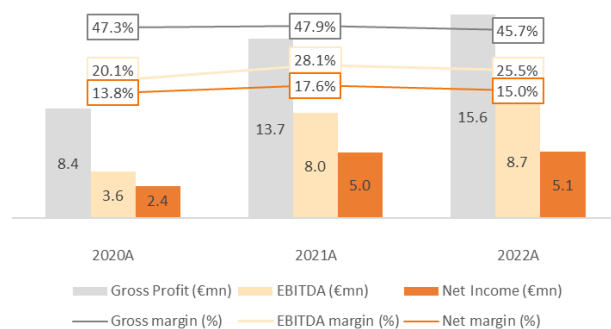
Source: Company data, KT&Partners' elaboration

Key charts

Revenue and EBITDA margin (€mn, %)



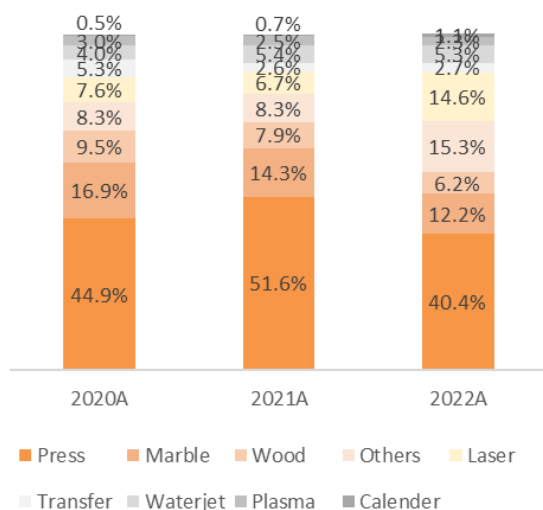
Profitability Evolution (€mn, %)



Source: Company data, KT&Partners' elaboration.

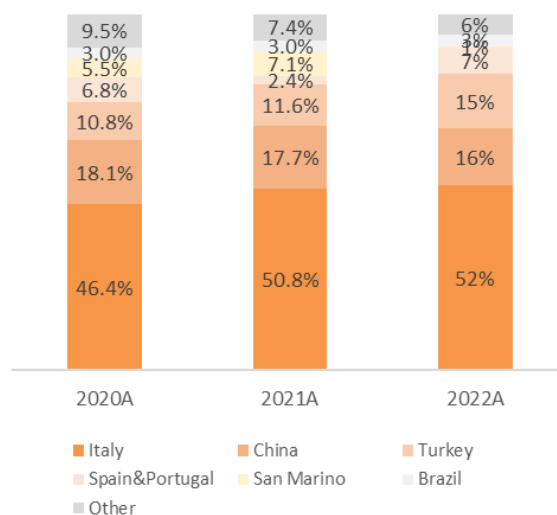
Source: Company data, KT&Partners' elaboration

Revenues by Application (%)



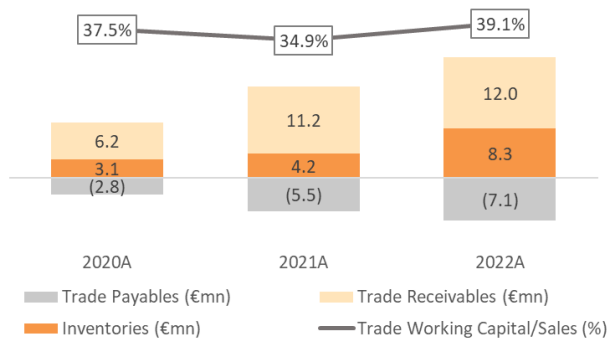
Source: Company data, KT&Partners' elaboration

Revenues by Geography (%)



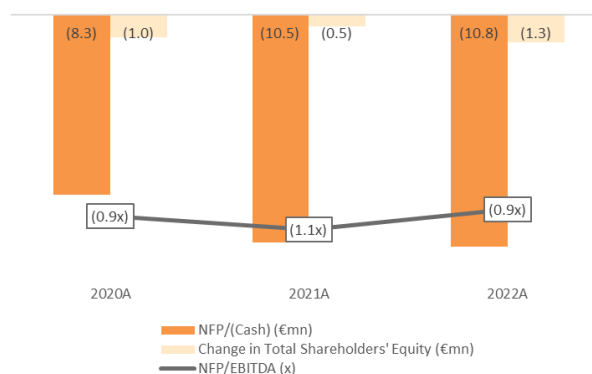
Source: Company data, KT&Partners' elaboration

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 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, 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. 48% 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. 16% in FY22, underlining the importance for Chinese manufacturers of equipping their industrial machines with high-quality CNC systems.

1H23 Financial Results

ESAU-IT closed 1H23 recording strong and sustained growth driven by a strategy that focuses on: i) product innovation through intense R&D activity; ii) increasing presence in strategic global markets; and iii) retaining historical customers while consolidating recently acquired ones. Even in a challenging macroeconomic scenario characterized by a slowdown due to semiconductor shortage, the Group is confident about continuing its growth path in the second half of the year, also thanks to the contribution of the newly acquired company Sangalli Servomotori.

In 1H23, ESAU-IT generated total revenues of €19.3mn vs €16.5mn in 1H22, achieving a growth of +17.2% YoY, slightly above our estimate of €18.8mn (+2.8%). The domestic market, which represents 51.3% of ESAU-IT's sales revenues, registered a growth of €1.0mn from 1H22A (+11.08% YoY). Likewise, international sales reported an increase of €1.9mn (+24.5% YoY), highlighting substantial growth in exports.

EBITDA grew at a higher pace than revenues (+20.4% YoY), reaching €5.4mn, almost in line with our latest projection of €5.2mn. In terms of profitability, the EBITDA margin improved from 27.1% in 1H22 to 27.8% in 1H23, targeting our estimates. The marginality enhancement is mainly attributable to: i) price adjustment to customers; ii) ability to shift demand toward more profitable products; iii) lower incidence of services, from 11.9% in 1H22 to 11.2% in 1H23.

EBIT stood at €4.6mn (+25.2% compared to 1H22), slightly above our estimates of €4.3mn. The EBIT margin reached 23.7% from 22.2% in 1H22 (+1.5pp YoY), mainly thanks to a lower incidence of D&A.

Looking at the bottom line, in 1H23 the Group showed a net income of €3.5mn, growing at +25.3% YoY, almost in line with our estimates of €3.1mn.

Moving to the balance sheet analysis, net working capital went from €13.0mn in 1H22 to €16.1mn in 1H23 due to: i) higher inventories resulting from ESAU-IT's strategy to increase sales volumes and purchases in advance of raw materials to face semiconductor shortage; ii) modified conditions of semiconductor suppliers (lower DPO); iii) increased revenue from customers with more favorable payment terms (higher DSO).

Finally, ESAU-IT recorded a strongly positive net cash position of -€9.7mn, worsening by €1.1mn compared to FY22 mainly due to the absorption of working capital and the FY22 dividend distribution amounting to €1.3mn.

1H23 Income Statement

€ Million	1H19	1H20	1H21	1H22	1H23A	YoY Growth	1H23E	A vs E %
Revenues from sales and services	9.6	8.1	13.9	16.4	19.3	17.4%	18.7	3.1%
Other Revenues	0.2	0.1	0.0	0.1	0.0	-50.0%	0.1	-66.2%
Total Revenues	9.7	8.2	13.9	16.5	19.3	17.2%	18.8	2.8%
Products and Raw materials	(5.2)	(4.4)	(7.2)	(8.8)	(10.3)	16.6%	(9.9)	3.5%
Gross Profit	4.5	3.8	6.8	7.6	9.0	17.9%	8.8	2.0%
Gross Margin	46.7%	45.9%	48.5%	46.4%	46.7%	0.3%	47.1%	-0.4%
Cost of Services	(1.4)	(1.4)	(1.6)	(2.0)	(2.2)	10.2%	(2.2)	-1.7%
Personnel Expenses	(1.0)	(0.9)	(1.0)	(1.1)	(1.4)	20.1%	(1.3)	5.4%
Other Operating Expenses	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	36.8%	(0.1)	-5.3%
EBITDA	2.0	1.4	4.1	4.5	5.4	20.4%	5.2	2.9%
EBITDA margin	21.0%	16.7%	29.2%	27.1%	27.8%	0.7%	27.8%	0.0%
D&A and Provisions	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	-1.1%	(0.9)	-14.0%
EBIT	1.4	0.7	3.4	3.7	4.6	25.2%	4.3	6.5%
EBIT margin	14.1%	8.2%	24.2%	22.2%	23.7%	1.5%	22.9%	0.8%
Financial Income and Expenses	(0.0)	(0.2)	0.0	0.0	0.1		(0.0)	
EBT	1.4	0.5	3.4	3.7	4.7	27.2%	4.3	9.3%
Taxes	(0.3)	(0.2)	(0.9)	(0.9)	(1.2)	33.2%	(1.2)	2.3%
Tax Rate	24.7%	36.1%	26.4%	24.8%	25.9%		27.7%	
Net Income	1.0	0.3	2.5	2.8	3.5	25.3%	3.1	12.0%
Net margin	10.6%	4.0%	18.0%	16.8%	18.0%	1.2%	16.5%	1.5%

Source: Company data

1H23 Balance Sheet

€ Million	1H21	FY21	1H22	FY22	1H23
Goodwill	0.1	0.1	0.1	0.1	0.1
Intangible	1.8	1.2	1.7	1.3	1.6
Tangible	0.6	1.0	0.6	0.8	0.7
Other LT Assets	0.0	0.0	0.0	0.0	0.0
Fixed Assets	2.4	2.4	2.4	2.2	2.4
Trade receivables	9.5	11.2	12.4	12.0	13.4
Inventory	3.6	4.2	5.1	8.3	9.7
Trade Payables	(4.5)	(5.5)	(3.9)	(7.1)	(6.5)
Trade Working Capital	8.6	9.9	13.6	13.2	16.6
Other assets and liabilities	(0.3)	-489	(0.5)	(0.1)	(0.5)
Net Working Capital	8.3	9.4	13.0	13.1	16.1
Other Provisions	(0.4)	(0.4)	(0.4)	(0.3)	(0.4)
Net Capital Employed	10.4	11.4	15.1	15.0	18.2
Group shareholders' equity	19.3	21.9	23.5	25.7	27.8
Minority shareholders' equity	0.0	0.0	0.0	0.0	0.0
Total shareholders' equity	19.3	21.9	23.5	25.8	27.8
Short-term debt / Cash (-)	(9.3)	(10.8)	(8.6)	(10.9)	(9.8)
Long-term liabilities	0.3	0.3	0.2	0.1	0.2
Net Financial Position	(9.0)	(10.5)	(8.5)	(10.8)	(9.7)
Sources	10.4	11.4	15.1	15.0	18.2

Source: Company data

Change in Estimates

In the light of 1H23 financial results, we decided to leave unchanged our P&L projections over the 2023–26 period. We anticipate FY23E total revenues to be €40.9mn, growing at a CAGR22A–26E of 14.1% up to €57.8mn in FY26E.

Focusing on profitability, 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 foresee FY23 EBITDA margin at 26.4%, increasing to 28.7% in FY26E. In absolute terms, we project FY23E EBITDA at €10.8mn, reaching €16.6mn in FY26 and growing at a CAGR21A–26E of +17.5%.

Looking at the bottom line, we estimate FY23E net income at €6.4mn with a net margin equal to 15.7%, reaching a net income of €11.1mn and a net margin of 19.3% in FY26E.

Finally, we adjusted net cash position estimates to incorporate a higher net working capital absorption. Therefore, we project a 1H23 net cash position of -€5.6mn at the end of FY23E (vs prior -€6.5mn), progressively improving in the following years up to -€26.5mn, highlighting a significant cash generation capacity of the Company. We note that our FY23 estimates also factor in €6.5mn of cash-out and €3.5mn of debt for future payments for Sangalli Servomotori's acquisition.

Change in Estimates

€ Million	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	2026E Old KT&P	2026E New KT&P	Change	CAGR Old 2022-'26	CAGR New 2022-'26
Total Revenues	34.1	40.9	40.9	0.0%	49.4	49.4	0.0%	53.4	53.4	0.0%	57.8	57.8	0.0%	14.1%	14.1%
YoY Change (%)	19.2%	20.1%	20.1%		20.6%	20.6%		8.1%	8.1%		8.2%	8.2%			
EBITDA	8.7	10.8	10.8	0.0%	13.7	13.7	0.0%	15.3	15.3	0.0%	16.6	16.6	0.0%	17.5%	17.5%
YoY Change (%)	8.1%	24.5%	24.5%		26.9%	26.9%		11.2%	11.2%		8.6%	8.6%			
EBITDA margin %	25.5%	26.4%	26.4%		27.8%	27.8%		28.6%	28.6%		28.7%	28.7%			
EBIT	6.8	8.6	8.6	0.0%	11.8	11.8	0.0%	13.6	13.6	0.0%	14.9	14.9	0.0%	21.6%	21.6%
YoY Change (%)	6.8%	25.9%	25.9%		36.7%	36.7%		15.3%	15.3%		10.1%	10.1%			
EBITDA margin %	20.0%	21.0%	21.0%		23.8%	23.8%		25.4%	25.4%		25.8%	25.8%			
Net Income	5.1	6.4	6.4	0.0%	8.8	8.8	0.0%	10.1	10.1	0.0%	11.1	11.1	0.0%	21.6%	21.6%
YoY Change (%)	1.1%	26.0%	26.0%		36.7%	36.7%		15.3%	15.3%		10.1%	10.1%			
Net income margin %	15.0%	15.7%	15.7%		17.8%	17.8%		19.0%	19.0%		19.3%	19.3%			
NFP	(10.8)	(6.5)	(5.6)	0.8	(13.5)	(11.8)	1.7	(20.5)	(19.0)	1.5	(28.1)	(26.5)	1.6		

Source: Company data, KT&Partners' elaborations

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 €10.43ps;
2. DCF analysis based on WACC of 11.9% and 1.5% perpetual growth, returns a value of €7.36ps.

The average of the two methods yields a fair value of €8.90ps or an equity value of €116.56mn.

Valuation Recap

	Equity Value €mn	Value per share €
DCF	96.49	7.36
EV/EBITDA	143.46	10.95
P/EPS	129.78	9.90
Average Multiples	136.62	10.43
Total Average	116.56	8.90

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	25,290	3.5x	4.2x	3.8x	12.3x	17.4x	13.8x	15.5x	24.0x	18.2x	19.9x	29.8x	23.3x
Renishaw plc	London	2,820	3.3x	3.2x	3.2x	10.8x	13.9x	12.4x	13.1x	17.1x	15.8x	19.8x	21.5x	20.2x
Dassault Systemes SA	Euronext Paris	47,030	8.1x	7.7x	7.1x	23.8x	21.9x	19.8x	34.8x	23.9x	21.6x	n.m	29.6x	27.0x
Hexagon AB Class B	OMXStockholm	21,528	4.9x	4.7x	4.4x	12.8x	13.1x	11.7x	16.6x	16.5x	15.3x	21.3x	19.0x	17.1x
Rockwell Automation, Inc.	NYSE	31,175	4.8x	4.1x	3.8x	24.2x	18.1x	16.9x	28.6x	21.1x	19.1x	36.8x	23.8x	21.4x
Average peer group		25,569	4.9x	4.8x	4.5x	16.8x	16.9x	14.9x	21.7x	20.5x	18.0x	24.5x	24.8x	21.8x
Median peer group		25,290	4.8x	4.2x	3.8x	12.8x	17.4x	13.8x	16.6x	21.1x	18.2x	20.6x	23.8x	21.4x
Esautomotion SpA	Milan	59	1.4x	1.2x	1.0x	5.6x	4.5x	3.5x	7.1x	5.7x	4.1x	11.3x	9.1x	6.7x

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	17.4x	13.8x
ESA EBITDA	10.8	13.7
Enterprise value	187.8	190.0
Liquidity Discount	25%	
Enterprise value Post-Discount	140.9	142.5
ESA FY22A Net Debt Adj*	-1.8	-1.8
Equity Value Post-Discount	142.6	144.3
Average Equity Value Post-Discount	143.5	
Number of shares (thousand)	13,103	
Value per Share €	10.9	

Source: FactSet, KT&Partners' elaboration

P/EPS Multiple Valuation

Multiple Valuation (€mn)	2023E	2024E
P/EPS Comps	23.8x	21.4x
ESA EPS	0.50	0.68
Equity Value per Share	11.8	14.6
Average Value per Share	13.2	
<i>Liquidity Discount</i>	25%	
Value per Share €	9.9	

Source: FactSet, KT&Partners' elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 13% cost of equity (vs 13.6%), 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 4.67% (Italian 10y BTP) vs prior 4.2%, 4.67% equity risk premium (Damodaran – ERP T12 m with sustainable payout) vs prior 5.13%, and a premium for size and liquidity of 2.5%. We, therefore, obtained 11.9% WACC (-0.62pp compared to our latest research).

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	(2.1)	(2.0)	(1.4)	(1.6)
Net Operating Cash Flow	6.8	9.1	10.8	11.5
Capex	(10.6)	(1.4)	(1.4)	(1.4)
Organic	(1.7)			
M&A	(9.0)			
FCFO	(3.8)	7.7	9.4	10.1
g	1.5%			
Wacc	11.9%			
FCFO (discounted)	(3.7)	6.7	7.3	7.0
Discounted Cumulated FCFO	17.3			
TV	98.6			
TV (discounted)	68.4			
Enterprise Value	85.7			
NFP FY22	(10.8)			
Equity Value	96.5			
Current number of shares (mn)	13.1			
Value per share (€)	7.36			

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis (€mn)

€ Million		WACC				
Terminal growth Rate		12.4%	12.2%	11.9%	11.7%	11.4%
	1.0%	89.1	91.0	93.0	95.2	97.4
	1.3%	90.6	92.6	94.7	96.9	99.2
	1.5%	92.2	94.3	96.5	98.8	101.2
	1.8%	93.9	96.1	98.3	100.7	103.3
	2.0%	95.6	97.9	100.3	102.8	105.4

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 €25.3bn, 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 2022, the company revenues reached €6.0bn.
- **Renishaw plc.:** listed on the London stock exchange, with a market capitalization of €2.8bn, Renishaw engages in the design, manufacture, and marketing of metrology and healthcare products. In 2022, the company revenues reached €0.8bn.
- **Dassault Systemes SA:** listed on the Paris Euronext with a market capitalization of €47.0bn, 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.
- **Hexagon AB:** quoted on the Stockholm stock exchange, with a market capitalization of €21.5bn, 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.
- **Rockwell Automation, Inc.:** listed on the NYSE, with a market capitalization of €31.2bn, 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.

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

Company Name	Sales						CAGR 20-'25
	2020	2021	2022	2023	2024	2025	
Fanuc Corporation	4,461	5,617	6,045	5,041	5,530	6,036	78.5%
Dassault Systemes SA	4,452	4,860	5,665	5,958	6,466	7,045	69.3%
Renishaw plc	580	640	795	799	814	875	72.0%
Rockwell Automation, Inc.	5,656	5,854	7,177	8,519	9,074	9,478	66.2%
Hexagon AB Class B	3,771	4,347	5,175	5,395	5,730	6,129	67.8%
Esautomotion SpA	18	29	34	41	49	53	41.3%
Average Peers	3,784	4,264	4,972	5,142	5,523	5,913	70.0%

Source: FactSet, KT&Partners' elaboration

Peers Comparison – EBITDA Margin, EBIT Margin and Net Margin

Company Name	EBITDA Margin					EBIT Margin					Net Margin				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Fanuc Corporation	31.4%	28.2%	24.0%	27.4%	29.0%	25.0%	22.5%	17.3%	20.9%	23.1%	21.2%	20.0%	16.0%	18.6%	20.2%
Dassault Systemes SA	33.2%	34.1%	35.3%	35.9%	36.0%	21.6%	23.3%	32.2%	32.9%	33.4%	15.9%	16.4%	26.3%	26.6%	27.1%
Renishaw plc	27.6%	30.3%	23.3%	25.7%	28.6%	20.8%	24.9%	18.9%	20.2%	22.3%	19.6%	17.9%	16.9%	17.3%	19.7%
Rockwell Automation, Inc.	20.4%	20.0%	22.5%	22.7%	23.1%	17.7%	16.9%	19.4%	20.0%	20.7%	19.4%	12.0%	15.9%	15.5%	15.9%
Hexagon AB Class B	39.0%	38.2%	35.8%	37.7%	38.4%	29.7%	29.4%	28.4%	28.8%	29.7%	18.4%	19.5%	18.0%	20.6%	21.6%
Average	30.3%	30.2%	28.2%	29.9%	31.0%	23.0%	23.4%	23.3%	24.6%	25.8%	18.9%	17.2%	18.6%	19.7%	20.9%
Median	20.5%	21.8%	23.3%	25.7%	28.6%	15.4%	16.6%	18.9%	20.2%	22.3%	15.9%	11.1%	16.0%	16.4%	17.8%
Esautomotion SpA	28.1%	25.5%	26.4%	27.8%	28.6%	22.4%	20.0%	21.0%	23.8%	25.4%	17.6%	15.0%	15.7%	17.8%	19.0%

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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