

ESAU Faces Prolonged Headwinds: Revised Outlook Amid Slower Recovery

ADD | Fair Value: €5.76 (€7.24) | Current Price: €3.00 | Upside: +92%

Research Update

October 9th, 2024 - 7.00 h

€ Million	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Total Revenues	28.6	34.1	35.7	30.1	34.7	40.8	44.7
EBITDA	8.0	8.7	8.4	6.1	7.8	9.8	11.1
margin	28.1%	25.5%	23.5%	20.2%	22.4%	23.9%	24.9%
Net Profit	5.0	5.1	4.3	3.0	4.1	5.3	6.3
margin	17.6%	15.0%	12.1%	9.8%	11.8%	13.0%	14.1%
EPS	0.40	0.40	0.33	0.23	0.32	0.41	0.49
NFP	(10.5)	(10.8)	(3.6)	(5.5)	(9.2)	(13.9)	(19.3)

Source: Company data; KT&Partners' elaboration

1H24 Financial Results. ESAU faced continued market headwinds in 1H24, with total revenues falling to €14.1mn, a 27% YoY decline and 20% below expectations. The revenue drop was driven by client destocking of CNCs, supply chain disruptions due to geopolitical tensions, and slower European productivity investments, particularly in Germany. Despite a gross margin improvement to 52.5% (up 5.8pp YoY), higher fixed costs squeezed profitability. EBITDA dropped sharply by 56% YoY to €2.4mn (16.9% margin), also due to the inclusion of lower-margin operations from Sangalli. Net income fell by 77% YoY to €0.8mn. The balance sheet remained stable, with high inventory at €13.1mn as ESAU expects to convert €3-4mn of this into revenues over the next 24-30 months as market conditions improve. The net cash position remained largely unchanged at -€3.5mn, reflecting effective cash flow and working capital management, despite market headwinds

Change in Estimates. Due to the challenging 1H24 results and ongoing global macroeconomic uncertainty, revenue projections for ESAU have been revised downward for 2024-2027. The prolonged supply chain destocking phase led to a lower-than-expected performance in 1H24. Although management sees early recovery signs in order intake from 2H24, long lead times prompted a more cautious outlook. FY24 revenues are now forecasted to decline by 15.6% YoY to €30.1mn, down from a previous estimate of €36.2mn. Recovery is expected to be slow, with 2H24 revenues likely slightly lower YoY, and FY25E revenues now projected to grow 15.4% YoY to €34.7mn, lower than prior growth estimates. The overall revenue CAGR for 2023-27E has been revised down to 5.8% (previously 11.0%), reaching €44.7mn by FY27E. High operating leverage will further impact profitability, and the FY24E EBITDA margin is forecasted to decline to 20.2% (3.3pp lower YoY), with gradual improvements leading to a 24.9% margin by FY27E, driven by cost efficiencies. On the balance sheet, working capital improvements, particularly from reducing high inventory levels, will begin to show from FY25E. The FY24E net cash position is now expected at €5.5mn (vs. €8.2mn previously), improving to €19.3mn by FY27E.

Valuation. Our valuation - based on DCF and market multiples method (EV/EBITDA and P/E) - returns an average equity value of €75.44mn or a fair value of €5.76ps, showing a potential upside of +92% on current market price.

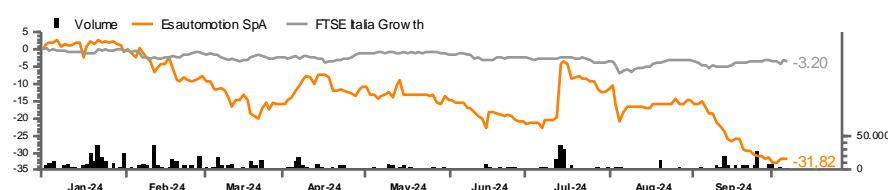
Market Data

Main Shareholders	
Franco Fontana	34.6%
Gianni Senzolo	30.7%
Mkt Cap (€ mn)	
EV (€ mn)	35.7
Shares issued (mn)	13.1
Shares outstanding (mn)	12.9
Free Float (%)	21.5

Market multiples	2023	2024E	2025E
EV/EBITDA			
Esautomotion SpA	4.3x	5.9x	4.6x
Comps median	16.0x	16.9x	14.5x
Esautomotion SpA vs Median	-73%	-65%	-68%
P/EPS			
Esautomotion SpA	9.1x	13.3x	9.5x
Comps median	22.2x	26.6x	22.9x
Esautomotion SpA vs Median	-59%	-50%	-58%

Stock Data	
52 Wk High (€)	4.71
52 Wk Low (€)	2.85
Avg. Daily Trading 90d	4,402
Price Change 1w (%)	0.0%
Price Change 1m (%)	-16.4%
Price Change YTD (%)	-30.9%

Relative Performance Chart YTD



Source: Factset.

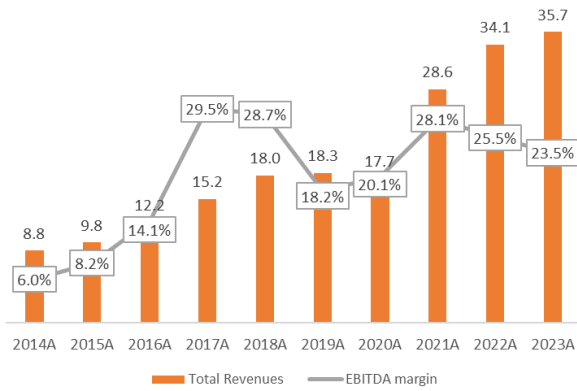
Key Figures - Esautomotion S.p.A.

	Current price (€)	Fair Value (€)		Sector		Free Float (%)		
	3.00	5.76		Industrial Software		21.5		
Per Share Data								
		2021A	2022A	2023A	2024E	2025E	2026E	2027E
Total shares issued (mn)		13.10	13.10	13.10	13.10	13.10	13.10	13.10
Total shares outstanding (mn)		12.72	12.72	12.89	12.89	12.89	12.89	12.89
EPS		0.40	0.40	0.33	0.23	0.32	0.41	0.49
Dividend per share (ord)		0.05	0.10	0.10	0.08	0.06	0.08	0.10
Dividend pay out ratio (%)		26.0%	25.2%	24.9%	24.9%	24.9%	24.9%	24.9%
Profit and Loss (EUR million)								
Total Revenues		28.6	34.1	35.7	30.1	34.7	40.8	44.7
EBITDA		8.0	8.7	8.4	6.1	7.8	9.8	11.1
EBIT		6.4	6.8	6.0	4.1	5.7	7.3	8.6
EBT		6.4	6.8	5.9	3.9	5.5	7.1	8.4
Taxes		(1.4)	(1.7)	(1.6)	(1.0)	(1.4)	(1.8)	(2.1)
Tax rate		21%	25%	27%	25%	25%	25%	25%
Net Income		5.0	5.1	4.3	3.0	4.1	5.3	6.3
Net Income attributable to the Group		5.0	5.1	4.3	3.0	4.1	5.3	6.3
Balance Sheet (EUR million)								
Total fixed assets		2.4	2.2	8.3	9.6	10.7	11.6	12.5
Net Working Capital (NWC)		9.4	13.1	18.4	17.7	16.9	16.2	15.6
Provisions		(0.4)	(0.3)	(0.4)	(1.0)	(1.6)	(2.2)	(2.8)
Total Net capital employed		11.4	15.0	26.3	26.3	26.0	25.6	25.3
Net financial position/(Cash)		(10.5)	(10.8)	(3.6)	(5.5)	(9.2)	(13.9)	(19.3)
Group Shareholder's Equity		21.9	25.7	29.7	31.6	35.0	39.3	44.3
Minorities		0.0	0.0	0.3	0.3	0.3	0.3	0.3
Total Shareholder's Equity		21.9	25.8	30.0	31.8	35.2	39.6	44.6
Cash Flow (EUR million)								
Net operating cash flow		6.7	7.0	6.7	5.1	6.4	7.9	9.0
Change in NWC		(2.4)	(3.7)	(5.3)	0.7	0.8	0.7	0.6
Capital expenditure		(1.1)	(1.1)	(4.9)	(2.9)	(3.0)	(3.1)	(3.2)
Other cash items/Uses of funds		(0.1)	(0.3)	(0.2)	0.3	0.3	0.3	0.3
Free cash flow		3.1	1.8	(3.7)	3.1	4.5	5.9	6.8
Enterprise Value (EUR million)								
Market Cap		41.7	53.9	54.1	39.3	39.3	39.3	39.3
Minorities		0.0	0.0	0.3	0.3	0.3	0.3	0.3
Net financial position/(Cash)		(10.5)	(10.8)	(3.6)	(5.5)	(9.2)	(13.9)	(19.3)
Enterprise value		31.2	43.2	50.7	34.0	30.4	25.6	20.3
Ratios (%)								
EBITDA margin		28.1%	25.5%	23.5%	20.2%	22.4%	23.9%	24.9%
EBIT margin		22.4%	20.0%	16.9%	13.7%	16.3%	17.8%	19.2%
Gearing - Debt/equity		-48.1%	-41.8%	-12.2%	-17.5%	-26.3%	-35.5%	-43.5%
Interest cover on EBIT		-0.5%	0.1%	2.3%	4.7%	3.2%	2.4%	1.9%
NFP/EBITDA		-1.3x	-1.2x	-0.4x	-0.9x	-1.2x	-1.4x	-1.7x
ROCE		56.2%	45.6%	22.9%	15.7%	21.7%	28.3%	33.9%
ROE		23.0%	19.8%	14.5%	9.4%	11.7%	13.5%	14.2%
EV/Sales		1.2x	1.0x	1.0x	1.2x	1.0x	0.7x	0.8x
EV/EBITDA		4.2x	3.9x	4.3x	5.9x	4.6x	2.9x	3.1x
P/E		7.6x	7.5x	9.1x	13.3x	9.5x	7.4x	6.1x
Free cash flow yield		6%	4%	-7%	6%	9%	12%	13%
Growth Rates (%)								
Revenues		61.8%	19.2%	4.6%	-15.6%	15.4%	17.3%	9.7%
EBITDA		126.3%	8.1%	-3.8%	-27.1%	27.8%	25.1%	14.2%
EBIT		242.8%	6.8%	-11.6%	-31.5%	36.9%	28.0%	18.3%
Net Income		106.1%	1.1%	-15.3%	-31.6%	39.0%	29.1%	18.9%

Source: Company data, KT&Partners' elaboration

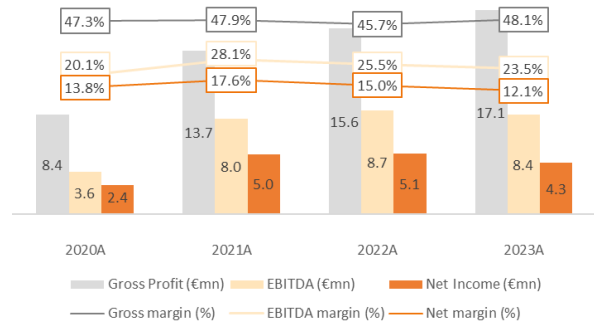
Key charts

Revenue and EBITDA margin (€mn, %)



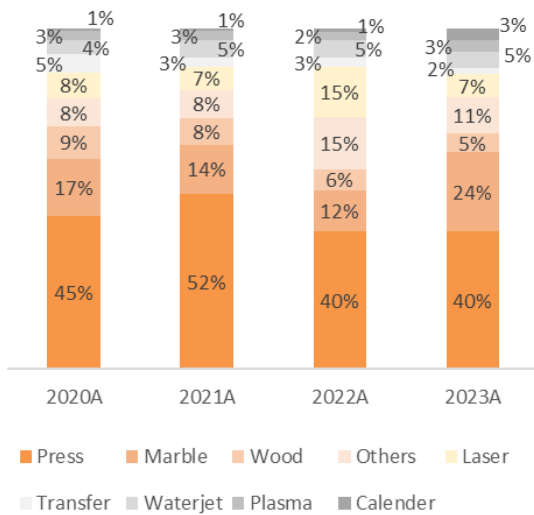
Source: Company data, KT&Partners' elaboration.

Profitability Evolution (€mn, %)



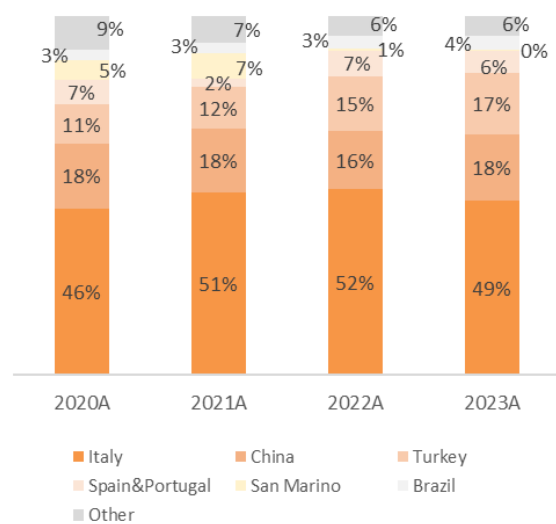
Source: Company data, KT&Partners' elaboration

Revenues by Application (%)



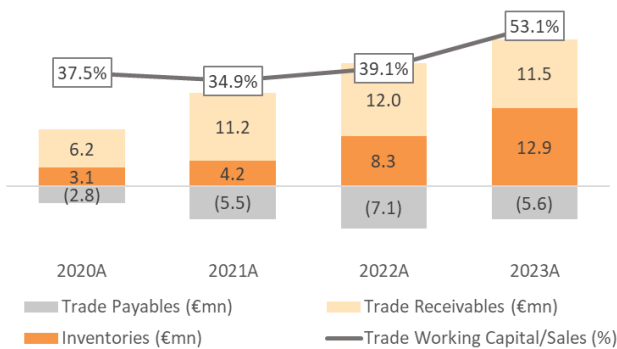
Source: Company data, KT&Partners' elaboration

Revenues by Geography (%)



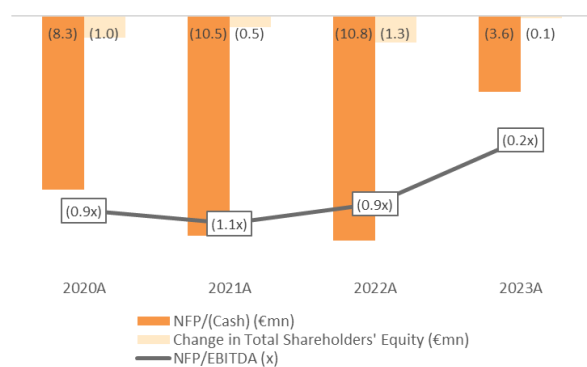
Source: Company data, KT&Partners' elaboration

Trade Working Capital (€mn, %)



Source: Company data, KT&Partners' elaboration

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



Source: Company data, KT&Partners' elaboration

Overview

Company description

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

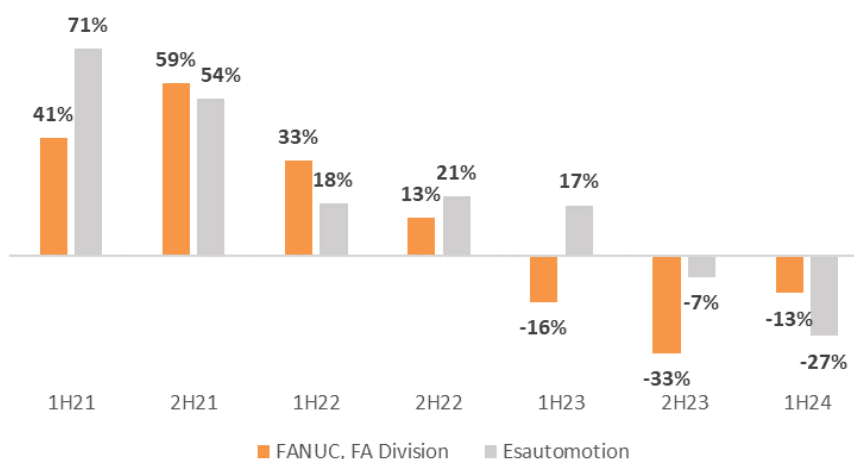
- **Strong Performance, Profitability, and Cash Generation.** Since the management buyout, the Group has shown a great ability in matching sustainable growth with profitability and cash-flow generation, leveraging the growth of the reference market, cross-selling opportunities, and operating efficiency. ESAU-IT's sales has gone from €8mn in FY12 to €35.4mn in FY23, while EBITDA margin went from 6.3% in FY12 to 23.5% in FY23. Finally, a strong cash generation was recorded as well. 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. 49% of its products in 2023 (ca. 80% considering also indirect sales). China is one of the fastest growing markets, underlining the importance for Chinese manufacturers of equipping their industrial machines with high-quality CNC systems.

1H24 Financial Results

The market headwinds that significantly impacted ESAU in FY23 continued to persist in 1H24. 1H24 Total Revenues reached €14.1mn, a -27.0% YoY decline compared to €19.3mn in 1H23 (c.35% drop if we consider the same perimeter, stripping out estimated 1H24 Sangalli revenues from other clients than ESAU), and -20.3% below our estimate of €17.7mn. The drop is mainly caused by: (i) persisting destocking effect for CNCs among clients (ii) geopolitical instability during this period, with trade restrictions in certain areas, in particular related to the Russia-Ukraine conflict and US-China trade tensions, leading to supply chain disruptions and penalizing trading conditions; (iii) slowdown in European productivity investments – particularly in Germany. However, positive signs have emerged since July, with an uptick in orders and potential new client acquisitions.

The domestic market, which represented 55% of ESAU's sales revenues (€7.8mn) declined by 21% YoY. Likewise, international sales (€6.3mn) reported a 33% drop YoY vs 1H23 at €9.4mn. We compare top-line growth with the FA division of FANUC, worldwide CNC industry leader, that we use as a benchmark to track market cycles.

Esautomotion vs FANUC – YoY Revenue Growth (%), Calendar Year



Source: Company data

The gross margin improved to 52.5%, a +5.8pp increase YoY, driven by raw materials deflation, better than our 48.9% estimate (+2.2pp increase YoY). However, this was offset by rising fixed costs which exerted pressure on profitability – the incidence of Cost of Services increased to 19.4% on Revenues (+8.2pp vs 1H23), while incidence of Personnel Expenses increased to 15.5% (+8.4pp YoY). EBITDA came in at €2.4mn (16.9% margin), a steep decline of -56% YoY from €5.4mn (27.8% margin) in 1H23, and -47% below our estimate of €4.5mn (25.5% margin). The drop in profitability reflects also the dilutive effect of Sangalli's lower-margin operations. At the bottom line, 1H24 Net Income stood to €0.8mn, a -77% YoY decline from €3.5mn in 1H23 and -75% below our forecast of €3.2mn.

Turning to the balance sheet, Net Working Capital slightly decreased to €17.7 million from €18.4 million in FY23, primarily driven by a €1.6 million reduction in trade receivables, which more than offset a €0.8 million decrease in trade payables. Inventory remained high at €13.1 million, reflecting ESAU's own destocking process. This includes financial advances made to certain suppliers (as guarantees on orders) to secure future supplies. The company expects €3-4 million of inventory to gradually convert into revenues over the next 24-30 months as market conditions stabilize. The Net Cash Position remained stable at -€3.5 million as of 1H24, compared to -€3.6 million at FY23, thanks to effective cash flow management and working capital optimization despite a challenging market environment.

1H24 Income Statement

€ Million	FY21A	FY22A	FY23A	1H24A	YoY Growth	1H24E	A vs E %
Revenues from sales and services	28.3	33.8	35.4	14.0	-27.3%	17.7	-20.6%
Other Revenues	0.3	0.3	0.2	0.1	161.5%	0.0	108.4%
Total Revenues	28.6	34.1	35.7	14.1	-27.0%	17.7	-20.3%
<i>Growth %</i>	61.8%	19.2%	116.5%	-27.0%		7.4%	
Products and Raw materials	(14.9)	(18.5)	(18.5)	(6.7)	-35.0%	(9.0)	-26.0%
Gross Profit	13.7	15.6	17.1	7.4	-17.9%	8.7	-14.4%
<i>Gross Margin</i>	47.9%	45.7%	48.1%	52.5%	5.8%	48.9%	3.6%
Cost of Services	(3.4)	(4.3)	(5.1)	(2.7)	26.4%	(2.5)	10.4%
Personnel Expenses	(2.1)	(2.4)	(3.4)	(2.2)	59.8%	(1.6)	39.9%
Other Operating Expenses	(0.1)	(0.2)	(0.3)	(0.1)	-4.2%	(0.1)	3.9%
EBITDA	8.0	8.7	8.4	2.4	-55.8%	4.5	-47.3%
<i>EBITDA margin</i>	28.1%	25.5%	23.5%	16.9%	-11.0%	25.5%	-8.6%
<i>Growth %</i>	126.3%					77.4%	
D&A and Provisions	(1.6)	(1.9)	(2.3)	(1.1)	37.6%	(0.9)	19.1%
EBIT	6.4	6.8	6.0	1.3	-71.9%	3.6	-64.2%
<i>EBIT margin</i>	22.4%	20.0%	16.9%	9.1%	-14.6%	20.3%	-11.2%
<i>Growth %</i>	242.8%					78.9%	
Financial Income and Expenses	0.0	(0.0)	(0.1)	(0.1)		0.6	
Extraordinary items	-	-	-	-			
EBT	6.4	6.8	5.9	1.2	-75.5%	4.2	-72.3%
Taxes	(1.4)	(1.7)	(1.6)	(0.4)	33.2%	(1.0)	21.3%
<i>Tax Rate</i>	21.5%	25.2%	26.8%	30.5%		24.1%	
Net Income	5.0	5.1	4.3	0.8	-77.0%	3.2	-74.6%
<i>Net margin</i>	17.6%	15.0%	12.1%	5.7%	1.2%	17.8%	-12.1%
<i>Growth %</i>	106.6%			-77.0%		90.0%	
Minorities	(0.0)			0.0			
Net Income attributable to the Group			4.3	0.8	-77.0%	3.2	-74.6%
<i>Net margin</i>			12.1%	5.7%	-1.1%	17.8%	-12.1%
<i>Growth %</i>				-77.0%		25.7%	
EPS			0.34	0.06	-77.0%	0.25	-74.9%

Source: Company data, KT&P's estimates

1H24 Balance Sheet

€ Million	FY21	1H22	FY22	FY23	1H24	Delta
Goodwill	0.1	0.1	0.1	2.9	2.7	(0.2)
Intangible	1.2	1.7	1.3	2.3	3.6	1.3
Tangible	1.0	0.6	0.8	3.1	2.9	(0.2)
Other LT Assets	0.0	0.0	0.0	0.0	0.0	0.0
Fixed Assets	2.4	2.4	2.2	8.3	9.3	0.9
Trade receivables	11.2	12.4	12.0	11.5	9.9	(1.6)
Inventory	4.2	5.1	8.3	12.9	13.1	0.3
Trade Payables	(5.5)	(3.9)	(7.1)	(5.6)	(4.8)	0.8
Trade Working Capital	9.9	13.6	13.2	18.8	18.3	(0.5)
Other assets and liabilities	-489	(0.5)	(0.1)	(0.4)	(0.7)	(0.3)
Net Working Capital	9.4	13.0	13.1	18.4	17.7	(0.8)
Other Provisions	(0.4)	(0.4)	(0.3)	(0.4)	(0.5)	(0.0)
Net Capital Employed	11.4	15.1	15.0	26.3	26.5	0.1
Group shareholders' equity	21.9	23.5	25.7	29.7	29.7	(0.0)
Minority shareholders' equity	0.0	0.0	0.0	0.3	0.2	(0.0)
Total shareholders' equity	21.9	23.5	25.8	30.0	30.0	(0.0)
Short-term debt / Cash (-)	(10.8)	(8.6)	(10.9)	(7.5)	(7.7)	(0.2)
Long-term liabilities	0.3	0.2	0.1	3.9	4.2	0.4
Net Financial Position	(10.5)	(8.5)	(10.8)	(3.6)	(3.5)	0.1
Sources	11.4	15.1	15.0	26.3	26.5	0.1

Source: Company data

Change in Estimates

Following the 1H24 results and the ongoing global macroeconomic uncertainty, we have revised downward our revenue projections for the 2024–27 period. 1H24 proved to be more challenging than anticipated, with the supply chain remaining in a prolonged destocking phase. While management has indicated early signs of a recovery in order intake from 2H24, the long lead times in the business—often exceeding 12 months—prompted us to take a more cautious approach in our estimates.

We now expect FY24E total revenues to decline by 15.6% YoY to €30.1mn (down from our previous estimate of €36.2mn). 1H23 has been a particularly strong semester, which was followed by significant market headwinds in 2H23 and 1H24. The recovery is expected to be gradual, with 2H24 revenues likely to remain slightly lower YoY. As the order recovery slowly translates into revenue, we anticipate that FY25E will still be impacted by this cycle, with revenues projected to grow 15.4% YoY to €34.7mn, compared to our previous forecast of 19.4% growth, pushing some of this recovery into FY26E. Overall, we now model a 2023-27E revenue CAGR of 5.8% (down from 11.0% previously), reaching €44.7mn by FY27E.

Due to the business's high operating leverage (fixed costs' weight), profitability will be more heavily affected, despite the tailwinds from raw material deflation. We now forecast an FY24E EBITDA margin of 20.2% (a 3.3 pp decline YoY), with gradual improvements leading to a 24.9% margin in FY27E, driven by cost efficiencies, which remain central to ESAU's strategy. In absolute terms, following the downward revision in revenue estimates, we now project FY24E EBITDA at €6.1mn (compared to €8.5mn previously), rising to €11.1mn by FY27E, with a 2023-27E CAGR of +7.4%.

On the bottom line, we estimate FY24E net income at €3.0mn (vs. €4.6mn previously), with a net margin of 9.8%, rising to a net income of €6.3mn and a 14.1% net margin by FY27E.

In terms of the balance sheet, we foresee progressive improvements in the net cash position over the coming years, primarily driven by working capital efficiencies, particularly the reduction of currently high inventory levels, which will become evident from FY25E onwards. Consequently, we now project a FY24E net cash position of €5.5mn (vs. €8.2mn in previous estimates), improving to €19.3mn by FY27E.

Change in Estimates

€ Million	2023	2024E	2024E	Change	2025E	2025E	Change	2026E	2026E	Change	2027E	2027E	Change	CAGR	CAGR
		Old	New		Old	New		Old	New		Old	New		2023-27	2023-27
														Old	New
Total Revenues	35.7	36.2	30.1	-16.9%	43.2	34.7	-19.6%	49.5	40.8	-17.6%	54.1	44.7	-17.4%	11.0%	5.8%
YoY Change (%)	4.6%	1.5%	-15.6%		19.4%	15.4%		14.5%	17.3%		9.4%	9.7%			
EBITDA	8.4	8.5	6.1	-28.4%	10.7	7.8	-27.1%	12.7	9.8	-23.4%	14.3	11.1	-22.2%	14.4%	7.4%
YoY Change (%)	-3.8%	1.9%	-27.1%		25.4%	27.8%		19.1%	25.1%		12.5%	14.2%			
EBITDA margin %	23.5%	23.5%	20.2%		24.7%	22.4%		25.7%	23.9%		26.5%	24.9%			
EBIT	6.0	6.3	4.1	-34.8%	8.3	5.7	-31.7%	10.2	7.3	-28.8%	11.7	8.6	-26.6%	17.9%	9.2%
YoY Change (%)	-11.6%	5.1%	-31.5%		30.7%	36.9%		22.9%	28.0%		14.7%	18.3%			
Net Income	4.3	4.6	3.0	-35.9%	6.1	4.1	-32.4%	7.5	5.3	-29.3%	8.6	6.3	-27.0%	18.9%	9.9%
YoY Change (%)	-15.3%	6.7%	-31.6%		31.8%	39.0%		23.5%	29.1%		15.0%	18.9%			
Net margin %	12.1%	12.7%	9.8%		14.1%	11.8%		15.2%	13.0%		15.9%	14.1%			
NFP/(Cash)	(3.6)	(8.2)	(5.5)	2.7	(10.6)	(9.2)	1.4	(15.4)	(13.9)	1.5	(21.1)	(19.3)	1.8		
YoY Change (€mn)	7.1	(4.6)	(1.9)		(2.4)	(3.7)		(4.8)	(4.7)		(5.7)	(5.3)			

Source: Company data, KT&Partners' estimates

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 €6.71ps;
2. DCF analysis based on WACC of 12.0% and 2.0% perpetual growth, returns a value of €4.81ps.

The average of the two methods yields a fair value of €5.76ps or an equity value of €75.44mn.

Valuation Recap

	Equity Value €mn	Value per share €
DCF	62.99	4.81
EV/EBITDA	101.28	7.73
P/E	74.51	5.69
Average Multiples	87.90	6.71
Total Average	75.44	5.76

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 2023–26 data.

Peer Comparison – Market Multiples 2023–26

Company Name	Exchange	Market Cap	EV/SALES 2023	EV/SALES 2024	EV/SALES 2025	EV/SALES 2026	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBITDA 2025	EV/EBITDA 2026	P/E 2023	P/E 2024	P/E 2025	P/E 2026
Fanuc Corporation	Tokyo	25,488	4.4x	4.3x	3.9x	3.7x	18.3x	16.9x	14.5x	13.1x	30.4x	29.2x	23.9x	21.0x
Dassault Systemes SE	Euronext Paris	47,782	7.7x	7.3x	6.7x	6.2x	22.0x	20.2x	18.4x	16.9x	n.a.	n.a.	n.a.	23.2x
Renishaw plc	London	3,054	3.5x	3.4x	3.2x	3.0x	14.9x	16.8x	14.0x	12.4x	23.3x	26.6x	21.9x	19.0x
Rockwell Automation, Inc.	NYSE	26,208	3.5x	4.0x	3.9x	3.6x	16.0x	20.1x	18.2x	16.3x	20.2x	26.6x	24.0x	20.9x
Hexagon AB Class B	OMXStockholm	24,839	5.2x	5.2x	4.9x	4.5x	15.1x	14.0x	12.8x	11.7x	21.1x	21.4x	18.9x	17.0x
Average peer group		25,474	4.9x	4.8x	4.5x	4.2x	17.3x	17.6x	15.6x	14.1x	23.8x	26.0x	22.2x	20.2x
Median peer group		25,488	4.4x	4.3x	3.9x	3.7x	16.0x	16.9x	14.5x	13.1x	22.2x	26.6x	22.9x	20.9x
Esautomotion SpA	Milan	40	1.0x	1.2x	1.0x	0.7x	4.3x	5.9x	4.6x	2.9x	9.1x	13.3x	9.5x	7.4x

Source: Factset, KT&Partners' elaboration

We based our evaluation upon our estimates of ESAU-IT's EBITDA and EPS for 2024, 2025, and 2026. Our valuation considered a 20% liquidity discount and FY2023 NFP.

EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2024E	2025E	2026E
EV/EBITDA Comps	17.6x	15.6x	14.1x
ESA EBITDA	6.1	7.8	9.8
Enterprise value	107.4	121.3	137.4
<i>Liquidity Discount</i>		20%	
Enterprise Value post-discount	85.9	97.1	109.9
ESA FY23A Net Debt	-3.6	-3.6	-3.6
Equity Value Post-Discount	89.6	100.7	113.6
Average Equity Value Post-Discount		101.3	
<i>Number of shares (mn)</i>		13.1	
Value per Share €		7.73	

Source: FactSet, KT&Partners' elaboration

P/E Multiple Valuation

Multiple Valuation (€mn)	2024E	2025E	2026E
P/EPS Comps	26.0x	22.2x	20.2x
ESA EPS	0.23	0.32	0.41
Equity Value per Share	6.0	7.1	8.3
Average Value per Share		7.1	
<i>Liquidity Discount</i>		20%	
Value per Share €		5.69	

Source: FactSet, KT&Partners' elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 13.5% cost of equity, 4.5% cost of debt, and a D/E ratio of 17.0% (ESAU's average D/E ratio in FY23A, FY24E, FY25E)). The cost of equity is a function of the risk-free rate of 3.7% (Italian 10y BTP), 5.2% equity risk premium (Damodaran – Country risk premium for Italy), and a premium for size and liquidity of 3.5%. We, therefore, obtained 12.0% WACC.

We discounted 2024E-27E annual cash flows and considered a terminal growth rate of 2.0%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

DCF Valuation

€ Million	2024E	2025E	2026E	2027E
EBIT	4.1	5.7	7.3	8.6
Taxes	(1.0)	(1.4)	(1.8)	(2.1)
D&A	1.7	1.9	2.2	2.3
Change in Net Working Capital	0.7	0.8	0.7	0.6
Net Operating Cash Flow	6.0	7.5	9.0	9.3
Capex	(2.9)	(3.0)	(3.1)	(3.2)
FCFO	3.1	4.5	5.9	6.1
g	2.0%			
Wacc	12.0%			
FCFO (discounted)	3.1	3.9	4.6	4.3
Discounted Cumulated FCFO	15.8			
TV	62.8			
TV (discounted)	43.5			
Enterprise Value	59.4			
NFP FY23	(3.6)			
Equity Value	63.0			
Current number of shares (mn)	13.1			
Value per share (€)	4.81			

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis (€mn)

€ Million	Terminal growth Rate	WACC				
		12.5%	12.2%	12.0%	11.7%	11.5%
1.5%		58.1	59.4	60.7	62.1	63.5
1.8%		59.1	60.5	61.8	63.3	64.8
2.0%		60.2	61.6	63.0	64.5	66.1
2.3%		61.3	62.7	64.2	65.8	67.5
2.5%		62.4	63.9	65.5	67.2	68.9

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-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 €27.0bn, 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 2023, the company revenues reached €7.1bn.
- **Renishaw plc.:** listed on the London stock exchange, with a market capitalization of €3.6bn, Renishaw engages in the design, manufacture, and marketing of metrology and healthcare products. In 2023, the company revenues reached €0.8bn.
- **Dassault Systemes SA:** listed on the Paris Euronext with a market capitalization of €47.8bn, Dassault Systemes provides software solutions and consulting services. It offers end-to-end software applications that cover a wide range of industry segments. In 2023, the company revenues reached €6.0bn.
- **Hexagon AB:** quoted on the Stockholm stock exchange, with a market capitalization of €27.8bn, 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 2023, the company revenues reached €5.9bn.
- **Rockwell Automation, Inc.:** listed on the NYSE, with a market capitalization of €29.9bn, 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 2023, the company revenues reached €8.5bn.

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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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