Bertolotti

Sector: Industrial Goods

VALUETRACK

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Worth monitoring: material growth to handle

Bertolotti provides turnkey solutions and systems of material handling mainly for steel, railway and aircraft industries. With €38mn FY23 VoP and ca. €70.5mn backlog (Jan 2024), the Company, 100% controlled by the Barneschi family, completed a "just listing" on EGM-Pro in March 2024.

Fair Value (€)	**8.0**
Market Price (€)	**4.7(*)**
Market Cap. (€m)	**14.4(*)**

Solutions for complex handling and logistics in steel and railway

Bertolotti Group (i.e. Bertolotti SpA and its subsidiaries) designs, produces and sells customized turnkey equipment (ground and overhead) and systems for lifting, handling, moving, storing and packaging heavy materials (e.g. coils or rolling stock). Its activity is split into three business lines: Heavy Industries, Railways and Automation&Robotics and it is typically order driven, for both private/public clients, with high concentration of revenues on top clients (top-tier multinationals), which tend to rotate every 2-3-years.

Demand driven by investments in automation and infrastructures

Bertolotti Group provides tailor-made solutions, mostly for the Steel industry (e.g. AGV, ASRS warehouse, complex cranes) and for the Railways one (warehouses and rolling stock maintenance). Both segments have solid outlooks, as both heavy industries and rail companies seek increasingly safe and sustainable industrial processes and intra-logistics: growth of global material handling is seen at 5.9% (CAGR into 2030E) and EU railway sector has sizeable investments ahead. Declining demand in industrial automation and EU steel might not help in next quarters, but recent entrance in the US market and new India direct presence should support order intake.

Growth calls for high investments. Net debt peaks in 2025E

Bertolotti boasts a strong industrial track record and €70.5mn backlog (as of Jan '24, 2x FY23 VoP), split ca. 50/50 between Heavy Industries and Railways' lines. We forecast VoP and EBITDA to grow at 18/23% respectively (CAGR 2023-26E), with 40% of expected 2024-26 turnover already acquired (100% as for FY24E) and another €175mn order worth to be secured by end FY26. We factor 2024-26E cumulated capex of €14.0mn to support strong growth, increasingly complex systems and to capture medium term opportunities, and see Net Debt to peak at €8.7mn in 2025E (1.2x EBITDA).

Fair Equity Value at €8.0 per share

Our fair equity value is €8.0 p.s., resulting from DCF model and relative market multiples, and fully supported by cross-checks on EGM average multiples and comparables M&A multiples. At fair value, the stock would trade at 5.3x-4.8x EV/EBITDA, 7.1x-6.9x EV/EBIT, and 9.7x-8.2x P/E 2024E-25E, still at significant discount (ca. 20%) compared to peer's average.

KEY FINANCIALS (€m)	2023	2024E	2025E
VALUE OF PRODUCTION	38.3	55.3	58.5
GROSS PROFIT	20.3	30.1	33.3
EBITDA	4.1	6.1	6.9
EBIT	3.4	4.6	4.8
NET PROFIT	1.4	2.5	3.0
CAPITAL EMPLOYED	14.3	21.4	25.3
EQUITY	11.3	13.6	16.6
NET FIN. POS.	-3.0	-7.8	-8.7

Source: Bertolotti Group (historical figures), Value Track (2024E-25E estimates)

KEY RATIOS	2023	2024E	2025E
GROSS MARGIN (%)	52.9	54.5	57.0
EBITDA MARGIN (%)	10.8	11.1	11.9
EBIT MARGIN (%)	8.8	8.2	8.3
NET PROFIT MARGIN (%)	3.8	4.6	5.1
ROIC b.t. (%)	23.6	21.2	19.1
ROE b.t. (%)	19.4	25.7	24.9
NET DEBT / EBITDA (x)	0.7	1.3	1.2
NET DEBT / EQUITY (x)	0.3	0.6	0.5

Source: Bertolotti Group (historical figures), Value Track (2024E-25E estimates)

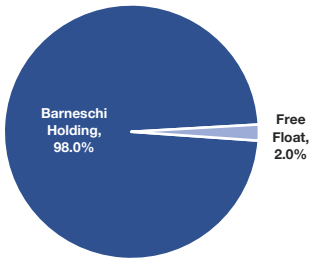
STOCK DATA	
MARKET PRICE (€) (*)	4.7
SHS. OUT (m)	3.1
MARKET CAP. (€m)	14.4
ENTERPRISE VALUE (€m)	22.1
FREE FLOAT (%)	2.0%
AVG. -20D VOL. ('000)	n.m.
RIC / BBG	TRAIN.MI / TRAIN IM
52 WK RANGE	n.m.

Source: Stock Market Data. (*) Stock suspended until the EGM Issuers Regulation's minimum float requirement of 10% is met

Business Description

Bertolotti is one of the main Italian players in material handling and logistics for steel, aircraft and railway industries and is 100% controlled by the Barneschi family (via Barneschi Holding). In the latest years, Bertolotti has developed a worldwide commercial presence based on a strong network of top tier industrial clients / partners and its technical skills and know how are generating increasing commercial opportunities, as the €70.5mn backlog (as of Jan 2024, including only formalized orders) demonstrates.

Shareholders Structure



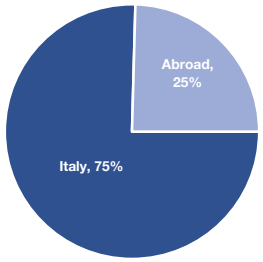
Source: Bertolotti Group

Key Financials

€mn	2023	2024E	2025E	2026E
Value of Production	**38.3**	**55.3**	**58.5**	**63.0**
Chg. % YoY	41.6%	44.3%	5.7%	7.7%
EBITDA	**4.1**	**6.1**	**6.9**	**7.6**
EBITDA Margin (%)	10.8%	11.1%	11.9%	12.1%
EBIT	**3.4**	**4.6**	**4.8**	**5.1**
EBIT Margin (%)	8.8%	8.2%	8.3%	8.1%
Net Profit	**1.4**	**2.5**	**3.0**	**3.3**
Chg. % YoY	18.9%	75.6%	18.1%	10.5%
Adjusted Net Profit	**1.2**	**2.5**	**3.0**	**3.3**
Chg. % YoY	17.4%	nm	18.1%	10.5%
Net Fin. Position	**-3.0**	**-7.8**	**-8.7**	**-7.1**
Net Fin. Pos. / EBITDA (x)	0.7	1.3	1.2	0.9
Capex	-1.2	-5.9	-4.9	-3.2
OpFCF b.t.	**4.9**	**-2.5**	**1.0**	**3.4**
OpFCF b.t. as % of EBITDA	117.3%	nm	14.0%	44.1%

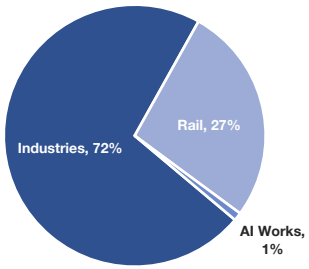
Source: Bertolotti Group (historical figures), Value Track (estimates)

FY23 Revenues by geography



Source: Bertolotti Group

FY23 Revenues by business line



Source: Bertolotti Group

Investment case

Strengths / Opportunities

- Excellent growth profile, ca. 3x its comparables 2022-2024E;
- Strong Revenues visibility, with FY24 fully covered by current backlog;
- Handling & Railway markets with positive growth rates expected.

Weaknesses / Risks

- Business with high client concentration where order acquisition / execution is extremely critical;
- The nature of the contracts business induces inherent volatility of NWC;
- Order intake may suffer due to the private investment slowdown and prevailing "Wait and See" sentiment among capital goods purchasers.

Stock multiples @ €8.0 Fair Value

	2024E	2025E
EV / SALES (x)	0.6	0.6
EV / EBITDA (x)	5.3	4.8
EV / EBIT (x)	7.1	6.9
EV / CAP.EMP. (x)	1.5	1.3
OpFCF Yield (%)	nm	2.9
P / E Adj. (x)	9.7	8.2
P / BV (x)	1.8	1.5
Div. Yield. (%)	0.0	0.0

Source: Value Track

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Executive Summary

Bertolotti at a glance

With FY23 **Consolidated Value of Production at €38.3mn**, (€27.9mn in FY22), Bertolotti ("Bertolotti", "Company" or "Group") is one of the main Italian players in material handling and logistics for steel, aircraft and railway industries and is 100% controlled by the Barneschi family.

After facing financial distress in 2017, Bertolotti SpA entered into a regulated arrangement with its creditors in 2018, with operation continuity under the entrepreneur's responsibility for restructuring, and in May 2023, the Court of Florence declared the complete execution of the agreement with creditors.

In the latest years, Bertolotti has developed a worldwide commercial presence based on a strong network of top tier industrial clients / partners and its technical skills and know how are generating increasing commercial opportunities, as the €70.5mn backlog (as of Jan 2024, including only formalized orders) demonstrates.

Two revenues generating lines and a new R&D hub…

The Group's activities are carried out through three lines of business: 1) **Heavy Industries**, focused on Steel Industry (e.g. ground and overhead handling equipment, bulk material handling); 2) **Railway Industry**, specialized in the railway sector, deals with the production of systems for efficient handling and maintenance of railway rolling stocks (e.g. lifting and handling systems, mobile and fixed platforms for roof access, sand refilling systems); 3) **Automation & Robotics** (Ai-Works), established in 2023 and poised to become the core of the Group's R&D, with focus on software development for industrial robotics and predictive maintenance – it does generate limited revenues to third parties, as it is focused on providing support to the other two operating lines.

Despite the split of business by line may change materially by quarter/year, depending on execution of single large orders, as for **FY2023**:

- **Heavy Industries** has generated **€27.6mn VoP (72% of total)**, including €0.8mn in grants and contributions;
- **Railway Industry** has generated **€10.4mn VoP (27% of total)**;
- **Ai Works** has generated **€0.4mn VoP (1% of total)**.

…for two main End-Markets

Through its operating business units, both providing material handling equipment and systems, Bertolotti is mainly exposed to two markets, both experiencing single-digit growth.

Bertolotti Railway reference market is represented by the **railways industry** as for construction and maintenance of rolling stocks and railway infrastructures. The market of "overall supply" to the Railway Industry has been pretty flattish over 2019-2021 (with annual value of ca. €177bn), and is expected to grow at 3.0% CAGR 2022-2027 in real terms, driven by growing environmental awareness, strong public funding and digital revolution. Watching at the industry from the Rail Aftermarket perspective (€78bn market value in 2020), the expected growth is also sound, i.e. 4.6% into 2027.

The reference end market for Bertolotti Heavy Industries is more generally the **material handling** equipment market, globally valued at $209bn in 2022 and expected to grow at a CAGR of 5.9% 2022-2032. Here the positive stance is that demand for AGV (Automated Guided Vehicles), one of the Company's core products, is expected to record much faster growth (9.8% CAGR into 2030); while on a more negative stance, we note that the **steel industry** (core clients for Bertolotti) is facing a

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challenging phase - major EU players, including key customers, have reported weak FY23 performances - and this may lead to a cut / delay in investments in FY2024-25.

…with broadly the same business model

Despite a few differences on clients and core products, the business model is very much the same for both business lines. The revenues model is **order driven** and is organized along the path from "lead to order", where contract features are key elements to secure profitable business, manageable orders and an appropriate risk profile from a technical and financial point of view. This is particularly true for Bertolotti, considering the high **concentration of Company's turnover and backlog**. In this respect, however, the Company has significantly strengthened its internal procedures to collect and execute orders, despite its relatively small size, also following the situation of financial distress faced in 2017. In addition, Bertolotti has increasingly adopted over the recent years a relatively **externalized production model**, which i) allowed the Company to meet rising demand, and ii) has contributed to reduce the operating risk of the business providing more flexibility, while on the other hand iii) it has internalized a few key R&D projects in 3Q 2023.

Recent financial performance and backlog are strong

In **FY22** Bertolotti Group delivered strong performance with **33.4% y/y revenue growth** (much faster than the industry), improved Adj. EBITDA (+134bps, substantially in line with the industry), and €3.0mn Op.FCF$_{a.t.}$ (before development CapEx). Net Debt increased to €6.4mn (from €5.3mn in FY21), mainly due to €3.5mn investments for the new Railway hub and despite good NWC management.

As for **FY23**, we highlight:

- **VoP of ca. €38.3mn** (+37.4% y/y) and EBITDA Adj. of €3.3mn (8.6% margin);
- **Backlog** at around **€67.3mn**, as of December 2023, and €70.5mn as of January 2024;
- **Order intake** at **€74.6mn** as of December 2023, boosted by the large US order acquired in 1Q23 and only partially executed;
- **Net Debt at €3.0mn**, strongly improving from December 2022.

…and support an ambitious Growth Strategy

Bertolotti Group aims for international and scope expansion, via increase of in-house production capacity (mainly in Railway) and product offering enhancement. The other areas of investment to exploit growth potential are i) software/R&D (AGVs, intelligent warehouses) to be embedded in new equipment as well as in existing Bertolotti installed base; ii) development and production of new work/yellow machines to complete the Company's offer; iii) internationalization/brand recognition. Management do not rule out potential minor M&A to bring in-house specific know-how and references. In particular:

- **Heavy Industries** will bank on its skills and know-how in order to expand business footprint (USA and France as top priorities) thus counterbalancing its current European exposure, via an increasingly qualified product portfolio - which will embed increasingly sophisticated and advanced software (IIoT), intelligent equipment and systems - and thanks to a reorganization and rationalization of its facilities;
- In the **Railway Industry** Bertolotti seeks to establish itself as a prominent one-stop-shop in the railway maintenance sector, prioritizing investments in infrastructure to enhance its offerings and improve scalability, flexibility and capacity. In the short-term management will focus on the rollout of its new industrial hub in Pontassieve (Florence), to create a centralized location, fostering efficiency and synergies with Ai-Works, and expanding its global presence (**India** is a

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priority) and production capacity. The following step will be i) expanding the product portfolio - today Bertolotti Rail is capable of offering approximately 70% of the components and systems required in a train maintenance facility and in the medium-term target is to meet 90% of potential market; ii) entering the line maintenance segment (eg. "Yellow machine"); and iii) entering - in the longer term - the light mobility segment (eg. People Mover light trains).

All this should drive a steady growth of business (with peak funding in 2025E)

We expect Bertolotti Group to keep reporting solid growth into 2026, driven by the existing backlog and by ca. **€58mn/year estimated orders' intake** over the forecast period. In short, our model implies**: Value of Production CAGR23-26E**, **EBITDA CAGR of 18.0%,** with margin back to FY2022 or ca. 12% in 2026E and **bottom line at 31.8% CAGR23-26E**. All this clearly implies also that i) working capital management is fully under control and optimized, and ii) order execution proceeds seamlessly.

The financial profile is strongly influenced by the ambitious Pontassieve Project, with nearly all investments during the forecast period **(€14.0mn cumulative CapEx over 2024-26E**, i.e. around 7% of VoP) dedicated to this initiative, whose first tranche has already been funded with long term mortgage. As such, **Net Debt is projected to peak at €8.7mn in FY2025E (Net debt/EBITDA around 1.2x)** and it is worth to add that, given the medium-to-long-term horizon of the project, its full benefits are likely to materialize beyond our forecast horizon.

If we focus on the business in itself, i.e. **excluding** the so called "**development capex**" (the material efforts to build the Pontassieve Hub and expanding the Group production and warehousing space), the cumulative **OpFCF after tax is positive for €7.2mn** over forecast period FY2024-26E.

Key risks

High client/order concentration

Despite the average annual invoice per client is relatively small at Bertolotti (€200-350k over 2021-2022-1H2023), this number can be misleading as it is the blend of a small number of very large orders and a very high number of very small ones. As a result, Bertolotti faces a **strong client concentration** in both its business lines, and this clearly implies a certain risk: every year the top client accounts for ca. 30% of Group revenues and top 3 clients for ca. 50%. The concentration of key clients tends to be stronger in the Heavy Industry line, despite this feature may vary from year to year, and at the moment it is worth to point out that backlog includes a very large contract (then split in fours minor orders) acquired by Bertolotti in the US in 1H2023 with Novelis Corp. and only partially executed to date: **this client should represent ca. 52% of FY23 VoP and ca. 30% of the Group backlog as of Dec 2023**.

On a more positive stance, however, we notice that these clients:

i) are mostly top tier names;

ii) rotate quite often with top 5 clients normally changing every two/three year.

Acquisition and Execution of orders is extremely critical

The business of Bertolotti in both lines is order-driven and witnesses a very high concentration of clients/orders. Hence, it is of pivotal importance that the Company relies for order acquisition, contractualization and execution on **"bullet-proof" procedures**, in order to i) secure profitable business, manageable orders and an appropriate risk profile from a technical and financial point of view, as well as ii) minimize risk of penalties and of resolutions/rejections, as all this may undermine profitability and lead to financial distress.

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These elements are so important that the procedure for the **contract approval** involves all the key managers of operations (engineering, procurement, production, installation, quality control), CFO and General Manager, also for minor orders, while the execution process and **order monitoring** are managed via customized software and management tools on a weekly basis. In this respect, the Company has significantly **reorganized and strengthened its internal procedures** to collect and execute orders, **following** the situation of **financial distress faced in 2017** (and solved via a "Concordato Preventivo" restructuring process started in 2019 and closed in 1Q 2023, ahead of schedule).

Risks are also related to execution of growth strategy

The growth strategy of Bertolotti strongly relies upon the **strengthening of its product portfolio** (in terms of equipment and systems), empowered by increasingly sophisticated and critical software/applications, whose development has been recently attributed to the internal team of the Automation & Robotics business line. Another pillar of excepted growth will be the reorganization of the Group offices, production facilities and warehouses, mostly leveraging on the **Railway Hub of Pontassieve**, a major real estate project currently under construction.

In this respect, it is important to notice that our forecasts and valuation are based on a spotless execution of all orders in the backlog and on working capital management under control and optimized, but they also imply a **strong acceleration of order intake** (compared to historical average) and some benefits from **reorganization and scale effect**, supported by the above-mentioned strategies. Hence, should these strategies prove to be too ambitious in terms of targets and/or timing, this may affect the Company's growth and profitability outlook.

The slow-down of investments in the steel industry may affect order intake in EU

While the reference markets of Bertolotti are forecasted to keep growing at mid-single digit over the next years – this is the case for Material Handling and for Railway Supply markets – we acknowledge that over the short term, the material handling related to Heavy Industries may face some headwinds.

As for the **steel industry** in particular, the core end market for the Heavy Industries line, higher interest rates and volatile raw material and energy costs are **dampening steel demand**, and major EU players, including Bertolotti key customers, have reported **weak FY23-1H24**. Europe steel demand fell by 8.7% in FY23, while growth of 3.2% is expected in 2024 (*source: Worldsteel*), however 1H 2024 trading remains weak in EU and main **risk lies in potential cuts or delays of capex plans**, which would slow down the Bertolotti order acquisition's pace over FY24-1H25.

Nonetheless, management remains confident that the recent expansion in **India**, with the subsidiary fully operating in 2H24, and the entrance in the **US** market in FY23 - with a large order for a top client in delivery phase - will balance out the potential drop in order volume in the domestic market.

On a longer-term horizon, we would expect the trends to remain more supportive and EU industrial policy to keep addressing the investment needs for safety and decarbonisation in the steel industry.

Managing working capital needs may be challenging (in current environment)

The business model of Bertolotti implies a relatively high **volatility of working capital requirements**, which brings along the related funding needs and a certain volatility in terms of net financial positions. All this is only partially visible through our model/forecasts, which are smoothed with respect to the recurrent, and at times substantial, monthly volatility of NWC, cash and debts inherent to the combination of its contract business and high order concentration.

This factor implies in turn a certain risk due to the **potential unplanned mismatching** of payments to suppliers, downpayments from clients and funding obligations /repayment schedule.

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The corollary is that Bertolotti would need a certain financial flexibility and a sufficient "room of manoeuvre" in order to reduce the risk that a potential - even minor - mismatching of flows triggers serious consequences, causing again a situation of financial distress.

In a scenario of tight monetary policy, shrinking **credit availability and high interest rates,** this risk is even higher, also considering that the Company is simultaneously carrying an ambitious strategy of investments/increasing capacity.

"Just-listing" on Pro segment as a first step to support visibility and growth

In March 2024, Bertolotti was listed on **Euronext Growth Market**, segment Pro. This step had minor financial implications - as net proceeds were <€300k - but as the Group targets strong growth and an increasing international presence, this was instrumental to acquire **domestic and international visibility**, also relative to potential clients and partners, and to make human resources, hiring and retention strategies more effective. The stock was simultaneously suspended from trading pending the fulfilment of the minimum 10% free float requirement. To achieve this, the company has a 24-month period to pursue potential recapitalization and new share offerings. Proceeds would be used to **fund the growth** strategy described above, by strengthening the balance sheet and potentially accelerating the investment steps, and /or by using its "paper" for M&A deals.

Valuation

We initiate coverage on Bertolotti Group with a fair Equity Value of **€8.0 per share** (€24.5mn equity value), calculated as an average of two valuation methodologies, specifically DCF model and relative market multiples, further complemented by cross-checks on average EGM multiples and comparables M&A multiples. While this implies substantial upside potential, we remind that the gap between the market price (€4.7 p.s.) and our fair value is also due to the fact that the stock is suspended - pending an increase in the free float - thus making the current price not significant.

Our valuation implies multiples for 2024E-25E that are about 20% lower than peer's average, specifically 5.3x-4.8x EV/EBITDA, 7.1x-6.9x EV/EBIT, and 9.7x-8.2x P/E. This 20% discount also applies if compared to current trading multiples of EGM, and expands to 50% when compared to multiples suggested by M&A deals in these sectors, albeit these factor a control premium.

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Corporate Profile

Bertolotti Group provides turnkey solutions and systems for optimized and customized material handling, logistics and maintenance systems, mainly for steel and aircraft sectors (through the Heavy Industries business line) and for railways (through the Railway Industry line). After facing financial distress in 2017, Bertolotti SpA entered into a regulated arrangement with its creditors and developed a Business Plan 2018-2023 to restore its financial position. The company was able to exceed expectations – it generated revenues of ca.€130mn over 2017-2022 – and to undertake a deep restructuring process (involving all internal procedures and those related to acquisition and execution of orders in primis), paving the way for further investments and safer growth opportunities. In FY2023 the Company has issued a €3mn bond (1Q23), launched a third line of business focused on software, applications and robotics to further enhance its offer and closed the year with VoP of €38.3mn (+37.4% y/y) and €4.1mn EBITDA (10.8% margin).

Introduction

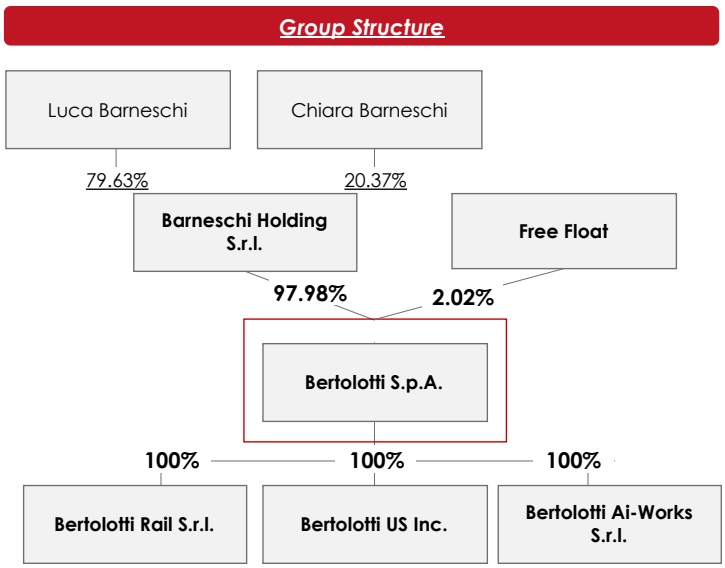
The Bertolotti Group includes Bertolotti Spa and three entities (all 100% owned), in detail:

1) **Bertolotti SpA**, the issuer, provides customised logistic systems for steel, aircraft and railway industries, is the main manufacturing company and manages certain Group central functions;
2) **Bertotti Rail Srl**, operating subsidiary providing systems and equipment for train maintenance;
3) **Bertolotti US Inc.**, the US branch, where the company aims to reinforce its presence;
4) **Bertolotti Ai-Works Srl**, the recently-founded company which is in charge to develop the core of Bertolotti innovative systems for predictive maintenance, advanced industrials automation and robotics.

In April 2024 the BoD of Bertolotti formalised the decision to establish a subsidiary in India (to be owned 99.9% by Bertolotti Spa and 0.1% by Mr Barneschi).

The Group is 98% controlled by the Barneschi family via Barneschi Holding Srl, while 2% is free float.

Bertolotti Group at a glance



Source: Bertolotti Group

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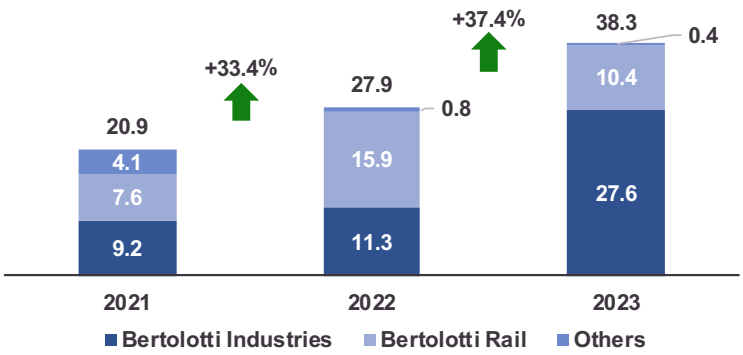
Key Facts & Figures

Bertolotti provides turnkey solutions and systems optimized and customized for i) material handling and logistics - mainly for steel industry and for aircrafts on a more irregular basis - and ii) railway maintenance. With **2023 Consolidated Value of Production at €38.3mn (FY22 at €27.9)**, Bertolotti is one of the leading Italian players in its reference markets.

The group's activity is split into three business lines: Heavy Industries (or *Industries*), Railway Industry (*Railway/Rail*) and Automation & Robotics. Despite **the split of business by line may change materially by quarter/year**, depending on execution of single large orders, as far as FY2023 is concerned:

- **Heavy Industries** accounts for **72% of total Revenues in FY23** (61% in FY22);
- **Railway Industry** accounts for **27% of total Revenues in FY23** (39% in FY22);
- The newly established **Automation & Robotics** division, which focuses on software development for industrial robotics and predictive maintenance, contributed **less than 1% of total Revenues in FY23**, primarily provisioning support to the other two operating segments.

Bertolotti Group: Value of Production evolution FY21 - FY22 – FY23



Source: Bertolotti Group

Bertolotti Group: Sales breakdown by geography FY22 (left) FY23 (right)



Source: Bertolotti Group, Value Track Analysis

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Sales breakdown for Railway Industry (left) and Heavy Industries (right) – FY22



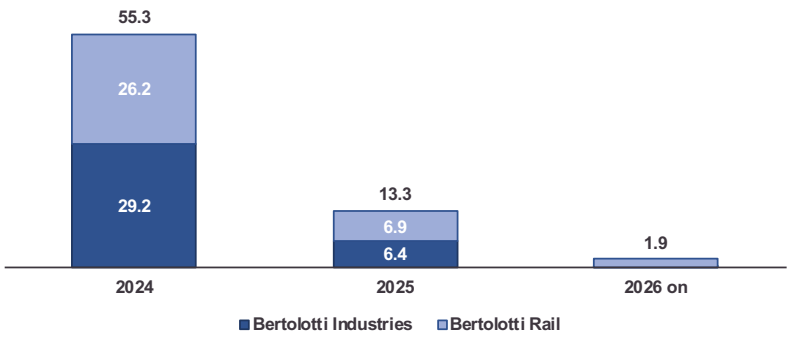
Source: Bertolotti Group, Value Track Analysis

Both business lines run an order-driven business model, and in terms of **backlog** as of **January 2024** it stood at **€70.5mn** (o/w we estimate ca. €50mn for delivery in FY2024) and includes only **hard-backlog** (i.e. orders fully contractualized), split as follows:

- **Bertolotti Heavy Industries** backlog at **€35.6mn,** ca. 1.9x FY23 line revenues, boosted by the large orders related to Novelis' Golden Eye Project acquired in 2023 and aimed at providing an automated storage retrieval systems (ASRS) with bridge cranes and semi-automated cranes;
- **Bertolotti Railway Industry** backlog at ca. **€34.8mn,** ca. 3.3x FY23 line revenues.

The **year-end backlog** depends on works invoiced by the end of year (according to milestones agreed with clients) and on the amount of potential **Work-in-Progress** to be reported in VoP as of December (i.e. works carried out but not invoiced yet, as next milestone is not achieved/formalised). This value was at ca**. €67.3mn as of 31.12.2023**, while the chart below shows the expected time horizon of the backlog reported as of Jan 2024.

Bertolotti: Backlog estimate as of January 2024, split by expected execution date



Source: Bertolotti Group, Value Track Estimates

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Historical Milestones

Bertolotti SpA was **founded in 1972**, and was initially active in the bulk handling sector.

Back in **1998**, Bertolotti SpA was acquired by Ital-Engineering Srl (now Bertolotti Holding Srl), which marked the beginning of a diversification path into the steel, aeronautics and railroad industries.

In **2002**, Bertolotti SpA expanded into the Railway maintenance sector, supplying lifting equipment.

In **2009**, Bertolotti SpA expanded the activities on the Aeronautics sector.

In **2017**, Bertolotti SpA faced financial distress due to certain weaknesses in budgeting and executing (as well as internal controlling) procedures, resulting in a debt exposure of around €10mn, and thus the Company entered into a regulated arrangement (i.e., "Concordato preventivo") with its creditors.

In **2017**, Bertolotti Rail Srl was incorporated to create a company focused on railway maintenance equipment, providing standardized but customizable products according to clients' needs.

Over **2018-2023**, Bertolotti SpA pursued a deep financial and organizational turnaround aimed at restoring its financial position and prevent the risk of financial distress, it was based on:

- **Tight financial management**: implementation of an advanced management control system for internal accounting purposes (for a cumulative investment of ca. €500k);
- **Group Structuring**: leading to the creation of fully owned subsidiary **Bertolotti Rail Srl** operating in the railway sector for private projects and public tender offers;
- **Managerialization**: undertaken for all levels of the Group;
- **Digitalization**: combining high quality hardware with advanced software.

In May 2023, the Court of Florence declared the complete execution of the agreement with creditors.

In addition, in **2023**, Bertolotti Spa Industries secured the first US order of the Group, with a leading player in aluminium industry (March) and in July, Bertolotti Ai-Works was founded through the leasing of a business unit from Autognity S.r.l, marking the company's entry into the realm of robotics and mobility with industrial applications.

In **March 2024**, the Group completed the **listing process on EGM (Pro segment)** and since its listing, the Company has started to implement its strategic initiatives, prioritising international expansion and progressing with organisational structuring:

- In April, Bertolotti announced the opening of a secondary office in Chevilly-Larue (**France**), and the decision to establish a new subsidiary in **India,** now operational. These expansions will enable the Company to serve clients in these regions more effectively and seize new business opportunities, also leveraging some commercial advantages provided by local legislation;
- In June, Engineer Alberto Patrizi was appointed as **Chief Operating Officer** for the Bertolotti Industries Business Line. He will oversee the Commercial, Technical Office, Production, External Assemblies, and Post-Sales Maintenance teams.

Top Management: Structure & Powers

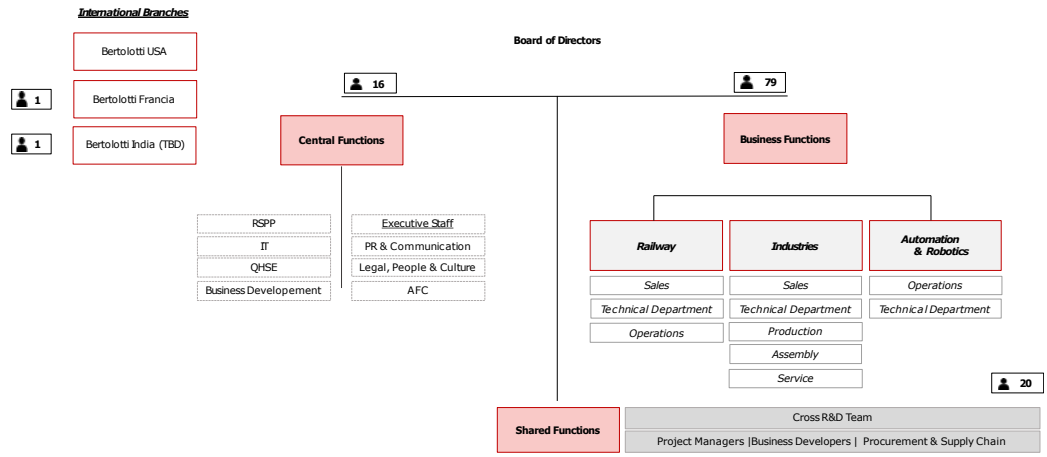
With a **workforce of 116 employees** as of today, and a three people Board of Directors, Bertolotti top management includes:

- **Luca Barneschi - Chairman Bertolotti SpA.** In 1998, he purchased Bertolotti SpA with his father when the company had only one client in the steel sector. Starting as a General Manager, he has been leading the company ever since. He also serves as the CEO of Barneschi Holding Srl.
- **Antonio Matassini – CFO Bertolotti SpA.** Graduated in Economics from the University of Florence in 1997, he later received his MBA from Bocconi University. He joined Bertolotti SpA in 2008, as Head of Controlling, and also held the role of purchasing specialist in the company, until becoming CFO in 2018. He is also the CFO of Bertolotti Rail Srl.

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- **Emanuele Bandinelli - CEO Bertolotti Rail Srl** Graduated in Engineering from the University of Florence in 1997, he later received his MBA from Bologna University. In 2018, he joined Bertolotti SpA as Sales Manager and later Technical Department Manager and he subsequently moved to Bertolotti Rail Srl as Director of Operations, advancing to General Manager in 2020 before assuming the role of CEO in 2021.

Bertolotti Group: Organizational Structure (Dec 2023)



Source: Bertolotti Group, Value Track Analysis

Worldwide geographical footprint, production capacity on the growth

Throughout the years, Bertolotti has established itself as an Italian excellence specialized, albeit relatively small, in management of complex projects worldwide: Bertolotti boasts almost 1,300 installations around the globe and has offices in Italy (Figline and Incisa Valdarno), France (Paris) and USA (Pittsburgh; planned to be operational from 4Q2024), it has built a robust international presence, with ca. **70% of current backlog originating from foreign markets** and plans material capacity expansion in 2024-2025.

Bertolotti Group: Geographical Footprint



Source: Bertolotti Group

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Business Profile

The Group's activities are carried out through three lines of business: 1) Heavy Industries, focused on Steel Industry (e.g. ground handling equipment, overhead handling equipment, bulk material handling and manufacturing cells); 2) Railway Industry, specialized in the railway sector, deals with the production of systems for efficient handling and maintenance of railway rolling stocks (e.g. lifting and handling systems, mobile and fixed platforms for roof access, sand refilling systems); 3) Bertolotti Ai-Works, recently established (July 2023) and poised to become the core of the Group's R&D, with a focus on software development for industrial robotics and predictive maintenance.

The Group business model i) is order-driven, with the client's down payment financing the costs of setting up the production facility, and further payments are regulated by the order completion level, ii) has an average duration of orders above one year, and iii) presents a strong concentration in terms of clients/orders in the single year, given the relatively small size of the Company, but clients normally face a certain "rotation" over a two/three-year horizon.

Two revenues generating business lines and a new R&D hub

Heavy Industries (*Industries*) and Railway Industry (*Railway*) presently are the main revenue-generating units of the Group. These operate in adjacent end markets, but their business models diverge in terms of types of customers and approach to handling orders and products.

Heavy Industries' line core value proposition is centred around providing customized turnkey logistic solutions to industrial clients operating in the steel industry, leveraging its R&D driven, fully-integrated, and flexible business model. The business in the aeronautics industry is more erratic (depending on Government spending and being driven by sizeable cyclical investments) and hence it may remain negligible for relatively long periods (as it is the case in current years).

Railway Industry focuses on delivering standardized - but configurable - solutions in the railway sector, as plants and systems for warehouse setup and rolling stock maintenance, to clients often represented by P.A. players. The company acts as turnkey supplier or General Contractor, but it may also operate with B2B2B contracting, where large general contractors secure orders through public tenders and then subcontract lifting or handling facilities design and execution to Bertolotti Rail.

Business profile key features: Business Lines

Company	Industries	Main Channel	Products	Fully Integrated	Avg execution
Heavy Industries	Steel, Aero	B2B (private)	Customized	✔	ca.2 years
Railway Industry	Railways	B2B (public)	Standardized	✕	< 1 year
Automation & Robotics	Steel, Railways	Internal support	n.m.	n.m.	n.m.

Source: Bertolotti Group

A business driven by few large orders

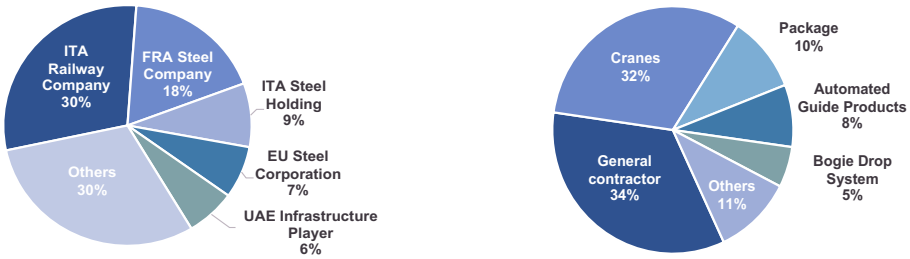
The average annual invoice per client is relatively small at Bertolotti (€200-350k over 2021-2022-1H2023), but this number can be misleading as it is the blend of a small number of very large orders and a very high number of very small ones. As a result, Bertolotti faces a **strong client concentration** in both its business lines, and this clearly implies a certain risk: every year the top client accounts for ca. 30% of revenues and top 3 clients for ca. 50%. On a more positive stance, however, we notice that these clients:

i) are mostly top tier names, and

ii) rotate quite often, with top 5 clients normally changing every two/three years.

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Bertolotti Group: Group Sales Breakdown by Main Clients (left) and Product Category (right) - FY22



Source: Bertolotti Group, Value Track Analysis

As described further down, the concentration of key clients tends to be stronger in the Heavy Industry line, and despite this feature may vary from year to year, it is worth to point out that the current backlog includes a very large order acquired by Bertolotti Group in the US in 1H2023 with Novelis Group. The acquisition of such a sizeable order (US$36mn) suggests the following considerations:

1. it provides evidence of strong market traction by Bertolotti also at international level;
2. it signs the entry in the US market and in the recycled aluminium segment (client is a leading US-based producer of flat-rolled);
3. in terms of technology the project involves the supply of automatic (ASRS) and semi-automatic cranes at a greenfield site;
4. it also brings a certain element of risk, as the residual part of this order should represent ca. 30% of the Group current backlog. As of now, the project engineering is completed, all necessary materials have been procured and the first crane has been tested and sent to client. Twin cranes are under construction at key suppliers' facilities.

One-Stop-Shop Value Proposition

Whether for transport, warehousing or processing applications, *Industries* serves as a single point of contact for clients seeking turnkey solutions that enhance production efficiency, safety and minimize maintenance downtime, by providing complete logistics solutions, which include:

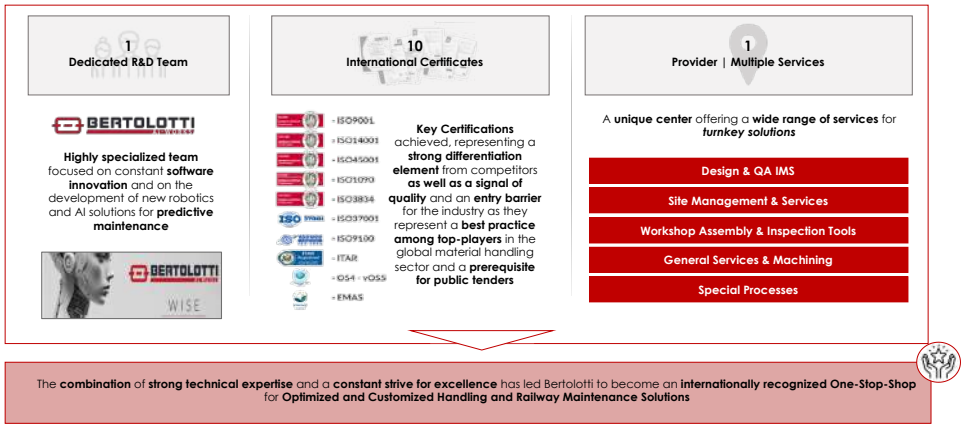
- Definition of warehouse logistics, taking into account the customer's layout constraints;
- Analysis of optimal operational sequences and rationalisation of material flow;
- Provision of all necessary equipment (including automation and specialised machinery).

As for the Railway Industry Bertolotti can offer both B2B2B contracting, as partner of a large General Contractor, but it increasingly proposes direct **B2B contracting**, thanks to the wide offer and a product portfolio covering most of potential client's needs for rolling stock maintenance, as well as thanks to its flexible production and procurement model.

We underline that the company boasts 10 international **specific certifications** (ISO, ITAR, OS, EMAS), regarding product quality, worker health and safety and environmental impact.

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Bertolotti Group: Full Integrated Offer



Source: Bertolotti Group

#1 Heavy Industries: customized solutions for steel and aeronautics sectors

Bertolotti Industries focuses on delivering bespoke solutions tailored to the specific needs of each customer. The company achieves this by adapting its production process to the unique requirements of each project, resulting in fully customized solutions that are designed and manufactured to meet the highest standards of quality and performance.

This degree of customization is made possible by a business model with the following features:

- **R&D Driven**: with its main asset being the people involved in the product development, i.e. the Group *cross* R&D team of +14 engineers and specialists who work to improve existing products and develop new ones, not considering the new Automation and Robotics line;
- **Fully Integrated**: Bertolotti serves as a single point of contact for clients seeking turnkey logistic solutions, taking care of the entire production process, from design to installation, to after-sales services;
- **Flexible**: the production process is highly adaptable and can be tailored to meet specific customer requirements.

Wide range of fully customized solutions

Bertolotti product range is structured along its two main end-sectors:

- Steel industry - design and manufacturing of various systems and equipment to improve efficiency, productivity, safety and automation within the steel production process;
- Aeronautics - design and manufacturing of facilities for the production cycle of civil and military aircrafts.

We point out that the latter segment only marginally impacted past Revenues and its weight is substantially nil on current backlog, as demand in aeronautics is extremely erratic and Bertolotti interest is necessarily very "selective" here, given the high working capital/ financial requirements and lengthy processes of this industry.

That said, the product range offered in the **Steel segment** can be summarized in three categories:

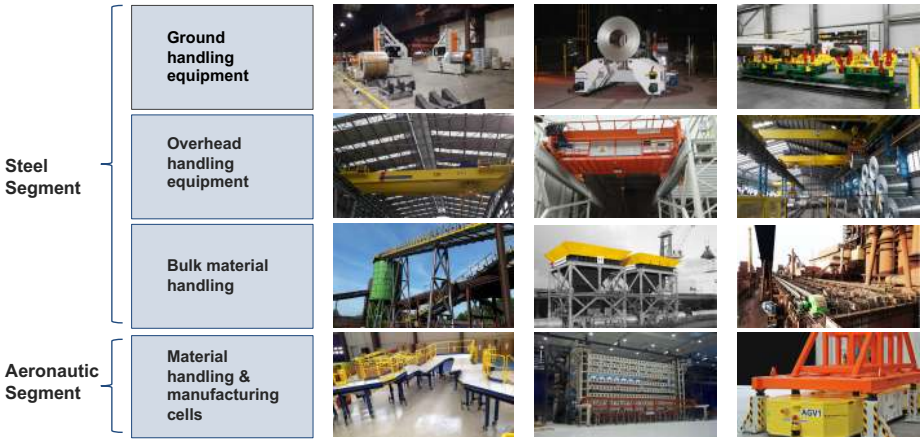
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1. **Cranes Automation Warehouse (CRA)**: dedicated Pick up, transfer & stock products and parts for overhead handling (automatic overhead cranes, coil cranes, loading and unloading systems, and automatic coil warehouses);

2. **Automated Grounded Products (AGP)**: tailor made solutions for moving / packing heavy parts in the steel and other sectors (AGV, rail transfer systems, coil packing lines, rolling mills);

3. **Bulk Material Handling**: conveyor belts, silos, stacking and reclaiming tailor-made solutions to dose and move bulk materials (iron ore, coal, coke etc.).

Bertolotti Heavy Industries Product Range



Source: Bertolotti Group

As far as breakdown by product categories is concerned, the impact on sales can vary greatly each year, depending on the order delivered during that year and, as anticipated, also the client list is pretty concentrated and relatively volatile over a three-year horizon, albeit clients tend to be very loyal over the long run. In FY2022 the first client contributed to 44% of revenues of this business line and 90% of revenues came from its top four clients.

Heavy Industries: Sales Breakdown by Main Clients (left) and Product Category (right) - FY22



Source: Bertolotti Group, Value Track Analysis

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#2 Railway Industry: solutions for warehouse set-up and rolling stock maintenance

Bertolotti Rail specializes in the railway sector and deals with the provisioning of systems for efficient handling, warehouse set-up and maintenance of railway rolling stock.

A mix of B2B and B2B2B business model

As of today, *Railway* is a partner of a few transport companies (railway and metropolitan), both domestic and foreign and mostly public, and also a partner of leading engineering companies for the design of railway depots, providing its own experience and assistance during the preparation of tender specifications or feasibility studies.

Its business model revolves around both **direct B2B contracting** with public or private transportation operators, and **B2B2B contracting**, where general contractors secure contracts through public tenders and then subcontract logistic facilities design and execution to Bertolotti Rail.

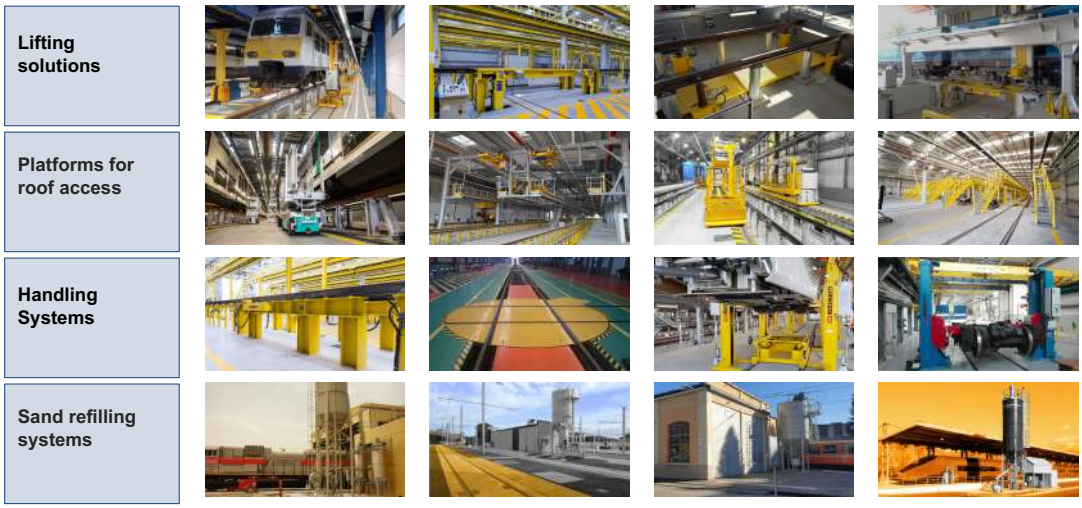
In most cases Bertolotti Rail designs the solution / system that best fits with client's need and it outsources the manufacturing steps to Bertolotti SpA or to its external partners.

Standardized solutions, customizable on demand

Bertolotti Rail's products are mainly standardized and generally undergo minimal modifications due to the global standardization of railway rolling stock measurements. Its offering can be clustered in four distinct groups of products, which cover most (according to management ca. 70%) of clients' potential requirements relative to equipment and systems for warehouse set-up and for rolling stock maintenance:

1. Lifting solutions;
2. Platforms for roof access;
3. Handling systems;
4. Sand Refilling systems.

Bertolotti Railway Industry Product Range



Source: Bertolotti Spa

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More in details, the main products of the four product families are:

1) **Lifting solutions:** 1) bogie lowering systems (or bogie drop) for component replacement; 2) bogie frame rotating devices for efficient inspections; 3) axle drop systems for easy axle replacement; 4) standard and customizable lifting jack lifts for versatile maintenance operations;
2) **Platforms for roof access**: 1) Fixed working platforms are permanent structures attached to the train, providing stable and customized access to the roof for maintenance work: 2) Mobile working platforms are movable platforms that can be positioned alongside the train, offering flexible and versatile roof access in various locations;
3) **Handling systems**: 1) elevated rotating track sections for easy access to the train's underside; 2) bogie transfer tables for convenient removal of bogies; 3) auxiliary bogies with adjustable suspension systems; 3) versatile vehicles capable of various movements and heavy load handling; 4) traversers with high load capacities for efficient depot operations, and comprehensive depot renovation solutions integrating various equipment and infrastructure components;
4) **Sanding systems**: fixed or mobile units used to refill sand into sandboxes of rolling stock. Sanding systems are installed in trains to improve traction and braking performance by providing controlled sand release onto the tracks, enhancing adhesion in adverse weather conditions.

The client concentration in *Railway* is normally slightly lower than for *Industrials*, but it is equally volatile and has been particularly high in FY2022 (as from chart below), however in 1H23 the weight of the first client in the Railway Industry line has halved to 25%.

Railway Industry: Sales Breakdown by Main Clients (left) and Product Category (right) - FY22



Source: Bertolotti Group, Value Track Analysis

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#3 Automation & Robotics: R&D-dedicated business unit

Founded in July 2023 through the lease of a business unit from Autognity S.r.l (spin-off from the University of Pisa), **Bertolotti Ai-Works** specializes in the development and design of software and advanced robotic systems for industrial process automation. Despite being in its initial stage (<1% of FY23 VoP, 8 employees), the unit is strategically positioned to become the company's R&D core, with the goal of :

i) bring in-house the more strategic contents and know-how securing direct control and higher flexibility, in particular for AGVs (automated Guided Vehicles) and intelligent warehouses,

ii) expanding Bertolotti's current offering by adding robotic systems and cloud-based software with industrial applications.

The team carries R&D projects either related to specific projects as part of clients' orders or aimed at improving Bertolotti technological solutions, but for the foreseeable future we expect this unit to focus on **internal support to the other business lines** and not to generate its own revenues. Yet, this new Business Unit has already enabled Bertolotti to secure several tenders, showcasing the innovation of the proposed projects.

#1 WISE platform for predictive maintenance

The Group has begun integrating its offerings with new solutions including the platform called WISE, a proprietary software which combines data analytics and predictive models for plant supervision. Through the collection and analysis of a variety of industrial process data, the software aims to monitor performance, reduce downtime and anticipates component or system issues, allowing interventions only when necessary.

More specifically, the platform:

- Collects data of processes from diverse sources (e.g. temperature, vibration, pressure, or wear);
- Incorporates data analysis tools to detect trends, anomalies or relevant information;
- Gives real-time guidance and support to decision makers with simple and concise information;
- Monitors the complex processes using the advantages of digital technologies and cloud.

The beta version of the software has been successfully implemented in a facility of an Italian local transport company, with upcoming plans for its introduction to a regional rail transport company. Furthermore, this software presents an upgrade option for most of Bertolotti's existing operational base suitable for such applications, as equipment has been provided of required devices and sensors since a few years and hence offers potential for additional revenue streams as "retrofit" solutions.

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Business Model

The Group's business model is very much the same for both core business lines, where the order driven revenues model is organized along the path from "lead to order", where contract features are key elements to secure profitable business, manageable orders and an appropriate risk profile from a technical and financial point of view, also considering the high concentration of the Company turnover and backlog. In this respect, the Company has significantly strengthened its internal procedures to collect and execute orders, following the situation of financial distress faced in 2017 (and solved via a "Concordato Preventivo" restructuring process, closed in 1Q 2023). Lastly, Bertolotti has increasingly adopted over the recent years a relatively externalized model, which i) allowed the Company to meet rising demand, and ii) has contributed to reduce the operating risk of the business providing more flexibility, while iii) management has internalized a few key R&D functions in 3Q 2023.

From leads to invoicing and post sales

The Bertolotti business model is broadly the same for both *Industries* and *Railways*, albeit for the latter clients are mostly public, and could be split in the following steps:

1) Lead generation & Commercial phase;
2) Engineering phase;
3) Procurement & Production;
4) Delivery, Start-up & After-Sales.

#1 Lead Generation & Commercial phase

The commercial strategy of order-driven businesses starts with the identification of potential leads and ends with order(s) origination, in more details:

- Lead identification and management: **Lead selection** is usually carried out by sales staff and dedicated external agents;
- Account management: Once selected and analysed, the lead becomes a **prospect**, supervised by a sales manager and a specific technical contact person;
- Prospect management: Monitoring and enquiry by the customer, followed by a request for information (RFI) or by a preliminary **request for a quotation** (RFQ), both technical and economic.

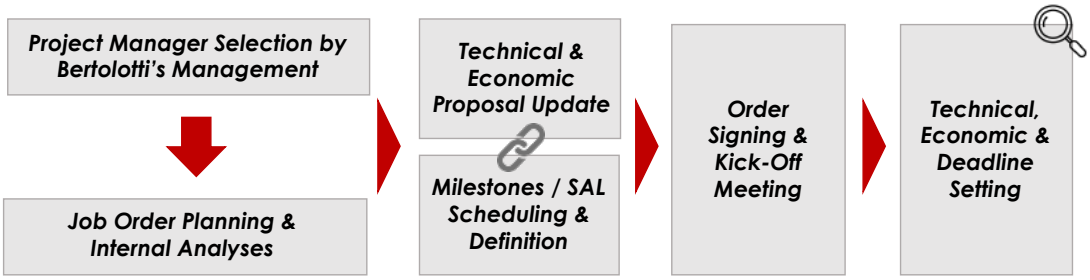
The Lead Generation phase is followed by a Commercial Phase, ignited by the RFQ. At this point:

- Sales define a **rough** and **general economic & financial proposal** for the specific project requested by the client, either private or public;
- The Company still competes with domestic and/or international peers to win the job order on a **technical** and **economic** perspective;
- This phase includes the formulation of an outline proposal of **milestones** (or, in the case of the public sector, a time-based definition of progress control – SAL or *Stato Avanzamento Lavori*);
- At this point a negotiation process starts and once a **final draft proposal** is developed and **agreed** with the client, the **order is signed** and **kicked-off meeting** is set. In the case of

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public clients, the public tender ends with the formal assignment of the auction and with the procurement contract sign.

Bertolotti Group: Commercial Phase



Source: Bertolotti Group

The **contract** is crucial to secure profitable business, manageable orders and an appropriate risk profile from a technical and financial point of view. The contract therefore regulates many **key elements**, as timing of execution, target performances, potential price adjustments (related to raw material and/or labour costs), responsibilities on both sides, penalties, potential and maximum liabilities, milestones and payment terms, etc. These elements are so important that the procedure for the **contract approval** involves all the key managers of the various areas (engineering, procurement, production, installation, quality control), CFO and CEO, also for minor orders.

The table below summarises the average terms as for payment Milestones and time frames: in general, Bertolotti expects that, when clients receive the plant, he pays ca.40% of order value in order to reach ca. 70/80% of total payment agreed in the contract, with the residual 20-30% still due for the installation (ca.10/15%) and commissioning/acceptance test (last 10/15%).

Bertolotti Group: Key Payment Milestones (Order Example)

Payment Milestone / Defined SAL (%)	Payment Timeframe	Milestone Description
Up to 10%	30-60 days	Advance payment by customers
Up to 10%	60 days	Formal approval of outline engineering
Up to 10%	60 days	Detailed engineering & production
Up to 40%	60 days	DDP Delivery to client premises
Up to 20%	60 days	Testing & Installation
Up to 5%	60 days	Commissioning
Up to 5%	60 days	Final Acceptance Test

Source: Bertolotti Group

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#2 Project Engineering

During the engineering phase, Bertolotti sets the specific details of the project from the technical, economic and procedure point of view. This comprehensive planning begins well before the acquisition of orders and is conducted under the guidance of the internal engineering team, with the involvement of external partners when the project's complexity demands diverse expertise. The team:

- conducts a technical review of the initial proposal and identify the project specifics and innovative needs (with respects to the Company's previous projects);
- scrutinizes revenue and cost estimates and formulates the Final Bill of Materials (BOM);
- performs a detailed risk analysis;
- set-up the Management software to define the process steps ad from the economic/financial specifics.

#3 Procurement & Production

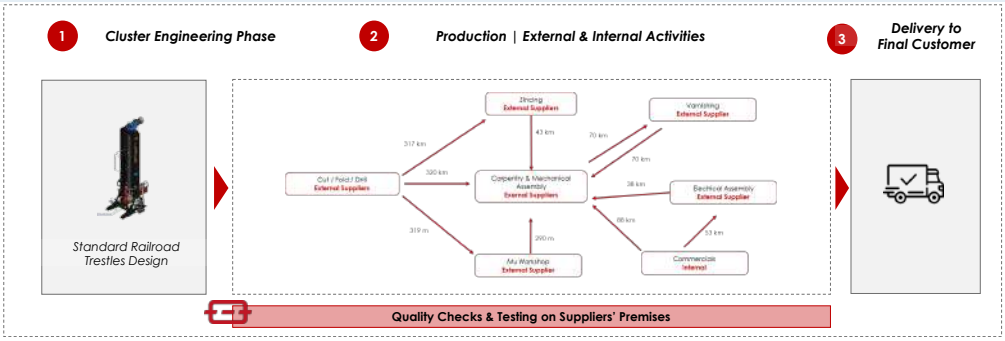
Here the company manages the first key step, i.e. the "make or buy" decision and then move into:

- **Procurement** - Bertolotti's procurement of raw material and key components is closely aligned to the executive budget, ensuring financial objectives and cash flow targets are met, with cost control monitored on weekly basis (timely intervention and collaboration with project managers address deviations). Key aspects include rigorous supplier selection, evaluation, and quality control;
- **Production** either internal or, to a lesser extent, external. **Internal production** is carried out by Bertolotti Group for both Heavy Industries & Railway Industry lines, while **External production**, involving specialized suppliers, is reserved for specific components beyond Bertolotti's operational scope (in terms of value-added and critical role). The Company monitors operations across multiple sites and among diverse stakeholders, guaranteeing the punctual execution of deliverables and the efficient utilization of space.

The Group production model has changed in recent year in order to exploit the growth potential and face rising demand. The two most effective tools adopted by management to cope with rising volumes are: externalization by clusters and leased sites for assembly activities. In more detail:

1. The production model for both the Heavy Industry business line and the Railway one has been organized around **cluster units**, whose production is usually carried out in collaboration with a series of external partners that are in charge of the production of specific components and perform specific operations (as summarised in the chart below);
2. The assembly phase for most of Bertolotti tailor-made equipment is critical, as it requires very wide facilities and hence Bertolotti is currently using a few **leased areas**, also pending the production location expansion (described further below).

Bertolotti Group: Supply Chain – example of externalized production



Source: Bertolotti Group

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#4 Delivery, Start-up & After-Sales

The final steps to the completion of the order are:

1. **Delivery**, which usually takes place by sea or land often using the DDP (Deliver Duty Paid) clause, in order to minimize risks and simplify procedures for the buyer – as all risks responsibilities and costs related to the shipment of goods are fully born by the supplier,
2. **Assembly**, at the client premises (if equipment/systems require it), either in-house or though external teams under supervision of Bertolotti site manager. The smaller and the more standard the equipment, the easier, faster and cheaper the on-site activity,
3. **Start-up and training**, the latter often required in complex and innovative solutions

Finally, **After-Sale services** are offered to clients in order to provide a continued and optimized maintenance and including conduct remote monitoring, perform on-site intervention, customized training, etc. (e.g. WISE application).

The R&D activity

Management believe that R&D is increasingly strategic for Bertolotti business, as material handling is quickly moving to more complex equipment, robotics, interactive and predictive solutions. As a result, the Company has decided to bring inhouse most of its critical functions and founded **Bertolotti Ai-Works** in July 2023, through the lease of a business unit from Autognity S.r.l (spin-off from the University of Pisa). The new team (8 people) specializes in the development and design of software and advanced robotic systems for industrial process automation and is strategically positioned to become the company's R&D core, with the goal of

iii) bring in-house the more strategic contents and know-how securing direct control and higher flexibility, in particular for AGVs (automated Guided Vehicles) and intelligent warehouses,

iv) expanding Bertolotti's current offering by adding robotic systems and cloud-based software with industrial applications.

The team will carry R&D projects either related to specific projects as part of clients' orders or aimed at improving Bertolotti technological solutions, but for the foreseeable future we expect this unit to focus on **internal support to the other business lines** either as part of clients' projects or in order to strengthen their equipment and system portfolio.

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Reference Markets

Bertolotti operates in the overall market of Material Handling, but its business units are exposed to two end-markets, both experiencing medium term single-digit growth. The reference end-market for Bertolotti Industries is the (heavy) material handling equipment market, globally valued at $209bn in 2022 and expected to grow at a CAGR of 5.9% 2022-2032. However, as for the steel industry in particular, we note that it is facing a few challenges, as steel demand has declined by 8.7% in FY23, and major EU players, including key Bertolotti customers, have reported or anticipated weak performances in FY24E: this may lead to a cut / delay in investments in FY2024-25.

On the other hand, Bertolotti Railway reference end-market is represented by the railways industry as for construction and maintenance of rolling stocks and railway infrastructures. The market of "overall supply" to the Railway Industry was valued ca. €177bn in 2022, and is expected to grow at 3.0% CAGR 2022-2027 in real terms, driven by growing environmental awareness, strong public funding and digital revolution.

Material handling equipment market

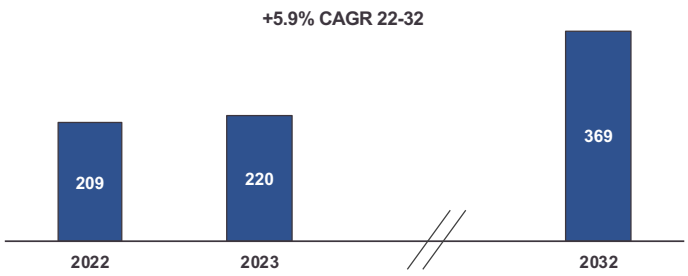
Market size and stance

The main reference market for the Company is represented by the Material Handling Equipment Market, valued at **$209bn** in 2022 and expected to grow at a **CAGR of 5.9%** into 2032.

At both European and Italian levels, the market is propelled by a generalized shift towards **fully automated/intelligent facilities,** as a result of several factors, which are very much evident in the steel industry (the core one for Bertolotti Heavy Industries):

- **Safety**: in response to evolving European occupational safety regulations, steel operators are increasingly inclined to reduce the presence of human operators within their plants, aligning their practices with the evolving safety landscape in the industry;
- **Efficiency**: technologies such as IoT-enabled Automated Guided Vehicles (AGVs) and operator-free automated cranes stand as a key driver for efficiency gains. These technologies enhance operational precision, reduce downtime, and optimize resource utilization, ultimately leading to heightened productivity and improved cost-effectiveness;
- **Ageing plants**: the age of machinery, often rooted in the robust investment cycle of the 1990s, contributes to market dynamics; given the imperative for upgrades in facilities originally built in that period, operators often go also for an upgrade and a technological enhancement of the plant.

Global material handling equipment market (US$bn)



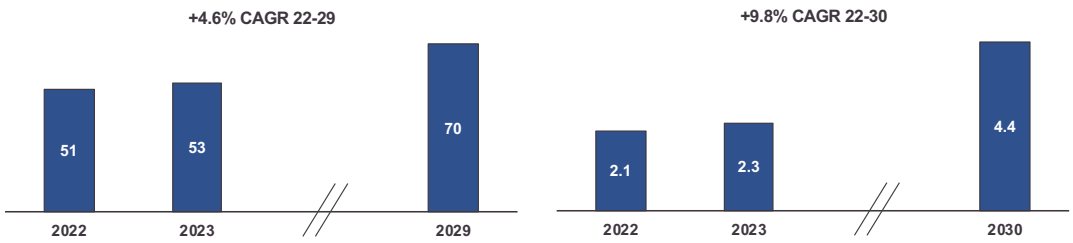
Source: Precedence Research, Value Track Analysis

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Within this market, two submarkets which are significant for Bertolotti, as they represent its best-selling equipment, are:

- **Cranes market**, globally worth **$51.2bn** in 2022 and expected to grow at a **CAGR of 4.6%** 2022-2029, reaching $69.9bn in 2029;
- **Automated Guided Vehicle (AGV) market**, globally valued at **$2.1bn** in 2022 and projected to grow at a **CAGR of 9.8%** 2022-2030, reaching a market size of $4.4bn in 2030.

Global cranes (left, US$bn) and AGVs markets (right, US$bn)



Source: Maximise Market Research, Fortune Business Insight, Value Track Analysis

Zoom on steel: here main players grapple with macroeconomic challenges

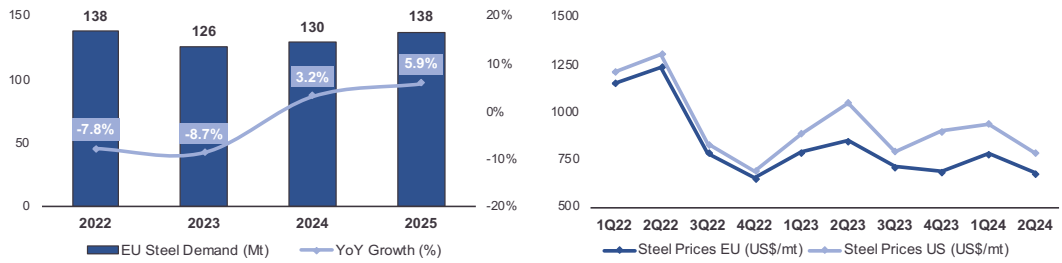
Bertolotti Heavy Industry's main clients are leading companies involved in steel processing / manufacturing. In this respect, major steel players have reported weakening KPIs recently and we detect a somewhat cautious sentiment among them (including Bertolotti's primary customers), given the weak market outlook. Higher interest rates, falling consumer spending and soaring building and energy costs have promptly reduced steel demand beyond expectations: following a decline of 7.8% in FY22, European steel demand has further decreased by 8.7% in FY23, vs. an expected fall of ca. 5% as of end-2023 and consequently, the market outlook has been revised downward with an expected growth of 3.2% in 2024 (vs end-2023 estimates of +5.8%), while forecasts regarding FY25 have improved from 2.9% to 5.4%.

- **ArcelorMittal**: FY23 (Dec 2023) was impacted by a negative price-cost effect (-13.5% average steel selling price) and declining steel shipments trend at 55.6Mt (vs. 55.9Mt in FY 2022), mainly due to a weaker economic environment weighing on the construction demand. In 1Q24, recovering shipments volumes (+5.0% q/q) following the end of destocking and higher steel spreads (+13.8% q/q) are supporting improving operating results. Still, there are no signs of restocking yet and customers continue to adopt a "wait and see" approach;
- **Thyssenkrupp**: 1H24 (Mar 2024) witnessed a reduction in both order intake (€16.5bn vs €19.4bn 1H23) and sales (€17.2bn vs. €19.1bn 1H23), with the steel division also reporting falling intake (-21% y/y), revenues (-15% y/y). Guidance was confirmed and indicates Adj. EBIT in the high three-digit million-euro range (vs. €703mn as of FY22-23) and FCF before M&A in the low three-digit million-euro range (vs. €363mn as of FY22-23);
- **Marcegaglia**: After a record 2022 (€8.5bn Revenues, €700mn EBITDA) driven by favourable economic conditions, the company experienced a setback in 2023, with revenues reaching €8.1bn (-5% y/y) and an EBITDA of €650mn (-7% y/y). It has announced €1bn in investments for new plants and M&A, including €600mn dedicated to the revitalization of Fos sur Mer, the former Ascometal steel plant owned by Swiss Steel and currently under extraordinary administration;
- **Acciaierie d'Italia:** It remains in a very unstable situation, being placed into extraordinary administration and registering a production for the year that did not exceed 3Mt (i.e. the company's historical minimum) due to the continuous stoppages of blast furnaces and a still stalled industrial plan.

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At this point it will be crucial to monitor sector trends, volumes and cash flows of large EU players, and their investment plans in particular, as the main risk lies in potential cuts or delays of capex plans. While longer-term trends are supportive and EU industrial policy keep addressing investment needs for safety and decarbonisation in the steel industry, risks of short-term cyclicality / volatility remain.

EU steel demand (left, Mt) and EU/US steel prices evolution US / EU (right, US$)



Source: Eurofer, Focus Economics, Value Track Analysis

Global Rail Supply Market

The Railway Industry line today focuses on the area of business where the Railway Industry and Material Handling overlaps. Yet, despite this "overlapping" element, we believe it is interesting to focus on the (wider) Rail Supply Market, as i) it may follow slightly different trends and investment cycles vs metals, ii) a material part of demand for handling equipment for railway comes from maintenance/aftermarket activities and iii) in this industry Bertolotti may find room for further product diversification, by entering new sub-segments, as maintenance services/infrastructures.

Rail supply market size and stance

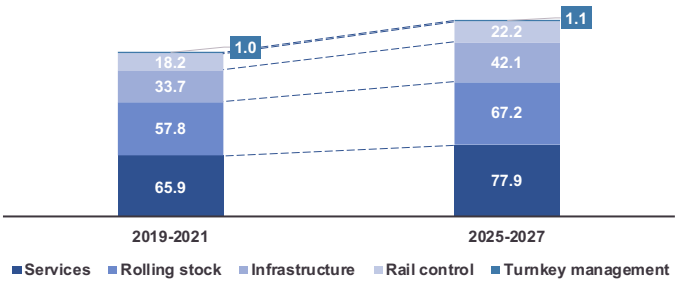
Global rail supply market added up to an average of ca. **€177bn** per year in the period 2019-2021, slightly below the level reported in the period 2017-2019, mainly due to the impact of COVID-19.

UNIFE (the Association of Europe's rail supply companies) projects a **3.0% real CAGR** 2022-2027, reaching a market volume of €211bn per year in 2027, driven by the following growth drivers:

1. Growing environmental awareness, favouring trains as the eco-friendly transport option;
2. Strong public funding and support for the railway sector;
3. Digitalization, as an enabling factor to make rail a preferred means of transport over alternatives.

We note that the services and rolling stock segments - the reference businesses for Bertolotti Rail today - represent the main chunk (37% and 32% of the total respectively), while infrastructure, rail control and turnkey management represent 19%, 10% and less than 1% respectively.

Global Rail Supply Market (average €bn per year)



Source: World Rail Market Study, UNIFE

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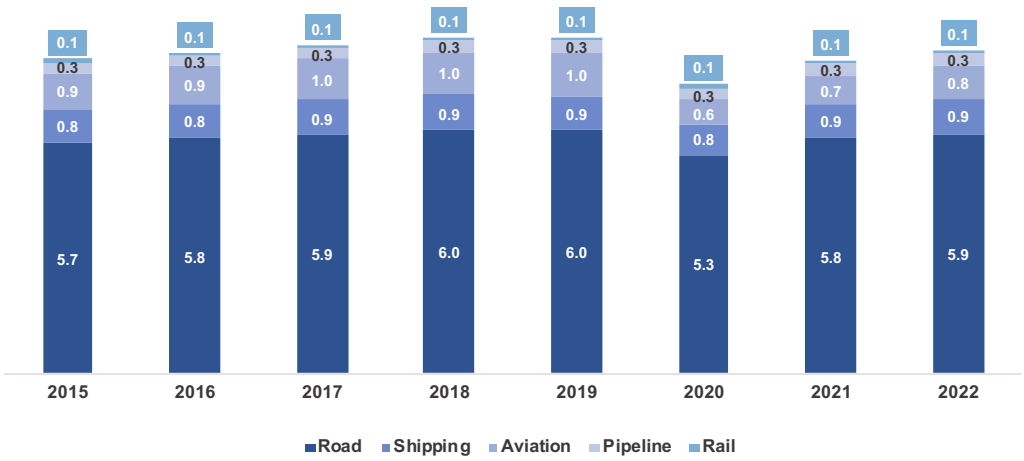
Growth driver #1: Higher environmental awareness

Rail, whether for mainline, urban/suburban, or freight transportation, offers significant environmental advantages compared to other modes of transport.

Indeed, it accounts for approximately 1.1% of Gt emissions in the entire transport sector *(IEA*), making it a focal point of various governmental efforts to reduce CO2 emissions.

Consequently, shifting towards rail transport is a key driver for decarbonizing the entire transportation industry.

Global CO2 emissions from transport by sub-sector (Gt)



Source: IEA (2023)

Growth driver #2: Widely available public funding

After Covid-19 pandemic, the rail supply market growth was further bolstered by various governmental stimulus programs, aimed at improving countries' competitiveness, with investment in sustainable mobility at the core, such as EU RRF programme and the Bipartisan Infrastructure Law in the US.

As far as Italy is concerned:

- the NRRP allocates **€24.8bn** towards the advancement of a more digital and sustainable railway infrastructure by 2026 (*source: NRRP official document*). This includes improving passenger lines, enhancing connections, extending high-speed rail, upgrading regional railways, and implementing ERTMS (European Rail Traffic Management System);
- the Connecting Europe Facility (CEF) is one of the most successful EU programmes designed to support rail related infrastructure investments on the EU Trans-European Transport Network (TEN-T). Out of the **€25.8bn** earmarked for transport, rail is set to receive at least 70% of such amount (source: *International Associaton of Public Transport*);
- additionally, in the next 10 years ca. **€110bn** are planned to be invested in Italian rail infrastructure (*source: RFI website*). As a matter of fact, RFI 2022-2031 industrial plan yearns for promoting a collective and sustainable multimodal transport network focused on highly integrated transport hubs and doubling the rail freight transport shares.

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Growth driver #3: Digitalization

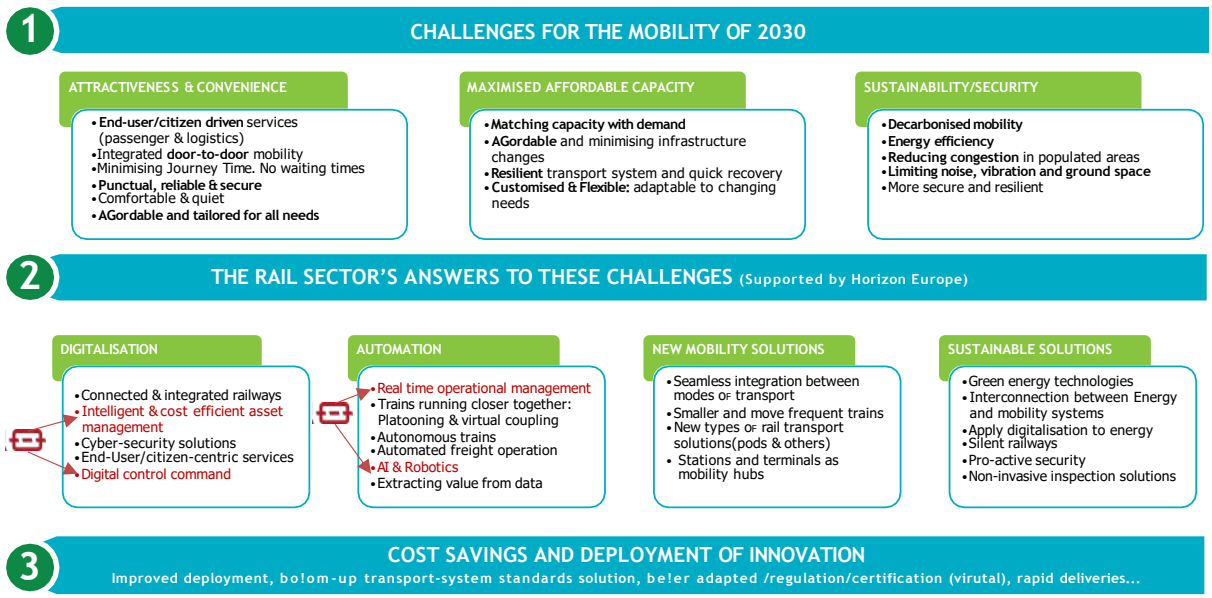
The railway sector is not immune from digital transformation boost, that should offer gains for passengers, operators, regulators and OEMs. According to ERRAC (*Rail 2030: Research and Innovation Priorities),* the digitalization of maintenance business plays a major role in tackling the current challenges of the market, and is therefore included in the strategic priorities.

Noteworthy, the Group expansion plans are closely aligned with some of these technologies, with a strong focus on **predictive maintenance** to anticipate equipment failures, optimize maintenance schedules, and reduce costly downtime: 1) On vehicle systems, i.e. sensor-based real-time monitoring of critical components like wheels, axles, and bearings; 2) Off vehicle systems, such as control towers suggesting the best stop for the train maintenance (e.g., sand refill).

Furthermore, Bertolotti Rail is positioned to leverage other investment trends that may not directly impact the company's business but will contribute to support demand by addressing certain weaknesses in the transportation sector, such as:

- Improving connectivity with dedicated antenna technologies, trackside equipment for enhanced Wi-Fi connections, and cybersecurity;
- Optimizing capacity with intelligent transport networks that can sense load and demand, allowing capacity adjustments. According to *McKinsey*, digitalization can increase railway capacity by over 20% on existing lines without the need for additional tracks;
- Achieving efficiency gains through lower equipment costs, more than 90% of signal boxes can be replaced by a few control centres, thus reducing track access charges;
- Prioritizing customer centricity by enhancing ease of access (e.g., online ticketing) and productivity during travel to attract both business and leisure travellers.

ERRAC's Strategic Research and Innovation Agenda



Source: UNIFE, European Rail Research Advisory Council

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Zoom on Railway Aftermarket: steady growth, decoupled from investment cycles

The largest chunk of the Railway Supply Industry is represented by Services, as described above, and among these most are represented by Aftermarket / Maintenance activities, which includes all services for remedial maintenance and for prevention on trains and infrastructures. The size of this market is estimated at **$78bn** (2020, according to Global Market Insighs) and is expected to growth at **4.6% CAGR into 2027**.

The qualitative drivers of the expected growth are

- Increasingly stringent **safety** requirements, which combined with aging railing fleets, imply rising maintenance efforts;
- Data driven **predictive technology** and solutions, as these enhance safety and cost savings, while improving efficiency (i.e. effective utilization rate of fleet);
- Increasing penetration of **high-speed** services, which in turn require maintenance costs as high as energy (or 30% of total, along their life cycle).

Lastly, it is worth to add that the Aftermarket activities are likely to keep growing well beyond the described time horizon and are likely to step-up, further fuelled by the massive investment cycles described above.

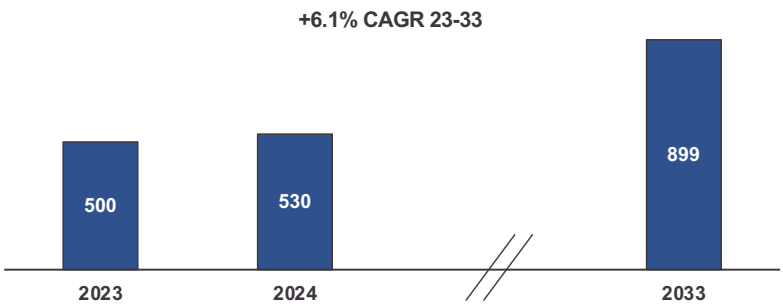
Zoom on Automated People Mover Market: efficient and versatile mobility

Constituting the 2.8% of the global passenger rail transport market, the automated people mover market is valued at **$499.8bn** in 2023 and expected to grow at a **CAGR of 6.1%** into 2033.

Main market drivers include the following.

1. their affordability and reliability as efficient alternatives to traditional transport;
2. widespread use in diverse settings like airports, amusement parks, commercial centres;
3. urbanization trend, requiring innovative and eco-friendly transportation solutions that can support high passenger volumes without extensive spatial demands in metropolitan areas.

Global automated people mover market (US$bn)



Source: Future Market Insights, Value Track Analysis

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Growth Strategies

Bertolotti Group aims for international and scope expansion, via increase of in-house production capacity (mainly in Railway) and product offering enhancement. Bertolotti seeks to establish itself as a prominent one-stop-shop in the railway maintenance sector, prioritizing investments in infrastructure to enhance its offerings and improve scalability, flexibility and capacity. The other areas of investment to exploit growth potential are i) software/R&D (AGVs, intelligent warehouses) to be embedded in new equipment and in installed base and ii) internationalization/brand recognition. In the longer-term additional growth potential will be addressed via 1) development and production of new work machines to complete the Company's offer of equipment for rolling stock and line maintenance; 2) activity of rail line maintenance; and 3) development and production of train for light mobility (eg People Mover). Management does not rule out potential minor M&A to bring in-house specific know-how and references required to enter new segments.

Bertolotti management is currently facing the challenge of i) executing seamlessly the sizeable backlog, which represents a challenge in itself and ii) exploit the medium-term growth opportunities identified:

- Heavy Industries will bank on its skills and know-how in order to expand business footprint (USA and France as top priorities) thus counterbalancing its current European exposure, via an increasingly qualified product portfolio and rationalised facilities;
- Railway Industries will focus on the rollout of its new industrial hub in Pontassieve to create a centralized location, fostering efficiency and synergies with Ai-Works, and expanding its portfolio.

The above-mentioned priorities are part of a broader strategy outlined in the following table, where the key areas of growth identified by management of Bertolotti are:

- in-house production capacity expansion (mainly in Railway) and reorganization,
- R&D driven product offering enhancement (including "yellow machinery"),
- internationalization and strengthening of brand recognition,
- entry in contiguous markets of the railway industry (maintenance, light trains).

Key Business Strategies & Key targets by business line

Strategy Type	Heavy Industries	Railway Industry
Production Capacity Expansion & Reorganization	◆ Automation of production, rationalization ◆ Entry in contiguous markets (naval, construction)	◆ **New production capacity (Pontassieve Industrial Hub)** ◆ New work/yellow machinery ◆ Entry in contiguous markets (maintenance, light mobility)
R&D / Software - **"Automation & Robotics"**	◆ Proprietary software for **AGV and intelligent warehouse** ◆ Development of solution control system for predictive maintenance ◆ Product offer strengthening	
Internationalization & Brand recognition	◆ Internationalization via network of partners ◆ **US, France**	◆ Internationalization via network of partner ◆ **US, France, India**
Selected M&A		◆ Acquisition of **specific** knowledge

Source: Bertolotti, Value Track

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These strategic goals and the implied actions are expected to require sizeable investments over 2024-2026 - ca €14.0mn in Group Capex over FY24-26E after reporting cumulated investments for €5.2mn over 2022-2023 - most of which represented by the Pontassieve (Florence) Rail Industry Hub..

Bertolotti Group: Capex Breakdown FY21-FY26E

(€, mn)	2021	2022	2023	2024E	2025E	2026E
Capex	2.4	4.0	1.2	5.9	4.9	3.2
o/w Development Capex	0.9	3.6	1.0	4.4	3.2	1.2
o/w Maintenance Capex	1.5	0.4	0.2	1.5	1.7	2.0

Source: Bertolotti Group, Value Track estimates

Focus on New Industrial Hub in Pontassieve

In August 2022, Bertolotti invested ca.€3.2mn to purchase a ca.70,000 sqm area in Pontassieve (Florence), with the aim to revitalize the disused railway area and to create a new industrial hub to locate Bertolotti Rail's expanded activity. Pontassieve, benefiting from its pre-existing connection to the railway network, has the capability to evolve into a railway hub housing three buildings:

1. The first, where new **Railway** offices and warehouse will be relocated + new **Ai-Works** offices;
2. The second, for the manufacturing/warehouse of machinery dedicated to the maintenance of railway lines (i.e. "**Yellow Machines**");
3. The third, intended for longer term projects such as maintenance and manufacturing of light rail mobility systems (Automated People Movers).

This strategic move would position Pontassieve as a central location for the Bertolotti Group's railway-related activities, fostering efficiency and synergy among the entities within the hub, and will also free some room currently used in the existing facilities to be used by the Heavy Industry business, which is also seen in steady growth. The company intends to finalize the first step of the project within two years, and up to cumulative €15mn investment might be put in place by 2026. Final decisions about the following second and third steps will be kept by the end of FY2024.

Pontassieve Eco Rail System: Investment Key Features

	Step 1	Step 2	Step 3
Building	Railway + Ai-Works	Yellow Machinery	Maintenance + light mobility
Sector	Train Maintenance	Line maintenance	Stock maint. & production
Timing	2024-2025	2025-2026	2025-2027
Sqm	3,000 + 2,000 (offices)	4,000	6,000

Source: Bertolotti Group

Pontassieve Hub: Railway area projected layout



Source: Bertolotti Group

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Recent financial performance

Over FY21-23 Bertolotti Group delivered strong performance with 35% revenue CAGR (much faster than the industry), good profitability with EBITDA margin at ca. 10-11% (in line with the industry), and cumulated €7.3mn Op.FCF$_{a.t.}$ (before development CapEx). Net Debt peaked in FY22 €6.4mn, mainly due to €3.5mn investments for the new hub, while declining to €3.0mn in FY23 due to an extraordinary working capital dynamic and limited Capex. Noteworthy, given the nature of the order-based business model, FY23 margins were slightly subdued, especially considering the Company's position in the initial stage of execution for a major order, during which it incurs higher costs while only recognizing few revenues.

FY23: VoP up +37.4% y/y, 8.6% Adj. EBITDA margin

The key highlights from Bertolotti Group FY23 financial results are as follows:

1. **Sound top line growth pace** at 37.4% y/y to €38.3mn as of FY23, with *Industries* accounting ca.72% of Production Value and including ca. €8.0mn WIP related to Novelis order;
2. **Adj. EBITDA** +48.6% y/y at €3.3mn, with Adj. EBITDA margin (+65bps y/y) mainly due to lower Opex incidence, especially Labour Cost, and despite higher COGS related to the initial order costs of a large key project;
3. **Working capital** relieved by an unusual receivables/payables dynamic, driven by milestone payments concentrated before year-end and exceptionally high payables;
4. **Net Debt** at €3.0mn, after €1.2mn net investments, almost entirely related to Pontassieve's Hub by Bertolotti Rail.

Bertolotti Group: Key Financials FY21-FY22-FY23

(€, mn)	2021	2022	2023	23/22 YoY
Revenues from Sales	17.5	27.1	29.5	8.9%
Value of Production	**20.9**	**27.9**	**38.3**	**37.4%**
EBITDA	**1.9**	**3.2**	**4.1**	**28.3%**
EBITDA Margin (%)	*9.3%*	*11.6%*	*10.8%*	*-77bps*
EBITDA Adj.	**1.4**	**2.2**	**3.3**	48.6%
EBITDA Adj. Margin (%)	*6.6%*	*8.0%*	*8.6%*	*65bps*
Net Profit	**0.3**	**1.2**	**1.4**	18.9%
Net Margin (%)	*1.3%*	*4.4%*	*3.8%*	*-59bps*
Net Financial Position	**-5.3**	**-6.4**	**-3.0**	**3.3mn**

Source: Bertolotti Group, Value Track Analysis

Top line growing double digit between FY21-23

Bertolotti has been able to grow at 35.4% CAGR21-23, reaching €38.3mn Value of Production in FY23.

Noteworthy, Value of Production historically includes:

- **Average 2-3% Non-Operating Revenues**, related to insurance recoveries and grants such as *Formazione 4.0* and other cash contributions;
- **A very volatile change in inventories and WIP amount**, which in FY23 is mainly related to a significant portion of the Novelis Order that was completed but still waiting for delivery.

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Bertolotti Group: Value of Production Breakdown FY21-FY22-FY23

(€, mn)	2021	2022	2023	23/22 YoY
Revenues from Sales	**17.5**	**27.1**	**29.5**	**8.9%**
Other Revenues	0.6	1.0	0.8	-16.6%
Δ Inventory (Finished Products) & WIP	2.9	-0.2	8.0	nm
Δ Fixed Assets	0.0	0.0	0.0	nm
Value of Production	**20.9**	**27.9**	**38.3**	**37.4%**

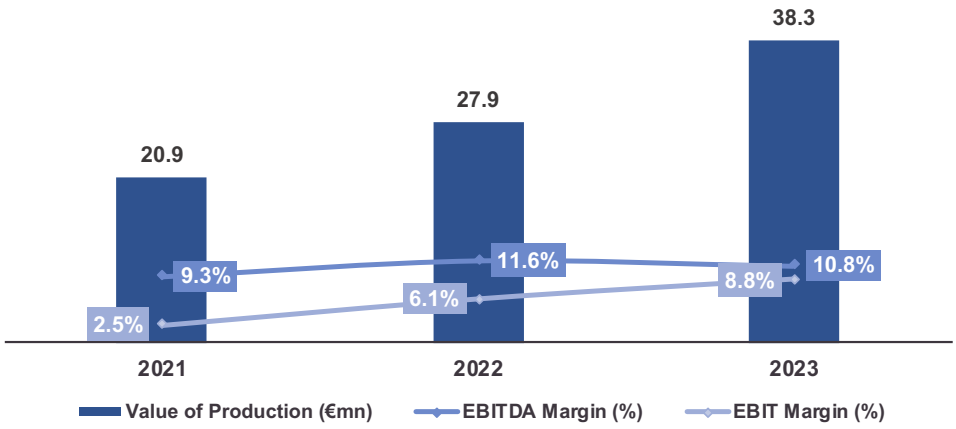
Source: Bertolotti Group, Value Track Analysis

Adj. EBITDA growing +49% y/y in FY23

As for profitability, we highlight:

- **EBITDA at €4.1mn** (vs. €3.2mn as of FY22) and **EBITDA margin at 10.8 %,** impacted by the initial phase of the Novelis order's execution cycle, which involves higher costs and sees only partial revenue recognition;
- Net of aforementioned Non-Core Revenues, we calculate **Adj. EBITDA at €3.3mn** and **Adj. EBITDA margin at 8.6%** (+134bps YoY);
- **EBIT at €3.4mn** (doubled vs. €1.7mn as of FY22) and EBIT margin at 8.8% (+273bps), with D&A charges substantially halved;
- **Net Profit at €1.4mn**, after higher Taxes (+€389k y/y) and €1.2mn Net Financial Charges, also related to Bond interest payments and currency exchange losses.

Bertolotti Group: FY21-FY22-FY23: Evolution of VoP, EBITDA Margin (reported), EBIT Margin



Source: Bertolotti Group, Value Track Analysis

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Bertolotti Group: P&L FY21-FY22-FY23

(€, mn)	2021	2022	2023	23/22 YoY
Value of Production	**20.9**	**27.9**	**38.3**	**37.4%**
Raw Materials, Δ Inventory (Raw Materials)	-8.5	-12.0	-18.1	50.3%
Gross Profit	**12.4**	**15.9**	**20.3**	**27.7%**
Gross Margin (%)	***59.3%***	***56.9%***	***52.9%***	***-404bps***
Costs of Services	-5.4	-6.1	-8.5	39.0%
Costs of Rent	-0.4	-0.7	-0.7	7.3%
G&A	-0.2	-0.5	-0.6	21.1%
Labour Costs	-4.5	-5.4	-6.3	17.6%
Reported EBITDA	**1.9**	**3.2**	**4.1**	**28.3%**
Reported EBITDA Margin (%)	***9.3%***	***11.6%***	***10.8%***	***-77bps***
D&A (excl. Goodwill)	-1.4	-1.5	-0.7	-51.6%
Provisions	0.0	0.0	0.0	nm
EBIT	**0.5**	**1.7**	**3.4**	98.9%
Interest Expenses	-0.1	-0.1	-0.8	nm
Other Non-Operating Income/Exp.	0.0	0.0	-0.4	nm
Pre-Tax Profit	**0.5**	**1.6**	**2.2**	39.4%
Taxes	-0.2	-0.4	-0.7	nm
Minorities	0.0	0.0	0.0	nm
Net Profit	**0.3**	**1.2**	**1.4**	**18.9%**
Net Profit Margin (%)	***1.3%***	***4.4%***	***3.8%***	***-59bps***

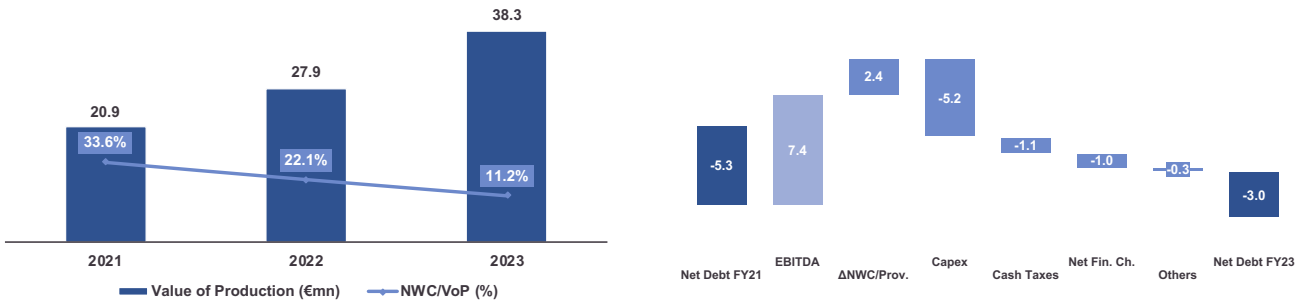
Source: Bertolotti Group, Value Track Analysis

Cash Flow & Balance Sheet

At Balance Sheet and Cash Flow level we note at the end of FY23:

- **Net fixed assets** at €11.0mn, following cumulative €5.2mn investments in FY22-FY23, mainly related to Pontassieve Hub and after €2.3mn D&A, mainly tangible;
- **Net Working capital** at €4.3mn (11.2% VoP vs. 22.1% in FY22), relieved by an unusual receivables/payables dynamic, driven by milestone payments concentrated before year-end and exceptionally high payables;
- **Net Debt** at €3.0mn (vs. €6.4mn as of FY22), as a result of aforementioned cash absorptions/generations. Net Debt structure underwent substantial changes due to the €3.0mn new bond issuance (TF 10.85% 2023-24), which has been reimbursed in March 2024.

Bertolotti Group: VoP vs. Net Working Capital (lhs) and Net Cash Position bridge FY21-FY22-FY23 (rhs)



Source: Bertolotti Group, Value Track Analysis

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Bertolotti Group: Cash Flow Structure FY21-FY22-FY23

(€, mn)	2021	2022	2023	23/22 YoY
EBITDA	1.9	3.2	4.1	28.3%
Δ NWC	-1.8	0.9	1.9	79.3%
Maintenance Capex	-1.5	-0.4	-0.2	nm
Δ Provisions	0.7	-0.4	0.1	nm
OpCF b.t. (before dev. Capex)	**-0.7**	**3.4**	**5.8**	**nm**
As a % of EBITDA	*-35.2%*	*104.4%*	*141.0%*	nm
Cash Taxes	-0.2	-0.4	-0.7	nm
OpFCF a.t. (before dev. Capex)	**-0.9**	**3.0**	**5.1**	**nm**
Development Capex	-0.9	-3.6	-1.0	nm
Capital Injections	2.5	0.0	0.0	nm
Others (incl. Financial Inv.)	2.0	-0.3	0.0	nm
Net Financial Charges	-0.1	-0.1	-0.8	nm
Δ Net Financial Position	**2.7**	**-1.0**	**3.3**	**4.3mn**

Source: Bertolotti Group, Value Track Analysis

Bertolotti Group: Balance Sheet Structure FY21-FY22-FY23

(€, mn)	2021	2022	2023	23/22 YoY
Net Fixed Assets	7.8	10.5	11.0	4.6%
Net Working Capital	7.0	6.2	4.3	-30.4%
Provisions	1.3	0.9	1.0	8.2%
Total Capital Employed	**13.6**	**15.8**	**14.3**	**-9.2%**
Group Net Equity	**8.2**	**9.4**	**11.3**	**19.6%**
Net Financial Position	**-5.3**	**-6.4**	**-3.0**	**3.3mn**

Source: Bertolotti Group, Value Track Analysis

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Forecasts 2024-26E

We expect Bertolotti Group to keep reporting solid growth into 2026, driven by ca. €58mn/year estimated orders' intake over 2024-26E: 18.0% Value of Production CAGR23-26E, EBITDA margin to 12.1% in 2026E and bottom line at 31.8% CAGR23-26E. The financial profile is strongly influenced by the ambitious Pontassieve (Florence) Project: despite only its first step is currently reflected in our financial projections, the majority of investments during the forecast period is allocated to this initiative (€8.8mn cumulative Capex over 2024-26E), with the initial portion financed through a long-term mortgage. As such, Net Debt is projected to peak at €8.7mn in FY2025E and given the medium-to-long-term horizon of the project, its benefits are likely to materialize beyond our forecast horizon. Also, this first tranche of investments will pave the way for further steps aimed at widening the scope of business and capturing further growth potential. However, the investment and initiatives related to this medium-term strategy should be approved and launched in the next quarters and are not factored in our model at this stage.

Introduction

As far as 2024-26E financial forecasts are concerned, we note that our estimates are:

- Built in accordance with IT GAAP principles;
- Based on current consolidation perimeter, thus not factoring any possible future M&A;
- Formulated on an annual basis, and thus somehow smoothed with respect to the actual recurrent, and at times substantial, monthly volatility of NWC and NFP inherent to the contract business;
- Built under the assumption of a working capital management fully under control and optimized, meaning that the execution of all orders in the book proceed seamlessly.

Bertolotti: 2024-26E consolidated figures at a glance

For 2024-26E fiscal years, we forecast:

- **Value of Production** to grow at **18.0% CAGR$_{23A-26E}$** to ca. **€63.0mn in 2026E** thanks to both Novelis Project (Heavy Industries) and to the Railway Industry line ramp up;
- **EBITDA** moving from €4.1mn in FY23, with margins impacted by higher initial order costs of a large key project, and then driven by positive operating leverage to **€7.6mn in 2026E**, with **EBITDA margin at 12.1%** (slightly above FY2022);
- Cumulative **€7.2mn OpFCF$_{a.t.}$** excluding the sizeable "development" Capex (Pontassieve Hub);
- **Net Debt** increasing by €4.1mn on a cumulative basis and standing at **€7.1mn in 2026E**, with growth relative to the FY23 net debt level of €3.0mn being explained also by the very favourable short term NWC dynamics incorporated by the end FY23 picture.

Bertolotti: Key Forecasts FY23A-FY26E

(€, mn)	2023	2024E	2025E	2026E	CAGR 23A-26E
Value of Production	**38.3**	**55.3**	**58.5**	**63.0**	**18.0%**
EBITDA	**4.1**	**6.1**	**6.9**	**7.6**	**22.6%**
EBITDA Margin (%)	*10.8%*	*11.1%*	*11.9%*	*12.1%*	*131bps*
EBITDA Adj.	**3.3**	**6.1**	**6.9**	**7.6**	**32.2%**
EBITDA Adj. Margin (%)	*8.6%*	*11.1%*	*11.9%*	*12.1%*	*350bps*
Net Profit	**1.4**	**2.5**	**3.0**	**3.3**	**31.8%**
Net Margin (%)	*3.8%*	*4.6%*	*5.1%*	*5.3%*	*149bps*
Net Financial Position	**-3.0**	**-7.8**	**-8.7**	**-7.1**	**-4.1mn**

Source: Bertolotti Group, Value Track Analysis

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Top line up +18.0% supported by strong order intake

We are forecasting Bertolotti Group to reach a **VoP of €63.0mn in 2026E**, growing at a 18.0% $CAGR_{23A-26E}$, underpinned by an estimated average annual order intake of ca. €58mn throughout the forecast period and Book-to-Bill Ratio normalizing quickly around 1.0x after the booming FY2023.

Taking into account the Company's Backlog indications and applying a slightly more conservative scenario (as outlined in the Reference Market section, the EU Steel industry may slow down affecting order intake, but the entrance in two huge markets as US and India may offset this), we expect:

- Order intake at **€55.0mn in FY24E**, a more cautious assumption vs FY23 given i) the potential macroeconomic uncertainties and the prevailing "Wait and See" sentiment among EU prospective capital goods purchasers, and ii) FY23 orders included one single sizeable order (US$36mn). Nonetheless, we also believe that recent opening of the new subsidiary in India (fully operational in 2H24), and the entrance in the huge US market (via the large reference order mentioned above) should further support order intake and mitigate this effect;
- Backlog at **€67.0mn** and **end of FY24E**, covering ca. 58% of the expected FY25-26 Revenues;
- As for 2024-26E, the table below summarizes our assumptions in terms of order acquisitions and pace of execution over the forecast period, with our assumptions in terms of commercial activity and **order intake being affected over 2004-1H2025** by the potential slowdown of investments in material handling automation (steel in particular).

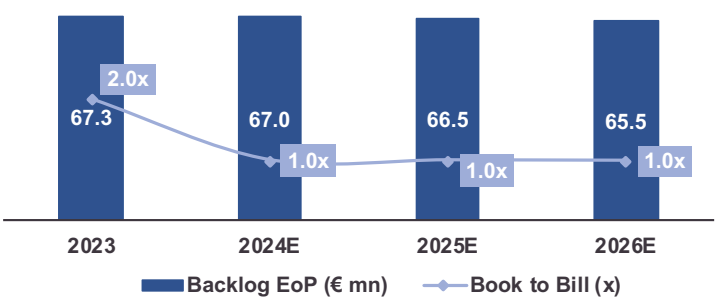
Bertolotti Group: Backlog and Order Intake (contractualized as of Jan 2024 + 2024-2026E)

(€, mn)	2023	2024E	2025E	2026E
Backlog (BoP)	30.0	67.3	67.0	66.5
(+) Orders Intake	74.4	55.0	58.0	62.0
(-) Orders Execution (Revenues & WIP)	**-37.1**	**-55.3**	**-58.5**	**-63.0**
o/w orders signed (*)	-37.1	-55.3	-13.3	-0.9
o/w orders to be signed	0.0	0.0	-45.2	-62.1
Backlog (EoP)	**67.3**	**67.0**	**66.5**	**65.5**

Source: Bertolotti Group, Value Track Analysis (*) As of Jan 2024

On the back of the assumptions above, we expect the Book to Bill ratio to normalize quickly around 1x and Bertolotti to stabilize its top line around €63mn, i.e. above 2x its FY2022 revenues. Should the impact of the EU investment slowdown on Bertolotti prove less severe than expected, or should the Company go for additional investments and further offer widening in 2025, there is potential for Bertolotti to achieve top-line growth more robust than expected, leveraging its flexible business model.

Bertolotti Group: FY23 - FY26E Backlog Evolution



Source: Bertolotti Group, Value Track Analysis

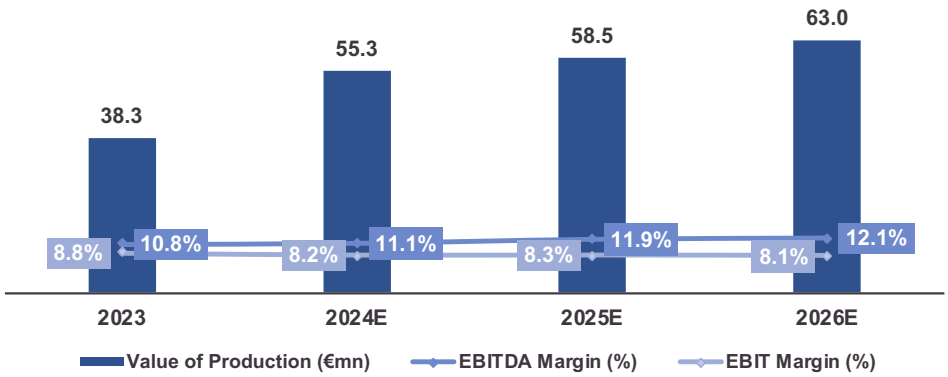
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Profitability expected to benefit from Operating leverage

As for profitability, we highlight:

- **EBITDA at €6.1mn in FY24E**, after a 2023 impacted from elevated initial order costs in the short term, but subsequently benefitting in FY24E from stable contract margin and economies of scale on fixed costs. **EBITDA margin** should therefore stand at 11.1% in FY24 and gradually **converging toward 12.1% in 2026E**;
- **EBIT margin consistently around 8 %**, impacted by higher D&A growing in tandem with the ambitious investment plan;
- **Net Profit at ca. €3.3mn as of 2026E**, with net financial charges peaking in FY23-24E due to bond interest payment in 1Q24 and higher reference rate on floating-rate debt.

Bertolotti Group FY23-FY26E: Evolution of VoP, EBITDA Margin, EBIT Margin



Source: Bertolotti Group, Value Track Analysis

We stick to a relatively cautious stance as for scale benefits and expected margin improvements, despite the massive growth ahead, mainly due to a few elements/risks:

- high concentration of projects implies a higher risk profile and a potentially higher margin volatility;
- ramp up of revenues factored in FY24E entails higher levels of outsourcing and in turn lower than potential gross margin;
- the start-up of the new plant in Pontassieve might cause some initial inefficiencies and extraordinary costs due to moving activities, start-up, etc, in the short term;
- the new plant and the overall re-organization will definitely bring additional capacity, higher levels of in-house manufacturing and hence higher gross margins - despite higher fixed costs, including D&A (all the rest being equal) - but the full benefits of all this may not be captured within our forecast horizon.

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Bertolotti Group: P&L FY23-FY26E

(€, mn)	2023	2024E	2025E	2026E
Value of Production	**38.3**	**55.3**	**58.5**	**63.0**
Raw Materials, Δ Inventory	-18.1	-25.2	-25.2	-26.8
Gross Profit	**20.3**	**30.1**	**33.3**	**36.2**
Gross Margin (%)	***52.9%***	***54.5%***	***57.0%***	***57.5%***
Costs of Services	-8.5	-12.2	-12.9	-13.9
Costs of Rent	-0.7	-1.7	-1.8	-1.9
G&A	-0.6	-0.7	-0.9	-1.1
Labour Costs	-6.3	-9.5	-10.9	-11.7
Reported EBITDA	**4.1**	**6.1**	**6.9**	**7.6**
Reported EBITDA Margin (%)	***10.8%***	***11.1%***	***11.9%***	***12.1%***
D&A (excl. Goodwill)	-0.7	-1.6	-2.1	-2.5
EBIT	**3.4**	**4.6**	**4.8**	**5.1**
Interest Expenses	-0.8	-0.8	-0.7	-0.5
Other Non-Op. Income/Expenses	-0.4	-0.3	0.0	0.0
Pre-Tax Profit	**2.2**	**3.5**	**4.1**	**4.6**
Taxes	-0.7	-1.0	-1.1	-1.3
Net Profit	**1.4**	**2.5**	**3.0**	**3.3**
Net Profit Margin (%)	***3.8%***	***4.6%***	***5.1%***	***5.3%***

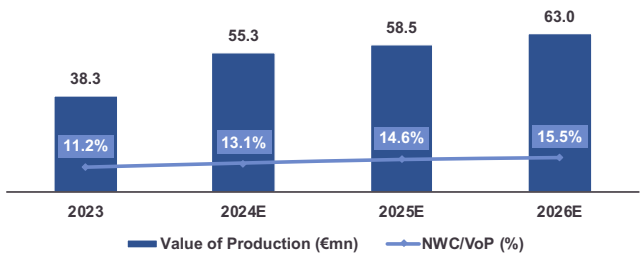
Source: Bertolotti Group, Value Track Analysis

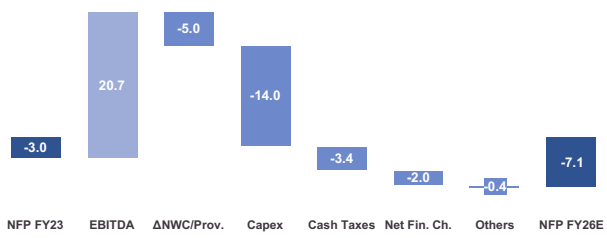
Strong investments in the new hub driving to €7.1mn Net Debt in FY26E

Net Debt is seen at €7.8mn in 2024 and is expected to slightly improve in FY26, despite:

- Cumulated 2024-26E €5.0mn NWC absorption (incl. provision), as here we assume the working capital to "normalise" gradually, after the particularly favourable situation as of Dec 2023;
- Cumulated 2024-26E €14.0mn CapEx (7-8% of VoP/year) mainly related to Pontassieve's Hub. Here we split total Capex into two components, i.e. an estimate of normalised / "maintenance" capex level and a "development" capex, linked to the capacity expansion projects in Pontassieve;
- Other cash-out items mainly related to taxes and financial charges (ca. €3.4mn and €2.0mn on a cumulative basis respectively).

Bertolotti Group: NWC evolution FY23-FY26E (left) and Net Cash Position bridge FY23-FY26E (right), €mn





Source: Bertolotti Group, Value Track Analysis

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Bertolotti Group: Cash Flow Statement FY23-FY26E

(€, mn)	2023	2024E	2025E	2026E
EBITDA	4.1	6.1	6.9	7.6
Δ NWC	1.9	-2.9	-1.3	-1.2
Maintenance Capex	-0.2	-1.5	-1.7	-2.0
Δ Provisions	0.1	0.2	0.2	0.1
OpFCF b.t. (before dev. Capex)	**5.8**	**1.9**	**4.1**	**4.6**
As a % of EBITDA	*141.0%*	*30.3%*	*59.3%*	*59.8%*
Cash Taxes	-0.7	-1.0	-1.1	-1.3
OpFCF a.t. (before dev. Capex)	**5.1**	**0.9**	**3.0**	**3.3**
Development Capex	-1.0	-4.4	-3.2	-1.2
Others (incl. Financial Inv.)	0.0	0.3	0.0	0.0
Net Financial Charges	0.0	-0.3	0.0	0.0
Dividends Paid	-0.8	-0.8	-0.7	-0.5
Δ Net Financial Position	**3.3**	**-4.8**	**-0.9**	**1.5**

Source: Bertolotti Group, Value Track Analysis

Bertolotti Group: Balance Sheet Structure FY23-FY26E

(€, mn)	2023	2024E	2025E	2026E
Net Fixed Assets	11.0	15.4	18.1	18.8
Net Working Capital	4.3	7.2	8.6	9.8
Provisions	1.0	1.1	1.4	1.5
Total Capital Employed	**14.3**	**21.4**	**25.3**	**27.1**
Group Net Equity	**11.3**	**13.6**	**16.6**	**20.0**
Net Financial Position	**-3.0**	**-7.8**	**-8.7**	**-7.1**

Source: Bertolotti Group, Value Track Analysis

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Valuation

We initiate coverage on Bertolotti Group with a fair Equity Value of €8.0 per share (€24.5mn equity value), calculated as an average of two valuation methodologies, specifically DCF model and relative market multiples, further complemented by cross-checks on EGM average multiples and comparables M&A multiples. While this value implies substantial upside potential, we remind that the gap between the market price (€4.7 p.s.) and our fair value is also due to the fact the stock is still suspended pending an increase in the free float, thus making the current price not significant.

Our valuation implies multiples for 2024E-25E that are about 20% lower than peer's average, specifically 5.3x-4.8x EV/EBITDA, 7.1x-6.9x EV/EBIT, and 9.7x-8.2x P/E. This 20% discount also applies when compared to current trading multiples of EGM, and expands to 50% when compared to multiples suggested by M&A deals in these sectors, albeit these typically factor a control premium.

Bertolotti Group Fair Equity Value

We calculate a fair value per share at **€8.0**, derived with two valuation methodologies:

- **Relative market multiples** aimed at assessing Bertolotti Group valuation based on its 2024E-25E multiples compared to peers (€7.9 per share);
- **DCF model** on rolling and target capital structures (€8.1 per share), assessing Bertolotti Group potential on the medium/long-term horizon, with WACC embedding a 3% "small cap" risk premium.

At the mid-point of the equity valuation range (i.e. €8.0 per share), Bertolotti Group would be valued at **5.3x-4.8x EV/EBITDA, 7.1x-6.9x EV/EBIT**, **9.7-8.2x P/E for 2024E-25E** respectively, supported by strong growth in Revenues and operating margins (both >25% $CAGR_{22\text{-}25E}$).

Bertolotti Group: Implicit stock trading multiples between €7.0-€9.0 Equity Value per share

100% Equity Value	EV / EBITDA (x)		EV / EBIT (x)		P /E Adj.(x)	
	2024E	2025E	2024E	2025E	2024E	2025E
€7.00	4.8	4.3	6.4	6.2	8.4	7.2
€7.50	5.0	4.6	6.8	6.5	9.0	7.7
€8.00	**5.3**	**4.8**	**7.1**	**6.9**	**9.7**	**8.2**
€8.50	5.5	5.0	7.4	7.2	10.3	8.7
€9.00	5.8	5.2	7.8	7.5	10.9	9.2

Source: Value Track Analysis

Peers Analysis

Choice of Comparables

Our clusters consist of companies operating in material handling, steel, and railway sectors. Given the distinctive and specialized nature of the businesses identified, we "accept" a certain level of differentiation on other factors, i.e. selected companies are heterogeneous in terms of size (market cap ranging from €60mn to €4.3bn) and geography (3 Italian, 5 Other EU, 2 US), and in some cases they manufacture products far from those offered by Bertolotti (e.g. steel mills or train interiors). Yet, what we appreciate is that they do share with Bertolotti the same specific business and value drivers.

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In more details, we built the two clusters as follows:

- As for **Heavy Industries**, we selected a range of companies involved in material handling, warehouse logistics and metallurgical plant construction. From U.S. based corporations like Columbus McKinnon and Terex to European entities like Konecranes, Jungheinrich, and Danieli, the cluster spans industries such as engineering, logistics, and metallurgy;
- As for **Railway Industry**, we selected companies active in railway construction, rehabilitation and maintenance and infrastructure rehabilitation (Reway Group, Railcare), manufacturers of railway rolling stock (Stadler, Talgo) and related interiors (Omer).

Further information on Peers is available in *Appendix #1 – Peers' Description*.

Bertolotti Group: Peers' Trading Multiples

Peers	HQ	Mkt Cap (€mn)	Sales 2023 (€mn)	EBITDA Margin (%)
Material Handling & Steel Players				
Columbus McKinnon	US	1,004.2	933.8	16.5
Konecranes	Finland	4,348.2	3,966.0	14.2
Jungheinrich	Germany	3,060.0	5,546.0	16.2
Terex	US	4,024.5	4,739.8	14.1
Danieli	Italy	2,178.9	4,102.0	9.9
Average		**2,923.2**	**3,857.5**	**14.2**
Railway Players				
Reway Group	Italy	207.9	132.3	21.2
Omer	Italy	115.0	67.7	22.7
Stadler	Switzerland	2,771.9	3,788.4	8.5
Talgo	Spain	490.0	652.0	12.3
Railcare	Sweden	59.7	50.8	20.1
Average		**728.9**	**938.2**	**17.0**

Source: Value Track Analysis

Peers' current multiples

We take into consideration 2024E and 2025E as base valuation years, and EV/EBITDA and Adj. P/E as the most appropriate "standard" reference multiples, capable to properly take into account the different profitability and capital intensity of the various companies included in the sample. Notably, we exclude EV/EBIT from our analysis, deeming it disproportionately affected by the substantial D&A linked to the new Hub investment.

Overall, we observe that the multiples of both clusters are not excessively fragmented nor too far from each other, despite Railway's peers trade on average at premium (albeit with exceptions). Furthermore, specific multiple adjustments were made for certain companies to get fairer pricing:

- Danieli's massive cash position is 70% composed by customer advances, negatively impacting its EV multiples and it was adjusted by netting down payments from the cash position;
- Reway Group completed a major acquisition in November 2023 and for this reason, the FY23 multiples were adjusted to account for 12 months consolidation of the target (pro-forma FY23).

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Bertolotti Group: Peers' Trading Multiples

Peers	EV/EBITDA (x)			EV/EBIT (x)			P/E Adj. (x)		
	2023	2024E	2025E	2023	2024E	2025E	2023	2024E	2025E
Handling & Steel Players									
Columbus Mckinnon	9.0	8.4	7.3	12.5	11.7	10.1	20.6	17.0	14.4
Konecranes	8.8	8.2	7.3	11.3	10.0	8.9	15.8	14.1	12.6
Jungheinrich	3.8	3.4	3.0	7.7	6.9	6.0	10.2	10.0	9.1
Terex	6.7	5.9	5.6	7.3	6.4	6.1	8.4	9.0	9.0
Danieli	1.4	4.0	3.5	2.2	6.4	5.3	8.9	9.1	7.7
Handling and Steel - Average	**5.9**	**6.0**	**5.4**	**8.2**	**8.3**	**7.3**	**12.8**	**11.8**	**10.5**
Handling and Steel - Median	**6.7**	**5.9**	**5.6**	**7.7**	**6.9**	**6.1**	**10.2**	**10.0**	**9.1**
Railway Players									
Reway Group	10.2	6.3	5.0	12.1	8.3	6.2	13.3	9.0	7.2
Omer	6.8	5.3	4.4	8.2	6.7	5.7	8.8	12.6	12.0
Stadler	7.5	7.8	6.4	12.1	12.5	9.6	21.3	19.7	14.2
Talgo	8.8	9.3	7.3	12.4	13.1	10.0	40.2	18.7	13.2
Railcare	7.0	6.2	5.4	11.5	10.0	8.5	15.1	12.5	10.5
Railway - Average	**8.1**	**7.0**	**5.7**	**11.3**	**10.1**	**8.0**	**19.7**	**14.5**	**11.4**
Railway - Median	**7.5**	**6.3**	**5.4**	**12.1**	**10.0**	**8.5**	**15.1**	**12.6**	**12.0**
Total Average	**7.0**	**6.5**	**5.5**	**9.7**	**9.2**	**7.6**	**16.3**	**13.2**	**11.0**
Total Median	**7.3**	**6.2**	**5.5**	**11.4**	**9.1**	**7.4**	**14.2**	**12.6**	**11.3**

Source: Value Track Analysis

Fair Multiples & Benchmark

With reference to average multiples above, we note that as for FY2024E-2025E:

- **Handling & Steel** peers trade at **6.0x-5.4x EV/EBITDA** and **11.8x-10.5x P/E Adj**;
- **Railway** peers trade at **7.0x-5.7x EV/EBITDA** and **14.5x-11.4x P/E Adj**.

Since Bertolotti's two businesses contribute broadly equally to the Group turnover, the reference multiples are calculated as the arithmetic average of the two clusters. Hence, we set as "fair" 2024E-25E multiples for Bertolotti business the total average values above, i.e. **6.5x-5.5x EV/EBITDA and 13.2x-11.0x P/E Adj.** Yet, we also believe that our cluster features, including much larger and more liquid companies, and a few market leaders, require a "small size" discount (20%) for Bertolotti, all the rest being equal. Such analysis leads to a **fair Equity Value** of **€7.9 per share.**

In order to better evaluate the **relative positioning of Bertolotti** also from an industrial and capital structure point of view, here below we run a synthetic benchmarking comparing Bertolotti with its selected peers, pointing out the following consideration relative to four key elements:

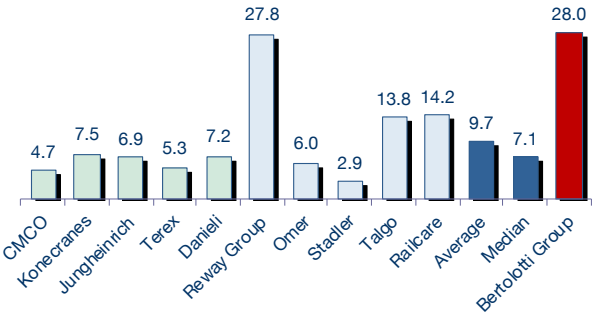
1. **Expected Growth**. We expect the Company to grow at three times the speed of other companies, i.e. 2022-25E CAGR 28.0% vs. 9.7% industry average, supported by Novelis order and current backlog. Note that Bertolotti is by far first-in class among the cluster in terms of organic growth, as Reway Group is strongly influenced by the recent M&A;

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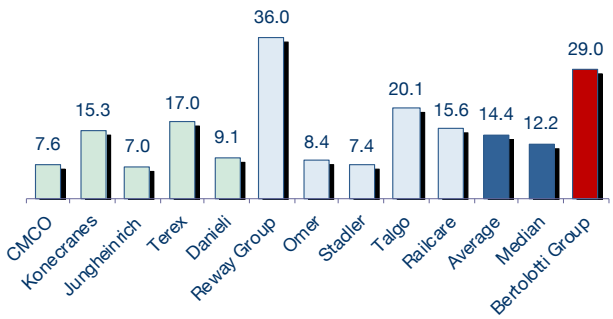
2. **Operating Profitability**. Bertolotti Group is expected to improve its profitability, but margins are expected to remain in a narrow range (ca. 11-12% EBITDA Margin, ca. 7-8% EBIT Margin) and in any case **below the average of peers** (15.3% EBITDA Margin, 11.0% EBIT Margin);
3. **Financial Leverage**. Despite the relevant investment plan, we expect Bertolotti to maintain a leverage **broadly in line with its competitors** (whose 0.9x average is influenced by some outliers), and de-leveraging expected not earlier than 2026E;
4. **Return on Capital**. We expect Bertolotti Group to report a ROCE of ca. 23.6%, below its peers, also due to the material investments already faced in FY2022-23 and not operating yet.

Bertolotti Group: Benchmark vs. Domestic Peers (CAGR 2022-25E)

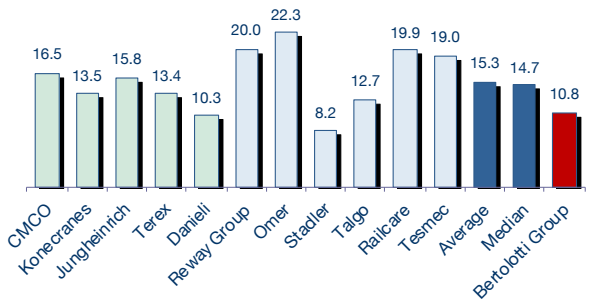
4yr Sales CAGR (%)



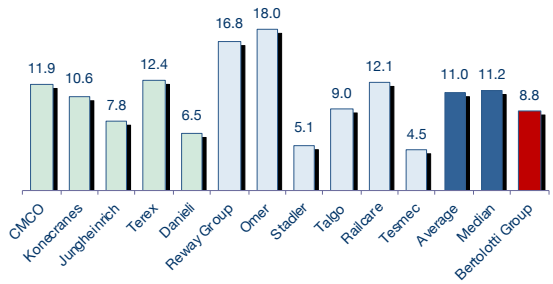
4yr EBITDA CAGR (%)



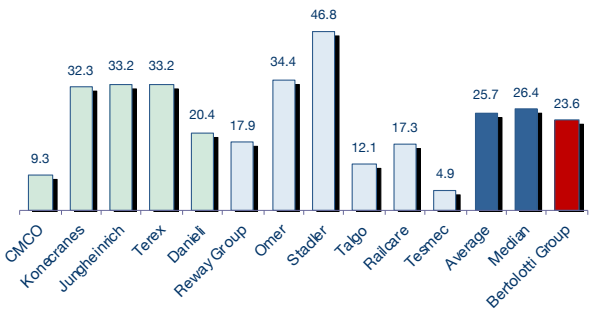
EBITDA Margin 2023 (%)



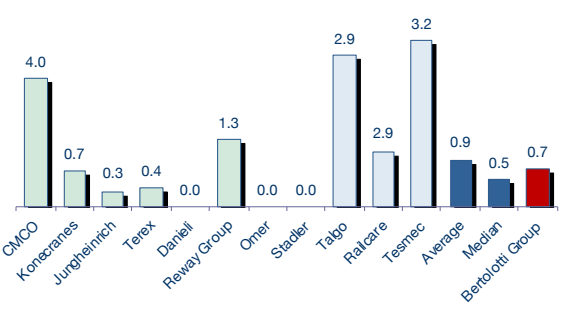
EBIT Margin 2023 (%)



Pre-tax ROCE 2023 (%)



Net Debt / EBITDA 2023 (x)



Source: Market Consensus, Value Track Analysis

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#2 DCF Valuation

We run a DCF model on the Company as a whole and calculate a **fair Equity Value** of **€8.1 per share**, within a €7.7-8.5 range depending on Bertolotti capital structure. Our DCF assumptions are:

- reference date Dec 2024, with 2025E-30E as explicit forecasts time horizon;
- 1% Perpetuity Growth Rate ("g");
- TV calculated with perpetual growth model, which implies exit multiples below the current FY24 market multiples, i.e. between 5.0x and 5.4x EV/EBITDA;
- 2.0% risk-free rate in line with medium/long-term ECB inflation target;
- 0.93 unlevered beta, i.e. the average of estimates for steel and transportation sectors (*Source: Damodaran*);
- 5.2% implied Italian equity risk premium (*Source: Damodaran*);
- 3.0% Bertolotti Group specific small-size / execution risk premium;
- 5.0% pre-tax and 3.8% after-tax cost of debt.

On a rolling capital structure, Bertolotti Group WACC starts from 9.0% in 2024 (36% Net Debt/Total Capital Employed) and lands at 9.8% in 2030E (Net Cash). At target 25% leverage structure, Bertolotti Group WACC is fixed at 9.2% for the whole period.

Bertolotti Group: DCF Model outcomes

€mn	@Rolling Capital Structure	@Target Capital Structure
PV of Future Cash-Flows 2025E-2030E	9.6	9.8
PV of Terminal Value 2030E	21.8	24.1
Fair Enterprise Value	**31.4**	**33.9**
Net Financial Position 2024	-7.8	-7.8
Adjustments	0.0	0.0
Fair Equity Value	**23.6**	**26.1**
Fair Equity Value per share (range)	**7.7**	**8.5**
Fair Equity Value per share (midpoint)	**8.1**	

Source: Value Track Analysis

Bertolotti Group: Sensitivity of DCF Model @ Target Capital Structure

Fair Equity Value (€mn)		Perpetuity Growth (%)				
		0.50%	0.75%	1.00%	1.25%	1.50%
WACC (%)	9.1%	9.6	9.9	10.2	10.6	11.0
	9.3%	8.8	9.0	9.3	9.6	10.0
	9.6%	8.0	8.3	**8.5**	8.8	9.1
	9.8%	7.4	7.6	7.8	8.0	8.3
	10.1%	6.8	7.0	7.2	7.4	7.6

Source: Value Track Analysis

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Cross Checks

To support our valuation assessment, we conducted two cross-check exercises: with the current market multiples of Euronext Growth Market (Milan) and with a selection of recent M&A deals in the reference markets of the Company.

#1 Cross Check - EGM Multiples

According to the latest data from the Euronext Growth Market as of the end of June:

- **#181** EGM stocks (all-sectors ex-financials) imply average multiples at market price of **7.2x-5.9x EV/EBITDA** and **14.1x-11.0x P/E** for 2024E-2025E;
- **#35** industrial EGM stocks imply average multiples at market price of **6.0x-4.7x EV/EBITDA** and **13.4 x-9.9x P/E** for 2024E-2025E.

Given this, we note that Bertolotti Group's implied multiples at fair value are significantly lower than both EGM firms' implied multiples at target value (by 40-50%) and current EGM market multiples (by 15-25%) for both all-shares and industrial segments.

EGM Stock Multiples (at current and target price)

	EV/EBITDA (x)		P/E (x)	
	FY24E	FY25E	FY24E	FY25E
@ Current Price				
EGM (#181 non-financials stocks)	7.2	5.9	14.1	11.0
EGM (#35 Industrial stocks)	6.0	4.7	13.4	9.9
@ Target Price				
EGM (#181 non-financials stocks)	10.3	8.5	20.4	15.9
EGM (#35 Industrial stocks)	9.3	7.4	20.1	15.3
Bertolotti Group @ fair value	**5.3**	**4.8**	**9.7**	**8.2**

Source: Value Track Analysis

#2 Cross Check - M&A Multiples

As an additional validation, we observe a sample of M&A multiples related to both international and domestic deals, highlighting (in bold) some transactions that we deem most pertinent to our valuation benchmark.

The deals included in the list below are not extremely recent, but in most cases, they involve - either as bidder or seller - names included in our peers' analysis.

As from the table below, the average multiples implied by these M&A deals, were **1.3x EV/Sales**, **12.0x EV/EBITDA and 9.4x EV/EBIT**, which appear largely supportive with respect to multiples implied by our Bertolotti Group's fair value range, also considering that all the M&A deals considered factored a control premium.

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Sector M&A Multiples

Bidder	Deal date	Target Co.	Country	Target FY0 (€mn)			Price	Implied Multiples (x)		
				Revenues	EBITDA	EBIT	(EV)	EV/SALES	EV/EBITDA	EV/EBIT
CMCO	2021	Dorner Manuf.	US	125	na	na	485	3.9	na	
CMCO	2023	Montrateg	Germany	29	7	na	114	3.9	16.4	
Konecranes	**2016**	**Terex MHPS**	**US**	**1,390**	**100**	na	**1,126**	**0.8**	**11.3**	
Konecranes	**2019**	**MHE - Demag (JV)**	**Taiwan**	**180**	**13**	na	**147**	**0.8**	**11.3**	
Tadano	2019	Demag Mobile Cranes	Germany	1,315	<0	na	215	0.2	na	
Jungheinrich	**2023**	**Storage Solution**	**US**	**290**	na	**34**	**325**	**1.1**	**na**	**8.5**
Jungheinrich	**2023**	**Magazino**	**Germany**	**23**	na	na	**na**	na	na	
Kion	**2015**	**Egemin**	**Belgium**	**76**	na	na	**72**	**0.9**	**na**	
Kion	2016	Retrotech	US	70	na	na	40	0.6	na	
Kion	**2016**	**Dematic**	**US**	**1,706**	**201**	**166**	**3,250**	**1.9**	**16.2**	**10.3**
Kion	2020	Dai	UK	na	**na**	**na**	na	**na**	na	
Salcef	2022	PSC (Railway Div.)	Italy	25	na		27	1.1	na	
Salcef	**2022**	**FVCF**	**Italy**	**50**	<0		**70**	**1.4**	**na**	
Salcef	**2023**	**Colmar Technik**	**Italy**	**15**	**2**		**25**	**1.7**	**11.1**	
MSIP	**2024**	**Salcef**	**Italy**	**795**	**161**	**101**	**1,640**	**2.1**	**10.2**	
Avg. (all)								**1.6**	**12.7**	**9.4**
Avg. (selected)								**1.3**	**12.0**	**9.4**

Source: Value Track Analysis

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Appendix #1 – Peers' Description

Bertolotti Heavy Industries: Peers' Business Profile

Columbus McKinnon – US-based Corporation which designs, manufactures and distributes a broad range of material-handling products for various applications. Key products include hoists, crane components, precision conveyor systems, rigging tools, light rail workstations and digital power and motion control systems.

Konecranes – Finnish global engineering company that specializes in the manufacturing and servicing of cranes and lifting equipment for industries such as manufacturing, process industries, ports, and terminals. The company provides a wide range of lifting solutions, including overhead cranes, gantry cranes, container handling equipment, and specialized industrial lifting machinery.

Jungheinrich – Germany-based holding company engaged in material handling equipment, warehousing and material flow engineering sectors, as well as in warehousing technology. The Intralogistics segment encompasses the development, production, sale and short-term hire of new material handling equipment and warehousing technology products including logistics systems as well as the sale and short-term hire of used equipment and after-sales services, consisting of maintenance, repair and spare parts.

Terex – US-based manufacturer of materials processing machinery (MP) and aerial work platforms (AWP). The Company designs, builds and supports products used in construction, maintenance, manufacturing, energy, recycling, minerals and materials management applications.

Danieli & C Officine Meccaniche – Italian-based company which designs, manufactures, sales and makes installation of machines and plants for the metallurgical industry. Its portfolio includes mines, pellet production plants, blast furnaces, steelworks, continuous casting machinery, rolling mills, production lines for tubes and flat products, secondary processing plants, forging presses, automation systems, and more. It is also active in the production and sale of special steel.

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Bertolotti Railway Industries: Peers' Business Profile

Reway Group – Italian-based company active in viaduct, tunnel and bridges rehabilitation, installation of safety and sound-absorbing barriers, seismic upgrading, and various other activities related to extraordinary road maintenance. With its most recent acquisition (Se.Gi.), it entered in the field of design, construction and maintenance of large civil and industrial

Omer – Italian - based company specializing in the production of interiors and fairings for the rolling stock markets (high-speed trains, regional trains and subway trains) in Europe and the United States. The company focuses on the design and manufacture of products that fall into three main categories: interiors (linings, skylights, vestibules, and partitions), toilet modules, and fairings and doors.

Stadler – Switzerland-based company engaged in design and manufacturing of rail vehicles. The Company's product portfolio includes suburban and regional transport trains, light rail vehicles, trams, high-speed and intercity trains, city transport vehicles, locomotives, passenger trains and tailor-made vehicles.

Talgo – Spain-based company primary engaged in the design and manufacture of rolling stock. The Company's product range comprises high speed rolling stock, intercity trains and locomotives, among others.

Railcare – Sweden-based company specializing in rail maintenance services, such as repair and cleaning of railways, track construction and vegetation control. It operates through two divisions: Contracting and Transportation. In the Contracting division, it provides various services such as cable detection, trenching, excavation for cable touching, drainage repairs and installation, snow and ice removal for trains, and project planning. The Transportation division is involved in railway transportation services, including the leasing of locomotives, wagons, and drivers.

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Appendix #2 – Orders' financial cycle

Either Bertolotti SpA and Bertolotti Rail follow an **order-driven business model**, where the client's down payment finances the costs of setting up the production facility, and further payments are regulated by the order completion level.

The financial sustainability of every single project is monitored / planned at the time of the commercial conclusion of the contract. This activity is carried out on two levels:

1. **Checking the cash flow for each individual job** order. In the commercial estimate phase, financial planning of outflows is drafted; on the basis of this, milestones of customer-side invoicing will then be hypothesised to which to aim during negotiations.
2. **Inclusion within the company's global cash flow**. In order to carry out further checks at global level and assess any room for manoeuvre.

Payments from clients are usually determined based on WIP status recognition, usually to be assessed every couple of months (sometimes even monthly), and settled within 30-60 days.

Relevant milestones are the initial down payment, basic design, critical design, raw materials purchase, equipment delivery, final testing and acceptance.

A job order cash profile may vary according to several different contractual terms, such as the presence or not of the initial down payment from the client, security deposits, bank guarantees or more stringent contractual conditions required by customers.

As far as the cash profile of the order is concerned, the most important contractual item is the presence or not of the initial down payment from the client, that can cover up to 30% of the total order cost, thus allowing the initial phase to be fully supported, and shifting the financial imbalance towards the end of the project (i.e. just before the facility's testing).

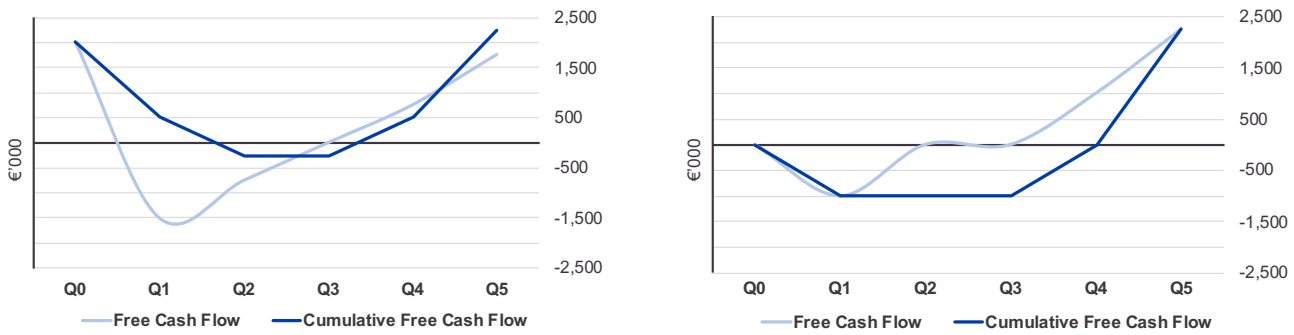
When an order comes with the down payment, a bank guarantee is usually required from the client.

Just to make an example, we can assume a €10mn order to be evenly executed in ca. four quarters and generating a 32.5% Contract Margin, equal to ca. 22.5% post tax free cash flow margin.

The impact on Bertolotti SpA's financials would be as follows:

- Order with down payment. The down payment is received and the following payments substantially finance the most of the production needs (raw material purchases, labour cost and so on). The net cash need during the execution is limited, but a positive cumulated free cash flow is achieved only at the end of the project, with the cash-in of the final invoice from the client;
- Order without down payment. There is a stronger initial net cash need and this is absorbed only at the end of the project, with the cash-in of the final invoice from the client.

Bertolotti SpA: Free Cash Flow simulation for Orders with (lhs) or without down payment (rhs)



Source: Value Track Analysis

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