Elsa Solutions

Sector: Industrial Goods

VALUETRACK

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Now stock offers good value & growth combo

Elsa is a B2B industrial company specialized in motion control (commercialization of equipment, systems and components and power electronics, since 1982) and in special purpose batteries (lithium technology, since 2009). 54% owned by the Dal Pozzo family and managed by its 2nd generation, Elsa landed on EGM in Oct 2023.

1H24 results: better margins and FCF, again

Elsa Solution released a strong set of interim results, fully supportive in terms of margins, earnings and free cash flow: VoP at €11.5mn (+14% y/y) despite 16% drop in revenues from motion control, EBITDA at €1.4mn with 12.4% margin (vs our FY24E margin of 10.3%), Net Profit of €0.75mn (+12% y/y and compared to our FY24E of €1.0mn). Net debt came also below our expectations: down to €3.7mn vs €5.4mn of Dec 2023. All the drivers seem to suggest that our FY24E are overly cautious.

FY24 above expectations, still caution for FY2025-26E

June backlog was at €10.9mn (+4.8% y/y), split 64/36% between Aliant and E-Motion, and 90/10% between 2H24 and FY25, and here we reckon a few elements of cautiousness for FY25 as: a) the backlog is below Dec 2023 level (€11.4mn), suggesting momentum of order acquisition has been softening, b) June backlog covers around 80% our 2H implied revenues expectations and a very marginal part of FY25E; c) management indicate that acquisition of orders in 2H24 and 1H25 is likely to remain challenging, albeit order backlog is holding well so far in 2H.

New estimates: 20% FY24E EPS upgrade, 2% FY25E-26E

In light of 1H results, management indications and macro-outlook, we have upgraded our expectations for FY24E, while leaving broadly unchanged FY25E-26E forecasts. We now expect Revenues and EBITDA CAGR of 20% and 16% into FY26E, respectively, and €3mn FCF over the same period. We highlight that i) M/T growth is supported so far by a steady pace of new project acquisition; ii) the expected benefits of growing scale and better mix (Aliant) are now well visible; iii) we are optimistic also as for the start-up of the new Aliant automated plant, the next "check-point".

Fair Value up to €5.15 p.s, due to higher FY24E FCF

Our fair Value is revised to €5.15 p.s. (vs previous €4.8), resulting from peers' multiple analysis (on FY24E-25E financials) and DCF model. At fair value, FY25E multiples are 0.8x EV/Sales, 6.5x EV/EBITDA and 10.4 x P/E, supported by the strong growth we expect from Elsa into FY26 (22% Net Profit $CAGR_{23A-26E}$).

Fair Value (€)	**5.15**
Market Price (€)	**3.70**
Market Cap. (€m)	**13.6**

KEY FINANCIALS (€mn)	2023A	2024E	2025E
VALUE OF PRODUCTION	19.4	23.2	28.8
EBITDA	2.7	2.6	3.5
EBIT	2.2	2.0	2.9
NET PROFIT	1.3	1.2	1.8
EQUITY	9.5	10.7	12.5
NET FIN. POS.	-5.4	-4.7	-3.8
EPS (€)	0.35	0.33	0.50
DPS (€)	0.00	0.00	0.00

Source: Elsa Solutions (2023), Value Track (2024E-25E estimates)

KEY RATIOS	2023A	2024E	2025E
EBITDA MARGIN (%)	13.8	11.2	12.1
EBIT MARGIN (%)	11.3	8.8	10.0
NET DEBT / EBITDA (x)	2.0	1.8	1.1
NET DEBT / EQUITY (x)	0.6	0.4	0.3
EV/SALES (x)	1.2	0.8	0.6
EV/EBITDA (x)	8.9	7.0	5.0
EV/EBIT (x).	10.8	8.9	6.0
P/E ADJ. (x)	14.3	11.3	7.4

Source: Elsa Solutions (2023), Value Track (2024E-25E estimates)

STOCK DATA	
FAIR VALUE (€)	5.15
MARKET PRICE (€)	3.70
SHS. OUT. (m)	3.68
MARKET CAP. (€m)	13.6
FREE FLOAT (%)	48.9
AVG. -20D VOL. ('000)	24,794
RIC / BBG	ELSA.MI / ELSA IM
52 WK RANGE	3.60-5.66

Source: Stock Market Data

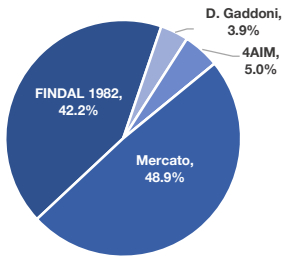
EQUITY RESEARCH PRODUCED ON BEHALF OF **MIT SIM**

ACTING AS SPECIALIST ON ELSA SOLUTIONS SHARES

Business Description

Elsa Solutions (ELSA) is a B2B industrial company operating in the field of motion control and special purpose batteries. Established in 1982 as an early pioneer in the field of motion control, Elsa Solutions has continually evolved and expanded its offerings. In 2009, ELSA launched its second line of business, Aliant, an original equipment manufacturer (OEM) and original design manufacturer (ODM) specializing in special purpose batteries, with focus on lithium (LFP) and more recently hydrogen technologies.

Shareholders Structure



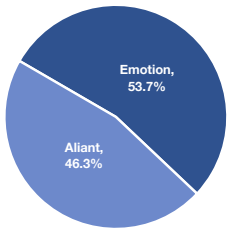
Source: Elsa Solutions

Key Financials

€mn	2023A	2024E	2025E	2026E
Value of Production	**19.4**	**23.2**	**28.8**	**34.0**
Chg. % YoY	60.7%	19.8%	24.0%	18.1%
EBITDA	**2.7**	**2.6**	**3.5**	**4.2**
EBITDA Margin (%)	13.8%	11.2%	12.1%	12.4%
EBIT	**2.2**	**2.0**	**2.9**	**3.6**
EBIT Margin (%)	11.3%	8.8%	10.0%	10.6%
Net Profit	**1.3**	**1.2**	**1.8**	**2.3**
Chg. % YoY	nm	-6.0%	51.1%	27.5%
Adjusted Net Profit	**1.3**	**1.2**	**1.8**	**2.3**
Chg. % YoY	nm	-6.0%	51.1%	27.5%
Net Fin. Position	**-5.4**	**-4.7**	**-3.8**	**-2.4**
Net Fin. Pos. / EBITDA (x)	2.0	1.8	1.1	0.6
Capex	-2.2	-0.9	-0.5	-0.4
OpFCF b.t.	**-2.3**	**1.5**	**2.0**	**2.7**
OpFCF b.t. as % of EBITDA	nm	58.5%	56.6%	63.1%

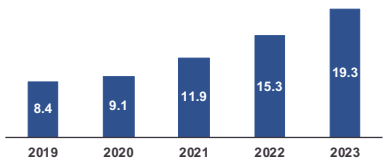
Source: Elsa Solutions (historical figures), Value Track (estimates)

FY23 Revenues by line



Source: Elsa Solutions

Revenues evolution FY19-FY23



Source: Elsa Solutions

Investment case

Strengths / Opportunities

- Excellent growth profile with good visibility and a substantial capacity expansion project almost finished;
- Diversified client base operating in "Defensive" end sectors;
- Exposure to energy transition / growing adoption of circular industrial practices, including attractive ventures in hydrogen and solid-state cells.

Weaknesses / Risks

- Challenging to-do list involving some execution risk;
- Long OEMs contract time to market;
- Industrial automation segment vulnerable to a sluggish market outlook.

Stock multiples @ €5.15 Fair Value

	2024E	2025E
EV / SALES (x)	1.0	0.8
EV / EBITDA (x)	9.1	6.5
EV / EBIT (x)	11.5	7.9
EV / CAP.EMP. (x)	1.5	1.4
OpFCF Yield (%)	6.4	8.7
P / E Adj. (x)	15.7	10.4
P / BV (x)	1.8	1.5
Div. Yield. (%)	0.0	0.0

Source: Value Track

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First Half results

Elsa Solution released a strong set of interim results, fully supportive in terms of margins, earnings and free cash flow, while the updated order backlog suggests a softening demand, very much consistent with the current weak macro outlook.

Top line: VoP +13.8% y/y supported by Aliant

Value of Production reached €11.5mn (+13.8% y/y), mainly driven by:

- **Aliant** strong performance (+53.5% y/y), driven by the strong order portfolio and well above our 40% medium term growth rate trend (3-yrs CAGR into FY26E), also due to the fact that 1Q revenues benefitted from some small delivery postponements to January 2024;
- **E-Motion** witnessed a fall in revenues of 16.3% y/y, and while the slow-down of investments in capital goods and industrial automation was very much expected, we reckon that the actual weakness of domestic demand has been stronger than initially expected – however this has been clearly reported by most names involved in this industry during the current result season.

Elsa Solutions: 1H Revenues breakdown and growth by business unit

€mn	1H23	1H24	YoY
E-motion	5.9	4.9	-16.3%
As a % of total Revenues	*58.5%*	*43.4%*	
Aliant	4.2	6.4	+53.5%
As a % of total Revenues	*41.5%*	*56.6%*	
Total Revenues from Sales	**10.0**	**11.3**	**+12.7%**
Others (incl. fiscal credits)	0.1	0.2	
Value of Production (VoP)	**10.1**	**11.5**	**+13.8%**

Source: Elsa Solutions, Value Track Analysis

Margins and earning ahead of expectations, again

1H24 EBITDA came at €1.4mn (+14.8% y/y), with the EBITDA **margin up 11bps to 12.4%**, as Aliant's growth and improved product mix more than offset the heavier cost structure due to growth, namely a significant rise in labour costs (+43% y/y with 47 employees vs. 35 in 1H 2023), related to rising R&D requirements, growing organization to support top line growth, diversification, public company status, as well as rising output capacity and the new production facility.

The margin improvement is small but it is well **above our expectations for FY24E**, as we expected 2024E EBITDA margin to reduce by ca. 250pbs y/y to 10.3%, due to the unfavourable y/y comparison and the mentioned inefficiencies related to growth. Yet, the benefit of the change in the revenues mix was much stronger than forecasted (also due to the higher-than-expected contribution from the battery segment).

At **bottom line**, 1H net profit came also above full year expectation, representing 75% of our FY24E earnings forecasts, also thanks to lower financial charges.

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Elsa Solutions: P&L 1H23-1H24

(€, mn)	1H23	2H23	1H24	YoY
Value of Production	**10.1**	**9.3**	**11.5**	**14%**
Raw Materials, Δ Inventory (Finished Goods)	-7.3	-6.0	-7.9	7.3%
Gross Profit	**2.8**	**3.3**	**3.6**	**31%**
Gross Margin (%)	***27.5%***	***35.4%***	***31.6%***	***415bps***
Costs of Services	-0.6	-0.7	-0.8	36%
Costs of Rent	0.0	0.0	-0.1	560%
G&A	0.0	0.0	0.0	70%
Labour Costs	-0.9	-1.1	-1.3	43%
EBITDA	**1.2**	**1.4**	**1.4**	**15%**
EBITDA Margin (%)	***12.3%***	***15.4%***	***12.4%***	***11bps***
D&A	-0.1	-0.3	-0.2	0%
Provisions	0.0	0.0	0.0	0%
EBIT	**1.1**	**1.1**	**1.2**	**6%**
Interest Expenses	-0.2	-0.2	-0.1	-11%
Other Non-Operating Income/Exp.	0.0	0.0	0.0	nm
Pre-Tax Profit	**0.9**	**0.9**	**1.0**	**8%**
Taxes	-0.3	-0.3	-0.3	-1%
Minorities	0.0	0.0	0.0	nm
Net Profit	**0.7**	**0.6**	**0.7**	**12%**
Net Profit Margin (%)	***6.6%***	***6.7%***	***6.5%***	***-10bps***

Source: Elsa Solutions, Value Track Analysis

Cash Flow above expectations, mostly on smarter NWC management

Net Debt improved to €3.7mn from €5.4mn at Dec 2023, with a free cash flow improved strongly y/y due to:

a) limited Capex compared to 1H23 (with most of the production site expansion now completed), albeit slightly above our FY forecast, i.e. €0.5mn vs FY24E assumption of €0.6mn;

b) better credit management, as factoring pro-soluto helped maintaining stable the amount of trade receivables despite the steady revenue growth and drove NWC requirement down in absolute value.

In addition, management indicated also that the request of the **fiscal credit** to partially compensate the IPO costs (Law 27/2017) was approved and a fiscal credit worth **€417k** was awarded to the company in 1H. While this credit will be recognised among "other revenues" over 5 years (2023-2027, with an impact doubled in FY24), from a financial point of view, it will be fully cashed in (via compensation of social security costs) by the end of the year.

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Elsa Solutions: Cash Flow 1H23-1H24

(€, mn)	1H23	2H23	1H24
EBITDA	1.2	1.4	1.4
Δ NWC	-0.4	-2.3	1.2
Capex (excl. Financial Inv.)	-1.0	-1.2	-0.5
Δ Provisions	0.0	0.0	0.0
OpFCF b.t.	**-0.2**	**-2.1**	**2.1**
As a % of EBITDA	*0.0%*	*0.0%*	*0.0%*
Cash Taxes	-0.3	-0.3	-0.3
OpFCF a.t.	**-0.5**	**-2.3**	**1.8**
Capital Injections	0.0	4.2	0.0
Others (incl. Financial Inv.)	0.0	0.0	0.0
Net Financial Charges	-0.2	-0.2	-0.1
Dividends Paid	0.0	0.0	0.0
Δ Net Financial Position	**-0.6**	**1.7**	**1.7**

Source: Elsa Solutions, Value Track Analysis

Elsa Solutions: Balance Sheet 1H23-1H24

(€, mn)	1H23	2H23	1H24
Net Fixed Assets	5.9	6.7	7.0
Net Working Capital	6.3	8.7	7.4
Provisions	0.5	0.5	0.5
Total Capital Employed	**11.7**	**14.8**	**13.9**
Group Net Equity	**4.7**	**9.5**	**10.2**
Net Financial Position	**-7.0**	**-5.4**	**-3.7**

Source: Elsa Solutions, Value Track Analysis

Other KPIs and management indications

Elsa management provided also the updated value of order Backlog and some further indications in terms of outlook and new project intake. In particular the most valuable data and indications are the following:

Backlog as of June 2024 was at €10.9mn (+4.8% y/y), supported by strategic new client acquisitions, with a 64%/36% split between Aliant and E-Motion divisions, respectively, and with 90% of orders referring to deliveries in FY24. Yet, the overall value is below the value released as of Dec 2023 - backlog at €11.4 - and this suggests a) momentum of **order acquisition has been softening** and b) **backlog** at the moment **covers around 80% our 2H implied revenues** expectations and a very marginal part of FY25E.

In addition, management indicated that the acquisition of orders in 2H24 and 1H25 is likely to remain challenging, but nevertheless order backlog is holding well so far in 2H.

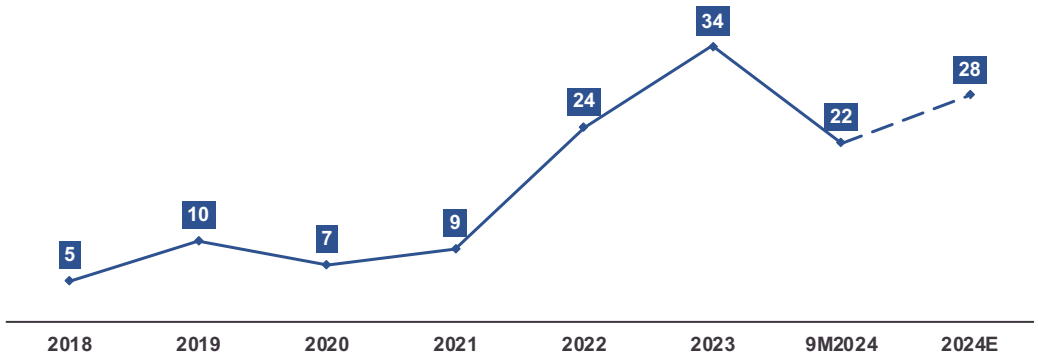
Project Intake (Aliant BU) – Given the long time to market of new supply agreements in the battery business (and long-lasting supply relationships as OEM), a key information for capturing the medium-term growth prospects of Aliant is the number of new projects. As for FY24, according to management the new projects acquired are #22 YTD, compared to #34 new projects of FY23 (representing a peak result) and #24 of FY22. Despite this number is below last year and it might be below management commercial targets, we remind that

a) our model assumes **project acquisition rate to stabilise around #28 per year** after FY2023 and hence the level already achieved as of end-September seems supportive as for FY24E;

b) this is only a rough indication of future medium-term growth, as it will clearly depend also on size of each project/client potential/etc;

c) new 2024 projects will likely impact financials from 2026, due to their 18–24-month realization period.

Aliant: number of acquired projects per year (2018- 9M2024-2024E)



Source: Elsa Solutions

New Aliant plant - Management confirmed the construction of the **new production line is almost on track with schedule,** and it is now expected to be full up and running in 1H25, with the new automated line installed by end of year. We remind that this investment is aimed at significantly boosting the battery production capacity, increasing it by 4x compared to 2022 (and up to 5-6x in the longer run).

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Revised forecasts

In the light of interim results, of management indications and of the macroeconomic outlook, we have upgraded our expectations for the current year (FY24E), leaving broadly unchanged our FY25E-26E forecasts.

In more details, the key assumptions are the following:

- **slightly lower revenues** due to softer than expected revenues in the motion control segment in FY24E-25E, as we expect recovery from 2H25, and a touch lower contribution from Aliant in FY25E-26E, as we cautiously factor the current lighter than expected backlog;
- despite the lower top line, we do not expect lower margins, rather the opposite, based on the **strong impact of revenues mix** on 1H margins. In particular **as for FY24E we actually upgrade margin by 87bps and EBITDA by 6%**, while for FY25E and FY26E we leave EBITDA virtually unchanged on slightly better margins (up by ca.55bps);
- **higher** than expected **FY24E Net Profit**, also thanks to lower financial charges, with EPS up 20%, and higher by average 2% over the next two years;
- our previous FY24E net debt forecast (unchanged vs FY23) appears overly cautious in light of the sizeable cash generation of 1H, hence we now assume a **stronger Free Cash Flow for the full year 2024E,** also thanks to the better NWC management and the cash in of the fiscal credit related to the IPO process, and get to a lower net debt as of Dec 2024E (with a positive "rebase" effect also for future years).

The net effect of the factors mentioned above is overall marginal and it is summarised in the table below.

Elsa Solutions: Old vs. New Estimates 2024E-26E

	2024E			2025E			2026E		
€mn	Old	New	Δ(%)	Old	New	Δ(%)	Old	New	Δ(%)
Value of Production	**23.8**	**23.2**	**-2.3%**	**30.2**	**28.8**	**-4.5%**	**35.6**	**34.0**	**-4.5%**
EBITDA	**2.5**	**2.6**	**5.9%**	**3.5**	**3.5**	**0.0%**	**4.2**	**4.2**	**0.0%**
EBITDA Margin (%)	10.3%	11.2%	87 bps	11.5%	12.1%	55 bps	11.8%	12.4%	56 bps
EBIT	**1.9**	**2.0**	**6.6%**	**2.9**	**2.9**	**-1.1%**	**3.6**	**3.6**	**-0.8%**
EBIT Margin (%)	8.1%	8.8%	74 bps	9.7%	10.0%	35 bps	10.2%	10.6%	40 bps
Net Profit	**1.0**	**1.2**	**20.2%**	**1.8**	**1.8**	**3.3%**	**2.3**	**2.3**	**1.1%**
Net Fin. Position	**-5.4**	**-4.7**	**0.7**	**-4.5**	**-3.8**	**0.7**	**-3.0**	**-2.4**	**0.7**

Source: Value Track Analysis

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Revised P&L, Balance Sheet and Cash Flow 2024-26E

Elsa Solutions: P&L FY2023-2026E

(€, mn)	2023	2024E	2025E	2026E
Value of Production	**19.4**	**23.2**	**28.8**	**34.0**
Raw Materials, Δ Inventory (Finished Goods)	-13.3	-16.0	-20.0	-23.6
Gross Profit	**6.1**	**7.2**	**8.8**	**10.4**
Gross Margin (%)	***31.3%***	***31.0%***	***30.5%***	***30.5%***
Costs of Services	-1.3	-2.0	-2.4	-2.8
Costs of Rent	0.0	-0.2	-0.2	-0.3
G&A	-0.1	-0.1	-0.1	-0.2
Labour Costs	-1.9	-2.3	-2.5	-2.9
EBITDA	**2.7**	**2.6**	**3.5**	**4.2**
EBITDA Margin (%)	***13.8%***	***11.2%***	***12.1%***	***12.4%***
D&A	-0.5	-0.6	-0.6	-0.6
Provisions	0.0	0.0	0.0	0.0
EBIT	**2.2**	**2.0**	**2.9**	**3.6**
Interest Expenses	-0.4	-0.3	-0.3	-0.3
Pre-Tax Profit	**1.8**	**1.7**	**2.6**	**3.3**
Taxes	-0.6	-0.5	-0.8	-1.0
Net Profit	**1.3**	**1.2**	**1.8**	**2.3**
Net Profit Margin (%)	***6.6%***	***5.2%***	***6.4%***	***6.9%***

Source: Elsa Solutions, Value Track Analysis

Elsa Solutions: Balance Sheet FY2023-2026E

(€, mn)	2023	2024E	2025E	2026E
Net Fixed Assets	6.7	7.1	7.0	6.8
Net Working Capital	8.7	8.9	10.0	11.1
Provisions	0.5	0.6	0.7	0.7
Total Capital Employed	**14.8**	**15.4**	**16.3**	**17.2**
Group Net Equity	**9.5**	**10.7**	**12.5**	**14.8**
Net Financial Position	**-5.4**	**-4.7**	**-3.8**	**-2.4**

Source: Elsa Solutions, Value Track Analysis

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Elsa Solutions: Cash Flow FY2023-2026E

(€, mn)	2023	2024E	2025E	2026E
EBITDA	2.7	2.6	3.5	4.2
Δ NWC	-2.7	-0.3	-1.0	-1.2
Capex (excl. Financial Inv.)	-2.2	-0.9	-0.5	-0.4
Δ Provisions	0.0	0.1	0.0	0.1
OpFCF b.t.	**-2.3**	**1.5**	**2.0**	**2.7**
As a % of EBITDA	*-84.6%*	*58.5%*	*56.6%*	*63.1%*
Cash Taxes	-0.6	-0.5	-0.8	-1.0
OpFCF a.t.	**-2.8**	**1.0**	**1.2**	**1.7**
Capital Injections	4.2	0.0	0.0	0.0
Others (incl. Financial Inv.)	0.1	0.0	0.0	0.0
Net Financial Charges	-0.4	-0.3	-0.3	-0.3
Dividends Paid	0.0	0.0	0.0	0.0
Δ Net Financial Position	**1.1**	**0.7**	**0.9**	**1.4**

Source: Elsa Solutions, Value Track Analysis

Valuation

Our fair Value is adjusted to **€5.15 p/sh.** (vs previous €4.8 and vs €2.5 IPO price), and while it still results from peers' multiple analysis and DCF model, the former is currently based on EV/EBITDA relative valuation (focused on 2024E-2025E financials), built by segment (i.e. E-motion and Aliant). The 7% increase in our fair valuation is mostly explained by the better net financial position.

At fair value, stock 2025E multiples "converge" towards **0.8x EV/Sales, 6.5x EV/EBITDA and 10.4x P/E**, supported by a medium-term growth we expect to remain healthy.

i) Peers Analysis

Our valuation based on peers' multiple is no longer focused on FY24E peers' ratings as a proxy for future sector rating (Valuation at maturity), as in our view the recent severe earnings downgrades make the current-year multiples less meaningful and highly affected by weak industrial demand. Hence, we prefer to run a **plain-vanilla relative valuation based on FY24E-25E EV/EBITDA**, while keeping the **split between the two businesses** of motion control and batteries (given different ratings, growth prospects, etc.). Hence, we simply take peers' multiples on years 2024 and 2025 for Aliant and E-motion respectively and apply these to our revised forecasts.

The table below reports the outcome of this analysis, and suggests a value range of €15.7-16.7mn, with a mid-point **value per share of €4.4**. The upgrade compared to previous €4.0 is partly due to the mentioned sector re-rating (in turn fully linked to earnings downgrades, rather than to stock performance), as well as to the lower net debt forecast for FY24E-25E.

Elsa Solutions: Equity value based on Peers' multiples (FY24E-FY25E) by segment

(€, mn)	Aliant	E-motion
EBITDA 2024E	2.1	0.5
EV/EBITDA 2024E (peers')	8.1x	6.6x
EV Business Line	17.4	3.0
EV Elsa Solution	20.4	
Net Debt 2024E	-4.7	
Equity Value - FY24E	**15.7**	
EBITDA 2025E	3.0	0.5
EV/EBITDA 2025E (peers')	6.0x	5.5x
EV Business Line	17.8	2.7
EV Elsa Solution	20.5	
Net Debt 2025E	-3.8	
Equity Value - FY25E	**16.7**	
Equity mid-point FY24E-25E	**16.2**	
Equity mid-point FY24E-25E p/sh	**4.4**	

The table below reports a summary of key multiples for the comparable stocks considered (the panel is unchanged), based on current consensus, and showing a certain re-rating compared to multiples used in our last update, despite the generalized weak stocks' performances.

Elsa Solutions: Peers' Trading Multiples

Peers	EV/Sales (x)		EV/EBITDA (x)		P/E Adj. (x)	
	2024E	2025E	2024E	2025E	2024E	2025E
Aliant Peers						
Seri Industrial	1.0	0.9	8.9	6.1	nm	15.6
Energy	1.2	0.7	nm	nm	nm	46.1
Aton Green Storage	1.7	2.3	nm	nm	nm	nm
Cembre	2.7	2.6	9.3	9.0	15.9	15.6
Tenax	0.6	0.5	5.9	5.2	9.8	8.4
Lion e-mobility	0.3	0.3	nm	7.4	nm	19.8
Microvast	0.3	0.3	8.6	2.0	nm	nm
Aliant Peers - Average	**1.1**	**1.1**	**8.1**	**6.0**	**12.9**	**21.1**
Aliant Peers - Median	**1.0**	**0.7**	**8.7**	**6.1**	**12.9**	**15.6**
E-motion Peers						
Esautomotion	1.1	0.9	5.6	3.9	13.1	9.6
LU-VE SPA	1.2	1.1	8.8	7.9	16.8	14.7
Marzocchi Pompe	0.8	0.7	6.7	5.4	nm	16.6
Comer Industries	1.0	0.9	6.2	5.5	11.9	10.4
SIT	0.6	0.5	5.8	5.0	nm	nm
E-motion Peers - Average	**0.9**	**0.8**	**6.6**	**5.5**	**13.9**	**12.8**
E-motion Peers - Median	**1.0**	**0.9**	**6.2**	**5.4**	**13.1**	**12.5**
Total Average	**1.0**	**1.0**	**7.3**	**5.7**	**13.5**	**17.4**
Total Median	**1.0**	**0.8**	**6.7**	**5.4**	**13.1**	**15.6**

Source: Value Track Analysis

ii) DCF Valuation

We run a DCF model on the Company as a whole and get to a **fair Equity Value** per share slightly increased to **€5.9 on lower net debt**, while DCF assumptions are only marginally updated:

- reference date Dec 2024, with 2025E-30E as explicit forecasts time horizon;
- 2% Perpetuity Growth Rate ("g"), unchanged;
- TV calculated with perpetual growth model, which implies exit multiples at discount to current FY24E market multiples, i.e. between 5.1x and 5.7x EV/EBITDA;
- 2.0% risk-free rate in line with medium/long-term ECB inflation target;
- 1.1 unlevered beta, i.e. the average of estimates for Electric components, Machinery, Auto & Truck (*Source: Damodaran*);
- 5.2% implied Italian equity risk premium (*Source: Damodaran, reduced*);
- 2.75% Elsa Solutions specific small-size / execution risk premium (slightly increased to incorporate the risk that project acquisition further slowdown, with medium-term negative implications);
- 4.5% pre-tax and 3.4 % after-tax cost of debt (unchanged).

On a rolling capital structure, Elsa Solutions WACC starts from 10.3% in 2025E (23.2% Net Debt/Total Capital Employed) and lands at 10.9% in 2030E (Net Cash). At target 30% leverage structure, Elsa Solutions WACC is fixed at 10.1% for the whole period.

Elsa Solutions: DCF Model outcomes

€mn	Rolling Capital Structure	Target Capital Structure
PV of Future Cash-Flows 2025E-2030E	7.4	7.6
PV of Terminal Value 2030E	17.5	20.3
Fair Enterprise Value	**25.0**	**27.9**
Net Financial Position 2024E	-4.7	-4.7
Adjustments	0.0	0.0
Fair Equity Value	**20.3**	**23.2**
Fair Equity mid-point	**21.7**	
Fair Equity value p/sh	**5.9**	

Source: Value Track Analysis

Elsa Solutions: Sensitivity of DCF Model @ Target Capital Structure

Fair Equity Value (€mn)		Perpetuity Growth (%)				
		1.00%	1.50%	2.00%	2.50%	3.00%
WACC (%)	9.6%	22.5	23.8	25.3	27.0	28.9
	9.8%	21.6	22.8	24.2	25.8	27.6
	10.1%	20.8	21.9	**23.2**	24.7	26.3
	10.3%	20.0	21.1	22.3	23.6	25.1
	10.6%	19.3	20.3	21.4	22.6	24.0

Source: Value Track Analysis

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LA MANCATA OSSERVANZA DI TALI RESTRIZIONI POTREBBE COSTITUIRE UNA VIOLAZIONE DELLE LEGGI DEGLI STATI UNITI, CANADA, GIAPPONE O AUSTRALIA O DELLE ALTRE GIURISDIZIONI. IL PRESENTE DOCUMENTO NON COSTITUISCE O FORMA PARTE DI, NE' VA CONSIDERATO IN ALCUN MODO, UN'OFFERTA O UN INVITO PER LA SOTTOSCRIZIONE O L'ACQUISTO DI STRUMENTI FINANZIARI. NÈ IL PRESENTE DOCUMENTO NÈ QUANTO IN ESSO CONTENUTO NON COSTITUISCE INOLTRE UNA PROPOSTA CONTRATTUALE OVVERO UN'ASSUNZIONE DI OBBLIGHI DI QUALSIASI GENERE. IL PRESENTE DOCUMENTO NON E' STATO PUBBLICATO MA È SOLAMENTE STATO MESSO A DISPOSIZIONE DI INVESTITORI QUALIFICATI. QUALSIASI DECISIONE DI SOTTOSCRIVERE O ACQUISTARE LE AZIONI NELL'AMBITO DELL'OFFERTA DOVRÀ QUINDI FONDARSI ESCLUSIVAMENTE SULLE INFORMAZIONI CONTENUTE NEI DOCUMENTI DI OFFERTA PRODOTTI IN CONNESSIONE ALL'OFFERTA. IL PRESENTE DOCUMENTO PUÒ ESSERE DISTRIBUITO NEL REGNO UNITO UNICAMENTE (a) (I) A SOGGETTI RIENTRATI NEL CAMPO DI APPLICAZIONE DELL'ARTICOLO 19 O DELL'ARTICOLO 49 DEL FINANCIAL SERVICES AND MARKET ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (E SOLTANTO NELLA MISURA IN CUI LE CONDIZIONI PREVISTE NEI MENZIONATI ARTICOLI SIANO SODDISFATTE, OVVERO LO SARANNO AL MOMENTO DELLA DISTRIBUZIONE DEL PRESENTE DOCUMENTO) O (II) A QUALSIASI ALTRO SOGGETTO A CUI L PRESENTE DOCUMENTO POSSA ESSERE LEGALMENTE DISTRIBUITO; E (b) INVESTITORI QUALIFICATI AI SENSI DELL'ARTICOLO 2(1)(E) DEL REGOLAMENTO PROSPETTI (REGOLAMENTO(UE) 1129/2017) (UNITAMENTE CONSIDERATI, "SOGGETTI RILEVANTI"). IL PRESENTE DOCUMENTO NON DEVE ESSERE PRESO IN CONSIDERAZIONE NE' SU DI ESSO PUO' ESSERE FATTO AFFIDAMENTO DA PARTE DI SOGGETTI NON RILEVANTI. QUALSIASI INVESTIMENTO O ATTIVITÀ' DI INVESTIMENTO A CUI IL PRESENTE DOCUMENTO SI RIFERISCE VA EFFETTUATA ESCLUSIVAMENTE NEI CONFRONTI DI SOGGETTI RILEVANTI. IL PRESENTE DOCUMENTO PUÒ ESSERE DISTRIBUITO IN ITALIA SOLTANTO AGLI INVESTITORI QUALIFICATI, AI SENSI DELL'ARTICOLO 2 DEL REGOLAMENTO PROSPETTI. PERTANTO IL PRESENTE DOCUMENTO NON PUÒ IN ALCUN MODO ESSERE DISTRIBUITO: (I) AL PUBBLICO INDISTINTO; (II) ATTRAVERSO CANALI DI DIVULGAZIONE, ATTRAVERSO I QUALI LE INFORMAZIONI SIANO O E' PROBABILE CHE SIANO RESE PUBBLICHE, OSSIA CHE DIVENGANO ACCESSIBILI A UN GRAN NUMERO DI PERSONE; (III) A SOGGETTI NON RIENTRANTI NELLA SUDDETTA DEFINIZIONE DI INVESTITORI QUALIFICATI. RICEVENDO IL PRESENTE DOCUMENTO, VI IMPEGNATE A RISPETTARE LE RESTRIZIONI IVI PREVISTE. IL PRESENTE DOCUMENTO E' STATO PREDISPOSTO IN MODO AUTONOMO RISPETTO ALLA SOCIETÀ, AI SUOI AZIONISTI E ALLE SUE CONTROLLATE E LE PREVISIONI E VALUTAZIONI IVI CONTENUTE SONO ESPRESSE ESCLUSIVAMENTE DA VALUE TRACK S.R.L. NELL'AMBITO DELLA SUA NORMALE ATTIVITÀ DI RICERCA E NON SONO STATE AUTORIZZATE O APPROVATE DA TERZI SOGGETTI. VALUE TRACK S.R.L. NON È AUTORIZZATO A FORNIRE INFORMAZIONI O RILASCIARE DICHIARAZIONI O GARANZIE PER CONTO DELLA SOCIETÀ, DEI SUOI AZIONISTI O DELLE SUE CONTROLLATE, I LORO RISPETTIVI CONSULENTI O QUALSIASI ALTRO SOGGETTO A QUESTI CONNESSO. NONOSTANTE OPPORTUNE PRECAUZIONI SIANO STATE PRESE AFFINCHÉ' TUTTI I FATTI RAPPRESENTATI NEL DOCUMENTO SIANO CORRETTI E LE PREVISIONI, OPINIONI E VALUTAZIONI IVI CONTENUTE SIANO RAGIONEVOLI, TUTTAVIA VALUE TRACK S.R.L. NON HA EFFETTUATO ALCUNA VERIFICA INDIPENDENTE RISPETTO ALLE INFORMAZIONI CONTENUTE NEL PRESENTE DOCUMENTO E PERTANTO NE' VALUE TRACK S.R.L. NE' LA SOCIETA' NE' I SUOI AZIONISTI O E SUE CONTROLLATE, I LORO RISPETTIVI CONSULENTI O QUALSIASI ALTRO SOGGETTO A QUESTI CONNESSO, NE' I LORO RISPETTIVI AMMINISTRATORI, DIRIGENTI O IMPIEGATI SARANNO IN ALCUN MODO CONSIDERATI RESPONSABILI DEL CONTENUTO DEL PRESENTE DOCUMENTO E NESSUN AFFIDAMENTO DOVRA' ESSERE FATTO IN MERITO ALLA PRECISIONE, COMPLETEZZA O CORRETTEZZA DELLE INFORMAZIONI CONTENUTE NEL PRESENTE DOCUMENTO. NESSUN SOGGETTO POTRÀ PERTANTO ESSERE RITENUTO RESPONSABILE DEI DANNI DERIVANTI DALL'UTILIZZO DEL PRESENTE DOCUMENTO O DAL SUO CONTENUTO OVVERO DEI DANNI COMUNQUE CONNESSI AL PRESENTE DOCUMENTO. VALUE TRACK S.R.L. (O I SUOI DIRIGENTI, AMMINISTRATORI O IMPIEGATI) POTREBBE, NEI LIMITI CONSENTITI DALLA LEGGE, TROVARSI A DETENERE STRUMENTI FINANZIARI DELLA (OVVERO OPZIONI, WARRANT O ALTRI DIRITTI RELATIVI ALLA, OVVERO UN INTERESSE NELLE AZIONI O ALTRI STRUMENTI FINANZIARI DELLA) SOCIETA'.