

Elsa Solutions

Sector: Industrial Goods



Analysts

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Deep value while waiting momentum to improve

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.

FY24 provisional data offers mixed KPIs

FY24 KPIs are reassuring overall as for FY24 but confirm momentum in the industry remains weak. Revenues from **Sales** reached €21.9mn (+13.6% y/y), primarily driven by Aliant (+28.0% y/y), while the two product lines changed pace in 2H: motion control recovered fast (+27% y/y), while growth in batteries faced a slowdown, driving FY24P top line 4% below our expectations. Dec 2024 **Backlog** was €7.1mn, reducing vs. €10.9mn of June 2024 and reflecting a shortened order visibility (ca. 4 months) as clients are very cautious in committing to long-term. Finally, **Project Intake** (for Aliant) stood at #32 projects in FY24, exceeding our #28 estimate and almost in line with the peak result of #34 projects in FY23, boding very well for M/T growth potential.

More caution for FY25, but momentum should improve in FY26

Given these KPIs, we reckon a few elements of cautiousness for FY25 as a) the backlog is light and order acquisition is likely to remain challenging in 1H25E and b) the product mix was less favorable than we factored. Yet, we do not expect this to affect FCF, as it is likely to be supported by lower NWC (given weaker sales growth) and slightly lower capex. On the other hand, we believe demand for capital goods may gradually improve in the next quarters and FY24 steady acquisition of new projects will support FY26E.

FY25-26E forecasts cut, yet EPS CAGR_{24-26E} at 21%

Our revised model leaves almost unchanged our FY24E forecasts, but it implies an average cut in FY25E-26E revenues and EBITDA by 17%-25% respectively. Yet, Elsa is still expected to report a 15% CAGR for top line, 8% for EBITDA and 21% for EPS over FY25E-26E, based on inflection point for Aliant at the end of FY25 and flattish turnover for e-Motion.

Fair Value down to €4.55 per share

Fair Value is revised to €4.55 p.s. (vs €5.15), still resulting from peers' multiple analysis (on FY25E-26E financials) and DCF model. At fair value, FY25E multiples are 0.9x EV/Sales, 8.5x EV/EBITDA and 15.3x P/E, supported by strong growth. We estimate that the current stock price is overly cautiously factoring in an extra ca. 40% EBITDA cut in 2025E.

Fair Value (€) **4.55**
Market Price (€) **2.10**
Market Cap. (€m) **7.7**

KEY FINANCIALS (€mn)	2023A	2024E	2025E
VALUE OF PRODUCTION	19.4	22.1	23.0
EBITDA	2.7	2.5	2.4
EBIT	2.2	2.1	1.8
NET PROFIT	1.3	1.2	1.1
EQUITY	9.5	10.7	11.8
NET FIN. POS.	-5.4	-4.4	-3.6
EPS (€)	0.35	0.33	0.30
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	11.5	10.4
EBIT MARGIN (%)	11.3	9.4	8.0
NET DEBT / EBITDA (x)	2.0	1.7	1.5
NET DEBT / EQUITY (x)	0.6	0.4	0.3
EV/SALES (x)	1.2	0.6	0.5
EV/EBITDA (x)	8.9	4.8	4.7
EV/EBIT (x)	10.8	5.9	6.1
P/E ADJ. (x)	14.3	6.3	7.0

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

STOCK DATA	
FAIR VALUE (€)	4.55
MARKET PRICE (€)	2.10
SHS. OUT. (m)	3.68
MARKET CAP. (€m)	7.7
FREE FLOAT (%)	48.9
AVG. -20D VOL. ('000)	10,800
RIC / BBG	ELSA.MI / ELSA IM
52 WK RANGE	1.87-5.00

Source: Stock Market Data

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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.

Key Financials

€mn	2023A	2024E	2025E	2026E
Value of Production	19.4	22.1	23.0	29.2
Chg. % YoY	60.7%	13.7%	4.1%	27.1%
EBITDA	2.7	2.5	2.4	3.4
EBITDA Margin (%)	13.8%	11.5%	10.4%	11.6%
EBIT	2.2	2.1	1.8	2.8
EBIT Margin (%)	11.3%	9.4%	8.0%	9.6%
Net Profit	1.3	1.2	1.1	1.8
Chg. % YoY	nm	-4.9%	-10.4%	63.0%
Adjusted Net Profit	1.3	1.2	1.1	1.8
Chg. % YoY	nm	-4.9%	-10.4%	63.0%
Net Fin. Position	-5.4	-4.4	-3.6	-2.7
Net Fin. Pos. / EBITDA (x)	2.0	1.7	1.5	0.8
Capex	-2.2	-0.9	-0.4	-0.4
OpFCF b.t.	-2.3	1.8	1.6	1.9
OpFCF b.t. as % of EBITDA	nm	69.8%	67.7%	55.4%

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

Investment case

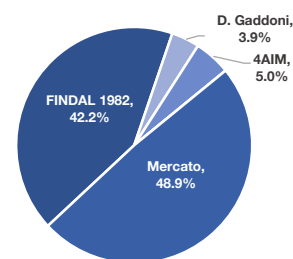
Strengths / Opportunities

- ◆ Excellent growth profile with good medium term 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

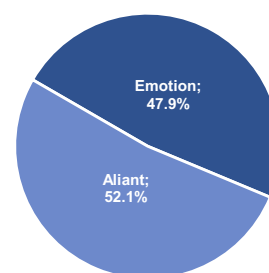
- ◆ Challenging to-do list involving some execution risk;
- ◆ Long OEMs contract time to market;
- ◆ Capital Good industry vulnerable to a sluggish market outlook.

Shareholders Structure



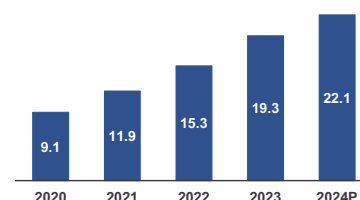
Source: Elsa Solutions

FY24P Revenues by line



Source: Elsa Solutions

Revenues evolution FY19-FY24P



Source: Elsa Solutions

Stock multiples @ €4.55 Fair Value

	2025E	2026E
EV / SALES (x)	0.9	0.7
EV / EBITDA (x)	8.5	5.7
EV / EBIT (x)	11.0	6.9
EV / CAP.EMP. (x)	1.3	1.2
OpFCF Yield (%)	8.0	9.7
P / E Adj. (x)	15.3	9.4
P / BV (x)	1.4	1.2
Div. Yield. (%)	0.0	0.0

Source: Value Track

FY24 KPIs

ELSA Solutions released a few provisional and unaudited FY2024 KPIs on 29th January. While these appear overall reassuring as for FY24, sales and backlog also confirm that the industry outlook remains weak not only as for the motion control segment (E-motion business unit), but more in general for the whole capital good sector, involving also the special purpose batteries (Aliant). On the other hand, the flow of new projects remains steady and confirms the attractive medium-term potential for Aliant.

Revenues

Provisional Revenues from Sales were reported at €21.9mn (+14% y/y), with

- ◆ E-motion at €10.5mn (+1.5% y/y), ahead of our forecast of €9.0mn;
- ◆ Aliant at €11.4mn (+28% y/y), below to our forecast of €13.9mn and due to the slowdown faced in 2H with a single digit growth (+6% y/y).

The key points to underline are the following:

1. the growth reported by the two product lines suggests a clear **change of pace in 2H**, as e-Motion recovered fast in 2H (+27% y/y) after the 16% drop of 1H, while Aliant faced a marked slowdown in its growth rates, following the 53% jump of 1H, which, however, had benefitted also from some delivery postponements from Dec 2023 to Jan 2024;
2. overall revenues from sales came in 4.4% **short of our forecast** of €22.9mn, fully due to the lower-than-expected 2H revenues in the Aliant division;
3. as a result, the **sales mix** came slightly less favourable, i.e. with a greater than expected tilt towards the motion control division, which is typically less profitable;
4. the gradual but steady shift of Elsa Solution business mix towards the special purpose batteries continues, despite the slower than expected pace, with **Aliant accounting for 52%** of total sales in FY24P.

Elsa Solutions: Revenues breakdown by business unit

€mn	2021	2022	2023	2024P	YoY
E-motion	7.7	9.1	10.3	10.5	+1.5%
<i>As a % of total Revenues</i>	64.5%	59.4%	53.6%	47.9%	
Aliant	4.2	6.2	8.9	11.4	+28%
<i>As a % of total Revenues</i>	35.5%	40.6%	46.4%	52.1%	
Total Revenues from Sales	11.9	15.3	19.2	21.9	+14%

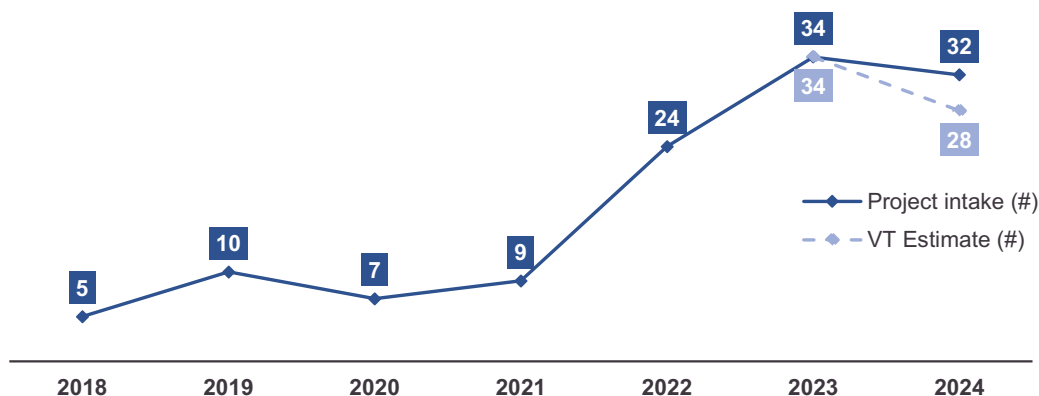
Project Intake (Aliant BU)

Management indicated that Aliant acquired **32 new projects in FY24** (#34 in FY23 and #28 in our model). This seems to suggest that:

- ◆ the long-term structural **electrification process continues** – beyond and despite the cyclical factors, which affect short term momentum;
- ◆ this process benefits from the relatively good long term visibility of Aliant's end-sectors, as it supplies customized special purpose batteries for **industrial / agricultural usage**, while not being involved in the more uncertain dynamics of the car industry;

- ◆ despite this metric does not provide any insight into the average order value or the overall potential value of these **new projects**, still we see this data as **positive**;
- ◆ this is a key but **longer-term** driver, as we remind that Aliant new projects normally impact financials with an 18–24-month delay.

Aliant: number of acquired projects per year (vs 2024E)



Source: Elsa Solutions

Backlog

Finally, management reported a **backlog of €7.1mn as of December 2024**, 75%/25% split between ALIANT and E-Motion, respectively, and compared to a backlog of €11.4mn as of December 2023 and 10.9mn as of mid-2024.

This trend implies i) a further weakening in the Industrial Automation momentum, which not only involved the motion control business, but also electrification/batteries, ii) a shortened order visibility, reduced now to ca. 4 months, as clients are extremely cautious in committing to long-term orders.

In fact, we note that our current **FY25E Net Sales estimates are covered only at 25%**, indicating a very uncertain and unusual picture in terms of business visibility, as the typical backlog durations are ca. 3-months for E-motion but normally ca. 9/12-months for Aliant.

Revised forecasts

Considering the reported KPIs and the elements of caution highlighted, we prefer to update our model, although we reckon that we will get full visibility on operating margins and year-end net debt only with the full set of results at the end of March.

In short, the main changes in our assumptions are the following, and are mainly related to FY25-26E:

- **lower revenues**, as we start from a slightly lower base (FY24P), but mostly because we assume a lower growth rate for the battery business in FY25E (especially in 1H), partially off-set by a speed-up in FY26E, while for motion control we assume broadly stable revenues with FY26E e-Motion revenues very much aligned to our previous forecasts;
- in terms of mix the medium-term picture remains very close to our expectations, with **Aliant accounting for 64%** of Group FY26E Revenues from Sales;
- lower margins mostly due to the lower-than-expected contribution from the more profitable battery unit, with **EBITDA margin at 11.5%** in 2024 and dipping further in 2025 due to a combination of the higher cost base (following the capacity expansion) and the lower than expected revenues grow. We expect the recovery to happen in 2026, when EBITDA margin should surpass 11.5% again;
- while the forecast revision in overall marginal as for FY24E, the above factors lead to an average cut in FY25E and FY26E **top line and EBITDA** of 17-25% respectively;
- as for **earnings revision**, we see FY24E EPS unchanged but a more marked cut over 2025-26E;
- as for our **net debt** forecasts, these remain broadly unchanged over the forecast horizon, as slightly lower operating margins are offset by lower NWC requirements, given the more gradual top line growth.

The table below summarizes the overall impact of the model update.

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

€mn	2024E			2025E			2026E		
	Old	New	Δ(%)	Old	New	Δ(%)	Old	New	Δ(%)
Value of Production	23.2	22.1	-5.0%	28.8	23.0	-20.3%	34.0	29.2	-14.1%
EBITDA	2.6	2.5	-2.1%	3.5	2.4	-31.1%	4.2	3.4	-19.4%
EBITDA Margin (%)	11.2%	11.5%	35 bps	12.1%	10.4%	-164 bps	12.4%	11.6%	-76 bps
EBIT	2.0	2.1	1.0%	2.9	1.8	-36.2%	3.6	2.8	-21.7%
EBIT Margin (%)	8.8%	9.4%	56 bps	10.0%	8.0%	-201 bps	10.6%	9.6%	-93 bps
Net Profit	1.2	1.2	1.2%	1.8	1.1	-40.0%	2.3	1.8	-23.3%
Net Fin. Position	-4.7	-4.4	0.3	-3.8	-3.6	0.2	-2.4	-2.7	-0.3

Source: Value Track Analysis

Revenues from Sales growing at 15% CAGR_{2024E-26E}

After the 14% y/y growth reported in FY24P Revenues from Sales, we expect Elsa Solutions to further slowdown in FY25E and re-accelerate in FY26E, reaching **Revenues from Sales of €28.9mn in 2026E (50% above FY23A)**, with **revenues of Aliant at 64% of total**.

➤ Aliant

We remind that Aliant benefits from the **recurring** nature of the business with OEM clients - core battery orders (EK lines) – and this **combines with the flow of new clients/orders** entering production. These two drivers are expected to have a compounding effect on sales, however the sharp fall of demand in the Industrial Automation and Capital Good segments has heavily diluted re-orders and delayed the actual start of new productions at Aliant. We expect the outlook to remain uncertain in FY25 and the thin backlog confirms that clients' production planning is uncertain and visibility for Elsa remains poor.

On the other hand, we believe the **medium-term outlook remains strong for lithium special purpose batteries**, as electrification prospects and timing in the industrial/construction are not questioned as is the case in the automotive sector, also because electrification of industrial processes does not rely on Government support. This is also confirmed by the pace of new projects' intake, which was strong during FY24 and remains very solid also in 1Q25, according to management.

Based on the above considerations, we expect the battery business to see its **inflection point at the end of FY25**, once key drivers as industrial production, de-stocking, changes in fiscal regulation and interest rate cycle should improve or at least normalise. Yet, the demand of EU manufacturers currently faces also a new potential risk, i.e. the impact of **potential US tariffs** to EU products (after Canada, Mexico and China!). While this remains an element of uncertainty, and Elsa Solutions small size may appear as a weak point, we would also point out that i) this factor affects most of world non-US producers, ii) Aliant's customers are generally OEMs with small to medium production runs, i.e. not large global players; iii) US is not the dominant market for most of Aliant's key applications, with other regions (Latam, India) due to grow even faster in coming years. Finally, we remind that the planned **increase of production capacity** is on track, and it is poised to be fully operative by the end of FY2025 – in time to support the expected strong volumes - with a capacity ca. four times stronger than in FY2022.

➤ E-Motion

As for **E-motion** we assume short-term growth to remain well below the historic trend (double-digit growth rates, except for year 2020), and below the long-term industry growth, due to the current weak outlook of the Industrial Automation industry. On the other hand, it is worth to point out that ELSA competitive positioning is strengthening thanks to the widening product range and the new proprietary electronics & components (i.e. private labelled circuit boards and components). The positive top line growth reported in FY24P provides clear evidence of improving ELSA competitive positioning and market share in a tough market environment. Our revised model assumes **flattish revenues for e-Motion into FY26E** but we see some upside risk here, should the impact of the fiscal incentives (Industry 4.0 and 5.0) turn positive sooner than expected.

As a result, over the next two years we expect Revenues to grow,

- ◆ for **Aliant at 27.0% CAGR_{2024P-26E} to €18.4mn in 2026E** (64% of Sales);
- ◆ for **E-motion at 0.2% CAGR_{2024P-26E} to €10.5mn in 2026E** (36% of Sales);
- ◆ for **Elsa Solutions at 14.9% CAGR_{2024P-26E} to €28.9mn in 2026E**.

Profitability linked to revenue mix

Pending the full set of results due in March, our main assumptions as for profitability and margins are very much consistent with the past, with EBITDA margin slightly lower than expected in FY25E-26E, mostly due to the less favourable product mix, i.e. lower contribution from Aliant:

- ◆ **Gross Margin** stable in the 31-30.5% range, it should reach **€9.2mn in 2026E**;
- ◆ **EBITDA Margin** improves toward **11.6% in 2026E**, after bottoming at 10.4% in FY25E due to the cost base increased over 2024 (headcounts, roll-out of new capacity, R&D, product diversifications), which should be only partially offset by revenue growth which is seen to fall short of initial expectations;
- ◆ **EBIT** is expected to factor the higher D&A (following production capacity expansion and IPO cost amortization) but getting to **€2.8mn in 2026E**, ca. 10.3% EBIT Margin;
- ◆ **Net Profit** growing to **€1.8mn in 2026E**, on broadly stable financial charges and tax rate.

Elsa Solutions: P&L FY2023-2026E

(€, mn)	2023	2024E	2025E	2026E
Value of Production	19.4	22.1	23.0	29.2
Raw Materials, Δ Inventory	-13.3	-15.1	-15.8	-20.0
Gross Profit	6.1	7.0	7.1	9.2
Gross Margin (%)	31.3%	31.5%	31.0%	31.5%
Costs of Services	-1.3	-1.5	-1.7	-2.3
Costs of Rent	0.0	-0.2	-0.2	-0.2
G&A	-0.1	-0.1	-0.1	-0.1
Labour Costs	-1.9	-2.6	-2.7	-3.1
EBITDA	2.7	2.5	2.4	3.4
EBITDA Margin (%)	13.8%	11.5%	10.4%	11.6%
D&A	-0.5	-0.5	-0.6	-0.6
Provisions	0.0	0.0	0.0	0.0
EBIT	2.2	2.1	1.8	2.8
Interest Expenses	-0.4	-0.3	-0.3	-0.3
Pre-Tax Profit	1.8	1.8	1.6	2.6
Taxes	-0.6	-0.5	-0.5	-0.8
Net Profit	1.3	1.2	1.1	1.8
Net Profit Margin (%)	6.6%	5.6%	4.8%	6.1%

Source: Elsa Solutions, Value Track Analysis

FCF forecasts broadly unchanged: Net Debt halved to €2.7mn by FY26E

In terms of cash flow, our forecast revision is relatively marginal, as we expect the lower-than-expected top line growth (which entails lower NWC requirements) to offset the impact of the revised EBITDA. We expect Elsa Solutions to generate ca. €1mn of Equity Free Cash Flow per year, deleveraging the company to €2.7mn or 0.8x NFD/EBITDA by FY26E.

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	8.6	9.1	10.2
Provisions	0.5	0.6	0.7	0.7
Total Capital Employed	14.8	15.1	15.4	16.3
Group Net Equity	9.5	10.7	11.8	13.6
Net Financial Position	-5.4	-4.4	-3.6	-2.7

Source: Elsa Solutions, Value Track Analysis

Elsa Solutions: Cash Flow FY2023-2026E

(€, mn)	2023	2024E	2025E	2026E
EBITDA	2.7	2.5	2.4	3.4
Δ NWC	-2.7	0.0	-0.4	-1.2
Capex (excl. Financial Inv.)	-2.2	-0.9	-0.4	-0.4
Δ Provisions	0.0	0.1	0.1	0.1
OpFCF b.t.	-2.3	1.8	1.6	1.9
<i>As a % of EBITDA</i>	<i>-84.6%</i>	<i>69.8%</i>	<i>67.7%</i>	<i>55.4%</i>
Cash Taxes	-0.6	-0.5	-0.5	-0.8
OpFCF a.t.	-2.8	1.3	1.2	1.1
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	0.9	0.9	0.9

Source: Elsa Solutions, Value Track Analysis

Valuation

The stock has traced back materially since our last update of October 2024 and has lost 40% of its market value, falling below its IPO price (€2.5/share) and underperforming the EGM.

While the small size and limited liquidity of Elsa Solutions may represent weak elements for the stock in the current equity market environment, we also remind that the Company trades below its IPO share price level, but it has overperformed in terms of operations. In fact, since our Initiation of Coverage report (October 2023), average EPS FY24-25-26E was raised by ca. 8%, while FCF remained in line/is slightly higher than expected at the time. This, combined with the fact that sector multiples are even more rounded today (also due to the weak results reported in the industry for FY24), suggests the stock now offers very good value.

Our fair Value is adjusted to **€4.55 p/sh.** (vs previous €5.15 and vs €2.5 IPO price), and it still results from peers' multiple analysis and DCF model, with the former based on EV/EBITDA relative valuation (focused on 2025E-2026E financials) and built by segment (i.e. E-motion and Aliant).

At fair value the stock multiples in FY26E – i.e. when margins should normalize - “converge” towards **0.7x EV/Sales, 5.7x EV/EBITDA and 9.4x P/E**, supported by a medium-term growth we expect to remain healthy.

i) Peers Analysis

As per our last research, we run a **plain-vanilla relative valuation** which is now updated to include both **FY25E-26E EV/EBITDA**, while keeping the **split between the two businesses** of motion control and batteries (given their different ratings, growth prospects, etc.). Hence, we take peers' multiples on years 2025 and 2026 for Aliant and E-motion respectively and apply these to our revised forecasts of the two divisions. The table below reports our base case, and suggests an equity value range of €14.8-16.0mn, with a mid-point **value per share of €4.2**.

The small downgrade compared to our previous peer analysis (€4.4/share) is clearly motivated by the aforementioned earnings downgrade, despite the effect is significantly counterbalanced by the sector re-rating - which once again, is more due to earnings downgrades than stock performance (peers' average share price has dropped by roughly 10% since our last update).

Elsa Solutions: Equity value based on Peers' multiples (Base Case)

	2025E		2026E	
Base Case (€, mn)	Aliant	E-motion	Aliant	E-motion
EBITDA	1.9	0.5	3.0	0.4
EV/EBITDA (peers")	8.3x	5.4x	5.7x	4.4x
EV Business Line	15.7	2.7	16.9	1.8
EV Elsa Solution	18.4		18.7	
Net Debt 2025E	-3.6		-2.7	
Equity Value – Base Case	14.8		16.0	
Equity Value per Share – Base Case			4.18	

The table below summarizes key multiples for the comparable stocks considered (with the panel remaining unchanged), based on current consensus. Despite broadly weak stock performances, the data shows a certain re-rating compared to the multiples used in our last update.

Elsa Solutions: Peers' Trading Multiples

Peers	EV/Sales (x)		EV/EBITDA (x)		P/E Adj. (x)	
	2025E	2026E	2025E	2026E	2025E	2026E
Aliant Peers						
Seri Industrial	0.5	0.4	10.6	3.7	<0	<0
Energy	0.8	0.6	>20	6.4	<0	<0
Cembre	2.9	2.7	10.1	9.4	18.5	17.3
Tenax	0.5	0.4	4.2	3.3	8.2	5.8
Microvast	na	na	na	na	<0	<0
Aliant Peers - Average	1.2	1.0	8.3	5.7	13.3	11.6
Aliant Peers - Median	0.6	0.5	10.1	5.0	13.3	11.6
E-motion Peers						
Esautomotion	0.7	0.5	3.1	2.0	10.8	7.9
LU-VE SPA	1.2	1.1	8.6	7.7	19.4	17.1
Marzocchi Pompe	0.6	0.5	4.3	3.3	26.7	12.5
Comer Industries	1.0	0.9	6.1	5.3	13.3	12.6
SIT	0.5	0.5	5.2	3.8	<0	>50
E-motion Peers - Average	0.8	0.7	5.4	4.4	17.6	12.5
E-motion Peers - Median	0.7	0.5	5.2	3.8	16.4	12.5
Total Average	1.0	0.8	6.5	5.0	16.2	12.2
Total Median	0.7	0.5	5.6	3.8	15.9	12.5

Source: Value Track Analysis

ii) DCF Valuation

We run a DCF model for the business as a whole and get to a **fair Equity Value** per share cut to **€4.9** mainly on slightly more cautious exit multiple assumptions, 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 FY25E market multiples, i.e. between 4.3x and 4.7x 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);
- ◆ 5.4% implied Italian equity risk premium (Source: Damodaran, increased);
- ◆ 2.75% Elsa Solutions specific small-size / execution risk premium (unchanged);
- ◆ 4.5% pre-tax and 3.4 % after-tax cost of debt (unchanged).

On a rolling capital structure, Elsa Solutions WACC starts from 10.1% in 2025E (23.2% Net Debt/Total Capital Employed) and lands at 10.7% in 2030E (Net Cash). At target 30% leverage structure, Elsa Solutions WACC is fixed at 9.9% for the whole period.

Elsa Solutions: DCF Model outcomes

€mn	Rolling Capital Structure	Target Capital Structure
PV of Future Cash-Flows 2025E-2030E	6.3	6.5
PV of Terminal Value 2030E	15.0	17.4
Fair Enterprise Value	21.3	23.8
Net Financial Position 2024E	-4.4	-4.4
Adjustments	0.0	0.0
Fair Equity Value	16.9	19.4
Fair Equity mid-point		18.2
Fair Equity value p/sh		4.9

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%	18.7	19.9	21.2	22.7	24.4
	9.8%	18.0	19.0	20.2	21.6	23.2
	10.1%	17.3	18.3	19.4	20.6	22.1
	10.3%	16.6	17.5	18.6	19.7	21.1
	10.6%	15.9	16.8	17.8	18.9	20.1

Source: Value Track Analysis

A Bear Case

While we deem that by the start of 2026 a resurgence in capital goods investments is likely, we try to depict a more adverse scenario for FY25E which, combined with the current negative newsflow for the sector, may establish a sort of valuation floor for the stock. In other words, we assume an **additional 25% downward revision in our EBITDA estimates** on FY25E: revenues down 5% y/y, resulting in an EBITDA of approximately €1.8mn (8.6% margin vs. 11.5% in FY24E). Under this scenario, and applying the current market multiples by segment, our model yields a fair equity value of €2.9 per share, still well above the current price.

This model suggests also that - all the rest being equal - **the current market capitalization of the Company implies for FY25E an EBITDA of €1.5mn**, ca. 40% below our revised model, which we currently rate as **overly bearish**.

Elsa Solutions: Equity value based on Peers' multiples (Bear Case)

Bear Case (€, mn)	2025E	
	Aliant	E-motion
EBITDA	1.5	0.4
EV/EBITDA (peers')	8.3x	5.4x
EV Business Line	12.1	2.1
EV Elsa Solution	14.2	
Net Debt 2025E	-3.6	
Equity Value – Bear Case	10.6	
Equity Value per Share – Bear Case	2.9	

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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, NÈ 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 È 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 RIENTRANTI 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 IL 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, "SOGETTI RILEVANTI"). IL PRESENTE DOCUMENTO NON DEVE ESSERE PRESO IN CONSIDERAZIONE NÈ SU DI ESSO PUÒ 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 È PROBABILE CHE SIANO RESE PUBBLICHE, OSSIA CHE DIVENGANO ACCESSIBILI A UN GRAN NUMERO DI PERSONE; (III) A SOGGETTI NON RIENTRANTI NELLA SUDETTA DEFINIZIONE DI INVESTITORI QUALIFICATI. RICEVENDO IL PRESENTE DOCUMENTO, VI IMPEGNA A RISPETTARE LE RESTRIZIONI IVI PREVISTE. IL PRESENTE DOCUMENTO È 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 NÈ VALUE TRACK S.R.L. NÈ LA SOCIETÀ NÈ I SUOI AZIONISTI O E SUE CONTROLLATE, I LORO RISPETTIVI CONSULENTI O QUALSIASI ALTRO SOGGETTO A QUESTI CONNESSO, NÈ I LORO RISPETTIVI AMMINISTRATORI, DIRIGENTI O IMPIEGATI SARANNO IN ALCUN MODO CONSIDERATI RESPONSABILI DEL CONTENUTO DEL PRESENTE DOCUMENTO E NESSUN AFFIDAMENTO DOVRÀ 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) SOCIETÀ'.