

Elsa Solutions

Industrial Goods

Demand still weak, but rising new projects

Elsa Solutions 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.

1H suggests demand in FY25 is even weaker than expected

FY25 seems to be even more challenging than expected for capital goods, both in motion control and in the electrification segment. For Elsa, 1H Value of Production closed at €8.9mn (-22.6% y/y) with both divisions down: Aliant €4.5mn (-30.1% y/y) and E-Motion €4.3mn (-12.7% y/y), as demand was affected by negative investment sentiment (on interest rates higher-for-longer), tariff-driven uncertainty and the worrying geopolitical outlook. Also order backlog was reported at a very thin level of €6mn, steadily decreasing since Dec 2023.

The good news: costs & debt control, rising mkt share

Despite the very weak demand and top line, management was able to 1) keep strict control on direct costs - unitary margins benefited also from the much smaller average size of orders and optimized labor costs; 2) limit the cash absorption despite the increase in the stocks of raw materials. Yet, the most positive info provided was the high number of new projects awarded in 1H to the company, which secured 24 new projects (also with new clients), with momentum remaining positive also in 2H. These agreements imply market share gains by Elsa and are the key growth drivers over the medium term.

Our revised model: softer growth but unchanged FCF

We trim FY25E top line, due to weak 1H results and backlog, but we leave almost unchanged margins and bottom line, as well as NFD, and now expect a much weaker FY26E (EBITDA cut by 25%), while we maintain a positive M/T view, supported by the rising number of projects awarded. We now see CAGR_{25-27E} of 12% for top line and 38% for EBITDA, with NFD down from €4mn of Dec 25E to €3.1mn of Dec 27E.

Fair Value at €2.5/sh. (previous €2.70/sh.)

Based on updated forecasts and sector multiples, we cut our fair value /share from €2.7 to €2.5, due to the net effect of slower than expected recovery from FY25 “bottom” and higher peers’ multiples in both business lines. At fair value the stock would trade at 6.5x EV/EBITDA and 12.8 P/E on FY27E, in line with peers in the battery segment, as Aliant will represent >90% of Group EBITDA in a couple of years.

FAIR VALUE (€) **2.50**

MARKET PRICE (€) **1.70**

MARKET CAP (€mn) **6.3**

KEY FINANCIALS	FY24	FY25E	FY26E
VALUE OF PRODUCTION	22.3	16.9	18.0
EBITDA	2.3	1.0	1.2
EBIT	1.7	0.4	0.6
NET PROFIT	1.0	0.1	0.2
GROUP NET EQUITY	10.5	10.6	10.9
NET DEBT (-) / NET CASH (+)	-4.4	-4.0	-3.3
EPSADJ.	0.28	0.02	0.06
DPS	0.00	0.00	0.00

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

RATIOS AND MULTIPLES	FY24	FY25E	FY26E
EBITDA MARGIN (%)	10.1	5.9	6.6
EBIT MARGIN (%)	7.6	2.4	3.3
NET MARGIN (%)	4.6	0.5	1.2
NET DEBT / EBITDA (x)	2.0	4.0	2.8
NET DEBT / EQUITY (x)	0.4	0.4	0.3
EV/SALES (x)	0.5	0.6	0.5
EV/EBITDA (x)	4.7	10.3	8.1
EV/EBIT (x)	6.3	25.3	16.2
P/E ADJ. (x)	6.1	nm	28.2

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

STOCK DATA	
MARKET PRICE (€)	1.70
NOSH (mn)	3.68
MARKET CAP (€mn)	6.3
ENTERPRISE VALUE (€mn)	10.3
FREE FLOAT (%)	48.9
AVG L30D VOLUME ('000)	17,976
RIC / BBG	ELSA.MI / ELSA.IM
52 WK MAX - MIN (€)	1.33-3.10

Source: Stock Market Data

EQUITY RESEARCH PRODUCED ON BEHALF OF MIT SIM ACTING AS SPECIALIST ON ELSA SOLUTIONS SHARES

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.

Financial Highlights

KEY FINANCIALS (OIC, €mn)	FY24	FY25E	FY26E	FY27E
Value of Production	22.3	16.9	18.0	21.3
y/y (%)	14.8%	-24.3%	6.6%	18.7%
EBITDA	2.3	1.0	1.2	1.9
EBITDA Margin (%)	10.1%	5.9%	6.6%	8.8%
EBIT	1.7	0.4	0.6	1.3
EBIT Margin (%)	7.6%	2.4%	3.3%	6.2%
Net Profit	1.0	0.1	0.2	0.7
y/y (%)	nm	nm	nm	nm
Adj. Net Profit	1.0	0.1	0.2	0.7
y/y (%)	nm	nm	nm	nm
Net Fin. Position [Net Debt (-) / Cash(+)]	-4.4	-4.0	-3.3	-3.1
Net. Fin. Pos. / EBITDA (x)	2.0	4.0	2.8	1.6
Capex	-1.1	-0.2	-0.3	-0.1
OpFCF b.t.	1.6	0.7	1.1	0.8
OpFCF b.t. / EBITDA (%)	72.2%	72.2%	96.2%	40.9%

Source: Elsa Solutions, Value Track Analysis

Investment Case

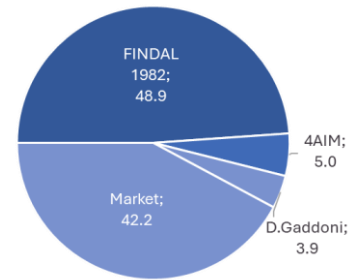
Strengths / Opportunities

- Excellent growth profile prospects in the medium term, supported by rising number of new electrification projects awarded and a substantial capacity expansion just finished;
- Diversified client base operating in many end-sectors;
- Exposure to energy transition / growing adoption of circular industrial practices, including attractive ventures in hydrogen and solid-state cells.

Weaknesses / Risks

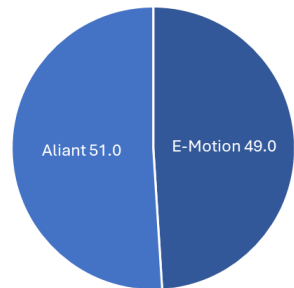
- Capital Good industry vulnerable to the sluggish market outlook;
- Currently thin order backlog reduces visibility over next year;
- Long OEMs contract time to market.

SHAREHOLDERS' STRUCTURE



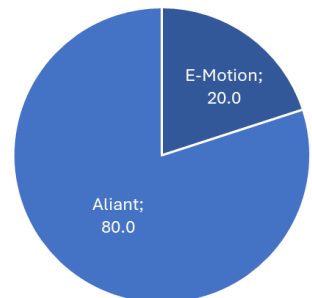
Source: Elsa Solutions

REVENUES BY BUSINESS LINE 1H25



Source: Elsa Solutions

BACKLOG BY BUSINESS LINE 1H25



Source: Elsa Solutions

STOCK MULTIPLES @ FV	FY26E	FY27E
EV / SALES (x)	0.7	0.6
EV / EBITDA (x)	10.6	6.5
EV / EBIT (x)	21.2	9.3
EV / CAP. EMPLOYED	0.9	0.8
OpFCF Yield (%)	9.1	5.5
P / E (x)	nm	12.8
P / BV (x)	0.8	0.8
Dividend Yield (%)	0.0	0.0

Source: Value Track Analysis

1H25 Results

ELSA 1H25 shows softer top line and margin profile in a weaker cap-goods backdrop. Demand decelerated across both core businesses, with order conversion proving slower and some client projects deferred. The backlog stepped down versus last year, yet the steady inflow of new electrification projects (notably within Aliant) continues to underscore the division's medium-term potential and strengthening competitive position. Working capital was temporarily inflated by VAT credits at period-end - refunded in July - dampening cash conversion and slightly increasing net debt. Management remains cautious near term, while commercial execution and R&D stay focused on the next phase of growth.

Profit & Loss

- **Revenues** at €8.8m (-22.6% y/y), with demand softening across both core segments: (i) **Aliant** at €4.5 (-30.1% y/y) despite healthy project intake, as conversion is taking longer than expected and some orders are being deferred by clients; (ii) **E-Motion** at € 4.3mn (-12.7%) reflecting the same macro drag albeit less pronounced than batteries.

Revenues Breakdown

(OIC, €mn)	1H24	1H25	y/y %
E-Motion	4.9	4.3	-12.7%
Aliant	6.4	4.5	-30.1%
Total Revenues	11.3	8.8	-22.6%
Other Revenues	0.19	0.15	-22.1%
Value of Production	11.5	8.9	-22.6%

Source: Elsa Solutions, Value Track Analysis

- **EBITDA** was €0.8m with a 9.2% margin (down ~320 bps y/y), mainly on volume deleverage and lower operating absorption. The cost mix offered a partial buffer: materials declined to 64.2% of VoP (from 68.4%, mostly on a mix driven by smaller orders from smaller clients), services stayed broadly stable, while personnel rose +6.7% y/y on higher headcount (52 vs 47);
- **Net Profit** at €0.4mn with a 4.1% margin (down ~240 bps y/y), declining slightly more than EBITDA as operating deleverage was compounded by modestly higher D&A related to recent investments (+21% y/y), with only limited offset from lower net financial charges tax charges.

Profit and Loss 1H24-1H25

(OIC, €mn)	1H24	1H25	Δ y/y (%)
Value of Production	11.5	8.9	-22.6%
COGS	-7.9	-5.7	-27.3%
Gross Profit	3.6	3.2	-12.4%
Gross Margin (%)	31.6%	35.8%	416bps
Costs of Services	-0.8	-0.8	nm
Costs of Rent	-0.1	-0.1	nm
G&A	0.0	-0.1	73.9%
Labour Costs	-1.3	-1.4	6.8%
EBITDA	1.4	0.8	-42.4%
EBITDA Margin (%)	12.4%	9.2%	-317bps
D&A	-0.2	-0.3	21.0%
EBIT	1.2	0.5	-54.4%
Interest Expenses	-0.1	0.0	-82.4%
Pre-Tax Profit	1.0	0.5	-50.6%
Taxes	-0.3	-0.1	-48.8%
Net Profit	0.7	0.4	-51.3%

Source: Elsa Solutions, Value Track Analysis

Net Debt: modest uptick, chiefly WC-driven

Net Debt stood at €4.7m (vs €4.4m FY24), primarily driven by a higher WC stock which was affected by €750k VAT receivables mostly tied to the 2024 expansion of the production site and equipment, only partially compensated by lighter inventories and trade receivables on lower activity. This VAT was refunded in July and will contribute to improve Net Debt in 2H. Capex was minimal (~€0.2m) and below D&A, so Net Fixed Assets declined over the period.

Balance Sheet 1H24-1H25

(OIC, €mn)	1H24	Dec 24	1H25
Net Fixed Assets	7.0	7.3	7.1
Net Working Capital	7.4	8.3	9.1
Provisions	0.5	0.6	0.6
Total Capital Employed	13.9	15.0	15.5
Group Net Equity	10.2	10.5	10.8
Net debt (-) / Cash (+)	-3.7	-4.4	-4.7

Source: Elsa Solutions, Value Track Analysis

Cash Flow 1H24-1H25

(OIC, €mn)	1H24	1H25
EBITDA	1.4	0.8
Δ NWC	1.2	-0.8
Capex (excl. Financial Inv.)	-0.5	-0.2
Δ Provisions	0.0	0.1
OpFCF b.t.	2.1	-0.1
As a % of EBITDA	147.9%	<0
Cash Taxes	-0.3	-0.1
OpFCF a.t.	1.8	-0.2
Capital Injections	0.0	0.0
Others (incl. Financial Inv.)	0.0	0.0
Net Financial Charges	-0.1	0.0
Dividends Paid	0.0	0.0
Δ Net Financial Position	1.7	-0.3

Source: Elsa Solutions, Value Track Analysis

Backlog

The company reported a backlog of €6mn (as of end-of-June), with Aliant and E-Motion contributing for 80%/20% respectively, and down from €7.1 of December 2024 and from €10.9 of June 2024. These data suggest that:

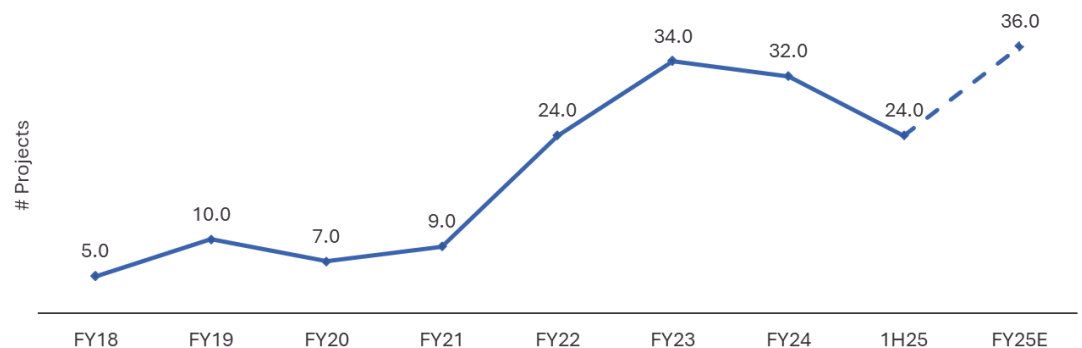
- momentum in all segments of Industrial automation remains extremely weak, with Elsa reporting the third decreasing number of order backlog in a row;
- order visibility is extremely poor, as 93% of orders are relative to deliveries due in 2H25, while Aliant's usual backlog coverage is 9–12 months (vs. ~3 months for E-Motion);
- it is unlikely to see a sharp recovery in the short term (4Q25 or 1Q26), as there are no signs of recovery in final demand yet, and FY26E sales coverage is virtually nil at the moment.

Project Intake (Aliant)

The main piece of good news of the interim reporting is the pace of new project acquisitions, as Aliant was able to secure 24 new projects in the first half of the year, with a significant contribution from new clients too. Management has indicated that momentum in this activity remains strong also in the second half of the year, and we may expect FY25 to witness the best year ever in terms of project onboarding, as the best year ever was FY23 with 34 projects. We believe this acquisition pace signals a steady increase of market share and bodes very well for the medium-term growth potential. However, it is important to consider that

- new project wins typically translate into revenues with an 18–24 month delay; but
- order acquired in FY23-1H24 have not translated into significant business yet, as the current (negative) environment tends to stretch these timelines, and this may remain the case if the gloomy picture for capital goods persists; hence
- while these data confirm the commercial strength and the increasing market share of Aliant, the exact timing for these to translate into revenues is uncertain.

Aliant: number of acquired projects per year



Source: Value Track Analysis

Key Outcomes

The main messages provided by 1H results and by the comment by management were the following:

- The **two lines of business** - E-Motion and Aliant - are somehow compensating as they have different drivers, the former is more driven by maintenance activity and capex, while the latter is also driven by new projects of electrification. In 1H25 the sharp decrease witnessed by Aliant was balanced by a slower decrease by E-Motion - as it occurred in 2H 24 - while in 1H24 they performed the other way round;
- In terms of profitability, 1H **gross margin** was much higher than expected, mostly since the contribution to sales of small, minor orders was much stronger than prior years, and these orders typically entail higher gross margins compared to large orders of key clients. This positive effect was then more than compensated by the much higher base of fixed costs, which heavily affected the **EBITDA** margin;
- **Demand** is likely to remain weak also in 2H, as order backlog suggests, and 1H26, but we may see an unexpected recovery in E-Motion sales, as orders for these products are typically executed in few weeks, should investment cycle recover faster or earlier than expected;
- Elsa is gaining **market share** in the battery division, as according to management Aliant gained 24 new projects in the first semester, with a very high hit rate and with momentum due to remain positive also in 2H. These awards will not support the P&L in FY25 or 1H26, but they bode well for the medium term growth potential of Aliant, and early benefits on revenues may be visible from 4Q26:
- **Management** was able to focus on i) strict control on direct costs and optimization of labor costs (total employees increased in FY24, following the capacity expansion), resulting in a very favorable gross margin and positive EBITDA and ii) balance sheet, despite the “opportunistic” increase in raw materials, net debt closed at €4.7mn (just above the €4.4mn level of Dec 2024 and despite a very high level of tax credits, normalized in 2H).

Estimates Review

New Estimates

We have updated our model to factor the weaker than expected revenues and order backlog on the one hand, and the better gross margin and FCF on the other. As a result, we leave almost unchanged our FY25E forecasts – with unchanged EBITDA and NFP despite a 6% lower top line – but cut our FY26E projections as for VoP and EBITDA, as from the table below. We also introduce projections for FY27E.

Old vs. New Estimates FY25-26E and FY27E

(OIC, €mn)	2025E			2026E			2027E
	Old	New	Chg. %	Old	New	Chg. %	
Value of Production	18.0	16.9	-6.1%	21.3	18.0	-15.7%	21.3
EBITDA	1.0	1.0	-0.6%	1.6	1.2	-24.7%	1.9
<i>EBITDA Margin (%)</i>	<i>5.6%</i>	<i>5.9%</i>	<i>32 bps</i>	<i>7.3%</i>	<i>6.6%</i>	<i>-79 bps</i>	<i>8.8%</i>
EBIT	0.4	0.4	0.3%	1.0	0.6	-38.5%	1.3
<i>EBIT Margin (%)</i>	<i>2.3%</i>	<i>2.4%</i>	<i>15 bps</i>	<i>4.5%</i>	<i>3.3%</i>	<i>-121 bps</i>	<i>6.2%</i>
Net Profit	0.1	0.1	0.9%	0.5	0.2	-53.6%	0.7
Net Financial Position	-4.1	-4.0	0.1	-3.3	-3.3	0.1	-3.1

Source: Elsa Solutions, Value Track Analysis

The key changes in our model are the following:

- **Revenues:** Lower Revenues already in FY25E - We now assume a decline in FY25E revenues of 24% y/y (vs previous -18%) and expect revenues to start recovering in 2H26, with FY26E up 7% y/y and to accelerate in FY27E (+19% y/y), driven by Aliant, whose pile of new projects starts going in production. We expect Aliant to represent ca. 55% of Group revenues vs 50% of FY25E.
- **Operating Margins:** Reduced Margins in FY26E - While 1H gross margin was above expectations and lead us to adjust our FY25E EBITDA up by 30bps, as for FY26E we cut both EBITDA margin and EBITDA, despite the higher gross margin, due to revenues much lower than expected and a fixed cost base difficult to optimize further. As we now assume revenues to recover from 2H26E, we see margins to improve slightly in FY26Y and expanding by 220bps in FY27E;
- **Net Debt:** broadly unchanged – we expect lower EBITDA to be compensated by better NWC management and slightly lower capex, as following the completion of the new Aliant automated plant, with the last machinery to be delivered in 1Q26, the company will only face maintenance capex. It is worth remembering that the new plant has increased massively the annual capacity of Aliant: as for the key product lines (traction batteries) it could grow by a 3x factor.

Profit and Loss FY24-FY27E

(OIC, €mn)	FY24	FY25E	FY26E	FY27E
Value of Production	22.3	16.9	18.0	21.3
Raw Materials, Δ Inventory	-15.5	-11.5	-12.3	-14.7
Gross Profit	6.8	5.4	5.7	6.7
Gross Margin (%)	30.6%	32.0%	31.7%	31.2%
Costs of Services	-1.7	-1.4	-1.4	-1.5
Costs of Rent	-0.1	-0.1	-0.1	-0.1
G&A	-0.1	-0.2	-0.1	-0.1
Labour Costs	-2.6	-2.7	-2.8	-3.0
EBITDA	2.3	1.0	1.2	1.9
EBITDA Margin (%)	10.1%	5.9%	6.6%	8.8%
D&A	-0.5	-0.6	-0.6	-0.6
Provisions	0.0	0.0	0.0	0.0
EBIT	1.7	0.4	0.6	1.3
Interest Expenses	-0.3	-0.3	-0.3	-0.3
Pre-Tax Profit	1.4	0.1	0.3	1.0
Taxes	-0.4	0.0	-0.1	-0.3
Net Profit	1.0	0.1	0.2	0.7
Net Profit Margin (%)	4.6%	0.5%	1.2%	3.4%

Source: Elsa Solutions, Value Track Analysis

Balance Sheet FY24-FY27E

(OIC, €mn)	FY24	FY25E	FY26E	FY27E
Net Fixed Assets	7.3	6.9	6.6	6.2
Net Working Capital	8.3	8.4	8.2	9.3
Provisions	0.6	0.6	0.7	0.8
Total Capital Employed	15.0	14.7	14.1	14.7
Group Net Equity	10.5	10.6	10.9	11.6
Net Financial Position	-4.4	-4.0	-3.3	-3.1

Source: Elsa Solutions, Value Track Analysis

Cash Flow FY24-FY27E

(OIC, €mn)	FY24	FY25E	FY26E	FY27E
EBITDA	2.3	1.0	1.2	1.9
Δ NWC	0.4	-0.1	0.2	-1.1
Capex (excl. Financial Inv.)	-1.1	-0.2	-0.3	-0.1
Δ Provisions	0.0	0.0	0.0	0.2
OpFCF b.t.	1.6	0.7	1.1	0.8
<i>As a % of EBITDA</i>	<i>72.2%</i>	<i>72.2%</i>	<i>96.2%</i>	<i>40.9%</i>
Cash Taxes	-0.4	0.0	-0.1	-0.3
OpFCF a.t.	1.3	0.7	1.0	0.5
Capital Injections	0.0	0.0	0.0	0.0
Others (incl. Financial Inv.)	0.0	0.0	0.0	0.0
Net Financial Charges	-0.3	-0.3	-0.3	-0.3
Dividends Paid	0.0	0.0	0.0	0.0
Δ Net Financial Position	0.9	0.4	0.8	0.2

Source: Elsa Solutions, Value Track Analysis

Valuation

Over the last year the stock has continued its retracement, moving from a trading area above €4 per share (prior to September 2024) to the €1.4-1.8 range witnessed over the last six months, while in the meantime most of its peers have recovered performing much better. Elsa Solutions probably suffered more than peers also due to i) the “unlucky” timing of its capacity expansions completed this year, and ii) the limited appeal of very thin stocks in the current stock market situation.

Yet, we see

- the **long-term drivers of the Company equity story still intact**, with the global electrification process due to continue (at least for industrial automation and applications and industrial mobility);
- management is delivering a **very effective acquisition policy for new projects** and clients, as confirmed in 1H, and this suggests Elsa is steadily gaining market shares;
- on the other hand, **FY25 seems to be extremely challenging** - more than expected - and recovery is likely to be slower and to arrive later than previously assumed, due to external factors - mostly the impact of US tariffs and geopolitical uncertainty.

Based on revised financials and updated sector multiples, we have revised our **fair Value to €2.5/sh.** (vs previous €2.70), still based on peers’ multiple analysis and DCF model. The former is based on EV/EBITDA relative valuation (2026E-2027E) and built by segment (i.e. E-Motion and Aliant). As for DCF model, the main assumptions are unchanged, while updated Equity market data have caused a slight increase of WACC since our last update (-20bps).

At fair value the stock multiples in FY27E should be 0.6x EV/Sales, 6.5x EV/EBITDA and 12.8 P/E, aligned to Aliant’s peers, as the Group EBITDA will be mostly related to the battery business unit by then and its growth potential is supported by its significant state-of-the art spare capacity.

i) Peers Analysis

We updated our model based on peers’ relative valuation, split between the two businesses of motion control and batteries (given their different ratings, growth prospects, etc.) and focused on FY26E-27E EV/EBITDA. As reported in the table below we take peers’ multiples for Aliant and E-Motion respectively and apply these to our revised forecasts for both business lines: this model indicates an equity value of €2.3/sh.

Elsa Solutions: Equity Value based on Peers’ multiples

€mn	2026E		2027E	
	Aliant	E-Motion	Aliant	E-Motion
EBITDA	1.2	0.0	1.8	0.1
EV/EBITDA of Peers	10.1	5.8	6.3	4.9
EV Business Line	11.7	0.0	11.1	0.6
EV Elsa Solutions (Aliant + E-Motion)	11.8		11.7	
Net Debt	-3.3		-3.1	
Equity Value (€mn)	8.5		8.6	
Equity Value p.s.	2.31		2.35	
Equity Value p.s. (avg.)	2.33			

Source: Value Track Analysis

Here below we report the key multiples of the comparable stocks considered, based on updated consensus. Given the strong stock performances of most peers (all but Tenax International) since our last update, the data show a further re-rating of the sector, in both segments. This time the peers’ group has witnessed a deteriorating consensus only for a very few names.

Elsa Solutions: Peers' Trading Multiples

Peers	EV/Sales (x)		EV/EBITDA (x)		P/E (x)	
	2026E	2027E	2026E	2027E	2026E	2027E
Aliant Peers						
Seri Industrial	1.1	na	9.0	na	>50	na
Energy	0.7	0.6	9.8	4.9	48.5	8.1
Cembre	3.8	3.5	12.4	11.5	20.9	28.7
Tenax Intl.	0.6	0.5	4.8	3.6	5.6	4.2
Lion E-Mobility	0.8	0.5	14.4	5.3	>50	5.3
Microvast	na	na	na	na	48.1	30.3
Aliant Peers - Average	1.4	1.3	10.1	6.3	30.8	15.3
Aliant Peers - Median	0.8	0.6	9.8	5.1	34.5	8.1
E-Motion Peers						
Esautomotion	0.9	0.6	4.0	2.7	12.1	9.4
LU-VE Spa	1.3	1.2	9.2	8.2	18.8	17.2
Marzocchi Pompe	0.5	0.5	4.3	3.5	9.5	6.9
Comer Industries	1.1	1.0	7.1	6.1	14.2	12.2
SIT	0.5	0.5	4.4	3.8	7.4	4.9
E-Motion Peers - Average	0.9	0.8	5.8	4.9	12.4	10.1
E-Motion Peers - Median	0.9	0.6	4.4	3.8	12.1	9.4
Total Average	1.1	1.0	7.9	5.5	20.6	12.7
Total Median	0.8	0.6	8.0	4.9	14.2	8.8

Source: Value Track Analysis

ii) DCF Valuation

Our DCF model is built for the business as a whole and gets to a fair Equity Value per share cut to €2.8 (from €3.0), on lower earnings (delayed recovery) and despite a slightly lower WACC. In more details:

- ◆ reference date Dec 2025E, with 2026E-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 3.8x and 4.2x EV/EBITDA;
- ◆ 2.0% risk-free rate in line with medium/long-term ECB inflation target;
- ◆ 1.2 unlevered beta, i.e. the average of estimates for Electric components & Machinery (Source: Damodaran);
- ◆ 5.37% implied Italian equity risk premium (Source: Damodaran, lowered);
- ◆ 2.75% Elsa Solutions specific small-size / execution risk premium (unchanged);
- ◆ 3.8% pre-tax and 2.9% after-tax cost of debt (lowered).

On a rolling capital structure, Elsa Solutions WACC starts from 10.6% in 2026E (21% Net Debt/Total Capital Employed) and lands at 11.1% in 2030E (7% leverage). At target 30% leverage structure, Elsa Solutions WACC is fixed at 10.3% for the whole period.

DCF Model Outcomes

€mn	Rolling Capital Structure	Target Capital Structure
PV of future cash flows (2026-2030)	2.5	2.5
PV of Terminal Value	11.0	12.5
Fair EV	13.4	15.0
NFP 2025E	-4.0	-4.0
Fair Equity Value	9.4	11.0
Fair Equity Value p.s.	2.5	3.0

Source: Value Track Analysis

Sensitivity of DCF model @ Target Capital Structure (€/sh)

g =1%		0.50%	0.75%	1.0%	1.25%	1.5%
WACC (%)	9.3%	3.1	3.4	3.6	4.0	4.3
	9.8%	2.8	3.1	3.3	3.6	3.9
	10.3%	2.6	2.8	3.0	3.2	3.5
	10.8%	2.4	2.5	2.7	2.9	3.1
	11.3%	2.2	2.3	2.5	2.6	2.8

Source: Value Track Analysis

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