

September 19th, at 18:00

1H results below our estimates

Revenues decreased by 2.2% yoy to €74.8mIn, 7.5% below our estimates and 46% of our previous FY22 forecast (€161mIn). [Please refer to our Initial Coverage on May 6th 2022]. Regarding revenue breakdown, Lighting sales came in at €71.2mIn, (+1% yoy), while Other Revenues stood at €3.6mIn (-38% yoy). Turnover decrease was mainly due to i) a delay in ordinary Lighting sales due to new pandemic waves in China and ii) lower sales of SanificaAria for the weakening of the pandemic in Europe. EBITDA declined by 22% yoy to €6.6mIn, some 30% below our expectations and 41% of our previous EBITDA forecast for the FY22 (€16.1mIn). Main causes were i) increase in costs of raw and industrial materials and ii) growth in personnel costs following the termination of the redundancy fund. EBITDA margin moved to 8.8% from 11.1% in 1H21 and 120bps below our previous projection for the FY22. At the end of June 2022, Net Debt rose to €51.8mIn from €42.8mIn at the end of 2021. This compares to our €40mIn estimate at the end of 2022, for higher cash absorption by Net Operating Working Capital than assumed.

ESG Analysis and Sustainability report

To best involve stakeholders and communicate its ESG goals, Beghelli published its 2021 Non-Financial statement using "GRI Sustainability Reporting Standards".

Estimates revision: reducing 2022-2024E

Following 1H22 results we lowered estimated sales CAGR 21-24E to 4.3% from previous 5.4%. [Please refer to our Initial Coverage on May, 6th 2022]. Furthermore, we slightly increased the incidence of raw materials costs on revenues to 45% in 2022E (vs previous 43.7%) due to the persisting pressure on commodity prices. We now see adjusted EBITDA stable at €13.5mIn in 2022, below our previous estimate at €16.1. This is in line with management guidance in 1H22 press release. Therefore, adj. EBITDA CAGR in 2021-2024 is now expected at 10% to reach €19.5mIn with an average EBITDA margin at 9.6% from our previous estimate at 10.5%. Finally, we forecast stable Net Debt at the end of 2022 at €42.4mIn, above our previous forecast at €40.3mIn and to decrease by about €4mIn per year.

Valuation: 12-month target price at €0.44; BUY

We confirm our BUY recommendation but reduce our 12-month target price to €0.44/share for: (i) higher WACC, (ii) lower 1H22 EBITDA, which is some 30% below our FY22 expectations, (iii) lower cumulated FCFs and (iv) de-rating market multiples (FY23 EV/EBITDA from 7.1x to 6.6x). For this last reason, our target price is the weighted average of DCF fair value (3/4) and relative market multiples (1/4). To run the DCF model, we used 2022E-2025E cumulated FCFs (€26.8mIn), a Terminal Value FCF of €7.9mIn as FY23-25 average, a 6.8% WACC and 2% perpetual growth rate. To assess the relative valuation through market multiples we chose FY23E EV/EBITDA (6.6x) excluding FY22E multiple for the complex and uncertain current scenario. Our valuation excludes a potential upside coming from the disposal of assets intended for sale which have been booked in Working Capital since 2020 for €21.3mIn (or €0.10/share).

Target Price	€0.44	from €0.56
Recommendation	BUY	Confirmed
Company Profile		
Ticker	BE IM (Bloomberg), BE-IT (FactSet)	
Reference Industry	Industrials – Electrical Equipment	
Stock exchange	Italian Stock Exchange	
Reference Index	FTSE Italia Small Cap	
Market Data		
Last Closing Price	0.31 €	
Number of shares (mln)	200.0	
Market capitalization (mln)	61.9 €	
Equity Float	25%	
1Y performance		
Absolute	-20.7%	
Max / Min	0.30/0.48	
Average daily volumes	470,543	

Main Financials

(€/mln)	2021	2022E	2023E	2024E
Total revenue	152.3	154.2	163.1	172.6
yoy change	17.1%	1.2%	5.8%	5.9%
EBITDA	15.1	13.5	15.9	18.0
EBITDA margin (%)	9.9%	8.8%	9.7%	10.4%
ADJUSTED EBITDA	13.4	13.5	15.9	18.0
Adj EBITDA margin (%)	8.8%	8.8%	9.7%	10.4%
EBIT	6.8	3.2	5.1	6.7
EBIT margin (%)	4.5%	2.0%	3.1%	3.9%
Group Net income	3.1	0.9	2.2	3.3
Margin (%)	2.0%	0.6%	1.3%	1.9%
Adjusted net debt (cash)	42.8	42.4	38.7	34.5
Shareholders Equity	89.1	89.3	90.8	93.1
Net Operating Working Capital	46.9	50.7	53.9	56.8
Capex and acquisitions	6.8	4.6	5.3	6.1
Free Cash Flow	7.6	4.5	5.9	7.3

Banca Profilo elaborations on Company data

1Y-months normalized performance



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SWOT analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Solid product pipeline • Know-how and expertise across different segments of the lighting and emergency industry • Brand Awareness • Strong geographic diversification • Strong business diversification • Strong spirit of innovation 	<ul style="list-style-type: none"> • Limited scale compared to international competitors • Not very active social channels • Low entry barriers
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Expansion of the production business in relation to dynamic emergency lighting • Geographical expansion opportunities in Europe • Increasing use of air sanitation, a growing trend in the coming years • Ageing population as a driver for Salvalavita Beghelli • Energy efficiency and savings as a driver for ordinary lighting. 	<ul style="list-style-type: none"> • Intensifying competition from Asia • Increasing cost of raw materials, energy and transportation • War Russia against Ukraine • Substitute products competition

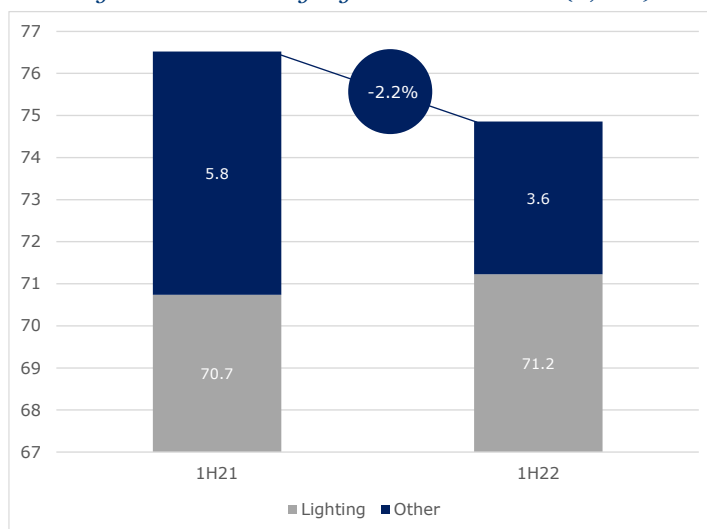
1H22 results

Historical performance analysis

1H22: Revenues decreased by 2.2% yoy to €74.8m

Total Revenues decreased by 2.2% yoy to €74.8m, which is 7.5% below our estimates and represents 46% of our previous forecast for the FY22 (€161m). [Please refer to our Initial Coverage on May, 6th 2022]. Regarding turnover breakdown, Lighting sales came in at €71.2m (+1% yoy), while Other Revenues stood at €3.6m (-38% yoy). The general decrease in revenues was mainly due to i) the delay in sales of Lighting for the new pandemic wave in China and ii) lower sales of SanificaAria for the weakening of the pandemic in Europe.

Figure 1: Revenues by segment in 1H21-1H22 (€ mln)

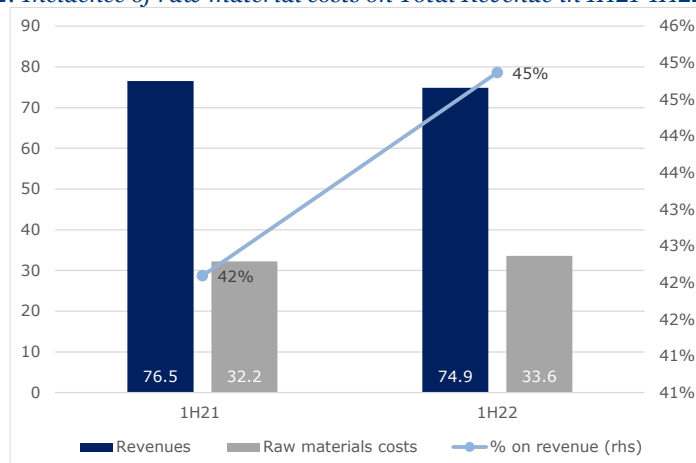


Source: Banca Profilo elaborations on Company data

1H22: raw material costs incidence on revenue at 45%

The incidence of raw materials costs on revenue increased from 42% in 1H21 to 45% in 1H22 due to outbreak of the Russia – Ukraine conflict and the re-emergence of the pandemic risk from Covid-19 in China and Hong-Kong.

Figure 2: Incidence of raw material costs on Total Revenue in 1H21-1H22 (€ mln)

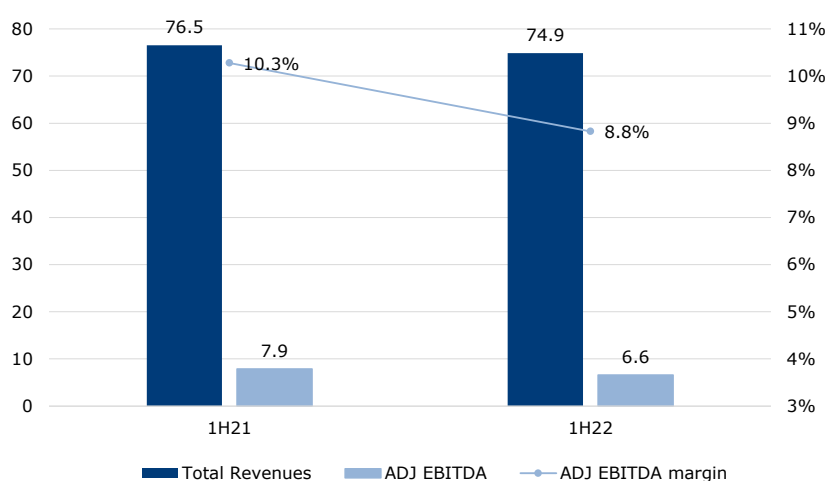


Source: Banca Profilo elaborations on Company data

1H22: Adj EBITDA margin declined to 8.8% from 10.3% a year before

Adjusted EBITDA declined by €1.9m to €6.6m, some 30% below our previous projection, and represents 41% of our previous EBITDA estimate for the FY22 (€16.1m). The main causes were i) the increase in costs of raw and industrial materials and ii) personnel costs growth following the termination of the redundancy fund. Adjusted EBITDA margin stood at 8.8%, 1.2% below our previous projection for FY22 and down from 10.3% in 1H21.

Figure 3: Historical generation of Adjusted EBITDA 1H21-1H22 (€ mln)



Source: Banca Profilo elaborations on Company data

1H22: Net income at € 0.45mln In the first semester, Net income decreased to €0.5mln from €2.3mln 1H21.

Table 1: Beghelli Profit & Loss 1H21-1H22 (€ mln)

Profit & Loss (€ mln)						
	1H2020	FY20	1H2021	FY21	1H2022	
Total Revenue	57.4	130.1	76.5	152.3	74.9	
	yoy	-20%	33%	17%	-2%	
Cost of materials and related services	(25.7)	(58.1)	(32.2)	(65.1)	(33.6)	
	% on Revenue	45%	45%	43%	45%	
Gross Profit	31.7	71.9	44.3	87.2	41.3	
	Margin	55%	58%	57%	55%	
	yoy	-19%	40%	21%	-7%	
Labour cost	(15.1)	(30.4)	(17.1)	(33.9)	(18.0)	
	% on Revenue	26%	23%	22%	24%	
Cost of services and other operating costs	(12.9)	(30.7)	(18.8)	(33.9)	(16.6)	
	% on Revenue	22%	24%	25%	22%	
Comprehensive operating costs	(53.6)	(119.2)	(68.0)	(132.9)	(68.3)	
	% on Revenue	93%	92%	87%	91%	
EBITDA	3.8	8.1	8.5	15.1	6.6	
	Margin	6.5%	6.2%	11.1%	9.9%	8.8%
ADJ. EBITDA	3.8	8.1	7.9	13.4	6.6	
	Margin	6.5%	6.2%	10.3%	8.8%	8.8%
D&A	(5.7)	(10.4)	(3.9)	(8.3)	(4.0)	
	% on Revenue	10%	8%	5%	5%	5%
EBIT	(1.9)	(2.3)	4.6	6.8	2.6	
	Margin	-3.3%	-1.8%	6.1%	4.5%	3.4%
Net Financial Income (expenses)	(2.2)	(5.2)	(1.2)	(2.9)	(1.8)	
	% on Revenue	4%	4%	2%	2%	2%
EBT	(4.1)	(7.5)	3.4	3.9	0.8	
	Margin	-7%	-6%	4%	3%	1%
Income Tax Expense	(1.8)	(1.6)	(1.1)	(0.6)	(0.3)	
	Tax rate		-22%	16%		
Group Net Income	(6.0)	(9.2)	2.3	3.3	0.5	
	Margin	-10.4%	-7.0%	3.0%	2.2%	0.6%

Source: Banca Profilo elaborations on Company data

Balance Sheet

30.06.22: Net Operating Working Capital increased to 78% of revenue

At the end of June 2022, Net Operating Working Capital stood at €58.3mIn, including trade receivables for €33.4mIn, trade payables for €42.8mIn and inventories for €67.7mIn. The incidence of trade receivables on revenue increased to 45% from 16% at the end of 2021 due to less recourse to pro-soluto receivables transfer and to the greater concentration of revenues at the end of June 2022. The incidence of inventories rose to 90% from 41% at the end of 2021 for stock piling needed for orders execution in the second half of this year.

30.06.22: Net debt rose to €51.8mIn

At the end of June 2022, Net Debt rose to €51.8mIn from €42.8mIn in December 2021. This compares to our previous estimate at €40mIn at the end of 2022 for higher than projected cash absorption by Net Working Capital in the first semester.

Table 2: Beghelli Balance Sheet FY17-FY21 (€ mln)

Balance Sheet (€ mln)					
	1H2020	FY20	1H2021	FY21	1H2022
Intangible Assets	14.8	14.8	15.0	14.7	14.9
Right of use	8.4	8.4	7.7	28.2	27.1
Tangible Fixed Asset	31.8	31.8	30.6	16.5	16.0
Non-instrumental tangible fixed assets	0.5	0.5	0.5	0.5	0.5
Financial Assets	15.6	15.6	13.5	11.9	10.8
Fixed Assets	71.1	71.1	67.3	71.8	69.2
Trade Receivable	32.9	32.9	36.2	25.1	33.4
Inventories	49.8	49.8	56.4	62.1	67.7
Trade Payable	(35.8)	(35.8)	(43.0)	(40.2)	(42.8)
Net Operating Working Capital	46.9	46.9	49.6	46.9	58.3
<i>% on Revenue</i>	<i>82%</i>	<i>36%</i>	<i>65%</i>	<i>31%</i>	<i>78%</i>
<i>Trade receivables (% on Revenue)</i>	<i>57%</i>	<i>25%</i>	<i>47%</i>	<i>16%</i>	<i>45%</i>
<i>Inventories (% on Revenue)</i>	<i>87%</i>	<i>38%</i>	<i>74%</i>	<i>41%</i>	<i>90%</i>
<i>Trade payables (% on cost of services & materials)</i>	<i>93%</i>	<i>40%</i>	<i>84%</i>	<i>41%</i>	<i>85%</i>
Other Current Assets	32.1	32.1	28.3	30.5	32.1
Other Current Liabilities	(19.4)	(19.4)	(20.6)	(19.6)	(19.5)
Working Capital	59.6	59.6	57.4	57.8	70.9
Non Current Assets	18.0	18.0	15.8	14.4	14.2
Non Current Liabilities	(11.5)	(11.5)	(11.4)	(12.0)	(11.4)
Of which Funds	(11.0)	(11.0)	(10.9)	(11.3)	(10.6)
Invested Capital	137	137	129	132	142.9
CapEx		3.7		6.8	
<i>% on Revenue</i>		<i>3%</i>		<i>5%</i>	
<i>Intangible</i>		<i>3.3</i>		<i>3.6</i>	
<i>Tangible</i>		<i>0.4</i>		<i>3.2</i>	
<i>Financial</i>		<i>0.0</i>		<i>0.0</i>	
Share capital	10.0	10.0	10.0	10.0	10.0
Reserves and Retained Earnings	81.6	81.6	74.2	75.9	80.8
Group Net Income	(8.9)	(8.9)	2.2	3.1	0.5
Third party Equity	(0.0)	(0.0)	0.1	0.2	0.2
Consolidated Shareholders' Equity	82.6	82.6	86.5	89.1	91.5
Net Financial Position (Cash)	54.6	54.6	42.6	42.8	51.8

Source: Banca Profilo elaborations and estimates on Company data

Strategy and estimates

Our 2022-2024E estimates revision

Main growth drivers

Main **growth drivers** are:

1. For the **lighting business**: (i) Energy efficiency and savings, (ii) visual comfort, (iii) smart lighting and innovative technology and (iv) the Europe Renovation Wave aimed at promoting energy efficiency in the building incentivized restructuring process;
2. For other revenues linked to **"Telesalvalavita Beghelli"** the main drivers consist of (i) remote assistance, (ii) telemedicine and (iii) the progressive ageing of the population expected to rise from 22% to 33% in the next few years;
3. Environment sanitization, thanks to SanificaAria device, has become a long-term trend, beyond pandemic needs Covid-19 various;

Income Statement

Emergency and ordinary lighting as guidelines to forecast revenue

Our estimates are on Beghelli Group as is, stand alone, at constant exchange rates. Regarding the lighting business we used independent research estimates and normalized them according to Beghelli's geographical exposure.

1. **Emergency & non-lighting systems**: according to GlobeNewswire research (December 6th, 2021), the global market for emergency lighting is projected to grow at a **6.5% CAGR** by 2026.
2. **Ordinary lighting**: according to different research the European revenue of ordinary lighting is expected to grow at an **8.2% CAGR** by 2027.

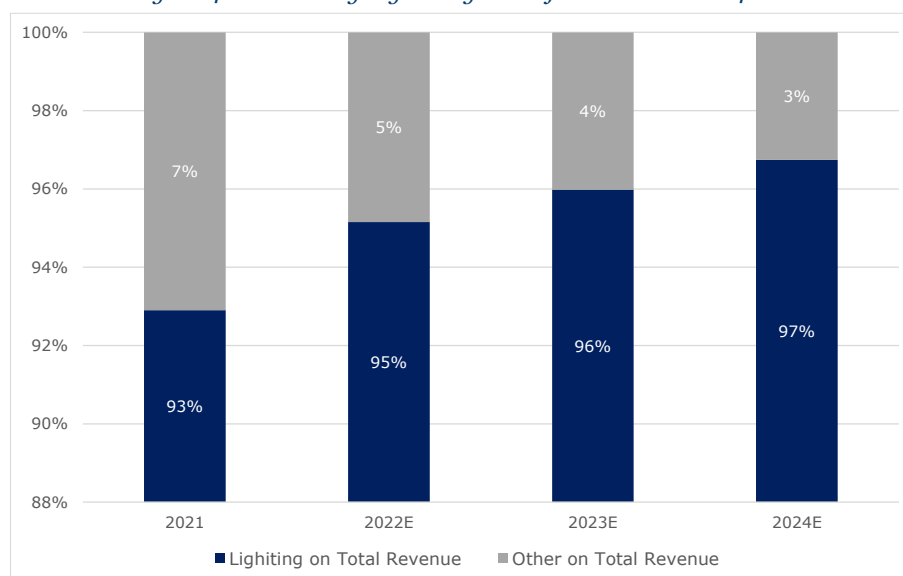
Lighting revenues to grow at 6.7% CAGR in 2021-2024E

We left unchanged our estimates for Lighting revenues to generate €146.7mln turnover in 2022 and to grow at a 6.7% CAGR in 2021-2024E to €167mln.

We cut our projection on SanificaAria turnover in the 2H22 and forward

We have revised downward our estimates on Other Revenues, since in 1H22 fewer sales of SanificaAria occurred, due to the weakening of the pandemic in Europe. We assume that 35,000 SanificaAria will be sold till the end of 2022E vs previous estimate of 76,000 pieces. We now see the incidence of Other Revenue on Total revenue to decrease from 7.1% in 2021 to 4.8% in 2022E to 3.3% in 2024E.

Figure 4: Revenue by segment growth from 2021 to 2024E FY



Source: Banca Profilo elaborations and estimates

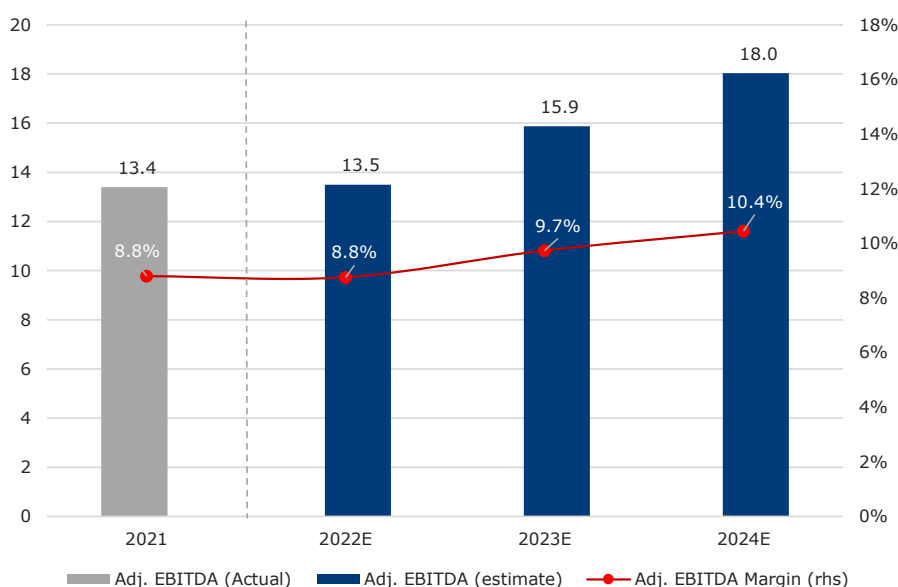
Revenues CAGR 21-24 at 4.3% vs previous 5.4%

Overall, we project Total revenues to grow at a CAGR 21-24 of 4.3%, below our previous estimate at 5.4%.

Raw material costs incidence to 45% in 2022E

We slightly increased the incidence of raw materials costs on Revenues to 45% in 2022E (vs previous 43.7%) due to the persisting pressure on commodity prices. We then project a gradual reduction of the incidence to 43% in 2024E.

Figure 5: EBITDA Adjusted and EBITDA Margin Adjusted trend 2017-2023E



Source: Banca Profilo elaborations and estimates

2022E adj. EBITDA cut to €13.5m; to grow at 10% CAGR 2021-2024E

As a consequence of our revenue and operating costs projections, we forecast adjusted EBITDA to remain stable at €13.5m in 2022E, well below our previous estimate at €16.1. This is in line with management guidance in 1H22 press release. We plan adj. EBITDA to grow at 10% CAGR over the 2021-2024 to reach €19.5m or 10.5% margin (8.8% in 2021 and 2022E). Overall, adj. EBITDA margin average over 2022E-2024E is now revised at 9.6% from our previous estimate at 10.5%.

EBIT at €3.2m in 2022E

We forecast EBIT to increase from €3.2m in 2022E (vs our old estimate at €7.1m) to €6.7m in 2024E.

Net income at €1m in 2022E and to reach €3.3m in 2024

Comprehensive net income is now seen at approximately €1m in 2022E, down from our previous estimate at €2.8m. In 2021-2024E, net income is expected to grow at 2% CAGR to reach €3.3m.

Table 3: Beghelli Profit & Loss 2021-2024E (€, mln)

Profit & Loss (€/mln)							
	FY21	FY22 OLD	FY22 NEW	FY23 OLD	FY23 NEW	FY24 OLD	FY24 NEW
Pro-forma revenue	-	-	-	-	-	-	-
Reported Revenue	148.0	160.5	153.7	172.7	162.6	177.7	172.1
Other Revenue	2.5	0.5	0.5	0.5	0.5	0.5	0.5
Non recurring revenue	1.7	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenue	152	161	154	173	163	178	173
yoy	17%	6%	1%	8%	6%	3%	6%
Cost of materials and related services	(65.1)	(70.3)	(69.0)	(74.3)	(71.1)	(75.5)	(74.6)
% on Revenue	43%	44%	45%	43%	44%	42%	43%
Gross Profit	87	91	85	99	92	103	98
Margin	57%	56%	55%	57%	56%	58%	57%
yoy	21%	4%	-2%	9%	8%	4%	7%
Labour cost	(33.9)	(36.9)	(36.2)	(38.9)	(37.5)	(41.1)	(39.2)
% on Revenue	22%	23%	23%	22%	23%	23%	23%
Cost of services and other operating costs	(33.9)	(37.7)	(35.5)	(41.6)	(38.6)	(42.0)	(40.8)
% on Revenue	22%	23%	23%	24%	24%	24%	24%
Comprehensive operating costs	(132.9)	(144.9)	(140.7)	(154.8)	(147.2)	(158.7)	(154.6)
% on Revenue	87%	90%	91%	89%	90%	89%	90%
EBITDA	15.1	16.1	13.5	18.4	15.9	19.5	18.0
Margin	9.9%	10.0%	8.8%	10.6%	9.7%	10.9%	10.4%
ADJ. EBITDA	13.4	16.1	13.5	18.4	15.9	19.5	18.0
Margin	8.8%	10.0%	8.8%	10.6%	9.7%	10.9%	10.4%
D&A	(8.3)	(9.0)	(10.3)	(9.5)	(10.8)	(10.0)	(11.3)
% on Revenue	5%	6%	7%	5%	7%	6%	7%
EBIT	6.8	7.1	3.2	8.9	5.1	9.5	6.7
Margin	4.5%	4%	2%	5%	3%	5%	4%
Net Financial Income (expenses)	(2.9)	(3.3)	(2.0)	(3.5)	(2.2)	(3.7)	(2.3)
% on Revenue	2%	2%	1%	2%	1%	2%	1%
EBT	3.9	3.8	1.2	5.4	2.9	5.8	4.3
Margin	3%	2%	1%	3%	2%	3%	3%
Income Tax Expense	(0.6)	(0.9)	(0.3)	(1.4)	(0.7)	(1.4)	(1.0)
Tax rate	16%	25%	24%	25%	24%	25%	24%
Group Net Income	3.1	2.8	0.9	4.0	2.2	4.3	3.3
Margin	2.0%	1.7%	0.6%	2.3%	1.3%	2.4%	1.9%
yoy	-135%	-10%	-71%	43%	146%	7%	49%
Basic EPS from Continuing Operations	0.00	0.01	0.00	0.02	0.01	0.02	0.02
yoy	-112%	220%	2%	43%	146%	7%	49%

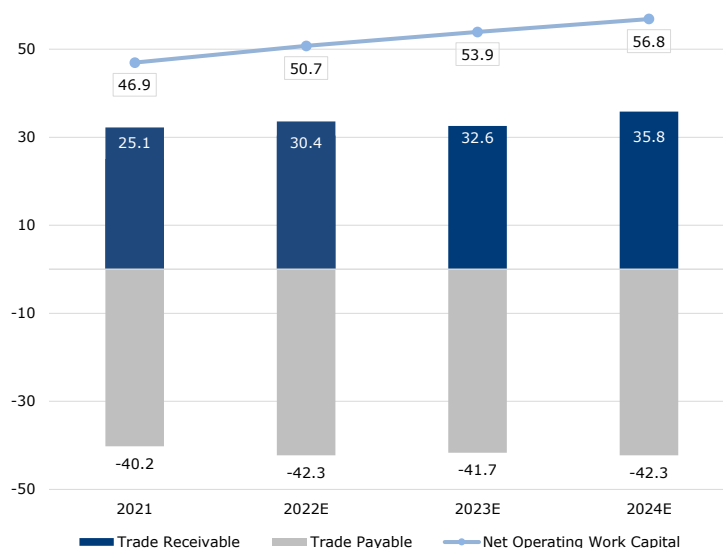
Source: Banca Profilo elaborations and estimates

Balance Sheet

NWC to increase by €6.1mln over 2022E-2024E

Regarding Balance Sheet estimates, we expect Net Operating Working Capital to increase by €6.1mln over 2022-2024E with a constant incidence on revenue of 33% each year. In details, over 2022-2024 we forecast an increase in Trade receivables of €5.5mln with an incidence on revenue on average equal to 20% from 16% in 2021. We estimate inventories to increase by €0.6mln over 2022-2024E with an incidence on revenue on average equal to 39% from 41% in 2021. In conclusion, we project Trade Payables to remain stable over 2022-2024E with a decrease in 2023E and an increase in 2024E to the level of 2022E (€42.3mln) from €40.2mln in 2021.

Figure 6: Beghelli Net working capital composition and dynamics 2021-2024E (€, mln)



Source: Banca Profilo elaborations and estimates on Company data

Net Debt at €42.4mln in 2022E to reach €34.5mln at the end of 2024E

As indicated by the management in the 1H22 press release, we estimate Net Debt to remain stable at the end of 2022 at €42.4mln, above previous estimate of €40.3mln and to decrease on average by about €4mln per year over the 2023-2024E period, assuming no dividend distribution.

Table 4: Beghelli Balance Sheet 2021-2024E (€, mln)

Balance Sheet (€/mln)							
	FY21	FY22 OLD	FY22 NEW	FY23 OLD	FY23 NEW	FY24 OLD	FY24 NEW
Intangible Assets	14.7	15.1	15.0	15.7	15.4	16.2	15.9
Right of use	28.2	10.5	22.1	7.0	16.0	3.5	10.0
Tangible Fixed Asset	16.5	29.7	16.7	28.9	16.9	28.2	17.3
Non-instrumental tangible fixed assets	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Financial Assets	11.9	9.8	9.8	8.1	8.1	6.7	6.7
Fixed Assets	71.8	65.6	64.1	60.1	56.9	55.1	50.4
Trade Receivable	25.1	29.7	30.4	32.4	32.6	33.8	35.8
Inventories	62.1	62.2	62.6	63.5	63.0	63.5	63.3
Trade Payable	(40.2)	(43.7)	(42.3)	(43.7)	(41.7)	(41.7)	(42.3)
Net Operating Working Capital	46.9	48.2	50.7	52.2	53.9	55.6	56.8
% on Revenue	31%	30%	33%	30%	33%	31%	33%
Trade receivables (% on Revenue)	16%	18%	20%	19%	20%	19%	21%
Inventories (% on Revenue)	41%	39%	41%	37%	39%	36%	37%
Trade payables (% on cost of services & materials)	41%	40%	40%	38%	38%	36%	37%
Other Current Assets	30.5	31.6	29.8	33.3	31.2	34.6	32.8
Other Current Liabilities	(19.6)	(18.3)	(17.1)	(18.8)	(17.2)	(18.0)	(17.2)
Working Capital	57.8	61.5	63.5	66.8	67.9	72.3	72.4
Non Current Assets	14.4	16.8	16.5	17.3	16.9	17.5	17.3
Non Current Liabilities	(12.0)	(12.3)	(12.3)	(12.2)	(12.2)	(12.4)	(12.4)
Of which Funds	(11.3)	(11.6)	(11.6)	(11.5)	(11.5)	(11.7)	(11.7)
Invested Capital	132	132	132	132	130	132	128
CapEx	6.8	4.8	4.6	5.6	5.3	6.3	6.1
% on Revenue	4%	3%	3%	3%	3%	4%	4%
Intangible	3.6	3.1	3.0	3.7	3.4	4.1	4.0
Tangible	3.2	1.7	1.6	2.0	1.9	2.2	2.1
Financial	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share capital	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Reserves and Retained Earnings	75.9	78.3	78.3	80.4	78.5	83.5	79.7
Group Net Income	3.1	2.8	0.9	4.0	2.2	4.3	3.3
Third party Equity	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Consolidated Shareholders' Equity	89.1	91.2	89.3	94.5	90.8	97.9	93.1
Net Financial Position (Cash)	42.8	40.3	42.4	37.4	38.7	34.6	34.5

Source: Banca Profilo elaborations and estimates

Free Cash Flow

*2022E-2024E
cumulated FCFs cut by
over €4mln*

According to our Profit & Loss and Balance Sheet estimates, Free Cash Flow generation should reach the same level of our previous estimate in 2024E, equal to €7.3mln. However, in 2022E we expect FCF at €4.5mln, well below our previous estimate at €8.3mln. Thus, we now forecast cumulated FCFs at €17.6mln, lower than our previous estimates at €21.8mln.

Table 5: Beghelli Free Cash Flow 2018-2024E (€, mln)

	Free Cash Flow (€/mln)						
	FY21	FY22 OLD	FY22 NEW	FY23 OLD	FY23 NEW	FY24 OLD	FY24 NEW
EBIT	6.8	7.1	3.2	8.9	5.1	9.5	6.7
Tax rate	16%	28%	28%	28%	28%	28%	28%
NOPAT	5.8	5.1	2.3	6.4	3.7	6.8	4.8
D&A	8.3	9.0	10.3	9.5	10.8	10.0	11.3
Changes in Funds	0.3	0.3	0.3	(0.1)	(0.1)	0.2	0.2
Changes in Operating NWC	(0.0)	(1.3)	(3.8)	(4.0)	(3.2)	(3.4)	(2.9)
Capex	(6.8)	(4.8)	(4.6)	(5.6)	(5.3)	(6.3)	(6.1)
Free Cash Flow	7.6	8.3	4.5	6.2	5.9	7.3	7.3

Source: Banca Profilo elaborations and estimates

Key risks

TYPE OF RISK		DESCRIPTION
EXTERNAL CONTEXT	<i>Ambiental:</i> - medium-low likelihood - medium-low impact	Inadequate management of waste, consumption of energy, emissions in the atmosphere and impacts on climate change. Moreover, the lack of compliance regulations for environmental protection. Beghelli adopts systems of environmental management in compliance with international standards and norms.
	<i>Competitive:</i> - high likelihood - medium-low impact	Highly competitive market scenario with Beghelli showing limited scale compared to some of its international competitors. Nevertheless, the Group has been diversifying the risk through expansion in into safety and health devices.
	<i>Obsolescence:</i> - medium likelihood - medium impact	High level of technological innovation in the industry, both in Lighting and Emergency subsegments. As for remote assistance, technology's greatest impact is in new devices that allow people to ask for help.
	<i>Cycle demand:</i> -medium likelihood -high impact	Potential risk of contraction in demand deriving from a reduction in the activity of the main customers or from potential exogenous events that could negatively impact the business.
	<i>Corruption:</i> - low likelihood -medium impact	Medium to high corruption in end-markets: medium (Italy, Republic Czech and Hungary) or high corruption risk (China and Mexico). Overall the probability is low, since the corruption in China and Mexico has a low weight.
BUSINESS & STRATEGY EXECUTION	<i>Safety:</i> - low likelihood - medium impact	Wrong product design may cause commercial failure. Beghelli oversees the risk resulting from non-compliance of products in terms of safety, through the adoption of testing processes. Moreover, the quality and safety of products and accident prevention are managed by Group companies through their respective management systems and in line with the principles of policies adopted in its structure.
	<i>Personnel:</i> - low likelihood - high impact	Management and key people retention. Family members are part of key management and some other key figures have been working in Beghelli for years.

Table 6: Risk matrix

Impact	Very high					
	High	Risk of losing qualified personnel		Contraction demand risk		
	Medium	Safety products risk; Corruption risk		Obsolescence risk		
	Medium-Low		Ambiental risk		Competitive risk	
	Low					
Potential impact on the business VS likelihood of occurrence		Low	Medium-Low	Medium	High	Very high
		Likelihood				

Source: Banca Profilo elaborations on Company data

ESG Analysis

Sustainability Report

Non-financial consolidated statement using GRI standards

To best involve stakeholders and to communicate in an increasingly transparent way its ESG goals, Beghelli has published its 2021 Non-Financial statement using "GRI Sustainability Reporting Standards".

Materiality Assessment

Materiality Assessment

The purpose of the materiality analysis is to determine the most relevant issues for the company and its stakeholders, and to decide which issues should be included in the Sustainability Report. The following figures explained the emerged results.

Figure 7: Qualitative Materiality Assessment

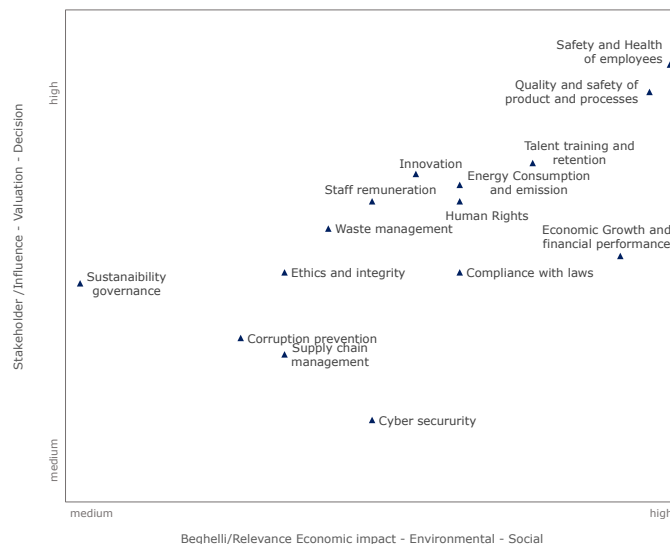


Source: Banca Profilo elaborations on Company data

The materiality matrix

Through a two-dimension analysis, internal (top management expectations) and external (stakeholders' expectations), the Company assigned a score to each material topics and positioned them according to their importance.

Figure 8: Beghelli quantitative Materiality Assessment



Source: Banca Profilo elaborations on Company data



Environmental sustainability

Energy Consumption

Beghelli has a strong focus on reducing energy consumption as a manufacturer of energy-efficient lighting fixtures. The Company produces energy-efficient lighting products either by using LEDs or by maximizing luminous flux through the design and use of extremely high-efficiency optics. The presence of photovoltaic power generation facilities makes it possible to produce part of the annual electricity needs.

Table 7: Energy Consumption in FY 2020-2021

Type of Consumption (GJ)	2021			2020		
	Italy	Foreign	Total	Italy	Foreign	Total
Methane Gas	10,663	26,849	37,512	8,800	25,923	34,723
Gas	72	2,901	2,973	39	2,539	2,578
Diesel	5,506	5,060	7,566	2,269	4,755	7,025
GPL	149	0	149	133	0	133
Purchased Electricity	17,386	13,781	31,167	14,520	12,849	27,369
Purchased Electricity from Renewable Sources	232	0	232	0	0	0
Self-produced Electricity from Renewable Sources	2,841	0	2,841	4,273	0	4,273
Self-produced and sold Electricity	1,032	0	1,032	2,034	0	2,034
Total	32,585	48,591	81,177	28,000	436,066	74,067
<i>Of which Renewable</i>	<i>2,041</i>	<i>0</i>	<i>2,041</i>	<i>2,239</i>	<i>0</i>	<i>2,239</i>

Source: Banca Profilo elaborations on Company data

Policy and the environmental management system

Beghelli devotes a great deal of attention to environmental issues, in terms of the impact of its activities and products.

The Group goals are:

- careful management of environmental aspects related to different activities;
- reduction of significant environmental impacts;
- raising awareness of environmental protection issues;
- ensuring its activities comply with current environmental regulations;
- developing innovative products and projects to reduce energy consumption.

GHG Emission monitoring

Atmospheric emissions are managed in accordance with current regulations (Presidential Decree of November 16, 2018, No. 146). Following data described the direct GHG emissions that result from the energy consumption of Group in 2020 and 2021. Moreover, production companies operating in Italy (Monteveglia, Savigno and Pievepelago plants), are subject to periodic monitoring by licensed external technicians.

Table 8: GHG direct emissions (ton CO₂ equivalent) in FY 2020-2021

Energy source	CO ₂ Emission (ton CO ₂ eq.)	
	2021	2020
Natural Gas	1,909	1,772
Gas	199	173
Diesel	540	469
GPL	9	8
Total Scope 1	2,657	2,422

Source: Banca Profilo elaborations on Company data

Responsible waste management

Beghelli focuses more on waste recovery than on waste disposal. It uses qualified disposers with adequate guarantees of fairness and reliability. Waste is mainly created in the stages of product assembly, die casting and materials moulding.

Table 9: Waste Management in FY 2020-2021

Type of waste (t)	2021			2020		
	Italy	Foreign	Total	Italy	Foreign	Total
Hazardous Waste	32	21.1	53.1	24	11.6	35.6
Non-Hazardous Waste	316.4	648.5	964.9	232.8	442.9	675.7
Total	348.4	669.6	1,018.1	256.8	454.6	711.4

Source: Banca Profilo elaborations on Company data

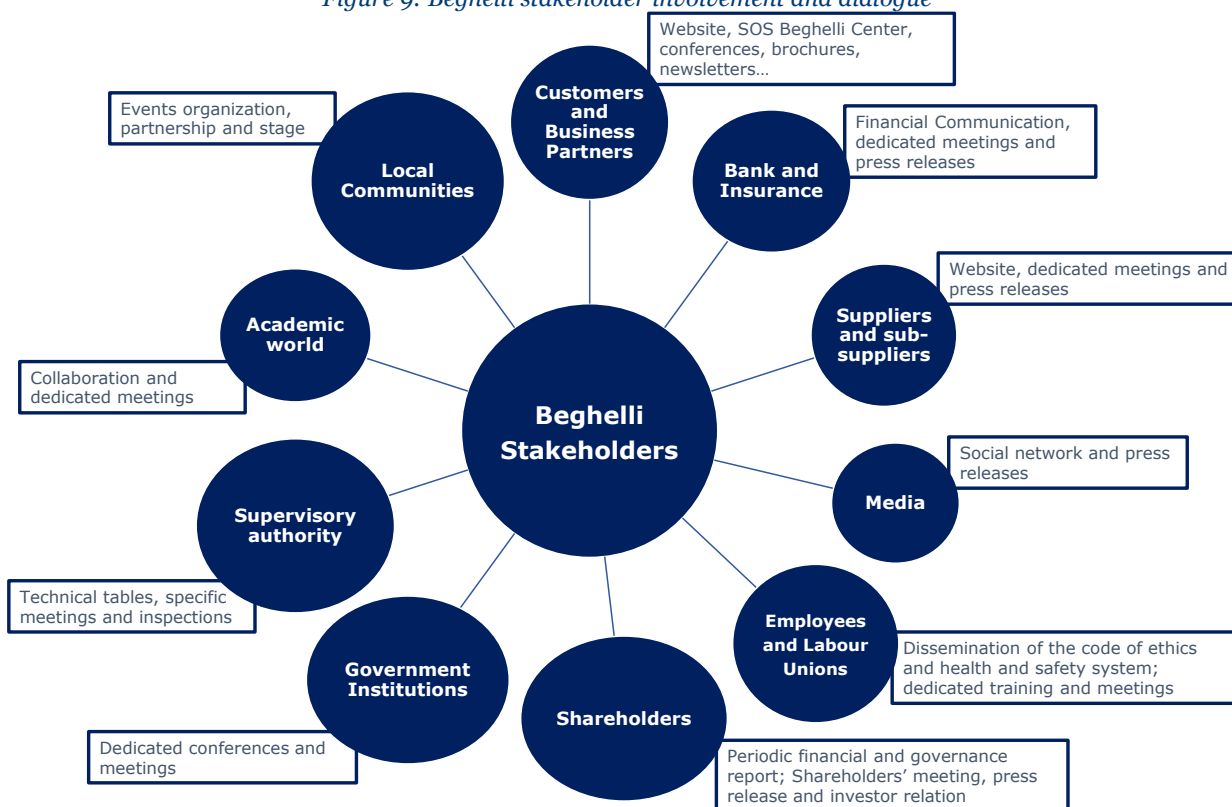
Social issues



Stakeholder involvement and dialogue

Based on the interactions between the Company and key stakeholders, Beghelli has identified stakeholders categories that: i) can affect the Company's ability to implement its strategy and ii) can be affected by the Company's activities.

Figure 9: Beghelli stakeholder involvement and dialogue



Source: Banca Profilo elaborations on Company data

Health and safety at work

As per Legislative Decree n. 81/2008 (Testo Unico sulla Salute e Sicurezza), Beghelli Group identifies four key figures: employers, prevention and protection service manager (RSPP), workers' safety representative (RLS) and competent doctor.

Table 10: Number of accidents at the workplace in FY 2020-2021

Number of Workplace Accidents	2021			2020		
	Italy	Foreign	Total	Italy	Foreign	Total
Number of deaths due to occupational accidents	0	0	0	0	0	0
Number of recordable occupational accidents	5	3	8	0	6	6
Of which occupational accidents with serious consequences	0	1	1	0	0	0

Source: Banca Profilo elaborations on Company data

Training and skills development

Beghelli recognizes the training process as essential for professional growth and business development.

Group and individual training is addressed to both junior and senior employees. Beghelli promotes also training abroad for specific business functions: language and ICT, mechanical design, and electronic design languages.

Table 11: Hours of training in FY 2021

Category	Italy			Foreign			Total 2021
	Men	Women	Total	Men	Women	Total	
Senior executives	79	6	85	84	30	114	199
Executives	93	4	97	170	140	310	407
Clerks	821	610	1,431	821	722	1,543	2,974
Workers	142	152	294	769	2,428	3,197	3,491
Total	1,135	772	1,907	1,844	3,320	5,164	7,071

Source: Banca Profilo elaborations on Company data

Governance

Governing bodies composition

The almost equal presence of men and women in the Governing Bodies is in line with the recommendations of Borsa Italiana. In particular, the new Corporate Governance Code states that at least one-third of the BoD should be made up of members of the less represented gender.



Table 12: Gender composition of governing bodies in FY 2021

Governing Body and diversity	Men	Women	Total	<30 years old	30-50 years old	>50 years old
Board of Directors	7	5	12	0	5	7
%	58.3%	41.7%	100%	0%	41.7%	58.3%
Internal Auditors	3	2	5	0	0	5
%	60%	40%	100%	0%	0%	100%
Supervisory Board	3	0	3	0	0	3
%	100%	0%	100%	0%	0%	100%
Total	13	7	20	0	5	15

Source: Banca Profilo elaborations on Company data

Staff composition and management

The Group employed 1,077 people as of December 31, 2021.

Table 13: Employees number of Beghelli by type of employment, contract and gender

Type of contract	2021						
	Italy			Foreign			Total
	Men	Women	Total	Men	Women	Total	
Temporary contract	1	0	1	122	290	412	413
Permanent contract	178	219	397	161	106	267	664
Total	179	219	398	283	396	679	1,077
Full-time	173	141	314	282	383	665	979
Part-time	6	78	84	1	13	14	98
Total	179	219	398	283	396	679	1,077

Source: Banca Profilo elaborations on Company data

Valuation

DCF method and market multiples

Given Beghelli's cash generating business model, a DCF method well adapts as a valuation approach. Furthermore, we have selected a sample of listed international "comparables" to Beghelli, to suggest an appropriate sample for relative valuation through market multiples.

Potential upside from assets disposal worth up to €0.10/share

Our valuation excludes the potential upside coming from the disposal of assets intended for sale which have been booked in Working Capital since 2020 for €21.3m (or €0.10/share).

Potential downside affecting WACC and our estimates

On the other hand, potential downside to our valuation might come from: i) accelerating monetary tightening by Western Central Banks over our expectations of +75bps in the coming months, pushing WACC higher; ii) rise in raw materials and transportation costs over our expectations with negative effects on EBITDA; iii) worsening of Covid-19 outbreak and lockdowns in China with negative impact on supply chain; iv) further weakening of economic growth. Part of these risks might be offset by the persisting trend towards green energy, energy savings and air sanitization.

DCF

Cumulated FCFs at €26.8m and Terminal Value at €7.9m

To run a DCF model, we used our FCFs 2022-2025 projections, deriving from our P&L and Balance Sheet estimates. We expect cumulated 2022E-2025E Free Cash Flows at €26.8m, below previous estimate of €30.7m [Please refer to Beghelli Initial Coverage on May, 6th 2022]. The FCF used in the Terminal Value has been set equal to the FY23-FY25 average at €7.9m, below previous estimate of €8m. We decided not to include FY22 FCF in the Terminal Value calculation, due this highly complex and uncertain scenario. In order to get the Equity Valuation, we considered latest available Net Debt (at the end of June 2022) of €51.8m, well above that at the end of December 2021 of €42.8m.

Table 14: DCF valuation

DCF Valuation (€ mln, except for the target price)	2022E	2023E	2024E	2025E	over
Free Cash Flows (€/000)	4.5	5.9	7.3	9.1	7.9
years	1	2	3	4	
discount factor	0.94	0.88	0.82	0.77	
NPV Cash flows (€/000)	4.2	5.2	6.0	7.0	
Sum of NPVs (€/000)					22.33
Terminal Value (€/000)					165.02
NPV Terminal Value (€/000)					126.78
Enterprise Value (€/000)					149.12
Net debt June 2022 (€/000)					51.80
Equity Value (€/000)					97.32
number of shares (mln)					200.00
Per share value (€)					0.49

Source: Banca Profilo estimates and elaborations

WACC: 6.8% vs previous 6.2%

To discount FCFs, we applied a 6.8% WACC, higher than our last Company Update at of 6.2%, mainly due to increase of risk-free rate from 3% to 4.4%.

The WACC derived from:

- Risk Free rate of 4.4% (from 3% in the last research), as implicitly expected by consensus on the 30Y Italian BTP yield curve (100 day-moving average), including an expected increase in interest rates (+0.75bps from previous +0.5bps);
- market risk premium of 5.5% (unchanged);
- a leveraged beta of 1 (unchanged);
- after tax (28%) cost of debt of 4% (unchanged).
- target debt-to-equity ratio of 40% (unchanged);

In order to assess the Terminal Value, we used a perpetual growth rate of 2%.

Table 15: WACC calculation

WACC Calculation	
perpetual growth rate	2.0%
WACC	6.8%
risk free rate (30Y)	4.4%
equity risk premium	5.5%
beta	1.0
KE	9.6%
costo del debito	4%
tax rate	28%
KD	2.6%

Source: Banca Profilo estimates and elaborations

DCF fair value:
€0.49/share

The DCF method leads us to an Enterprise Value of €149.1mln and an Equity Value of €97.3mln or €0.49/share, below our previous Initial Coverage (on May 6th) at €0.68/share mainly due to higher Net Debt and WACC and lower cumulated 2022-2025E FCFs and Terminal Value.

Beghelli competitive arena

Selected comparables to Beghelli for business similarity:
Zumtobel, Fagerhult, Lena Lighting, Signify, Acuity Brands, Dialight

To select competitors to Beghelli, we carried out an overlap analysis on European and US Electrical Equipment companies specialized in lighting systems manufacturing. Our analysis took into consideration business comparability, growth prospects, cash flow generation and risk.

In terms of business comparability, we analysed:

- (i) Revenue breakdown by activities (Lighting Fixture, Security Devices, Industrial Maintenance and Other);
- (ii) Revenue breakdown by country.

We computed a quantitative score equal to the weighted average between the weights of Beghelli revenue breakdown with the weights deriving from peers' revenue breakdown. We identified the following comparables in terms of business similarity: Zumtobel Group AG, Fagerhult AB, Lena Lighting SA, Signify NV, Acuity Brands Inc and Dialight plc.

Looking at the Italian lighting market, Beghelli's main competitors that are not listed on the stock exchange are: Disano Illuminazione SpA, 3F Filippi, Ikea, IGuzzini, AEC Illuminazione and Linergy srl.

Table 16: Beghelli competitive arena

company name	Lighting Equipment	Security Devices	Industrial Maintenance	Other	Overlap Score	Italy	Rest of Europe	America	Asia/pacific	Africa/middle est	Overlap Score	Final Score
BE-IT Beghelli	96%	4%	--	--		62%	18%	16%	5%	0%	44%	
ZAG-AT Zumtobel Group AG	100%	--	--	--	96%	9%	75%	5%	10%	1%	20%	58%
FAG-SE Fagerhult AB	100%	--	--	--	96%	6%	73%	8%	11%	4%	18%	57%
LEN-PL Lena Lighting S.A.	95%	--	5%	--	92%	5%	95%	--	--	0%	20%	56%
LIGHT-NL Signify NV	100%	--	0%	--	96%	--	31%	31%	8%	30%	11%	53%
AYI-US Acuity Brands, Inc.	95%	--	5%	0%	91%	0%	31%	37%	22%	10%	13%	52%
DIA-GB Dialight plc	69%	31%	--	--	67%	0%	5%	79%	14%	2%	14%	41%

Source: Banca Profilo elaborations on Facset and company data

Zumtobel (Austria)
- € 1bn FY21 revenue
- 11.2% EBITDA margin

Zumtobel Group AG provides lighting solutions and operates through the Lighting and Components business units. Lighting includes luminaires through Thorn and Zumtobel brands; Components combines the production of hardware and software for lighting systems. Its services include advising on smart and emergency lighting, light design and project management. The Company was founded in 1950 by Walter Zumtobel and is headquartered in Dornbirn, Austria.

<p><i>Fagerhult (Sweden)</i></p> <ul style="list-style-type: none"> - €7.1bn FY21 revenue - 16.3% EBITDA margin 	<p>Fagerhult AB specializes in the project, development, production and marketing of lighting solutions for corporates. It operates through the following geographical business units: Northern Europe; UK and Ireland; Western and Southern Europe; Africa, Asia, and the Pacific. Main brands are: Fagerhult, Ateljé Lyktan, Designplan Lighting, Eagle Lighting, I-Valo Lighting, LTS Licht & Leuchten, Waco, Whitecroft Lighting, and Arlight. The Company was founded in 1945 by Bertil Svensson and is headquartered in Habo, Sweden.</p>
<p><i>Lena Lighting (Poland)</i></p> <ul style="list-style-type: none"> - €131mIn FY21 revenue - 10.3% EBITDA margin 	<p>Lena Lighting SA focuses on lighting fixtures. Its products include office lighting, downlights, industrial lighting, floodlights, streetlights, emergency light features, outdoor lighting, power controllers, floodlights, lamps for painters, portable light sources, fluorescent fittings, hand lamps, projectors, and electrical materials. The Company was founded in 1989 and it is headquartered in Sroda Wielkopolska, Poland.</p>
<p><i>Signify (Netherlands)</i></p> <ul style="list-style-type: none"> - €6.9bn FY21 revenue - 13.2% EBITDA margin 	<p>Signify NV is the world leader in lighting for professionals, consumer and for the IoT. It engages in the projecting, development, production and application of lighting products, systems, and services. It offers energy-efficient lighting products, including lamps, luminaires, and lighting electronics under Philips, Interact, Philips dynalite and hue, Color Kinetics and Wiz brands. It operates through the following business units: Digital Solutions, Digital Products and Conventional Products. The Company was founded in 1891 by Gerard Leonard Philips and Anton Frederik Philips and is headquartered in Eindhoven, Netherlands. It has been spinned-off from Royal Philips in May 2016.</p>
<p><i>Acuity Brands (USA)</i></p> <ul style="list-style-type: none"> - €3.6 bn FY21 revenue - 16.2% EBITDA margin 	<p>Acuity Brands, Inc. provides lighting and building management solutions and services. The Firm caters commercial, institutional, industrial, infrastructure and residential applications for various markets. It proposes luminaires, lighting controls, controllers for various building systems, power supplies, prismatic skylights, and drivers as well as integrated systems for various indoor and outdoor applications. The Company was founded in 2001 and is headquartered in Atlanta, GA.</p>
<p><i>Dialight (UK)</i></p> <ul style="list-style-type: none"> - €131 mln FY21 revenue - 8.5% EBITDA margin 	<p>Dialight Plc engages in the applied light emitting diode technology business. It operates through two business units: Lighting and Signals&Components. Lighting develops, manufactures, and supplies LED lighting solutions for hazardous and industrial applications. Signals&Components develops, produces, and supplies status indication components for electronics OEMs, together with niche industrial and automotive electronic components and highly efficient LED signaling solutions for the traffic and signals markets. The Company was founded in 1938 by Harry Leonard Tee and is headquartered in London, the United Kingdom.</p>
<p><i>Same set of selected comparables to Beghelli for growth, cash flows and risk comparability criteria: Zumtobel, Fagerhult, Lena Lighting, Signify, Acuity Brands, Dialight</i></p>	<p>For what concerns comparability in terms of growth prospects, cash flow generation and risk, we can confirm the same panel of selected companies.</p>

Market multiples

EV/EBITDA to assess the market multiples valuation of Beghelli

In order to assess a relative valuation of Beghelli through the market multiples approach, we selected a sample of six listed companies, “comparables” to Beghelli, which offer highly specialized lighting equipment and security device: Zumtobel, Signify, Fagerhult, Lena Lighting, Dialight and Acuity Brands.

Table 17: Sample benchmarking on revenue growth and EBITDA margin

Company	Currency	Market Cap (mln)	Enterprise Value (mln)	Sales growth						EBITDA margin					
				2018	2019	2020	2021	2022E	2023E	2018	2019	2020	2021E	2022E	2023E
14/09/2022															
Zumtobel Group AG	Euro	267	352	-4.7%	-2.9%	-5.6%	3.7%	5.8%	2.2%	6.3%	9.3%	11.3%	11.0%	10.9%	10.6%
Signify NV	Euro	3,841	5,136	-8.7%	-1.7%	4.1%	5.5%	11.6%	2.0%	10.3%	11.0%	11.5%	13.2%	13.3%	12.5%
Fagerhult AB	Swedish Krona	7,876	10,305	8.7%	39.6%	-13.6%	4.5%	8.6%	8.4%	23.4%	16.7%	13.4%	16.3%	15.1%	15.0%
Lena Lighting S.A.	Polish Zloty	87	100	-5.0%	-9.1%	10.6%	0.1%	5.3%	n.a.	10.4%	10.9%	15.6%	10.3%	10.7%	n.a.
Dialight plc	British Pounds	79	108	-6.3%	-11.0%	-21.2%	10.6%	27.1%	7.8%	7.4%	7.2%	0.8%	8.5%	8.9%	9.0%
Acuity Brands, Inc.	U.S. Dollar	5,318	5,384	3.2%	-3.4%	-5.1%	8.0%	11.6%	4.2%	15.7%	15.7%	15.8%	16.3%	15.8%	15.3%
Median best peers				-4.9%	-3.1%	-5.3%	5.0%	10.1%	4.2%	10.3%	11.0%	12.5%	12.1%	12.1%	12.5%
Beghelli	ITA	63.9	115.9	-8.8%	-5.3%	-20.3%	17.1%	1.2%	5.8%	6.6%	9.9%	6.2%	9.9%	8.8%	9.7%

Source: Banca Profilo estimates and elaborations on Factset and company data (as of September 14, 2022)

EV/EBITDA 2023E at 6.6x

To compute valuation through market multiples, we chose only FY2023E EV/EBITDA, excluding FY22 multiple for the complex and uncertain current scenario. Our sample shows multiples de-rating: EV/EBITDA 2023E is now at 6.6x, below our previous Initial Coverage at 7.1x. We derived an Enterprise Value of €105mln and an Equity Value of €53mln or €0.27/share, down from previous €0.44/share for multiples de-rating and EBITDA cut to €15.9mln in 2023E vs old estimate at €18.4mln.

Table 18: EV/EBITDA Market multiple

Valuation on EV/EBITDA market multiples	
(€ / 000)	2023E
EV/EBITDA	6.6x
EBITDA	15.9
net debt June 2022	52
EV	105
Equity	53
n of shares	200
Equity per share	0.27
price	0.31
upside (downside)	-14%

Source: Banca Profilo estimates and elaborations on Factset data (as of September 14, 2022)

*Confirmed BUY
TP of €0.44/share*

We confirm our BUY recommendation but reduce our 12-month target price to €0.44/share from previous €0.56/share, mainly due to (i) higher WACC, (ii) lower EBITDA forecast, as 1H22 EBITDA came in some 30% below our expectations, (iii) lower cumulated FCFs (by 13%) and (iv) declining market multiples (FY23 EV/EBITDA from 7.1x to 6.6x). For this last reason, the target price is computed as the weighted average of DCF fair value (3/4) and relative market multiples (1/4).

APPENDIX

The reference market

Solid roots in the lighting industry; expansion in the newly born segment dedicated to air sanitization

The Beghelli Group is an Italian company specialized in projecting, developing, manufacturing, and marketing emergency and non-emergency lighting systems for industrial plants and home use. To a lesser extent, the Company is engaged in manufacturing electronic systems for domestic and industrial safety and in developing and producing safety wearable electronic devices. Since 2020, with a significant impact to FY21 revenues, Beghelli has marketed SanificaAria, an air sanitization product line, launched to meet the growing need for closed environment purification. Before the launch of SanificaAria, revenue depended for almost 80% on lighting systems, with the remaining 20% equally split between other lighting systems, such as light bulbs, and other revenues. In FY21, SanificaAria represented a game changer: we estimate the incidence of revenue from lighting systems on total revenue increased to about 12.3%, while other revenue, including SanificaAria, increased to 114.6%.

Lighting Equipment Manufacturing Industry the reference market;

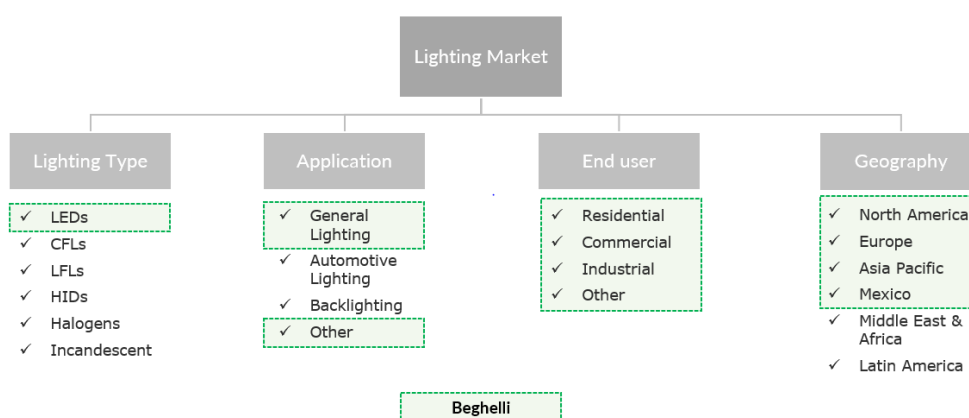
In 2021, Lighting systems revenue accounted for about 92.9% of total Beghelli’s revenue (96.2% in FY20), thus the broader reference market for Beghelli is the Lighting Equipment Manufacturing.

The Global Lighting Equipment Industry

Lighting Industry’s Market segmentation

Lighting equipment manufacturing refers to the production of lighting elements, their fixtures and accessories used to provide illumination and artificial lighting. With various lighting elements commanding significant global markets, there are distinct manufacturing processes and supply chains for each lighting element technology. Lighting Industry’s market segmentation in which Beghelli is directly involved, depend on: i) Lighting Type, ii) Application, iii) End User and iv) Geographic market.

Figure 10: Market segmentation of the Lighting Industry in which Beghelli is directly involved

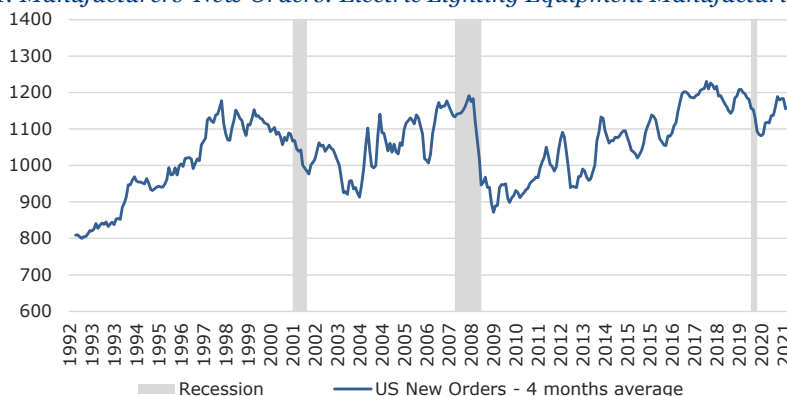


Source: Banca Profilo elaboration on Fortune Business Insights and Company data

Industry sensitive to the economic cycle

To proxy the historical trends of the Lighting Equipment Manufacturing Industry we used the US Electric Lighting Equipment Manufacturing new orders historical series. This data is a component of US Durable Goods Orders, a broad-based monthly survey conducted by the US Census Bureau that measures new orders placed with domestic manufacturers for delivery of long-lasting manufactured goods in the near term or future. The Lighting Equipment Industry can be considered a cyclical industry or at least an industry sensitive to the economic cycle, prospering during economic growth while stagnating during periods of economic recession. The cyclical nature of the industry is mainly due to its exposure to commercial activities and real estate.

Figure 11: Manufacturers' New Orders: Electric Lighting Equipment Manufacturing (\$, mln)



Source: Banca Profilo elaboration on U.S. Census Bureau data

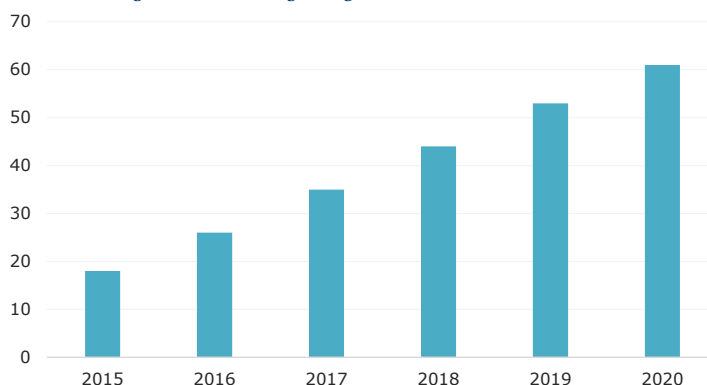
Expected FY20-FY26 CAGR of 4.7%

Looking at numbers, the global lighting market size was worth \$106bn in 2020 and is projected to reach \$140bn by 2026, exhibiting a 4.7% CAGR over this period.

Global energy savings to continue driving the demand for LED lighting

Global Energy savings targets is expected to continue to drive the demand for LED lighting and new technologies and active as one of the main drivers in the Industry. Recent advancements in light-emitting diode technology have allowed LED lighting products to penetrate the commercial lighting market, with enormous potential for growth. According to Goldman Sachs, LED penetration of Lighting Market has reached 61% in 2020, from just 18% in 2015. For the coming years, LEDs are expected to witness significant growth.

Figure 12: Led lighting market share over time



Source: Banca Profilo elaboration on Goldman Sachs data

The Global Emergency Lighting Industry

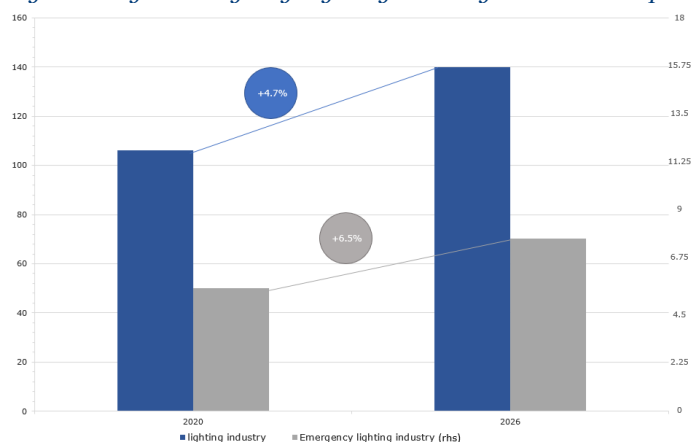
Emergency Lighting as the reference industry

Beghelli's broader reference market is the Lighting Equipment Manufacturing, while its closer reference industry is the Emergency Lighting.

The sub-Industry is expected to grow at a 6.5% FY20-FY26 CAGR

The global market for Emergency Lighting is estimated at \$5bn in FY20 and is projected to reach a size of \$7.3bn by 2026, growing at a 6.5% CAGR over that period. Main drivers are: (i) the growing emphasis on strict fire and safety regulations, (ii) the increasing demand for energy-efficient lighting systems across commercial, residential, and industrial sectors, and (iii) the growing number of building/residential restructuring projects.

Figure 13: Electric Lighting Industry & Emergency Lighting Industry FY20-FY26 expected growth rates (\$, bn)



Source: Banca Profilo elaboration on U.S. Census Bureau data

LEDs as means to save energy also in the Emergency Lighting

Also, within the Emergency (lighting), the increasing attention to energy-saving measures is pushing the penetration of LEDs also in this sub-industry with is expected to witness significant growth.

Rapid urbanization in developing countries sees Asia-Pacific as the fastest growing market

From a geographical point of view, Asia-Pacific is expected to have the highest growth rate, over the forecast period as Governments have been actively promoting the adoption of emergency lighting, and building construction has been accelerating following the rapid urbanization in developing countries

Beghelli overview and business model

Company's foundation and business scope

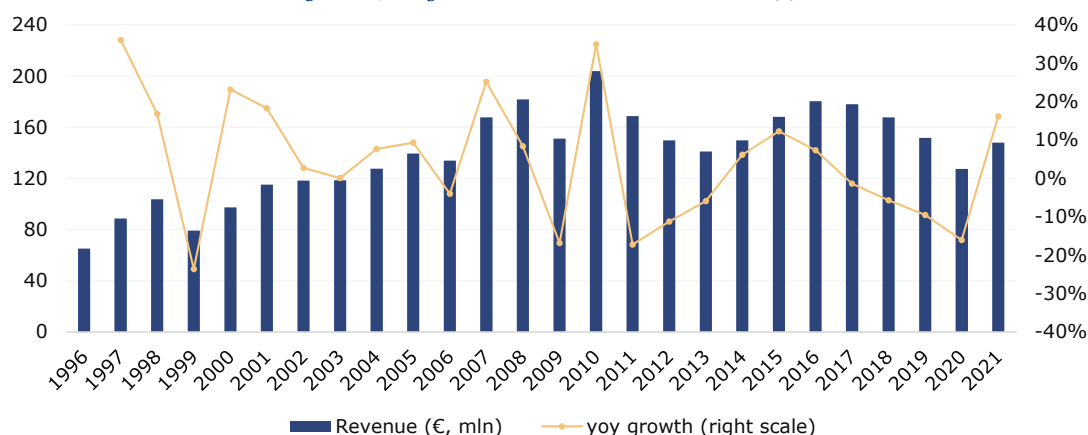
Beghelli: set up 1982, today a European leader in emergency lighting

Beghelli was set up in Italy, as a local manufacturer of emergency lighting, but it soon expanded both geographically and in terms of product range. Today the Group is a local, yet international conglomerate, which operates seven plants around the world besides its headquarter in Monteveglio, Bologna. The Beghelli Group is a leading operator in the Italian and European emergency lighting market, but with proven know-how also in energy saving lighting and electronic systems for personal, domestic, and industrial safety.

From the "icon" Salvalavita Beghelli to the new brand SanificaAria: a story of research, innovation and brand awareness for well being

Beghelli was founded in 1982 by Gian Pietro Beghelli, current President and CEO of the Group. The Company has initially served only the Italian market with emergency lighting products, to then begin a process of geographic diversification and product range, during the 90'. At that time, Beghelli started to develop products for personal safety, including the well-known Salvalavita Beghelli, a pocket-sized SOS remote assistance device, designed to allow easy and fast emergency calls, mainly thought for lonely elderly people. During the 90s and early 2000s, Beghelli expanded its business abroad and diversified its product portfolio. The Company went public in 1998. In 2012, the Group had to face financial difficulties mainly following the cut in photovoltaic incentives, a market where Beghelli had been investing since 2009, and the economic recession. In 2013, with declining revenues, increasing net losses and full warehouses, Beghelli had to enter a debt restructuring agreement, downsizing production and organization and repositioning itself in the LED market. The restructuring process lasted about three years. In 2016, turnover rose to €180mIn, its highest level since 2010, with a double-digit operating margin and a net profit of €4.9mIn (or 3% margin). From 2017 onwards, Beghelli had to face a new period of declining turnover and margins, mainly due to the intensifying Chinese competition. The crisis was exacerbated in 2020, with the outbreak of Covid-19. The Company has faced this crisis by following three specific strategies: i) the launch of new products, mainly SanificaAria; ii) the disposal of non-core assets, including Beghelli Canada in 2019 and Beghelli North America in 2021; iii) efficiency and industrial reorganization of the Group.

Figure 14: Beghelli's revenue evolution since 1996



Source: Banca Profilo elaboration on Company data

Business model and activities

Beghelli's wide product range, from lighting systems to consumer electronics

The manufacturing of lighting systems is certainly Beghelli's strong suit, both for know-how and revenue generation (93% of FY21 revenue). This segment includes lighting for industrial, domestic, and public use. They are divided into two main categories:

- (i) emergency lighting (emergency luminaires, exit signs, inverters, anti black-out lamps, etc.);
- (ii) ordinary lighting (ceiling and suspended lighting, downlights, floodlights, street lighting, light bulbs, etc.).

Besides lighting systems, Beghelli develops electronic systems and devices aimed at improving people or environment safety:

- (i) durable and non-durable household products, such as consumer electronics products (batteries, plugs, etc.) or products related to water sanitization;
- (ii) systems and devices for people or environment safety, such as remote assistance devices, anti-theft systems, home automation.
- (iii) SanificaAria Beghelli, an air sanitizer contributing to the safety of indoor spaces.

Figure 15: Examples of Beghelli products

Emergency lights and lighting for industrial or commercial use



Emergency exist



Indoor louvre

Other lighting products or systems



Ceiling lights



Lite LED Beghelli bulbs

Security products, both wearable and for home automation



Salvalavita Phone



Alarm system

Other household products



SanificaAria, Beghelli's brand new air purification system

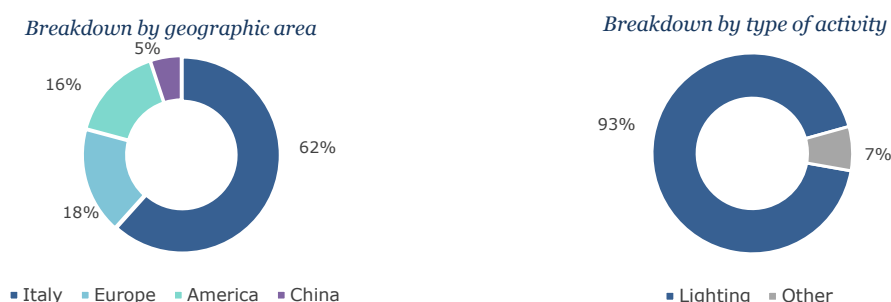
Source: Banca Profilo elaborations on Company pictures

ESCO: Energy Service Company

ESCO proposal provides to replacing the existing lighting system with more efficient one, after technical verification. The project is 100% funded in ESCO mode directly by Beghelli Servizi and with dedicated financial agreements, by sharing the energy savings generated and guaranteed contractually. SmartDriver Beghelli lighting devices are able to measure the actual consumption and to communicate the information to Beghelli control unit which

transfer the information to the Beghelli Servizi Operations Center. The Operations Center measures and evaluates the real energy savings measured and achieved by the customer. The contract "Un mondo di luce" is composed by different element: (i) product sale and installation, (ii) management and maintenance, (iii) financial component; the financial component consists of equal instalments recorded in the income statement as financial income; at the end of the period the amount is accounted as financial credit.

Figure 16: Beghelli's FY21 revenue breakdown



Source: Banca Profilo elaborations on Company data

Strong geographic diversification but little diversification by type of activity, as from lighting Beghelli generates more than 90% of revenues

From a geographical point of view, Beghelli shows an adequate degree of diversification, with most of Revenue coming from Italy, which has historically represented about 50% of total revenue, and the remaining half split between rest of Europe and rest of the World. Today Beghelli operates in three different continents, with seven plants across Europe, America and Asia in addition to the headquarter in Bologna. Beghelli product ranges are created according to country and most of the products in Italy are also sold in other European countries; two of their establishment, Elplast and Praezisa, specialized in emergency and lighting respectively, are complementary to Italian headquarters. The main difference between the establishments concerns the different regulations and consumption habits of the country.

Figure 17: Beghelli's geographical presence

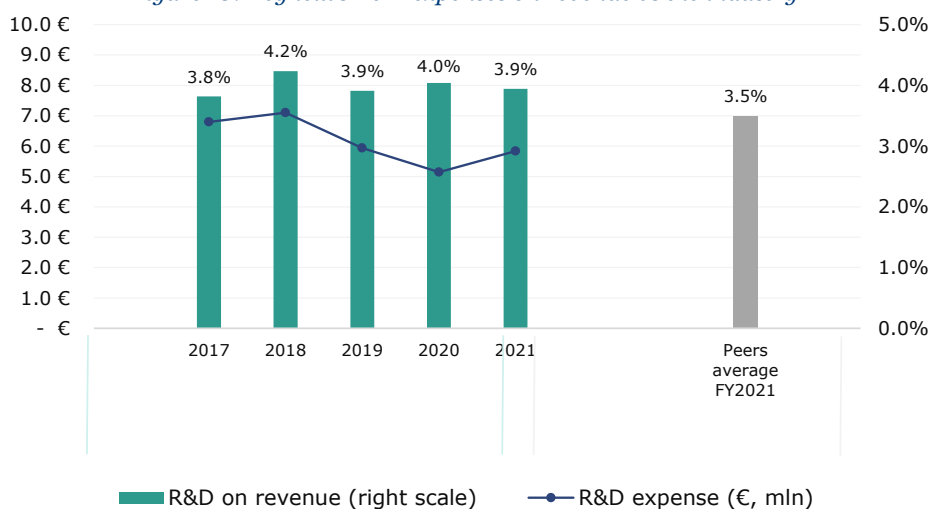


Source: Banca Profilo elaborations on Company data

R&D was crucial to products innovation – SanificaAria is a clear example – but could be stepped up further

The R&D activity is essential for product innovation: it involves some 15% of the company employees; it is performed in internal laboratories and experimental centres that take care also of the design, engineering, testing and product quality certification. Thanks to its R&D investments, Beghelli developed SanificaAria, an air sanitizer that, according to research carried out by the University of Padua, can reduce the SARS-CoV-2 virus count by up to 99.9%, improving the safety of indoor spaces.

Figure 18: Beghelli's R&D expenses on revenue vs the industry



Source: Banca Profilo elaboration on Company data

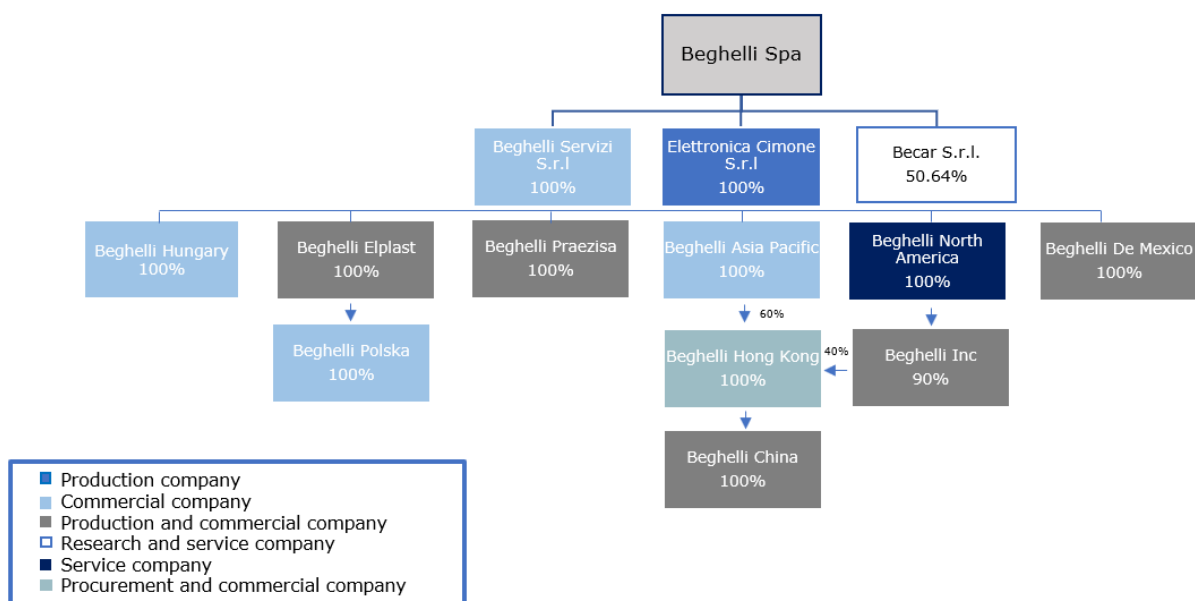
Corporate structure

Beghelli SpA acts as the operating holding directly controlling thirteen subsidiaries

The group structure is led by Beghelli SpA acting as the operating holding directly controlling thirteen subsidiaries as shown below. The company can be divided in relation to their structure as following:

- industrial company
- commercial company
- research and services company
- procurement and commercial
- sub-holdings companies

Figure 19: Beghelli corporate structure



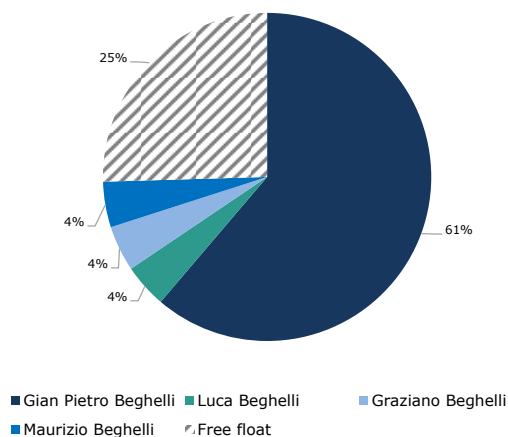
Source: Banca Profilo elaborations on Company data

Ownership structure and free float

Beghelli Family owns 74%

Beghelli is listed on the MTA segment of the Italian Stock Exchange. Its founder, Gian Pietro Beghelli owns a 61% controlling stake. The other family members, Luca, Graziano and Maurizio hold a total stake of 13.2%. Free Float stands at 25%.

Figure 20: Ownership of the Group (%)



Source: Banca Profilo elaborations on Company data. Data as of April 26th, 2022

Management

BoD composition

Beghelli BoD is made up of 12 members, the Board of Statutory Auditors is made up of 3 members, the Control and risk Committee comprises 3 people and the Remuneration Committee includes 3 components.

Table 19: Composition of the Board of Directors

BoD members	Position	Executive	Non-Executive	Independent	Gender	Year
Beghelli Gian Pietro	President and CEO	x			M	1945
Beghelli Luca	Director	x			M	1970
Beghelli Graziano	Director	x			M	1974
Beghelli Maurizio	Director	x			M	1981
Cariani Maria Teresa	Director		x	x	F	1973
Caselli Paolo	Director		x	x	M	1974
Durand Giuliana	Director		x		F	1966
Gnudi M. Maddalena	Director		x		F	1979
Maccaferri Dania	Director	x			F	1962
Martone Raffaella	Director		x	x	F	1970
Pecci Giovanni	Director		x		M	1950
Matteo Tamburini	Director		x		M	1957

Source: Banca Profilo elaborations on Company data

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Beghelli "ID Card"	Recommendation BUY	Target Price 0.44 €	Upside 41%
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Company Overview

The Group is a leading player in the Italian and European Lighting industry (Emergency and Energy saving Lighting) through a mainly B2B offering. In addition, through its subsidiaries, Beghelli is active in after-sales services, operational assistance for people safety, energy saving and comfort lighting projecting, installation, and management. The Company has promptly reacted to the Covid outbreak through i) the launch of SanificaAria product range for closed environment sanitization; ii) the disposal of non-strategical assets, including Beghelli Canada in 2019 and a building owned by Beghelli North America in 2021, and iii) the optimization of internal production processes. The group structure is led by Beghelli SpA acting as the operating holding directly controlling thirteen subsidiaries. The group can be divided in relation to their structure as following: i) industrial company, ii) commercial company, iii) research and services company iv) procurement and commercial and v) sub-holdings companies. Beghelli is listed on the MTA segment of the Italian Stock Exchange. Its founder, Gian Pietro Beghelli owns a 61% controlling stake. The other family members, Luca, Graziano and Maurizio hold a total stake of 13.2%. Free Float stands at 25%.

SWOT Analysis

Strengths

- Solid product pipeline
- Know-how and expertise across different segments of the lighting and emergency industry
- Brand Awareness
- Strong geographic diversification
- Strong business diversification
- Strong spirit of innovation

Weaknesses

- Limited scale compared to international competitor
- Not very active social channels
- Low entry barriers

Opportunities

- Expansion of the production business in relation to dynamic emergency lighting
- Geographical expansion opportunities in Europe
- Increasing use of air sanitation, a growing trend in the coming ye.
- Ageing population as a driver for Salvalavita Beghelli
- Energy efficiency and savings as a driver for ordinary lighting

Threats

- Intensifying competition from Asia
- Increasing cost of raw materials, energy and transportation
- War Russia against Ukraine
- Substitute products competition

Main catalysts

- 👍 Significant growth in dynamic emergency lighting fuelled by research and innovation
- Energy efficiency and savings driven by ordinary lighting
- Geographical expansion in Europe

Main risks

- 🗨️ Potential contraction in demand deriving from a reduction in the activity or from a potential exogenous events
- Potential upside in the estimated price from assets disposal worth up to €0.10/share
- Potential downside in the estimated price affecting WACC and our estimates



Beghelli "ID Card"

set, 20 2022 - 08:24

Recommendation

BUY

Target Price

0.44 €

Upside

41%

Main Financials

(€/mln)	2021	2022E	2023E	2024E
Total revenue	152.3	154.2	163.1	172.6
yoy change	17.1%	1.2%	5.8%	5.9%
EBITDA	15.1	13.5	15.9	18.0
EBITDA margin (%)	9.9%	8.8%	9.7%	10.4%
ADJUSTED EBITDA	13.4	13.5	15.9	18.0
Adj EBITDA margin (%)	8.8%	8.8%	9.7%	10.4%
EBIT	6.8	3.2	5.1	6.7
EBIT margin (%)	4.5%	2.0%	3.1%	3.9%
Group Net income	3.1	0.9	2.2	3.3
Margin (%)	2.0%	0.6%	1.3%	1.9%
Adjusted net debt (cash)	42.8	42.4	38.7	34.5
Shareholders Equity	89.1	89.3	90.8	93.1
Net Operating Working Capital	46.9	50.7	53.9	56.8
Capex and acquisitions	6.8	4.6	5.3	6.1
Free Cash Flow	7.6	4.5	5.9	7.3

Banca Profilo elaborations on Company data

Revenue breakdown by business unit

	2021	2022E	2023E	2024E
Emergency & Ordinary Lighting	137.5	130.7	139.2	148.2
Other	10.5	7.5	6.6	5.6

Solvability Ratios

	2021	2022E	2023E	2024E
Net debt (cash) / EBITDA	2.8x	3.1x	2.4x	1.9x
Net debt (cash) / Equity	0.5x	0.5x	0.4x	0.4x

Financial and Operative ratios

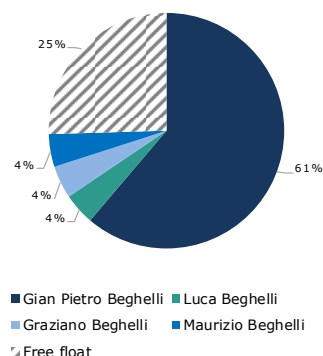
	2021	2022E	2023E	2024E
Tax rate	16%	24%	24%	24%
ROIC	4%	2%	3%	4%
ROE	3%	1%	2%	3%
Days Sales Outstanding	60	72	73	76
Days Sales Of Inventory	149	149	141	134
Days Payables Outstanding	148	148	139	134
Fixed asset turnover ratio (FAT)	2.1	2.4	2.9	3.4
Capex/Sales	5%	3%	3%	4%
D&A to capex	122%	224%	204%	185%

Source: Factsset, Banca Profilo estimates and elaborations

Company Description

Company Sector	Industrials – Electrical Equipment
Price (€)	0.31
Number of shares (mln)	200.0
Market Cap (€ mln)	63.9
Reference Index	Italian Stock Exchange
Main Shareholders	Gian Pietro Beghelli
Main Shareholder stake	61.0%
Free Float	25.7%
Daily Average Volumes	491,121
Sample of comparables	Zumtobel, Signify, Fagerhult, Lena Lighting, Dialight and Acuity Brands

Ownership structure



Data of peers

	2021	2022E	2023E
Sales Growth (yoy)	5.0%	10.1%	4.2%
EBITDA Margin	12.1%	12.1%	12.5%

Average data (median)

Multiples of peers

Best peers (margins and cash flows)	2023E
EV / EBITDA	6.6x

Beghelli competitive arena: growth prospects, cash flows and risk comparability criteria

Company	Currency	Enterprise Value (mln)	Sales growth						EBITDA margin					
			2018	2019	2020	2021	2022E	2023E	2018	2019	2020	2021E	2022E	2023E
14/09/2022														
Zumtobel Group AG	Euro	352	-4.7%	-2.9%	-5.6%	3.7%	5.8%	2.2%	6.3%	9.3%	11.3%	11.0%	10.9%	10.6%
Signify NV	Euro	5,136	-8.7%	-1.7%	4.1%	5.5%	11.6%	2.0%	10.3%	11.0%	11.5%	13.2%	13.3%	12.5%
Fagerhult AB	Swedish Krona	10,305	8.7%	39.6%	-13.6%	4.5%	8.6%	8.4%	23.4%	16.7%	13.4%	16.3%	15.1%	15.0%
Lena Lighting S.A.	Polish Zloty	100	-5.0%	-9.1%	10.6%	0.1%	5.3%	n.a.	10.4%	10.9%	15.6%	10.3%	10.7%	n.a.
Dialight plc	British Pounds	108	-6.3%	-11.0%	-21.2%	10.6%	27.1%	7.8%	7.4%	7.2%	0.8%	8.5%	8.9%	9.0%
Acuity Brands, Inc.	U.S. Dollar	5,384	3.2%	-3.4%	-5.1%	8.0%	11.6%	4.2%	15.7%	15.7%	15.8%	16.3%	15.8%	15.3%
Median best peers			-4.9%	-3.1%	-5.3%	5.0%	10.1%	4.2%	10.3%	11.0%	12.5%	12.1%	12.1%	12.5%
Beghelli	ITA	115.9	-8.8%	-5.3%	-20.3%	17.1%	1.2%	5.8%	6.6%	9.9%	6.2%	9.9%	8.8%	9.7%

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ADDITIONAL INFORMATION

THE BANK PROVIDES ALL OTHER ADDITIONAL INFORMATION, ACCORDING TO ARTICLE 114, PARAGRAPH 8 OF LEGISLATIVE DECREE 58/98 ("FINANCIAL DECREE") AND COMMISSION DELEGATED REGULATION (EU) 2016/958 AS OF 9 MARCH 2016 (THE "COMMISSION REGULATION") ON THE RELEVANT SECTION OF ITS WEBSITE (WWW.BANCAPROFILO.IT, IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA").