

Emergency, efficient and comfort Lighting – Salvalavita – SanificaAria: a story of Research and Innovation for well-being



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Beghelli: leader in Lighting. Prompt response to pandemic

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-strategic assets, including Beghelli Canada in 2019 and a building owned by Beghelli North America in 2021, and iii) the optimization of internal production processes.

Industry outlook: energy efficiency and saving keep driving the Lighting industry; environment sanitization has become a long-term trend, beyond pandemic needs; ageing population leads safety assistance

The global Lighting industry is expected to grow at 4.7% CAGR in 2020-2026 and reach \$140bn driven by global energy savings targets which will continue to lead the demand for LED lighting. LEDs penetration has reached over 60% in 2020 from below 20% in 2015. The global market for Emergency Lighting is projected to grow at 6.5% CAGR in 2020-2026 to reach \$7.3bn. The increasing attention to energy-saving is pushing the penetration of LEDs also in this sub-industry.

Corporate strategy and our FY22-FY24 estimates

Besides the favourable industry outlook, Beghelli aims at diversifying its business geographically and at expanding its product range through research and innovation. The Company aims at acquiring market shares in Europe through its subsidiaries Beghelli Elplast, Polska and Praezisa. We expect Group revenue to grow at FY2021-2024 CAGR of 6.3% to reach €178m, driven by: (i) energy efficiency and savings, visual comfort, smart lighting technology and the Europe Renovation Wave; (ii) remote assistance, telemedicine supporting population ageing and (iii) increasing use of air sanitization beyond pandemic needs. We forecast adjusted EBITDA margin to improve from 9% in 2021 to 11% in 2024, as increasing raw materials, energy and transportation costs shall be offset by selling prices increase and production processes optimization.

Valuation: 12-month target price at €0.56; BUY

We initiate our coverage with a BUY recommendation and a target price of €0.56/share. The target price is computed as the simple average between the fair value from DCF and relative market multiples valuation. To run our DCF, we used 2022-25 FCF estimates, equal to cumulated €30.8m, a terminal cash flow of €8m, a 6.2% WACC and 2% perpetual growth. To assess the relative valuation through market multiples, we used the median EV/EBITD2022E-23E multiple at 7.5x.

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 €20.5m (or €0.10/share). Potential downside might come from: i) accelerating monetary tightening, ii) further and more than expected rise in raw materials and transportation costs, iii) worsening of Covid-19, iv) further weakening of economic growth. These risks might be partially offset by the long-term trend towards green energy, energy savings and air sanitization.

Target Price (€)

0.56

Recommendation

BUY

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	0.39 €
Number of shares (mln)	200.0
Market capitalization (mln)	78.3 €
Equity Float	25%

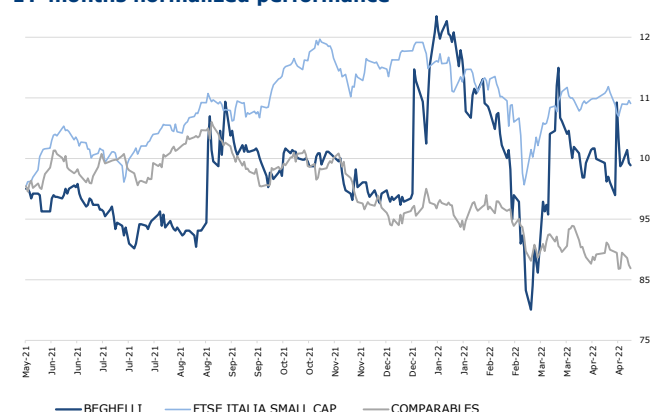
1Y performance

Absolute	+7.0%
Max / Min	0.30/0.48
Average daily volumes	706,318

(€mln)	2020	2021	2022E	2023E	2024E
Revenues	127.4	148.0	161.3	172.7	177.7
yoy (%)	13.4%	16.2%	8.9%	7.1%	2.8%
Adj EBITDA	8.1	13.4	16.4	18.4	19.5
margin (%)	6.4%	9.0%	10.2%	10.7%	11%
EBIT	(2.3)	6.8	7.4	8.9	9.5
margin (%)	-1.8%	4.6%	4.6%	5.2%	5.4%
Net income	(8.9)	3.1	3.0	4.0	4.3
Net Debt	54.6	42.8	40.3	37.2	34.4
Equity	82.6	89.1	91.4	94.7	98.1
CapEx	3.7	6.8	4.9	5.6	6.3
FCFs	0.1	7.6	8.3	6.4	7.3

Source: Banca Profilo estimates and elaborations, Company data.

1Y-months normalized performance



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Executive summary

Beghelli in a nutshell

Beghelli: A European leader in emergency lighting

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**. Furthermore, Beghelli Group offers **several services through its subsidiaries** mainly after-sales services, operational assistance services for people safeguard, advisory on energy saving and comfort lighting systems installation and management.

Beghelli's wide product range, from lighting to electronic systems

The **manufacturing of lighting systems is certainly Beghelli's strong suit, both for know-how and revenue generation (94% 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.

Beghelli SpA direct control thirteen subsidiaries

The group structure is led by **Beghelli SpA acting as the operating holding directly controlling thirteen subsidiaries**. The company can be divided in relation to their structure in: (i) industrial, (ii) commercial, (iii) research and services, (iv) procurement and commercial and (v) sub-holdings companies.

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%.**

Main Financial data and estimates (2022E-2024E)

Economic impact and opportunities deriving from the Covid-19 crisis: net revenue +16% yoy in 2021 to almost €150mln

The crisis exacerbated in 2020, when revenue recorded a 13% yoy like-for-like drop mainly due to: (i) the forced closure of distributors during March and April, and (ii) the postponement of some orders affecting the lighting segment. After a weak first half of the year, **Beghelli net sales partially recovered thanks to the development and the commercial launch of SanificaAria**, a Beghelli branded air purifier and sanitizer. The new product line enabled net sales from other activities to more than double year-over-year (+141% or +€2.9mln) and partially offset the decline recorded by the lighting segment (-16% on a like for like basis). **The launch of SanificaAria represented a game-changer as demonstrated also by FY21 figures**. Consolidated FY21 net revenues stood at €148mln, +16% yoy, benefiting from the recovery in the lighting sector (+12% yoy to €137.5mln), and the strong demand for SanificaAria product range which drove revenue from other activities to €10.5mln, +114% yoy.

Raw materials and services costs represent Beghelli's primary cost item at 44% of revenue

Raw materials and related services costs represent Beghelli's primary cost item and had an average **historical incidence of ca. 46% on revenue over the last five years, FY21 included**. Main raw materials purchased are **polymers, plastic, steel, aluminium and electrical components**. Despite a global context of rising input prices in 2021, raw materials and related services costs rose to €65mln in 2021, up €6.9mln

from 2020 but down in terms of incidence on revenue which stood at 44% vs 46% in 2020. This reduction is due to a reorganization of the pricing and discount policy, a better sales mix and production processes optimization.

Beghelli's Fixed Assets have decreased over time, following the disposal of non-strategical assets

Total fixed assets decreased over time, from €109m in 2017 to €72m in 2021. The Company has been **divesting non-core assets**. The latest disposal took place in 2021, when Beghelli sold the building owned by Beghelli North America.

Emergency and ordinary lighting as guidelines to forecast revenue

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.

Revenue assumptions: Lighting to grow at 6.7% CAGR and Revenues generated by SanificaAria Beghelli close to €45m until 2024

Therefore, we project Lighting to generate €147m turnover in 2022 and to grow at a 6.7% CAGR in 2021-2024E to €167m.

For **SanificaAria Beghelli** product range. According to management, some 100.000 pieces of SanificaAria have been sold up to 1Q22; therefore, we assume approximately 300k units of SanificaAria Beghelli to be sold until 2024, for a total revenue close to €45m.

*Balance Sheet Projections over 2022-2024E:
- CAPEX increase of some €17m
- NWC increase by €9.2m*

Regarding our Balance Sheet projections, we estimate:

- cumulated CapEx of some €17m over the forecasting period 2022E-2024E, of which 65% allocated to intangible assets and 35% to tangible assets. We assume total capex for 2022E are equal to €4.9m, and their incidence on revenues will increase by 0.5% each year.
- Net Operating Working capital to increase by €9.2m over 2022E-2024E with a constant incidence on revenue at 30-31%. In 2022E, we forecast €29.8m of trade receivable and a slight increase in the following years. We assume a decrease for trade payable from an amount of €43.9m in 2022 to €41.7m in 2024. Regarding inventories, we assume the Inventory Sale Days will return to pre-covid levels. In 2022 we estimate inventories of €62.5 with a slight increase in 2023-2024E.

Valuation

BUY recommendation with a target price of €0.56/share

We initiate our coverage on Beghelli Group with a **BUY recommendation** and a **target price of €0.56/share**. The target price is computed as the simple average between the fair value from a DCF model (€0.68) and the implicit price in peer's market multiples (€0.44).

DCF fair value

To run a DCF model, we used our projections of FCFs for the 2022E-2025E explicit period coming from our P&L and Balance Sheet estimates. **Cumulated 2022E-2025E cash flow is estimated at €30.8m**. The FCF used in the Terminal Value has been set equal to the FY22-FY25 average at €8.0m. In order to get the Equity Valuation, we considered Net Debt at the end of FY21 (€42.8m). Other main DCF inputs were: a **WACC of 6.2%** and a **perpetual growth rate of 2%**. The DCF method leads us to an Enterprise Value of €178.6m and an **Equity Value of €135.7m or €0.68/share**.

EV/EBITDA 2022E-2023E of 7.9x and 7.1x respectively

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.

To compute the valuation implicit in market multiples **we used the EV/EBITDA as reference multiple**. In order to avoid any outlier with extremely large or small values, we chose the median EV/EBITDA, over the average. Our sample shows **median**

EV/EBITDA 2022E-2023E of 7.9x and 7.1x respectively, from which derive and Equity Value of €87mln, or **€0.44 per share**.

Key risks

The most significant risk for our estimates depends on the contraction demand and obsolescence

Main risks to our projections are linked to: (i) the external context (ambiental risk, competitive risk, cycle demand risk, obsolescence risk and corruption risk and (ii) the business & the strategy execution (risk of losing qualified personnel and safety risk). The risks we evaluate to have the highest potential impact on the business are:

- **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.
- **Obsolescence risk:** 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.
- **Competitive risk:** 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.

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

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**.

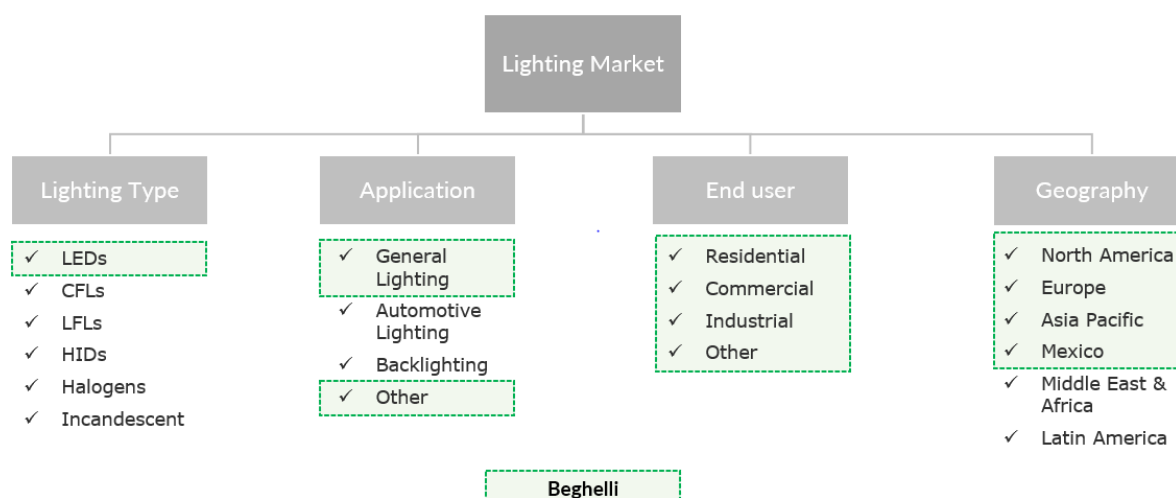
The Global Lighting Equipment Industry

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
- (iv) Geographic market.

Figure 1: Market segmentation of the Lighting Industry in which Beghelli is directly involved



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

Main features of the Lighting Equipment Industry

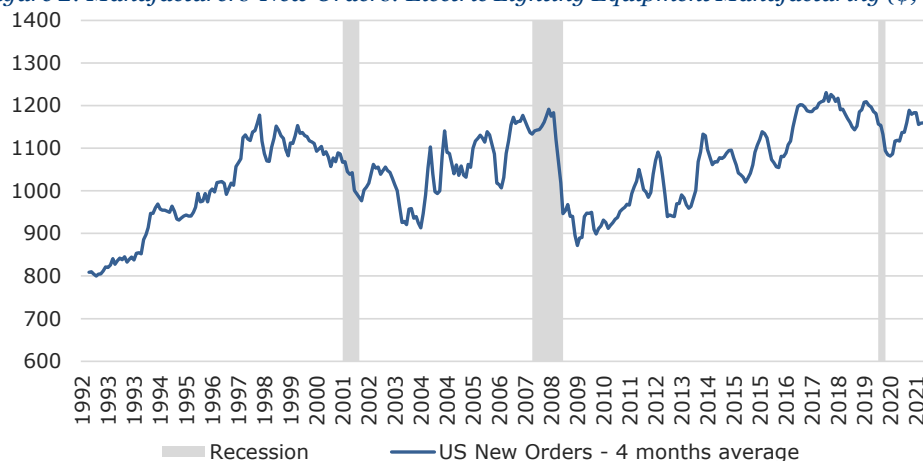
The Lighting Equipment Industry is characterized by the following features:

- **Construction activity, business capital spending, and lighting technology developments as main drivers;**
- North America and Europe are main reference markets, accounting for about half of the global lighting fixtures market. The highest growth rate is expected to come from the Asia/Pacific;
- **Mid-low level of concentration** which implies high competition. According to BizVibe estimates, there exist 6,000 of electric lighting equipment manufacturing companies across 75+ countries. Large companies have advantages in purchasing power, manufacturing volumes, and distribution efficiencies. Small companies compete by offering specialized products and superior customer service in regional markets.
- **High single digit operating margin.** Profitability depends on efficient operations. Purchase costs are expected to have increased because of supply chain disruptions in FY20 and FY21. These disruptions have been continuing in FY22 and are expected to constrain the recovery of the industry's average profit margin.

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 are 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 2: 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%

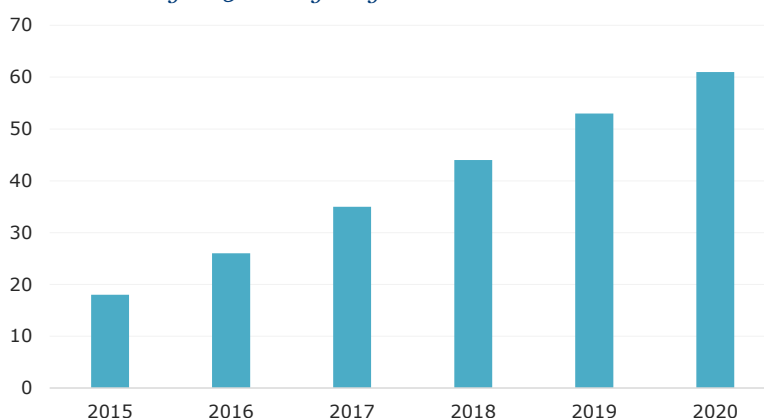
Looking at numbers, the global lighting market size was worth \$106bn in 2020 and is projected to reach \$140bn by 2026, exhibiting a 4.7% **CAGR over** this period.

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. The government policies have been pursuing the energy saving objective worldwide, with measures such banning the usage of incandescent light, accelerating the penetration and driving the demand for energy-efficient and cost-saving LEDs. Moreover, LEDs are highly controllable, as the integrity of

LEDs can vary based on the requirements when integrated with a driver. In addition, LEDs in the industrial environment can lead to energy saving up to 70%.

Figure 3: Led lighting market share over time



Source: Banca Profilo elaboration on Goldman Sachs data

The Global Emergency Lighting Industry

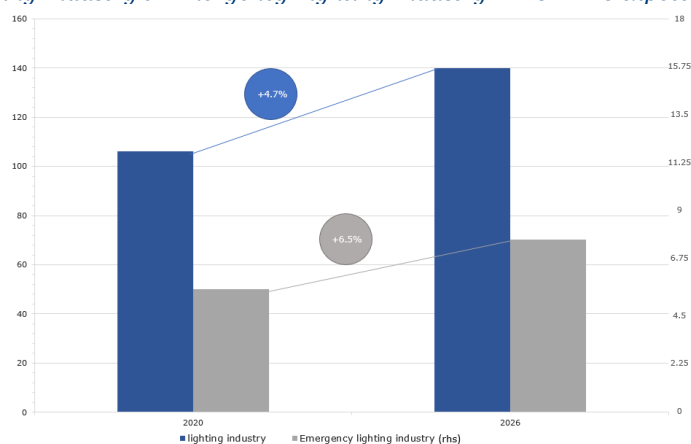
Emergency Lighting as the reference industry

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 4: 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 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 1: 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.

Fagerhult (Sweden)

- €7.1bn FY21 revenue
- 16.3% EBITDA margin

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.

Lena Lighting (Poland)

- €131m FY21 revenue
- 10.3% EBITDA margin

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.

Signify (Netherlands)

- €6.9bn FY21 revenue
- 13.2% EBITDA margin

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.

Acuity Brands (USA)

- €3.6 bn FY21 revenue
- 16.2% EBITDA margin

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.

Dialight (UK)

- €131 mln FY21 revenue
- 8.5% EBITDA margin

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.

Same set of selected comparables to Beghelli for growth, cash flows and risk comparability criteria: Zumtobel, Fagerhult, Lena Lighting, Signify, Acuity Brands, Dialight

For what concerns **comparability in terms of growth prospects, cash flow generation and risk**, we can confirm the same panel of selected companies.

Table 2: Beghelli competitive arena; growth prospects, cash flows and risk comparability criteria

Company	Currency	Market Cap (mln)	Enterprise Value (mln)	Sales growth						EBITDA margin					
				2018	2019	2020	2021	2022E	2023E	2018	2019	2020	2021E	2022E	2023E
29/04/2022															
Zumtobel Group AG	Euro	300	505	-4.7%	-2.9%	-5.6%	1.8%	5.0%	3.5%	6.3%	9.3%	11.3%	11.2%	11.2%	11.7%
Signify NV	Euro	5,211	6,506	-8.7%	-1.7%	4.1%	5.5%	7.4%	2.6%	10.3%	11.0%	11.5%	13.2%	12.7%	13.9%
Fagerhult AB	Swedish Krona	8,798	11,227	8.7%	39.6%	-13.6%	4.5%	8.6%	8.4%	23.4%	16.7%	13.4%	16.3%	15.7%	15.5%
Lena Lighting S.A.	Polish Zloty	98	110	-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	118	134	-6.3%	-11.0%	-21.2%	10.6%	18.0%	6.5%	7.4%	7.2%	0.8%	8.5%	10.3%	11.4%
Acuity Brands, Inc.	U.S. Dollar	5,964	5,925	3.2%	-3.4%	-5.1%	6.6%	9.4%	4.5%	15.7%	15.7%	15.8%	16.2%	16.1%	16.6%
Median best peers				-4.9%	-3.1%	-5.3%	5.0%	8.0%	4.5%	10.3%	11.0%	12.5%	12.2%	12.0%	13.9%
Beghelli	ITA	78.3	121.3	-8.8%	-5.3%	-20.3%	17.1%	6.2%	7.1%	6.6%	9.9%	6.2%	9.9%	10.2%	10.6%

Source: Banca Profilo elaborations on Company data

Beghelli overview and business model

Company's foundation and business scope

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

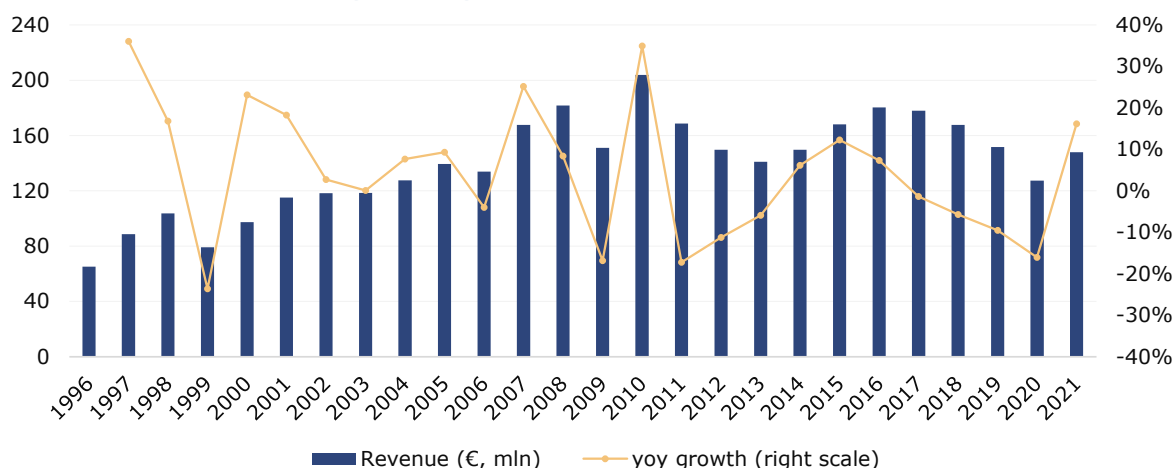
Beghelli was set up in Italy, in 1982, as a local manufacturer of emergency lighting, but it soon expanded both geographically and in terms of product range. Today the Group is a local, yet international conglomerate, which operates seven plants around the world besides its headquarter in Monteveglio, 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**. Furthermore, Beghelli Group offers **several services through its subsidiaries**, mainly after-sales services, operational assistance services for people safeguard, advisory on energy saving and comfort lighting systems installation and management.

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.

In particular, SanificaAria Beghelli is 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%, contributing to the safety of indoor spaces. The product ranges from mini to industrial air sanitization devices, especially for corporates and schools; in the near future, this sanitization systems will be integrated in the emergency lighting devices.

Figure 5: 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:

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

Figure 6: 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



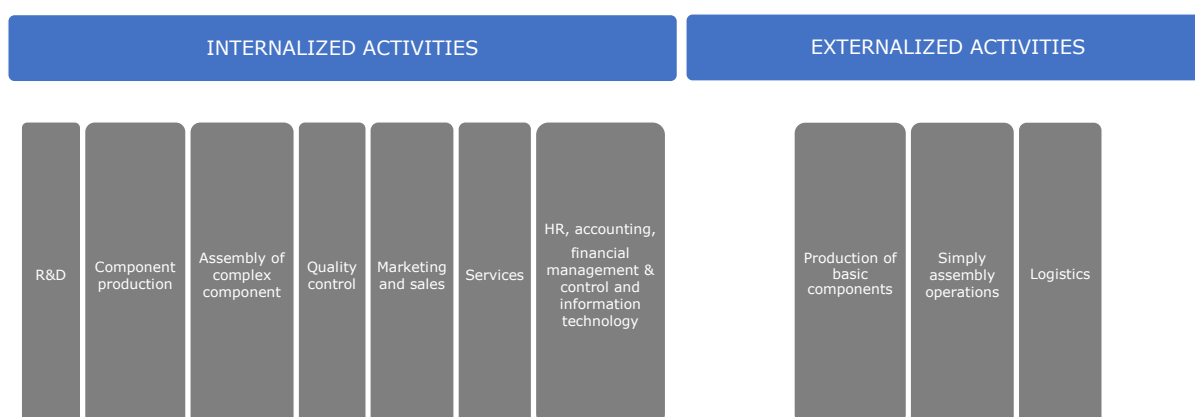
SanificaAria, Beghelli's brand new air purification system

Source: Banca Profilo elaborations on Company pictures

Internalized and externalized activities

Beghelli business model is divided into a plurality of phases and functions which include the R&D, planning and purchasing, logistical coordination of product production, product quality control, marketing, distribution and sale of systems and components and services matched to the products. The Group has invested in R&D and has therefore accumulated extensive research experience and in product development, accumulating a significant competitive advantage over the competition. In relation to new products, the R&D area cooperates with the quality control, procurement and production function.

Figure 7: Beghelli's activities



Source: Banca Profilo elaborations on Company data

Procurement selects the suppliers of the materials and components and defines the agreements for supply.

Production is carried out mainly by companies belonging to the Group. In particular, the components such as electronic circuits and products with high added value are produced in Italy.

Sale & Marketing formulate sales forecasts based on market data and forward them to the planning and organization function, for the subsequent explosion of production orders and production programs.

The main company business model is B2B

The main customers are (i) electrical materials wholesalers, (ii) appliance and hardware stores, large-scale retail trade (G.D.O.) and (iii) direct and other sales, including online sales. Beghelli Spa business model is B2B as it sells to wholesalers and participates in tenders; while the company applies B2C model only regarding to online sales. In order to offer a complete service and maintain a high degree of customer loyalty, Beghelli has implemented a strategy of pre and post-sales assistance on products, which is accompanied by the activity of technical and regulatory training on all links in the distribution chain: designers, installers and final distributors.

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 8: 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. According to our estimates, single countries Beghelli is more exposed to besides Italy are the US (ca. 11% of total revenue), Germany (ca. 8%), China (ca. 5%), Poland (ca 5%) and Mexico (ca 5%). The strong degree of geographic diversification come from the internationalization process Beghelli has started in the early 2000s and then strengthened over the following 20 years with the acquisition of plants in the Americas, Europe, and Asia. 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 9: Beghelli's geographical presence

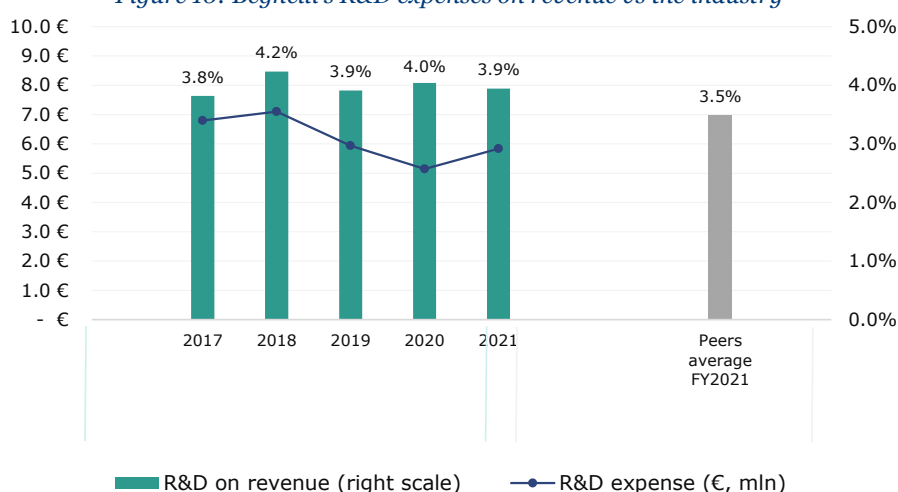


Source: Banca Profilo elaborations on Company data

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. The product idea was born after the Covid-19 outbreak but was based on the Company's well-established experience in the field of sanitization, thanks to Beghelli water sanitation products already on the market at that time. Nevertheless, there is further space for R&D expenses: according to FY21 figures, Beghelli devotes 3.9% of its turnover to R&D, which is below the 3.5% average of its closest peers.

Figure 10: Beghelli's R&D expenses on revenue vs the industry



Source: Banca Profilo elaboration on Company data

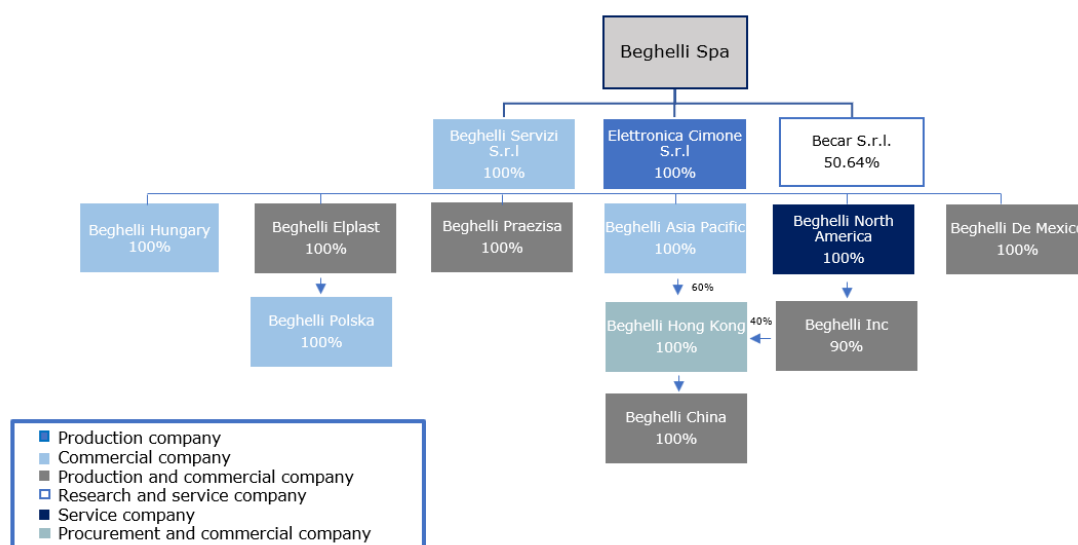
Corporate structure

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 11: Beghelli corporate structure



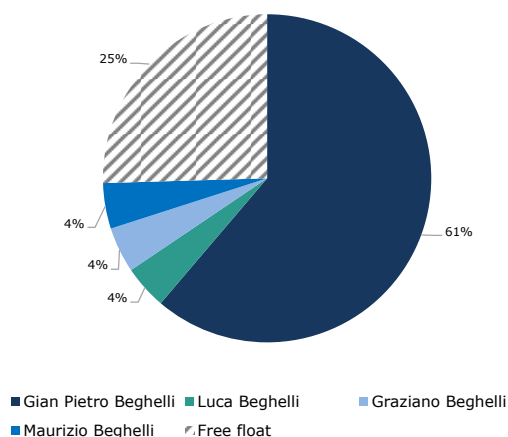
Source: Banca Profilo elaborations on Company data

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 12: 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 3: 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

Table 4: Governing bodies diversity

Governing Boding diversity						
Number of	Men	Women	Total	< 30 years	30-50 years	> 50 years
Board of Director	7	5	12	0	5	7
%	58.3%	41.7%	100.0%	0.0%	41.7%	58.3%
Board of Statutory Auditors	3	2	5	0	0	5
%	60.0%	40.0%	100.0%	0.0%	0.0%	100.0%
Supervisory body	3	0	3	0	0	3
%	100.0%	0.0%	100.0%	0.0%	0.0%	100.0%
Total	13	7	20	0	5	15

Source: Banca Profilo elaborations on Company data

Beghelli Gian Pietro, Founder Chairman and CEO

Gian Pietro Beghelli is the founder, Chairman and CEO of Beghelli Group. In the early 70s he started the activity of subcontractor specialized in electronic assemblies, working for important electronic and electromechanical companies in Emilia Romagna. In 1982 he founded Beghelli, which initially produced emergency lighting equipment.

Beghelli Luca, Co-CEO at Beghelli Spa

Luca Beghelli is the Co-Chief Executive Officer at Beghelli Spa; he is also Marketing Director of Beghelli Spa.

Beghelli Graziano, Co-Managing Director at Beghelli Praezisa and Co-CEO at Beghelli Spa

Graziano Beghelli is Co-Managing Director at Beghelli Praezisa and Co-Chief Executive Officer at Beghelli Spa. Subsequently he was the coordinator of the group's international activities managing the M&A operations of Elplast and Praezisa.

Beghelli Maurizio, Co-CEO at Beghelli Spa

Maurizio Beghelli is a Co-Chief Executive Officer of Beghelli Spa. In relation to Beghelli Servizi, he deals with product and service initiatives in various lighting sectors.

Historical operating and financial performance

Premise: fiscal years 2018, 2019, and 2020 are not fully comparable

In April 2019 Beghelli finalized the sale of Beghelli Canada

Before analysing historical financial performances, we need to consider that in April 2019 Beghelli sold Beghelli Canada, whose revenue accounted for about €14.5m in FY18 (9% of total Beghelli's revenue). Consequently, fiscal years 2018, 2019, and 2020 are not fully comparable.

Total consideration of about €14m

The sale of Beghelli Canada (2019), for a consideration of about €14m, generated a consolidated gross capital gain of about €8m before tax and before one-off transaction costs. From a financial standpoint, the liquidity generated by the transaction has allowed the Group to strengthen its net financial position by reducing its debt exposure.

Historical performance analysis

Revenue

Before the Covid-19 outbreak Beghelli had showed a declining trend in revenue due to intensifying competition

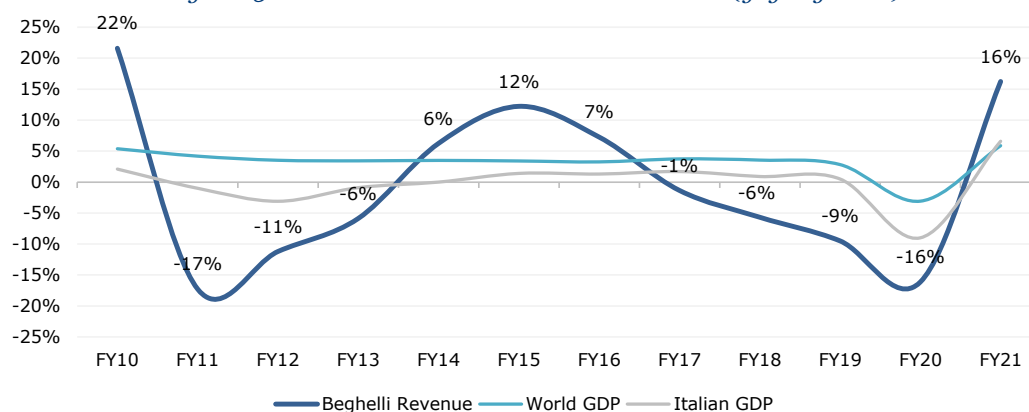
Before the strong uptick in revenue recorded in FY21 (+16%), Beghelli's turnover had experienced a declining trend, as net revenues decreased at a CAGR of 11% over the 2017-2020 period (7% on an organic basis which excludes the impact of the sale of Beghelli Canada in FY19). The **bad revenue momentum before the Covid-19 outbreak** was recorded across different sub-industries and geographical areas and was mainly caused by increasing competition and price pressure from Asian players.

Economic impact and opportunities deriving from the Covid-19 crisis

Net revenue +16% yoy in 2021 to almost €150m

The crisis exacerbated in 2020, when revenue recorded a 13% yoy like-for-like drop mainly due to: (i) the forced closure of distributors during March and April, and (ii) the postponement of some orders affecting the lighting segment. After a weak first half of the year, Beghelli net sales partially recovered thanks to the development and the commercial launch of SanificaAria, a Beghelli branded air purifier and sanitizer. The new product line enabled net sales from other activities to more than double year-over-year (+141% or +€2.9m) and partially offset the decline recorded by the lighting segment (-16% on a like for like basis). **The launch of SanificaAria represented a game-changer as demonstrated also by FY21 figures.** Consolidated FY21 net revenues stood at €148m, +16% yoy, benefiting from the recovery in the lighting sector (+12% yoy to €137.5m), and the strong demand for SanificaAria product range which drove revenue from other activities to €10.5m, +114% yoy. Nonrecurring financial income is included in 2021 total revenues, and it represents the capital gain deriving from the sale of building owned by Beghelli North America.

Figure 13: Historical revenue evolution 2010 – FY21 (yoy % growth)



Source: Banca Profilo elaborations on Company data

Note: FY20 revenue were down 13% on a like for like basis while 16% considering the impact of Beghelli Canada's disposal

Cost of goods sold

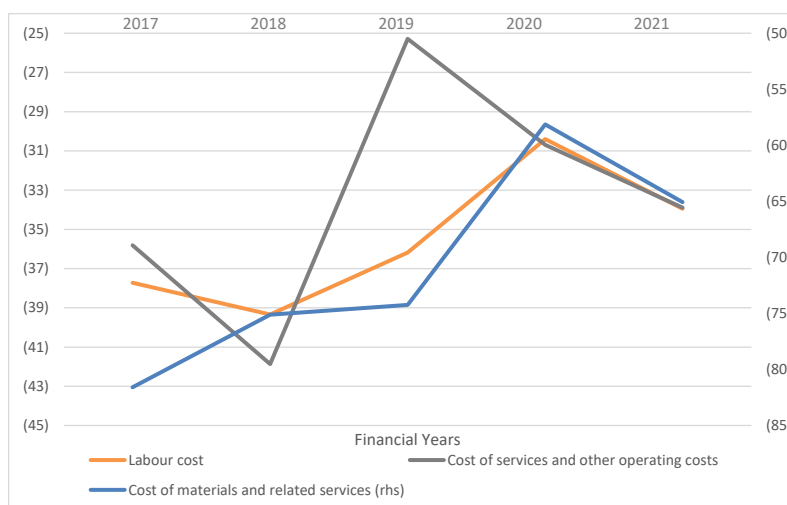
Raw materials and services costs represent Beghelli's primary cost item at 44% of revenue

Raw materials and related services costs represent Beghelli's primary cost item and had an average **historical incidence of ca. 46% on revenue over the last five years, FY21 included**. Main raw materials purchased are **polymers, plastic, steel, aluminium and electrical components**. Despite a global context of rising input prices in 2021, raw materials and related services costs rose to €65m in 2021, up €6.9m from 2020 but down in terms of incidence on revenue which stood at 44% vs 46% in 2020. This reduction is due to a reorganization of the pricing and discount policy, a better sales mix and production processes optimization.

Labour cost reflects a workforce of more than 1,000 employees

Over the past five years, labour cost had an average incidence on revenue of ca. 23%. The workforce of more than 1,000 employees, has decreased over past years, from 1,416 in FY17 to 1,104 in FY21, mainly through incentives for early retirement and the use of the so-called Cassa Integrazione (CIG). The historical fluctuation of both workforce and, consequently, labour cost, is also partly attributable to the volatility of the employees of Beghelli China, where the workforce is mainly temporary and depends on the demand needs. In 2020, labour costs fell significantly, given the use of the so-called Cassa Integrazione (CIG), the main Italian redundancy fund scheme adapted. In 2021 labour costs stood at €34m (23% on revenue), up €4m from 2020 for the reduction in the use of the Covid layoffs. In 2021, Beghelli used €1m of CIG for Covid-19: by including this amount, the total cost would be €35m, equal to an incidence of 24%, in line with 2019 and 2020.

Figure 14: Historical evolution of costs FY17 – FY21 (€, mln)



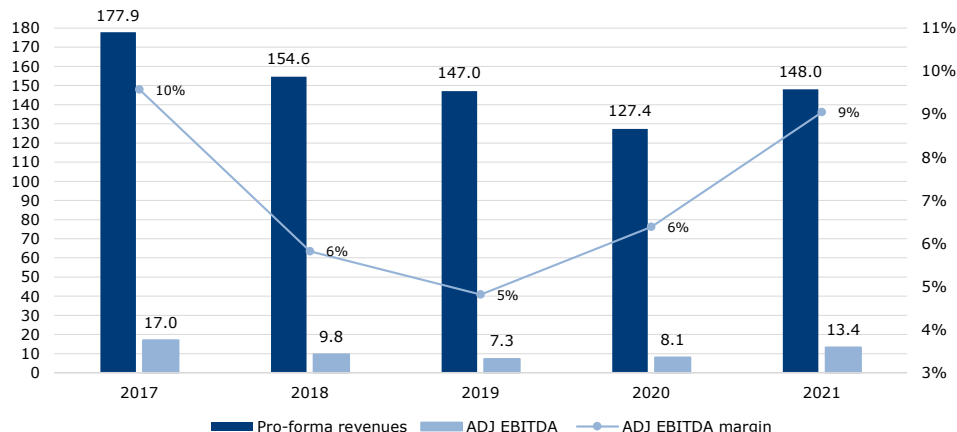
Source: Banca Profilo elaborations on Company data

Profitability

Adjusted EBITDA margin improved to 9% in 2021

Despite top-line contraction, in FY20 Beghelli improved its recurring (adjusted) marginality (excluding extraordinary income deriving from capital gains following the sale of non-core assets) mainly thanks to the restructuring process over the previous two years. In particular, the recurring marginality, before Covid-19, declined from 9.6% in 2017 to 4.8% in 2019 to improve to 6.4% in 2020. **In 2021, adjusted EBITDA margin improved further to 9%** driven by: (i) an increase in selling volumes and prices and (ii) production processes optimization.

Figure 15: Historical generation of Adjusted EBITDA 2017 – 2021 (€, mln)



Source: Banca Profilo elaborations on Company data

Table 5: Beghelli Profit & Loss FY17-FY21 (€, mln)

Profit & Loss (€/mln)					
	FY17	FY18	FY19	FY20	FY21
Pro-forma revenue	-	154.6	147.0	-	-
Reported Revenue	177.9	167.8	151.8	127.4	148.0
Other Revenue	5.6	3.0	2.6	2.7	2.5
Non recurring revenue	5.7	1.7	8.8	0.0	1.7
Total Revenue	189	172	163	130	152
yoy		-9%	-5%	-20%	17%
Cost of materials and related services	(81.6)	(75.1)	(74.2)	(58.1)	(65.1)
% on Revenue	46%	45%	49%	46%	44%
Gross Profit	108	97	89	72	87
Margin	60%	58%	59%	56%	59%
yoy		-10%	-8%	-19%	21%
Labour cost	(37.7)	(39.3)	(36.2)	(30.4)	(33.9)
% on Revenue	21%	23%	24%	24%	23%
Cost of services and other operating costs	(35.8)	(41.9)	(25.3)	(30.7)	(33.9)
% on Revenue	20%	25%	17%	24%	23%
Comprehensive operating costs	(155.1)	(156.3)	(135.7)	(119.2)	(132.9)
% on Revenue	87%	93%	89%	94%	90%
EBITDA	22.7	11.4	16.1	8.1	15.1
Margin	12.8%	6.8%	10.6%	6.4%	10.2%
ADJ. EBITDA	17.0	9.8	7.3	8.1	13.4
Margin	9.6%	5.8%	4.8%	6.4%	9.0%
D&A	(11.0)	(8.9)	(11.3)	(10.4)	(8.3)
% on Revenue	6%	5%	7%	8%	6%
EBIT	11.8	2.6	4.8	(2.3)	6.8
Margin	6.6%	1.5%	3.2%	-1.8%	4.6%
Net Financial Income (expenses)	(5.7)	(4.4)	(5.3)	(5.2)	(2.9)
% on Revenue	3%	3%	3%	4%	2%
EBT	6.1	(1.8)	(0.4)	(7.5)	3.9
Margin	3%	-1%	0%	-6%	3%
Income Tax Expense	(2.2)	(7.5)	(0.7)	(1.6)	(0.6)
Tax rate	35%	-407%	-159%	-22%	16%
Group Net Income	3.9	(9.4)	(1.3)	(8.9)	3.1
Margin	2.2%	-5.6%	-0.9%	-7.0%	2.1%
yoy		-341%	-86%	570%	-135%
Basic EPS from Continuing Operations	0.0	(0.00)	0.01	(0.04)	0.00
yoy		-133%	-474%	-423%	-112%

Source: Banca Profilo elaborations on Company data

Balance Sheet

Beghelli's Fixed Assets have decreased over time, following the disposal of non-core assets

Looking at the Balance Sheet, **total fixed assets decreased over time**, from €109mIn in 2017 to €72mIn in 2021. The Company has been **divesting non-core assets**. The latest disposal took place in 2021, when Beghelli sold the building owned by Beghelli North America.

Table 6: Fixed Assets disposal year from 2017 to 2022

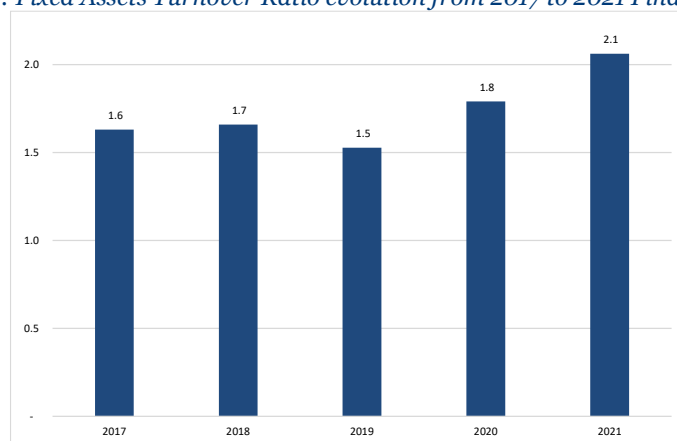
Financial year	Disposal
2017	Brno Plant owned by Beghelli Elplast
2019	Building owned by Beghelli Praezisa
2019	Shareholding Beghelli Canada
2020	Plots of Land owned by Beghelli China
2021	Building owned by Beghelli North America
Expected in 2022	Crespellano Building
Expected in 2022	Land owned by Beghelli S.p.A

Source: Banca Profilo elaborations on Company data

Fixed Assets turnover ratio improving from 1.6x to 2.1x in 2021

Fixed Assets Turnover Ratio, which measures Company's ability to generate net sales from its fixed asset, **has been in fact improving** from 1.6x in 2017 to 2.1x in 2021. In FY21, Total Fixed Assets amounted to €71.8mIn, of which more than 40% were PP&E, Beghelli's industrial lands and plants in Italy and around the world. Intangible assets, which mainly include development cost, industrial patents, concessions, software licenses and goodwill, stood at €14.6mIn in FY21, or 20% of total Fixed Assets. The remaining fixed assets include Rights of Use and Financial Assets, both equal to approximately 20% of total fixed assets. Financial assets mainly comprise the financial credit deriving from "Un Mondo di Luce" project.

Figure 16: Fixed Assets Turnover Ratio evolution from 2017 to 2021 Financial Years

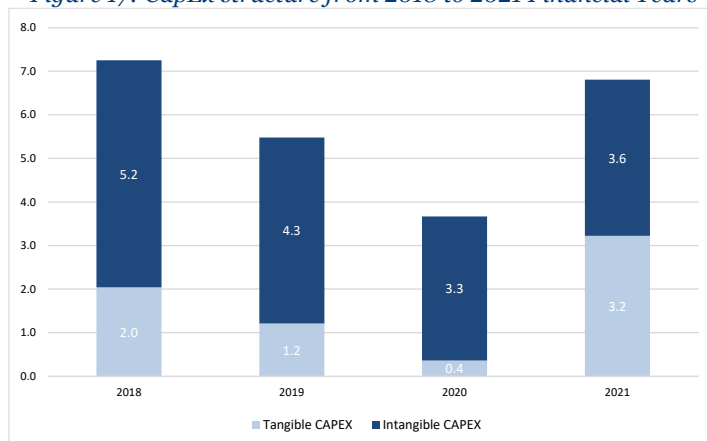


Source: Banca Profilo elaborations on Company data

Capex decreased from 2018 to 2020 and increase from 2020 to 2021

CapEx decreased over time from €7.3mIn in 2018 to €3.7mIn in 2020, while increased from 2020 to 2021 by 4.5%. The company investments aimed to innovate, improve and expand the product range and make production capacity more efficient. Every year the intangible capex is always greater than the tangibles one, except in 2021 since the values are very similar.

Figure 17: CapEx structure from 2018 to 2021 Financial Years



Source: Banca Profilo elaborations on Company data

Table 7: Beghelli Balance Sheet FY17-FY21 (€ mln)

Balance Sheet (€ / mln)					
	FY17	FY18	FY19	FY20	FY21
Intangible Assets	16.0	17.0	16.5	14.8	14.7
Right of use	0.0	0.0	8.5	8.4	14.0
Tangible Fixed Asset	60.8	57.9	51.2	31.8	30.8
Non-instrumental tangible fixed assets	5.8	5.7	1.7	0.5	0.5
Financial Assets	26.4	20.5	21.5	15.6	11.9
Fixed Assets	109.1	101.1	99.4	71.1	71.8
Trade Receivable	35.1	34.4	31.1	32.9	25.1
Inventories	45.8	57.0	48.0	49.8	62.1
Trade Payable	(38.8)	(48.3)	(35.3)	(35.8)	(40.2)
Net Operating Working Capital	42.1	43.1	43.8	46.9	46.9
% on Revenue	24%	26%	29%	37%	32%
Trade receivables (% on Revenue)	20%	21%	20%	26%	17%
Inventories (% on Revenue)	26%	34%	32%	39%	42%
payables (% on cost of services & materials)	33%	41%	35%	40%	41%
Other Current Assets	29.8	23.6	14.0	32.1	30.5
Other Current Liabilities	(20.2)	(18.6)	(19.5)	(19.4)	(19.6)
Working Capital	51.7	48.1	38.3	59.6	57.8
Non Current Assets	23.6	17.4	24.9	18.0	14.4
Non Current Liabilities	(13.6)	(12.0)	(12.4)	(11.5)	(12.0)
Of which Funds	(12.9)	(11.2)	(11.7)	(11.0)	(11.3)
Invested Capital	171	155	150	137	132
CapEx	<i>n.a.</i>	7.3	5.5	3.7	6.8
% on Revenue	<i>n.a.</i>	4%	4%	3%	5%
Intangible	<i>n.a.</i>	5.2	4.3	3.3	3.6
Tangible	<i>n.a.</i>	2.0	1.2	0.4	3.2
Financial	<i>n.a.</i>	0.0	0.0	0.0	0.0
Share capital	10.0	10.0	10.0	10.0	10.0
Reserves and Retained Earnings	92.3	93.3	84.3	81.6	75.9
Group Net Income	3.9	(9.4)	(1.3)	(8.9)	3.1
Third party Equity	0.2	0.1	0.2	(0.0)	0.2
Consolidated Shareholders' Equity	106	94	93	83	89
Net Financial Position (Cash)	64.4	60.6	57.0	54.6	42.8

Source: Banca Profilo elaborations and estimates on Company data

Net operating working capital improved to 32% of revenue despite a strategic stock piling in 2021

Net Operating Working Capital stood at €46.9mln at the end of 2021, including trade receivables for € 25.1mln, trade payables for €40.2mln and inventories for €62.1mln. In 2021, the incidence of trade receivables on revenue declined to 17% from its peak at 26% in 2020; this reduction is attributable, other than revenue growth, to: (i) greater recourse to pro-soluto factoring and (ii) better management of receivables cash in. Inventories increased during 2021, from €49.8mln to 62.1mln (+25% yoy), in order to ensure a minimum level of safety stocks in the lighting and SanificaAria. Inventories weight on revenue moved up to 41% in 2021 from a peak of 38% in 2020 following a stock piling strategy ahead of increasing raw materials costs. Trade payables increased marginally their weight on COGS, (net of labour cost), to 41% in 2021 from 40% in 2020. Overall, working capital management improved in 2021; its incidence on revenue reached a peak in 2020 to 37% of revenue, in an increasing trend which from 24% in 2017 to 29% in 2019, mainly due to Covid-19, to decline to 32% at the end of 2021.

Net debt at €43mln at the end of 2021; significantly improving to 2.8x EBITDA

At the end of 2021, Net Debt stood at €42.8mln, including €75.3mln of debts, €29.9mln of cash and cash equivalents and €2.5mln of other financial assets. As for the ratios, Net Debt/EBITDA decreased to 2.8x in 2021 from its peak at 6.7x in 2020.

Strategy and estimates

Corporate strategies

Main Company strategic lines

Beghelli aims at **diversifying its business geographically and at expanding its product range** through innovation. The Company aims at acquiring market share in North and East Europe through the setup of Beghelli Elplast and Praezisa.

To consolidate its strategic positioning, Beghelli's strategies are:

1. expansion in the ordinary lighting market;
2. launch of dynamic emergency lighting;
3. relaunch of "Telesalvalavita Beghelli" through innovative technologies;
4. expansion of the "SanificaAria" product range by applying new technologies and combining the light component with the sanitizer;
5. continuing disposal of non-strategic assets;

Our 2022E-2024E estimates

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.

Revenue assumptions: Lighting to grow at 6.7% CAGR in 2021-2024E

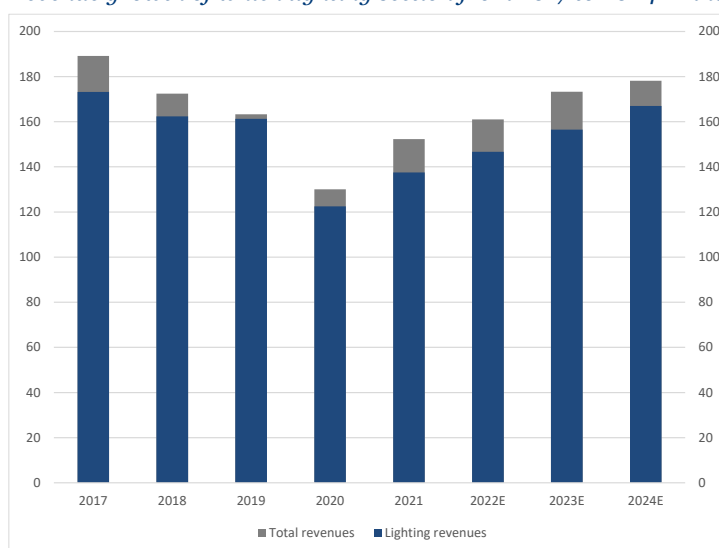
Therefore, we project Lighting to generate €147mln turnover in 2022 and to grow at a 6.7% CAGR in 2021-2024E to €167mln.

In addition, we divided other revenue in:

1. Photovoltaic systems that have been dismissed.
2. **Telesoccorso** and other related products; we forecast €1mln turnover per year;
3. **SanificaAria Beghelli** product range. According to management, some 100.000 pieces of SanificaAria have been sold up to 1Q22; therefore, we assume approximately 300k units of SanificaAria Beghelli to be sold until 2024, for a total revenue close to €45mln.

Revenues generated by SanificaAria Beghelli close to €45mln until 2024

Figure 18: Revenue growth of which lighting section from 2017 to 2024E Financial Years



Source: Banca Profilo elaborations and estimates

Growth of raw material costs incidence to 38%

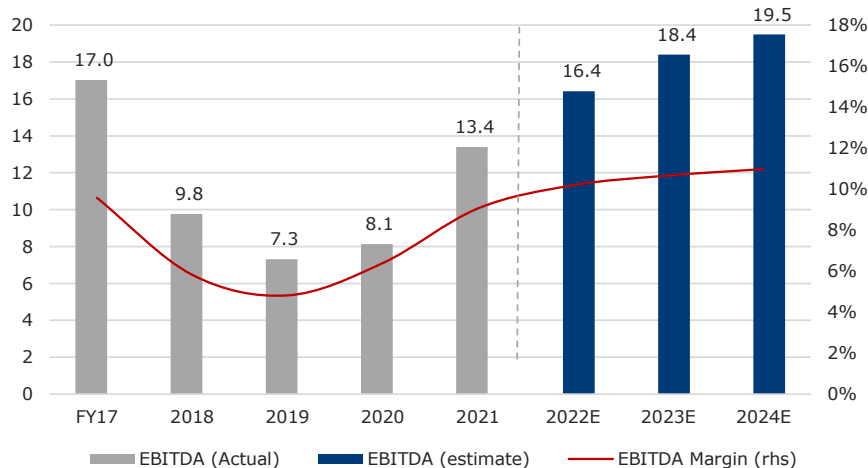
Increase in labour costs and adjustment for inflation level at 2%

Slight increase of other operating costs incidence between 23-24%

Our costs assumptions are based on the following drivers:

- Cost of materials and purchased services:** we increased the incidence of raw materials costs on the Revenues from 36% in 2021 to 38% over 2022-2024E and gradually reduced the incidence of services from 6.3% in 2021 to 5% in 2024E. In 2022E, we assume the increase in raw materials and services costs in 2022E to be partially compensated by: (i) strategic advance purchases, (ii) price increases and (iii) optimization of production processes;
- Labour costs:** we assume a 3% increase in the labour force and an inflationary annual increase in the average cost per employee (+2%) over the 2022-2024E period;
- Other operating costs:** we assume a tenuous increase of their incidence on the Revenues, between 23% and 24% throughout the entire forecasting period. Within these costs we expect R&D to increase its weight on Revenues to 2.5% in 2024E.

Figure 19: EBITDA Adjusted and EBITDA Margin Adjusted trend 2017-2023E



Source: Banca Profilo elaborations and estimates

EBITDA at €16.4mln in 2022 and to grow at a 13% CAGR in 2022-2024E

As a consequence of our revenue and operating costs projections, we forecast adjusted EBITDA to increase to €16.4mln in 2022E and to grow at a 13% CAGR over the 2022-2024E period to €19.5mln or 11% margin from 10.2% seen in 2022E and 9% in 2021.

EBIT at €7.4mln in 2022E, up 12% CAGR compared to 2021

We assume EBIT to increase from €7.4mln in 2022 to €9.5mln in 2023, up 12% CAGR compared to 2021.

Net income at €3mln in 2022E and to reach €4.3mln in 2024

Comprehensive net income is expected at €3mln in 2022E. For the 2022-2024E period, net income is expected to grow with a CAGR of 10% to reach €4.3mln in 2024E.

Table 8: Beghelli Profit & Loss 2017-2024E (€, mln)

Profit & Loss (€/mln)								
	FY17	FY18	FY19	FY20	FY21	FY22 (E)	FY23 (E)	FY24 (E)
Pro-forma revenue	-	154.6	147.0	-	-	-	-	-
Reported Revenue	177.9	167.8	151.8	127.4	148.0	160.5	172.7	177.7
Other Revenue	5.6	3.0	2.6	2.7	2.5	0.5	0.5	0.5
Non recurring revenue	5.7	1.7	8.8	0.0	1.7	0.0	0.0	0.0
Total Revenue	189	172	163	130	152	161	173	178
yoy		-9%	-5%	-20%	17%	6%	8%	3%
Cost of materials and related services	(81.6)	(75.1)	(74.2)	(58.1)	(65.1)	(70.3)	(74.3)	(75.5)
% on Revenue	46%	45%	49%	46%	44%	44%	43%	43%
Gross Profit	108	97	89	72	87	91	99	103
Margin	60%	58%	59%	56%	59%	57%	57%	58%
yoy		-10%	-8%	-19%	21%	4%	9%	4%
Labour cost	(37.7)	(39.3)	(36.2)	(30.4)	(33.9)	(36.9)	(38.9)	(41.1)
% on Revenue	21%	23%	24%	24%	23%	23%	23%	23%
Cost of services and other operating costs	(35.8)	(41.9)	(25.3)	(30.7)	(33.9)	(37.7)	(41.6)	(42.0)
% on Revenue	20%	25%	17%	24%	23%	23%	24%	24%
Comprehensive operating costs	(155.1)	(156.3)	(135.7)	(119.2)	(132.9)	(144.9)	(154.8)	(158.7)
% on Revenue	87%	93%	89%	94%	90%	90%	90%	89%
EBITDA	22.7	11.4	16.1	8.1	15.1	16.1	18.4	19.5
Margin	12.8%	6.8%	10.6%	6.4%	10.2%	10.1%	10.7%	11.0%
ADJ. EBITDA	17.0	9.8	7.3	8.1	13.4	16.1	18.4	19.5
Margin	9.6%	5.8%	4.8%	6.4%	9.0%	10.1%	10.7%	11.0%
D&A	(11.0)	(8.9)	(11.3)	(10.4)	(8.3)	(9.0)	(9.5)	(10.0)
% on Revenue	6%	5%	7%	8%	6%	6%	5%	6%
EBIT	11.8	2.6	4.8	(2.3)	6.8	7.1	8.9	9.5
Margin	6.6%	1.5%	3.2%	-1.8%	4.6%	4.4%	5.2%	5.4%
Net Financial Income (expenses)	(5.7)	(4.4)	(5.3)	(5.2)	(2.9)	(3.3)	(3.5)	(3.7)
% on Revenue	3%	3%	3%	4%	2%	2%	2%	2%
EBT	6.1	(1.8)	(0.4)	(7.5)	3.9	3.8	5.4	5.8
Margin	3%	-1%	0%	-6%	3%	2%	3%	3%
Income Tax Expense	(2.2)	(7.5)	(0.7)	(1.6)	(0.6)	(0.9)	(1.4)	(1.4)
Tax rate	35%	-407%	-159%	-22%	16%	25%	25%	25%
Group Net Income	3.9	(9.4)	(1.3)	(8.9)	3.1	2.8	4.0	4.3
Margin	2.2%	-5.6%	-0.9%	-7.0%	2.1%	1.7%	2.3%	2.4%
yoy		-341%	-86%	570%	-135%	-10%	43%	7%
Basic EPS from Continuing Operations	0.0	(0.00)	0.01	(0.04)	0.00	0.01	0.02	0.02

Source: Banca Profilo elaborations and estimates

Balance Sheet

Balance Sheet

Projections over 22-24E:

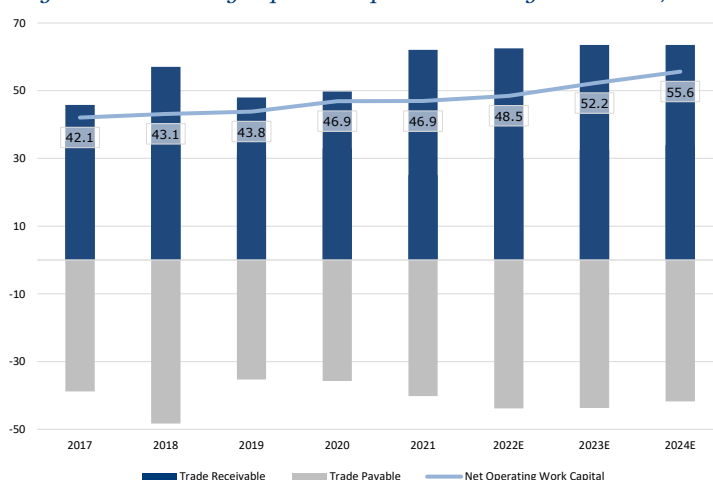
- CAPEX increase of some €17mln

-NWC increase by €9.2mln

Regarding our Balance Sheet projections, we estimate:

- cumulated CapEx of some €17mln over the forecasting period 2022E-2024E, of which 65% allocated to intangible assets and 35% to tangible assets. We assume total capex for 2022E are equal to €4.9mln, and their incidence on revenues will increase by 0.5% each year.
- Net Operating Working capital to increase by €9.2mln over 2022E-2024E with a constant incidence on revenue at 30-31%. In 2022E, we forecast €29.8mln of trade receivable and a slight increase in the following years. We assume a decrease for trade payable from an amount of €43.9mln in 2022 to €41.7mln in 2024. Regarding inventories, we assume the Inventory Sale Days will return to pre-covid levels. In 2022 we estimate inventories of €62.5 with a slight increase in 2023-2024E.

Figure 20: Beghelli Net working capital composition and dynamics 2017-2024E (€, mln)



Source: Banca Profilo elaborations and estimates on Company data

Net financial position at €34.4mln in 2024

Following our assumptions on the P&L and Invested Capital we end up with Net Debt improving from €42.8mln at the end of 2021 to €40.3mln at the end of 2022 and to €34.4mln at the end of 2024, assuming no dividend distribution. As a consequence, Net Debt/EBITDA ratio should decline progressively from 2022E onwards reaching 1.8x in 2024E, while Net Debt/shareholders' Equity ratio is forecast to remain stable approximately at 0.4x over the forecasting period.

Table 9: Beghelli Balance Sheet 2018-2024E (€, mln)

Balance Sheet (€ / mln)								
	FY17	FY18	FY19	FY20	FY21	FY22 (E)	FY23 (E)	FY24 (E)
Intangible Assets	16.0	17.0	16.5	14.8	14.7	15.1	15.7	16.2
Right of use	0.0	0.0	8.5	8.4	14.0	10.5	7.0	3.5
Tangible Fixed Asset	60.8	57.9	51.2	31.8	30.8	29.7	28.9	28.2
Non-instrumental tangible fixed assets	5.8	5.7	1.7	0.5	0.5	0.5	0.5	0.5
Financial Assets	26.4	20.5	21.5	15.6	11.9	9.8	8.1	6.7
Fixed Assets	109.1	101.1	99.4	71.1	71.8	65.6	60.2	55.1
Trade Receivable	35.1	34.4	31.1	32.9	25.1	29.8	32.4	33.8
Inventories	45.8	57.0	48.0	49.8	62.1	62.5	63.5	63.5
Trade Payable	(38.8)	(48.3)	(35.3)	(35.8)	(40.2)	(43.9)	(43.7)	(41.7)
Net Operating Working Capital	42.1	43.1	43.8	46.9	46.9	48.5	52.2	55.6
% on Revenue	24%	26%	29%	37%	32%	30%	30%	31%
Trade receivables (% on Revenue)	20%	21%	20%	26%	17%	18%	19%	19%
Inventories (% on Revenue)	26%	34%	32%	39%	42%	39%	37%	36%
payables (% on cost of services & materials)	33%	41%	35%	40%	41%	40%	38%	36%
Other Current Assets	29.8	23.6	14.0	32.1	30.5	31.6	33.3	34.6
Other Current Liabilities	(20.2)	(18.6)	(19.5)	(19.4)	(19.6)	(18.5)	(18.8)	(18.0)
Working Capital	51.7	48.1	38.3	59.6	57.8	61.6	66.8	72.3
Non Current Assets	23.6	17.4	24.9	18.0	14.4	16.8	17.3	17.5
Non Current Liabilities	(13.6)	(12.0)	(12.4)	(11.5)	(12.0)	(12.3)	(12.2)	(12.4)
Of which Funds	(12.9)	(11.2)	(11.7)	(11.0)	(11.3)	(11.6)	(11.5)	(11.7)
Invested Capital	171	155	150	137	132	132	132	132
CapEx	<i>n.a.</i>	7.3	5.5	3.7	6.8	4.9	5.6	6.3
% on Revenue	<i>n.a.</i>	4%	4%	3%	5%	3%	3%	4%
Intangible	<i>n.a.</i>	5.2	4.3	3.3	3.6	3.2	3.7	4.1
Tangible	<i>n.a.</i>	2.0	1.2	0.4	3.2	1.7	2.0	2.2
Financial	<i>n.a.</i>	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	10.0
Reserves and Retained Earnings	92.3	93.3	84.3	81.6	75.9	78.3	80.6	83.7
Group Net Income	3.9	(9.4)	(1.3)	(8.9)	3.1	3.0	4.0	4.3
Third party Equity	0.2	0.1	0.2	(0.0)	0.2	0.2	0.2	0.2
Consolidated Shareholders' Equity	106	94	93	83	89	91	95	98
Net Financial Position (Cash)	64.4	60.6	57.0	54.6	42.8	40.3	37.2	34.4

Source: Banca Profilo elaborations and estimates

Free Cash Flow

Free cash flow at
€8.3mln in 2022E

According to our Profit & Loss and Balance Sheet estimates, Free Cash Flow generation should improve in 2022E to €8.3mln and cumulated FCFs should be €22mln over the three years, or an average of €7mln per year.

Table 10: Beghelli Free Cash Flow 2018-2024E (€, mln)

Free Cash Flow (€ / mln)								
	FY17	FY18	FY19	FY20	FY21	FY22 (E)	FY23 (E)	FY24 (E)
EBIT	11.8	2.6	4.8	(2.3)	6.8	7.4	8.9	9.5
Tax rate	35%	-407%	-159%	-22%	16%	28%	28%	28%
NOPAT	7.6	13.0	12.5	(2.8)	5.8	5.3	6.4	6.8
D&A	11.0	8.9	11.3	10.4	8.3	9.0	9.5	10.0
Changes in Funds	<i>n.a.</i>	(1.7)	0.5	(0.7)	0.3	0.3	(0.1)	0.2
Changes in Operating NWC		(1.1)	(0.7)	(3.1)	(0.0)	(1.5)	(3.8)	(3.4)
Capex		(7.3)	(5.5)	(3.7)	(6.8)	(4.9)	(5.6)	(6.3)
Free Cash Flow		11.8	18.2	0.1	7.6	8.3	6.4	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 11: 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

Valuation

*Initiating at BUY
TP of €0.56/share*

We initiate our coverage on Beghelli Group with a **BUY recommendation** and a **target price of €0.56/share**. The target price is computed as the simple average between the fair value from a DCF model (€0.68) and the implicit price in peer's market multiples (€0.44).

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

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 €20.5mln (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 +50bps 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 in the
explicit period at
30.8mln or €8mln
average*

To run a DCF model, we used our projections of FCFs for the 2022E-2025E explicit period coming from our P&L and Balance Sheet estimates. We expect **cumulated 2022E-2025E Free Cash Flows at €30.8mln**. The FCF used in the Terminal Value has been set equal to the FY22-FY25 average at €8.0mln. In order to get the Equity Valuation, we considered Net Debt at the end of FY21 (€42.8mln).

WACC: 6.2%

To discount FCFs, we used a **WACC of 6.2%**, derived from:

- Risk Free rate of 3.0%, as implicitly expected by consensus on the 30Y Italian BTP yield curve (moving average of the last 100 days), including an expected increase in interest rates;
- market risk premium of 5.5%;
- a leveraged beta of 1;
- after tax (28%) cost of debt of 2.6%;
- target debt-to-equity ratio of 40%;

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

Table 12: WACC calculation

WACC Calculation	
perpetual growth rate	2.0%
WACC	6.2%
risk free rate (30Y)	3.0%
equity risk premium	5.5%
beta	1.0
KE	8.5%
costo del debito	4%
tax rate	28%
KD	2.6%

Source: Banca Profilo estimates and elaborations

*DCF fair value:
€0.68/share*

The DCF method leads us to an Enterprise Value of €178.6mln and an **Equity Value of €135.7mln or €0.68/share**.

Table 13: DCF valuation

DCF Valuation (€ mln, except for the target price)	2022E	2023E	2024E	2025E	over
Free Cash Flows (€/000)	8.3	6.4	7.3	8.8	8.0
years	1	2	3	4	
discount factor	0.94	0.89	0.84	0.79	
NPV Cash flows (€/000)	7.8	5.7	6.1	7.0	
Sum of NPVs (€/000)					26.52
Terminal Value (€/000)					193.13
NPV Terminal Value (€/000)					152.04
Enterprise Value (€/000)					178.56
Net debt 2021 (€/000)					42.85
Equity Value (€/000)					135.71
number of shares (mln)					200.00
Per share value (€)					0.68

Source: Banca Profilo estimates and elaborations

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 14: Sample benchmarking on revenue growth and EBITDA margin

Company	Currency	Market Cap (mln)	Enterprise Value (mln)	Sales growth						EBITDA margin					
29/04/2022				2018	2019	2020	2021	2022E	2023E	2018	2019	2020	2021E	2022E	2023E
Zumtobel Group AG	Euro	300	505	-4.7%	-2.9%	-5.6%	1.8%	5.0%	3.5%	6.3%	9.3%	11.3%	11.2%	11.2%	11.7%
Signify NV	Euro	5,211	6,506	-8.7%	-1.7%	4.1%	5.5%	7.4%	2.6%	10.3%	11.0%	11.5%	13.2%	12.7%	13.9%
Fagerhult AB	Swedish Krona	8,798	11,227	8.7%	39.6%	-13.6%	4.5%	8.6%	8.4%	23.4%	16.7%	13.4%	16.3%	15.7%	15.5%
Lena Lighting S.A.	Polish Zloty	98	110	-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	118	134	-6.3%	-11.0%	-21.2%	10.6%	18.0%	6.5%	7.4%	7.2%	0.8%	8.5%	10.3%	11.4%
Acuity Brands, Inc.	U.S. Dollar	5,964	5,925	3.2%	-3.4%	-5.1%	6.6%	9.4%	4.5%	15.7%	15.7%	15.8%	16.2%	16.1%	16.6%
Median best peers				-4.9%	-3.1%	-5.3%	5.0%	8.0%	4.5%	10.3%	11.0%	12.5%	12.2%	12.0%	13.9%
Beghelli	ITA	78.3	121.3	-8.8%	-5.3%	-20.3%	17.1%	6.2%	7.1%	6.6%	9.9%	6.2%	9.9%	10.2%	10.6%

Source: Banca Profilo estimates and elaborations on Factset and company data (as of April 29, 2022)

EV/EBITDA 2022E-2023E of 7.9x and 7.1x respectively

To avoid any outlier with extremely large or small values, we chose the median EV/EBITDA, over the average. Our sample shows **median EV/EBITDA 2022E-2023E of 7.9x and 7.1x** respectively, from which derive and Equity Value of €87mln, or **€0.44 per share**.

Table 15: EV/EBIDA Market multiple

Valuation on EV/EBITDA market multiples (€/000)		
	2022E	2023E
EV/EBITDA	7.9x	7.1x
EBITDA	16	18
net debt 2021	43	
EV	130	130
Equity	87	87
n of shares	200	
Equity per share	0.44	0.44
price	0.39	
upside (downside)	12%	12%

Source: Banca Profilo estimates and elaborations on Factset data (as of April 29, 2022)

Beghelli "ID Card"

Recommendation

BUY

Target Price

0.56 €

Upside

42%

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 years
- 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"

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Recommendation

BUY

Target Price

0.56 €

Upside

42%

Main Financials

(€/000)	2020	2021	2022E	2023E	2024E
Total revenue	127.4	148.0	160.5	172.7	177.7
yoy change	-16.2%	16.2%	8.9%	7.1%	2.8%
EBITDA	8.1	15.1	16.1	18.4	19.5
EBITDA margin (%)	6.4%	10.2%	10.1%	10.7%	11.0%
ADJUSTED EBITDA	8.1	13.4	16.1	18.4	19.5
Adj EBITDA margin (%)	6.4%	9.0%	10.1%	10.7%	11.0%
EBIT	(2.3)	6.8	7.1	8.9	9.5
EBIT margin (%)	-1.8%	4.6%	4.4%	5.2%	5.4%
Group Net income	8.9	3.1	2.8	4.0	4.3
Margin (%)	7.0%	2.1%	1.7%	2.3%	2.4%
Adjusted net debt (cash)	54.6	42.8	40.3	37.4	34.6
Shareholders Equity	82.6	89.1	91.2	94.5	97.9
Net Operating Working Capital	46.9	46.9	48.2	52.2	55.6
Capex and acquisitions	3.7	6.8	4.8	5.6	6.3
Free Cash Flow	0.1	7.6	8.3	6.2	7.3

Revenue breakdown by business unit

	2020	2021	2022E	2023E	2024E
Emergency & non lighting system	98.0	122.7	130.7	139.2	148.2
Ordinary lighting	12.7	14.8	16.0	17.3	18.8
Other	4.9	10.5	15.1	16.7	11.2

Solvability Ratios

	2020	2021	2022E	2023E	2024E
Net debt (cash) / EBITDA	6.7x	2.8x	2.5x	2.0x	1.8x
Net debt (cash) / Equity	0.7x	0.5x	0.4x	0.4x	0.4x

Financial and Operative ratios

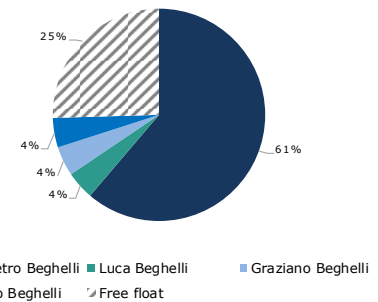
	2020	2021	2022E	2023E	2024E
Tax rate	-22%	16%	25%	25%	25%
ROIC	-2%	4%	4%	5%	5%
ROE	-11%	3%	3%	4%	4%
Days Sales Outstanding	92.4	60.1	67.5	68.5	69.5
Days Sales Of Inventory	139.6	148.8	141.5	134.2	130.5
Days Payables Outstanding	146.9	148.3	147.6	137.6	129.6
Fixed asset turnover ratio (FAT)	1.8	2.1	2.4	2.9	3.2
Capex/Sales	3%	5%	3%	3%	4%
D&A to capex	285%	122%	186%	168%	158%

Source: Factset, Banca Profilo estimates and elaborations

Company Description

Company Sector	Industrials – Electrical Equipment
Price (€)	0.39
Number of shares (mln)	200.0
Market Cap (€ mln)	78.3
Reference Index	Italian Stock Exchange
Main Shareholders	Gian Pietro Beghelli
Main Shareholder stake	61.0%
Free Float	25.7%
Daily Average Volumes	706,318
Sample of comparables	Zumtobel, Signify, Fagerhult, Lena Lighting, Dialight and Acuity Brands

Ownership structure



Data of peers

	2020	2021	2022E	2023E
Sales Growth (yoy)	-5.3%	5.0%	8.0%	4.5%
EBITDA Margin	12.5%	12.2%	12.0%	13.9%
Average data (median)				

Multiples of peers

	2022E	2023E
Best peers (margins and cash flows)		
EV / EBITDA	7.9x	7.1x

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

Company	Currency	Market Cap (mln)	Enterprise Value (mln)	Sales growth						EBITDA margin					
				2018	2019	2020	2021	2022E	2023E	2018	2019	2020	2021E	2022E	2023E
29/04/2022															
Zumtobel Group AG	Euro	300	505	-4.7%	-2.9%	-5.6%	1.8%	5.0%	3.5%	6.3%	9.3%	11.3%	11.2%	11.2%	11.7%
Signify NV	Euro	5,211	6,506	-8.7%	-1.7%	4.1%	5.5%	7.4%	2.6%	10.3%	11.0%	11.5%	13.2%	12.7%	13.9%
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Beghelli	ITA	78.3	121.3	-8.8%	-5.3%	-20.3%	17.1%	6.2%	7.1%	6.6%	9.9%	6.2%	9.9%	10.2%	10.6%

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