

Company:

Beghelli

Rating:

BUY

Target Price:

€0.35 (unchanged)

Sector:

Electrical Equipment

Core business remains resilient

1H23 results on track to our estimates

Total Revenues rose by 10.1% yoy to €82.4mln, which represents 53% of our forecast for 2023E (€155.6mln), in line with 1H22. [Please refer to our Company Update on 21st April 2023]. Concerning revenue breakdown, Lighting came in at €76.6mln (+7.6% yoy); Other revenues stood at €5.8mln (+58.8% yoy) driven by photovoltaic systems, which the Group had started marketing in the 2H22. EBITDA margin came in at 7.1%, in line with our FY23 estimates (6.8%) and down ~2pp yoy due to (i) different sales mix, (ii) higher advertising and promotional expenses and (iii) higher personnel costs following salary adjustments. The Group reported a Net loss equal to -€1.6mln due to (i) the increase in financial expenses caused by the rise in interest rates and (ii) the change in fair value of related derivatives instruments compared to the previous year. At the end of June 2023, Net Debt declined to €55.3mln from €61.9mln at the end of 2022, for the reduction of net working capital and the sale of the two plots owned by the Chinese subsidiary.

Strategic lines

Lighting remains Beghelli's core business. The Group will continue to invest in the design, production and marketing of innovative products, particularly in emergency lighting. Moreover, the Group launched a new project called Beghelli Solare: a line of solar energy storage products that optimises the electricity produced by photovoltaic panels, allowing corporates and households to save on energy bills. Beghelli Group will continue to invest in this division as it is highly topical area in which the Company has previous experience and know how.

2023-2025 estimates fine-tuning

We project Total Revenues to grow at 22-25E CAGR of 7.5% (vs previous 7%) and to reach €178.9mln in 2025E (vs previous €176mln). We forecast EBITDA and EBITDA margin to increase to €10.5mln and 6.7% and to reach €16.6mln and 9.3% in 2025E. We estimate Net Debt to decrease by some €6mln at the end of 2023E at the level of 1H23 thanks to the cash generation by Net Operating Working Capital.

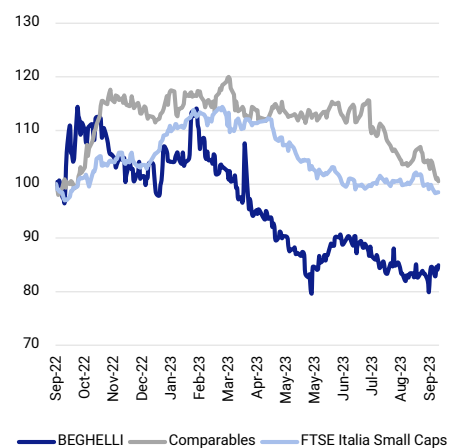
Valuation: BUY confirmed; target price confirmed at €0.35

We confirm our BUY recommendation and our 12-month target price to €0.35/share. To run the DCF, we used 2023-2025E cumulated FCFs (€27.9mln), above our previous estimates at €25.8mln due to cash generation from cumulated NOWC (€5.1mln) which more than offset the reduction of cumulated EBIT (€12.6mln). The Terminal Value stood at €9.1mln as FY23-25 FCF average less the extraordinary cash generation effect that we forecast for 2023E, with WACC at 8.3% (vs previous 7.8) and 2% of perpetual growth rate. To assess the relative market multiples valuation, we chose FY24E EV/EBITDA (6.2x) excluding FY23E multiple for the complex economic scenario and due to the uncertainty related to the path of earnings recovery in Beghelli. Our valuation excludes a potential upside coming from the disposal of assets intended for sale which have been booked in Working Capital since 2020 and are estimated at €23.4mln (or €0.10/share).

September 22, 2023 at 18:00

Company Profile					
Bloomberg					BE-IM
FactSet					BE-IT
Stock exchange					Italian Stock Exchange
Reference Index					FTSE Italia Small Cap
Market Data					
Price (as of 22nd September)					€ 0.24
Number of shares (mln)					200
Market cap. (mln)					€ 49
1-Year Performance					
Absolute					-15.1%
Max / Min					0.33/0.23
(€/mln)	FY21	FY22	FY23E	FY24E	FY25E
Total Revenues	152.3	143.6	157.0	167.7	178.9
yoy	17.1%	-5.7%	9.3%	6.8%	6.7%
Gross Profit	87.2	75.0	83.2	91.2	98.1
Gross margin (%)	57.3%	52.2%	53.0%	54.4%	54.9%
EBITDA	15.1	3.0	10.5	13.7	16.6
EBITDA margin (%)	9.9%	2.1%	6.7%	8.2%	9.3%
Adj. EBITDA	13.4	5.4	10.5	13.7	16.6
EBIT margin (%)	8.8%	3.7%	6.7%	8.2%	9.3%
Net income	3.3	-10.2	-2.3	0.6	2.6
Margin (%)	2.2%	n.m.	n.m.	0.4%	1.5%
Adj. Net Debt	42.8	61.9	55.9	53.4	48.0
Sh. Equity	89.1	80.6	77.1	76.8	78.6
Free Cash Flow	7.6	-21.2	12.8	6.9	8.1

1-Year rebased Performance


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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 competitors
- Not very active social channels
- Low entry barriers

OPPORTUNITY

- Expansion of the production business in relation to dynamic emergency lighting
- Geographical expansion opportunities in Europe
- Ageing population as a driver for Salvalavita Beghelli
- Energy efficiency and savings as a driver for ordinary lighting
- Photovoltaic industry with Beghelli Solare

THREATS

- Intensifying competition from Asia
- Increasing cost of raw materials, energy and transportation
- CNY/USD exchange rate effect
- Uncertainty of guidelines and procedures in the Italian Health System in relation to the set-up of SanificAaria in public spaces
- War Russia against Ukraine
- Substitute products competition

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Beghelli reference market update

Solid roots in the lighting industry

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 was expected to represent a game changer; in fact, the incidence of “other revenue”, including SanificaAria, to Total Revenue increased significantly. However, this trend did not continue in 2022 due to the uncertainty of the guidelines and procedures of the Italian Healthcare system and the weakening of the pandemic. Moreover, at the end of 2022 Beghelli launched a new project, called Beghelli Solare, which allows for energy saving. Beghelli Solare is a line of solar energy storage products that optimises the electricity produced by photovoltaic panels, saving energy on energy bills, and protect households and businesses from electricity prices increases.

Lighting Equipment Manufacturing Industry the reference market

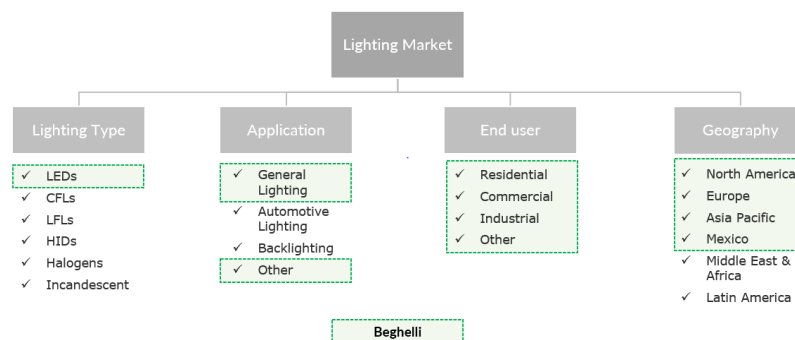
In 2022, Lighting systems revenue accounted for about 95.4% of total Beghelli’s revenue (92.9% in FY21), thus the broader reference market for Beghelli is the Lighting Equipment Manufacturing.

The 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 1: 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.

Global lighting market is approximately \$120bn in size

CSIL Milano stated that the Global Lighting market size is approximately \$120bn in 2022; while, in Europe the overall lighting market in 2022 was worth €22.5bn (+8% yoy).

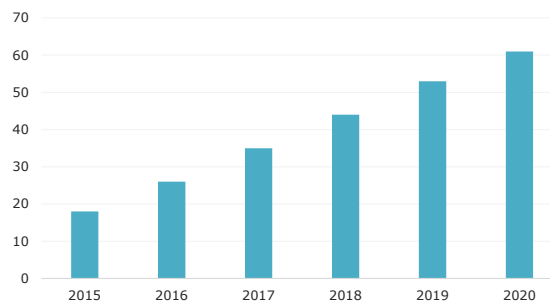
According to the Business Research Company (January 2023), the Global General Lighting market is expected to grow at a 2022-27 CAGR of 6.6%

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.

The penetration rate of LED fixtures in the European Lighting Market has changed greatly over time. In 2008-2009 years, LED fixtures represented only the 5% of the European lighting market, while today LED sourced have reached approximately 80% of this market. For the coming years, LEDs are expected to grow further.

Figure 2: Led lighting market share in the past



Source: Banca Profilo elaboration on Goldman Sachs data

The 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 7.2% FY21-FY26 CAGR

According to Mordor Intelligence research, the global market for Emergency Lighting is expected to grow at 7.2% CAGR during the forecast 2021-26E 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.

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 update

Company foundation

Set-up in 1982,
Beghelli is today an
European leader in
emergency lighting

Beghelli was set up as a local manufacturer of emergency lighting, but it soon expanded both geographically and in terms of product range such as energy saving lighting, electronic systems for domestic and industrial safety. Today the Group is a local, yet international conglomerate, headquartered 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.

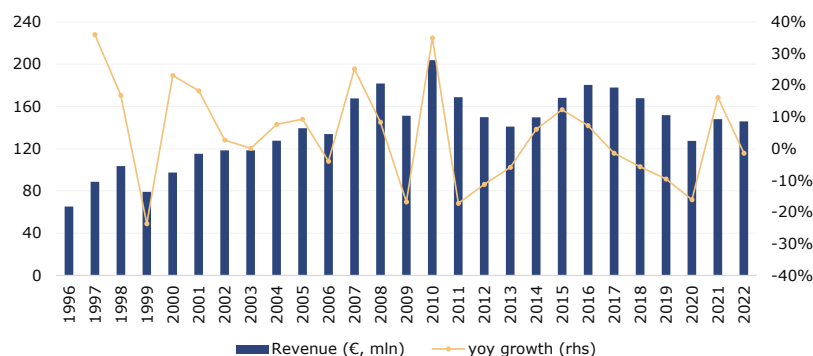
Beghelli was listed on
the MTA in 1998 to
boost its internal and
external growth

In 1998, Beghelli was listed on the Italian MTA market; the capital increase at the IPO gave to the Group the opportunity to enter in the ordinary lighting segment and to acquire two companies (Elplast and Praezisa). In details, Elplast is a Czech Republic company specialised in metal ceiling light production, while Praezisa is a German company active in central battery systems production.

Beghelli: a story of
research, innovation
and brand awareness
for well being

Beghelli was founded in 1982 by Gian Pietro Beghelli, current President and CEO. The Company initially served the Italian market only with emergency lighting products. During the 90', it began a process of geographic and product range diversification, developing products for personal safety, including the well-known Salvalavita Beghelli, a pocket-sized, easy to use SOS remote assistance device, thought for lonely elderly people. 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, which lasted three years and led to production and organization downsizing and a repositioning in the LED market. In 2016, turnover rose to €180mln, its highest level since 2010, with double-digit operating margin and net profit close to €5mln. 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 followed three specific strategic lines: i) new products; ii) non-core assets disposal, including Beghelli Canada and North America; iii) efficiency and industrial reorganization. At the end of 2022 Beghelli launched Beghelli Solare, a line of solar energy storage products that optimises the electricity produced by photovoltaic panels, saving energy on energy bills, and protect households and businesses from electricity prices increases.

Figure 3: Beghelli's revenue evolution since 1996



Source: Banca Profilo elaboration on Company data

Business model and activities

Products range from lighting systems to consumer and safety

Beghelli offers a wide range of products, from lighting systems to consumer and safety products. The manufacturing of lighting systems is certainly Beghelli's strong suit, both for know-how and revenue generation (~95% of FY22 revenue).

Lighting segment includes: emergency lighting, industrial lighting and light sources

Within the lighting market, the Group covers these segments through manufacturing and sales of:

- (i) Emergency lighting, which includes escape route lighting, panic lighting and specific lighting for high-risk areas (i.e. dangerous workspaces). According to CSIL research, the Group is the Italian and European market leader in emergency lighting with a 16.8% of market share. Moreover, Beghelli has recently proposed a new emergency lighting product, in order to simplify and speed up the work of electrical installers.
- (ii) Industrial lighting and services, which include luminaries and applications for industries and tertiary sector. Moreover, it offers a range of lighting equipment for industrial use (e.g. watertight ceiling lights). Beghelli operates with E.S.Co qualification (Energy Service Company) in order to provide its services of energy saving lighting with different financial solutions such as operational leasing, cash and credit securitization.
- (iii) Light sources for domestic use, which include a wide range of bulbs, with high LED technology that allows energy saving and long life reproducing the shape and brilliance of traditional light bulbs. Moreover, the Company launched a new bulb called Sorpresa PowerLED which includes emergency lighting functions, self-activating in case of black-out thanks to the built-in battery.

Figure 4: Examples of Beghelli products from lighting segment



Source: Banca Profilo elaboration 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.

Consumer and safety products comprise: The Group offers consumer product for domestic use and electronic safety systems for industrial and domestic use. In particular, Beghelli designs and manufactures:

- (i) Electronic and domestic products such as batteries and water machines;
- (ii) Social alarm devices, such as anti-intrusion and safety devices, eventually integrated home-automation systems;
- (iii) Safety products dedicated to personal safety, such as man-down systems and air sanitisers (SanificaAria Beghelli);
- (iv) Remote assistance and Salvalavita. During 2019 the Group relaunched the business related to Telesalvalavita and in 2021 the Company entered in the mobile phone device market, offering a range of mobile phone with safety equipment, especially thought for lonely elderly people.

Figure 5: Examples of Beghelli consumer and safety products



Source: Banca Profilo elaboration on Company pictures

Beghelli Solare:
a line of solar energy storage products that optimises the electricity produced by photovoltaic

Since the European Commission is committed to a 55% reduction in GhG emissions by 2030 (compared to 1990 levels) and to become the first climate-neutral continent by 2050, at the end of 2022 Beghelli launched a new project, called Beghelli Solare, which allows for energy saving. Beghelli Solare is a line of solar energy storage products that optimises the electricity produced by photovoltaic panels, saving energy on energy bills, and protect households and businesses from electricity prices increases.

The system bases its technology on a range of high-performance inverter modules and batteries, which manage and store the energy produced by photovoltaic systems with maximum efficiency. A hybrid inverter is an "upgraded" inverter that can i) convert direct current into alternating current and ii) manage and coordinate the flow of electricity from the photovoltaic system, the battery and the grid, directly supplying power to active loads and iii) when these are not in operation, storing energy through lithium accumulators.

Figure 6: Examples of products about Beghelli hybrid solar

Hybrid inverter and storage battery



Example of photovoltaic product installation

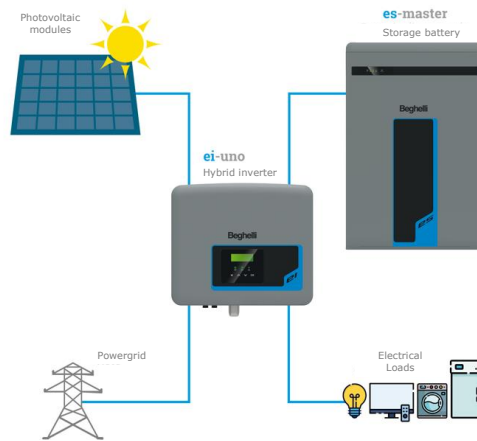


Source: Banca Profilo elaboration on Company pictures

Operation of Beghelli Solare model

The system consists of an inverter and one or more batteries with a capacity of up to 23 kW. By adding the Battery Management System to the system, the electricity storage capacity can be expanded to a maximum of 46.1 kWh.

Figure 7: Beghelli hybrid solar operating scheme

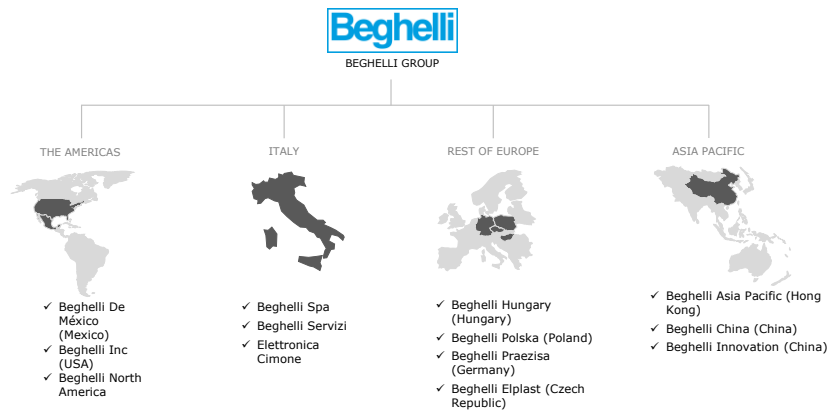


Source: Banca Profilo elaboration on Company pictures

Strong geographic diversification but little diversification by type of activity, as lighting Beghelli generates some 95% 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 across Europe, America and Asia in addition to the headquarter in Monteveglio, 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.

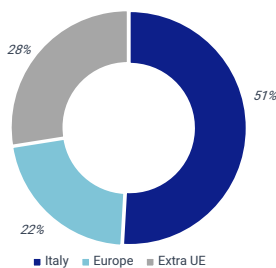
Figure 7: Beghelli's geographical presence



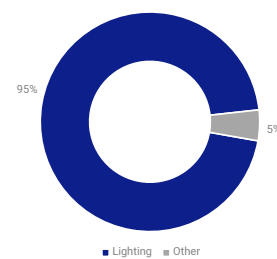
Source: Banca Profilo elaboration on Company data

Figure 7: Beghelli's revenue breakdown

Breakdown by geographic area in FY22



Breakdown by type of activity 22?



Source: Banca Profilo elaboration on Company data

R&D was crucial to products innovation

The R&D activity is essential for product innovation: it involves some 10% 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.

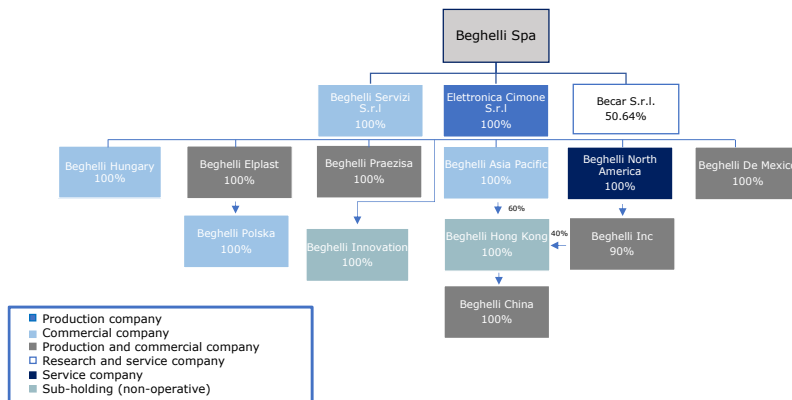
Corporate structure

Beghelli SpA acts as the operating holding directly controlling fourteen subsidiaries

The Group structure is led by Beghelli SpA acting as the operating holding directly controlling fourteen 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
- service company
- sub-holdings companies (non-operative).

Figure 7: Corporate structures



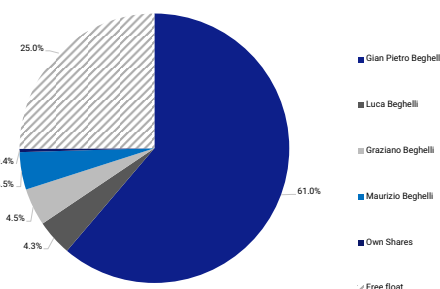
Source: Banca Profilo elaboration on Company data

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%, while Own shares at 0.4%.

Figure 7: Ownership of the Group



Source: Banca Profilo elaboration on Company data

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 1: Composition on the Borad 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
Maccaferri Dania	Director	x			F	1962
Manghi Iliaria	Director		x	x	F	1973
Martone Raffaella	Director		x	x	F	1970
Pecci Giovanni	Director		x		M	1950
Matteo Tamburini	Director		x		M	1957

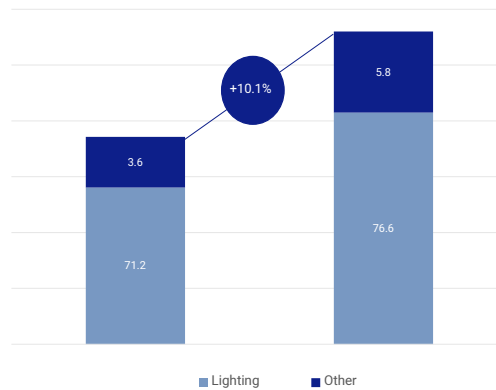
Source: Banca Profilo elaborations on Company data. Data as of September 20th, 2023

1H23 results: historical performance analysis

1H23: Revenues increased by 10.1% yoy to €82.4mln

Total Revenues rose by 10.1% yoy to €82.4mln, which represents 53% of our previous forecast for 2023E (€155.6mln). [Please refer to our Company Update on 21st April 2023]. Concerning turnover breakdown, Lighting sales came in at €76.6mln (+7.6% yoy) and Other revenues stood at €5.8mln (+58.8% yoy) driven by photovoltaic systems, which the Group had started marketing in the 2H22.

Figure 7: Revenues by segments in 1H22-1H23 (€, mln)

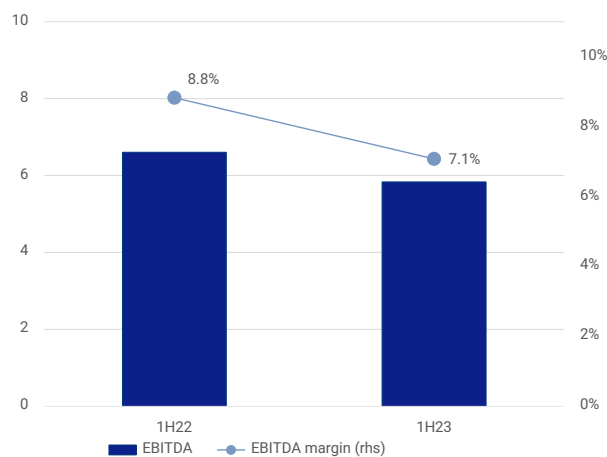


Source: Banca Profilo elaboration on Company data

1H23 EBITDA margin at 7.1%, in line with our estimates

EBITDA margin came in at 7.1%, in line with our FY23 estimates (6.8%) and down ~2pp yoy. Main causes were (i) different sales mix, (ii) higher advertising and promotional expenses and (iii) higher personnel costs following salary adjustments.

Figure 7: EBITDA and EBITDA margin in 1H22-1H23 (€, mln)



Source: Banca Profilo elaboration on Company data

1H23 net loss at -€1.6mln

In the first semester, Beghelli Group reported a Net loss equal to -€1.6mln (from €0.5mln in 1H22) due to (i) the increase in financial expenses caused by the rise in interest rates and (ii) the change in fair value of related derivatives instruments compared to the previous year.

Table 2: Beghelli Profit & Loss 1H21-1H23 (€, mln)

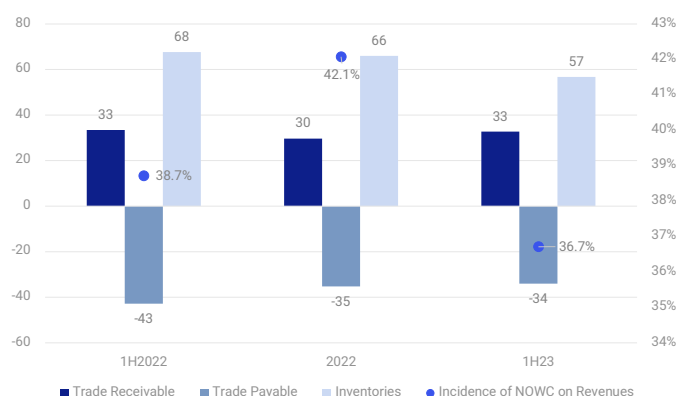
Profit & Loss (€/mln)						
		1H2021	FY21	1H2022	FY22	1H2023
Total Revenue		76.5	152.3	74.9	143.6	82.4
	<i>yoy</i>	33%	17%	-2%	-6%	10%
Cost of materials and related services		(32.2)	(65.1)	(33.6)	(68.6)	(39.5)
	<i>% on Revenue</i>	42%	43%	45%	48%	48%
Gross Profit		44.3	87.2	41.3	75.0	42.9
	<i>Margin</i>	58%	57%	55%	52%	52%
	<i>yoy</i>	40%	21%	-7%	-14%	4%
Labour cost		(17.1)	(33.9)	(18.0)	(35.5)	(18.6)
	<i>% on Revenue</i>	22%	22%	24%	25%	23%
Cost of services and other operating costs		(18.8)	(33.9)	(16.6)	(36.5)	(18.5)
	<i>% on Revenue</i>	25%	22%	22%	22%	22%
Comprehensive operating costs		(68.0)	(132.9)	(68.3)	(140.6)	(76.6)
	<i>% on Revenue</i>	89%	87%	91%	84%	93%
EBITDA		8.5	15.1	6.6	3.0	5.8
	<i>Margin</i>	11.1%	9.9%	8.8%	2.1%	7.1%
ADJ. EBITDA		7.9	13.4	6.6	5.4	5.2
	<i>Margin</i>	10.3%	8.8%	8.8%	3.7%	6.4%
D&A		(3.9)	(8.3)	(4.0)	(9.0)	(4.1)
	<i>% on Revenue</i>	5%	5%	5%	6%	5%
EBIT		4.6	6.8	2.6	(6.0)	1.7
	<i>Margin</i>	6.1%	4.5%	3.4%	<i>n.m.</i>	2.1%
Net Financial Income (expenses)		(1.2)	(2.9)	(1.8)	(4.3)	(3.3)
	<i>% on Revenue</i>	1.6%	1.9%	2.4%	3.0%	3.9%
EBT		3.4	3.9	0.8	(10.3)	(1.5)
	<i>Margin</i>	4.5%	2.6%	1.0%	<i>n.m.</i>	<i>n.m.</i>
Income Tax Expense		(1.1)	(0.6)	(0.3)	0.4	(0.1)
	<i>Tax rate</i>		16%		4%	-6%
Group Net Income		2.2	3.1	0.5	(10.2)	(1.6)
	<i>Margin</i>	2.9%	2.0%	0.6%	<i>n.m.</i>	<i>n.m.</i>

Source: Banca Profilo elaborations on Company data

Net Operating Working Capital optimization

At the end of June 2023, Net Operating Working Capital stood at €55.5mln, including trade receivables for €32.7mln, trade payables for €34mln and inventories for €56.8mln. The incidence of trade receivables on revenue increased to 22% from 21% at the end of 2022 given (i) higher sales volumes in May/June 2023 compared to November/December 2022 and (ii) a less recourse to pro-soluto receivables disposal. Inventories turnover improved to 38% of revenue from 46% at the end of 2022 thanks to previous stock piling. Lastly, the incidence of trade payables on operating costs increased to 44% from 34% at the end of 2022 due to fewer volumes purchased in 1H23 compared to 2022.

Figure 7: Net Operating Working Capital evolution (€, mln)



Source: Banca Profilo elaboration on Company data

Net debt down to €55.3mln

At the end of June 2023, Net Debt fell to €55.3mln from €61.9mln in December 2022. This is in line with our previous estimate of €54.9mln at the end of 2023. Cash has been generated by

(i) Net Working Capital and (ii) by the sale of one of the two plots owned by Beghelli China for €2.4mln, ahead of the budgeted timeframe.

Table 3: Beghelli Balance Sheet 1H21-1H23 (€, mln)

Balance Sheet (€/mln)					
	1H2021	FY21	1H2022	FY22	1H23
Intangible Assets	15.0	14.7	14.9	13.9	14.7
Right of use	7.7	28.2	27.1	25.5	26.4
Tangible Fixed Asset	30.6	16.5	16.0	16.0	15.4
Non-instrumental tangible fixed assets	0.5	0.5	0.5	0.5	0.4
Financial Assets	13.5	11.9	10.8	8.0	6.9
Fixed Assets	67.3	71.8	69.2	63.9	63.8
Trade Receivable	36.2	25.1	33.4	29.7	32.7
Inventories	56.4	62.1	67.7	66.0	56.8
Trade Payable	(43.0)	(40.2)	(42.8)	(35.2)	(34.0)
Net Operating Working Capital	49.6	46.9	58.3	60.4	55.5
<i>% on Revenue</i>	<i>33%</i>	<i>31%</i>	<i>39%</i>	<i>42%</i>	<i>37%</i>
<i>Trade receivables (% on Revenue)</i>	<i>24%</i>	<i>16%</i>	<i>22%</i>	<i>21%</i>	<i>22%</i>
<i>Inventories (% on Revenue)</i>	<i>38%</i>	<i>41%</i>	<i>45%</i>	<i>46%</i>	<i>38%</i>
<i>Trade payables (% on cost of services & materials)</i>	<i>60%</i>	<i>41%</i>	<i>67%</i>	<i>34%</i>	<i>44%</i>
Other Current Assets	28.3	30.5	32.1	34.0	30.0
Other Current Liabilities	(20.6)	(19.6)	(19.5)	(19.6)	(20.3)
Working Capital	57.4	57.8	70.9	74.9	65.2
Non Current Assets	15.8	14.4	14.2	13.7	13.9
Non Current Liabilities	(11.4)	(12.0)	(11.4)	(10.0)	(9.3)
Invested Capital	129.0	131.9	142.9	142.5	133.5
CapEx		6.8		8.3	2.6
<i>% on Revenue</i>		<i>4%</i>		<i>6%</i>	<i>3%</i>
<i>Intangible</i>		3.6		5.4	2.3
<i>Tangible</i>		3.2		2.9	0.3
<i>Financial</i>		0.0		0.0	0.0
Share capital	10.0	10.0	10.0	10.0	10.0
Reserves and Retained Earnings	74.2	75.9	80.8	80.3	69.3
Group Net Income	2.2	3.1	0.5	(10.2)	(1.6)
Third party Equity	0.1	0.2	0.2	0.6	0.6
Consolidated Shareholders' Equity	86.5	89.1	91.5	80.6	78.2
Net Financial Position (Cash)	42.6	42.8	51.8	61.9	55.3

Source: Banca Profilo elaborations on Company data

2023-25 Strategy and Estimates

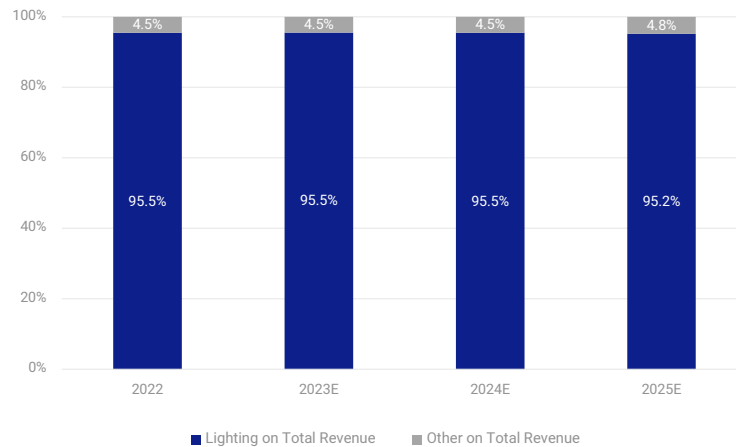
Corporate strategies

Lighting at the centre of Beghelli core business	Beghelli invested heavily in R&D for the Lighting sector in the first semester 2023, and since this is its core business, it will continue to invest in the future in the design, production and marketing of innovative products, particularly in the field of emergency lighting.
Beghelli Solare: a new project for energy saving	At the end of 2022, the Group launched a new project called Beghelli Solare which is a line of solar energy storage products that optimises the electricity produced by photovoltaic panels, allowing corporates and households to save on energy bills. Beghelli Group will continue to invest in this division (both domestic and industrial), as it is highly topical area in which the Company has previous experience and know how.
Main growth drivers	<p>The main growth drivers are:</p> <ol style="list-style-type: none"> 1. For the lighting business: (i) Energy efficiency and savings, (ii) visual comfort (iii) smart lighting and (iv) innovative technology; 2. For Other Revenues linked to Beghelli Solare: i) the commitment of the European Commission to a 55% reduction in GhG emissions by 2030 (compared to 1990 levels) and to become the first climate-neutral continent by 2050 and (ii) the Europe Renovation Wave aimed at promoting energy efficiency in the building incentivized restructuring process;
Sale of the property complex by 4Q23	About non-core assets, Beghelli expects the sale of Crespellano and Monteveglio by 4Q23. We value these at their book value of €23.4mln or €0.10/share.

Income Statement

Emergency and ordinary lighting as guidelines to forecast revenue	<p>Our estimates are on Beghelli Group as is, stand alone, at constant exchange rates.</p> <p>Regarding the Lighting business we used independent research estimates and normalized them according to Beghelli's geographical exposure.</p> <ol style="list-style-type: none"> 1. Emergency & non-lighting systems: according to Mordor Intelligence Research (2021), the emergency lighting market is expected to grow at a 7.4% 2021-26 CAGR. 2. Ordinary lighting: According to the Business Research Company (January 2023), the Global General Lighting market is expected to grow at a 2023-27 CAGR of 6.6%.
Lighting revenues to grow at 6.9% CAGR in 2022-2025E	According to the independent research mentioned above, we fine tune our estimate for Lighting revenues to generate €150mln turnover in 2023E and to grow at a 6.9% CAGR in 2022-2025E to reach €170.3mln (vs previous 22-25E CAGR at 6.8%). [Please refer to our Company Update on 21 st April 2023].
Revised upwards our estimates on Other Revenues since higher sales of Beghelli Solare occurred in 1H23	<p>Since higher sales of Beghelli Solare occurred in 1H23, we project an increase in Other Revenues from Beghelli Solare segment to reach around €7.3mln in 2025E (vs previous €5mln).</p> <p>Overall, we now see the incidence of Other Revenue on Total revenue to remain stable in 2023 at the level of 2022 (4.5%), and to increase in 2024-25E thanks to Beghelli Solare to reach 4.8% (vs previous 2.5%). Therefore, we project Other revenues to increase at 22-25 CAGR of 9.3% (vs previous 22-25 CAGR of -2%).</p>

Figure 7: Total Revenue by segment (%)



Source: Banca Profilo elaboration and estimates on Company data

Total Revenues to grow at 22-25 CAGR of 7.5%

Overall, we project Total Revenues to grow at 22-25E CAGR of 7.5% (vs previous 7%) and to reach €178.9mIn in 2025E (vs previous €176mIn).

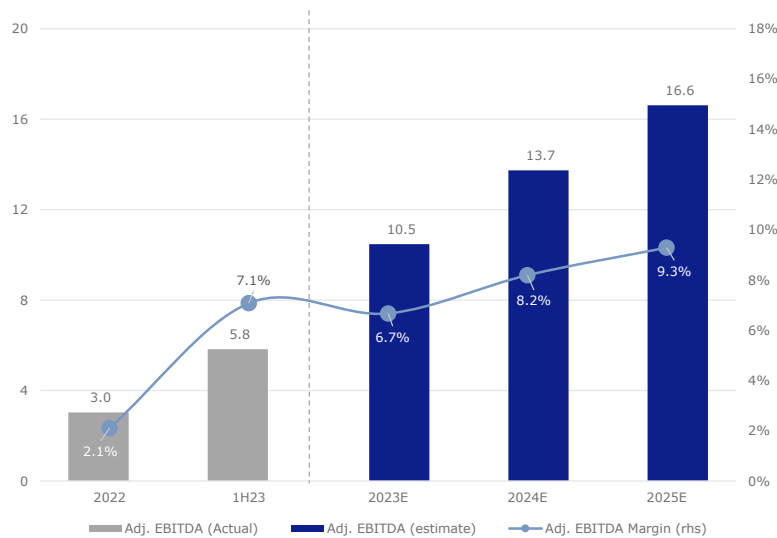
Cost of materials and services at €73.8mIn in 2023E (vs previous €71.6mIn)

We decided to increase the incidence of material and services costs on revenues in line with 1H23. We now project their incidence on Total Revenue at 46% on average in 2023-25E period (vs previous 45%).

EBITDA margin to reach 9.3% in 2025E

As a consequence of our revenue and operating costs projections, we forecast EBITDA and EBITDA margin to increase to €10.5mIn and 6.7% in 2023E (at the same level of our previous estimates) and to reach €16.6mIn and 9.3% in 2025E (vs previous €18.9mIn and 10.8% respectively). Overall, EBITDA margin average over 2023-25E is now revised at 8.1% (vs previous 9.1%).

Figure 7: EBITDA and EBITDA margin trend FY2022-25E (€mIn)(%)



Source: Banca Profilo elaboration and estimates on Company data

Net income at -€2.3m in 2023E, to reach €2.6m in 2025E

Comprehensive net loss is now seen at approximately -€2.3m in 2023E, down from our previous estimate at -€0.9m due to the higher financial expenses registered in 1H23 and expected in 2H23. We project net profit to reach €2.6m in 2025E (vs previous €4.5m).

Table 4: Beghelli Profit & Loss estimates FY23-25e (€, mln)

		Profit & Loss (€/mln)						
		FY22	FY23 OLD	FY23 NEW	FY24 OLD	FY24 NEW	FY25 OLD	FY25 NEW
Total Revenue		143.6	155.6	157.0	166.1	167.7	176.0	178.9
	<i>yoy</i>	-5.7%	8.3%	9.3%	6.8%	6.8%	6.0%	6.7%
Cost of materials and related services		(68.6)	(71.6)	(73.8)	(74.1)	(76.5)	(77.9)	(80.8)
	<i>% on Revenue</i>	48%	46%	47%	45%	46%	44%	45%
Gross Profit		75.0	84.0	83.2	92.0	91.2	98.1	98.1
	<i>Margin</i>	52.2%	54.4%	53.0%	55.7%	54.4%	56.1%	54.9%
	<i>yoy</i>	-14.0%	12.1%	11.0%	9.5%	9.6%	6.7%	7.6%
Labour cost		(35.5)	(36.6)	(34.9)	(37.4)	(37.0)	(38.3)	(39.2)
	<i>% on Revenue</i>	25%	24%	22%	23%	22%	22%	22%
Cost of services and other operating costs		(36.5)	(36.9)	(37.9)	(38.6)	(40.5)	(40.9)	(42.3)
	<i>% on Revenue</i>	25%	24%	24%	23%	24%	23%	24%
Comprehensive operating costs		(140.6)	(145.1)	(146.5)	(150.1)	(154.0)	(157.1)	(162.3)
	<i>% on Revenue</i>	98%	93%	93%	90%	92%	89%	91%
EBITDA		3.0	10.5	10.5	15.9	13.7	18.9	16.6
	<i>Margin</i>	2.1%	6.8%	6.7%	9.7%	8.2%	10.8%	9.3%
ADJ. EBITDA		5.4	10.5	10.5	15.9	13.7	18.9	16.6
	<i>Margin</i>	3.7%	6.8%	6.7%	9.7%	8.2%	10.8%	9.3%
D&A		(9.0)	(9.0)	(8.9)	(9.5)	(9.4)	(10.0)	(9.9)
	<i>% on Revenue</i>	6%	6%	6%	6%	6%	6%	6%
EBIT		(6.0)	1.5	1.5	6.5	4.3	8.9	6.7
	<i>Margin</i>	n.m.	1.0%	1.0%	3.9%	2.6%	5.1%	3.8%
Net Financial Income (expenses)		(4.3)	(2.4)	(4.0)	(3.3)	(3.4)	(3.5)	(3.0)
	<i>% on Revenue</i>	3%	2%	3%	2%	2%	2%	2%
EBT		(10.3)	(0.9)	(2.5)	3.2	0.9	5.4	3.7
	<i>Margin</i>	n.m.	n.m.	n.m.	1.9%	0.5%	3.1%	2.1%
Income Tax Expense		0.4	0.0	0.1	(0.5)	(0.3)	(0.9)	(1.0)
	<i>Tax rate</i>	4%	4%	4%	16%	28%	16%	28%
Group Net Income		(10.2)	(0.9)	(2.3)	2.6	0.6	4.5	2.6
	<i>Margin</i>	n.m.	n.m.	n.m.	1.6%	0.4%	2.6%	1.5%

Source: Banca Profilo elaborations and estimates on Company data

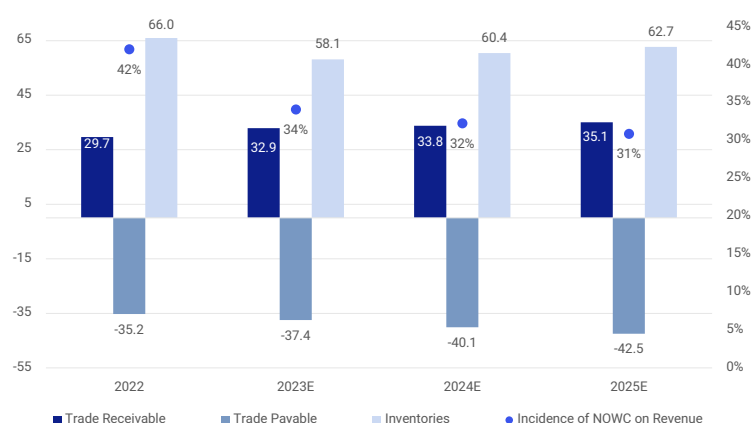
Balance Sheet

Operating NWC to decrease by ~€7m in 2023E

Regarding the Balance Sheet estimates, we expect Net Operating Working Capital to decrease by some €7m in 2023E in line with 1H23 results and to increase in 2024-2025E by some ~€1.5m. The incidence of NOWC on revenue is now projected at 32% on average in 2023-25E period (vs previous average of 36%).

Over 2023-25, we forecast a €5.4m increase in Trade receivables with an average incidence on revenue at 20% from 21% in 2022. We estimate inventories to decrease by €3.2m over 2023-2025E with an average incidence on revenue of 36% from 46% in 2022. Lastly, we project Trade Payables to decrease by €7.3m over 2023-25E period with a stable incidence on revenue from 2022 equal to 34%.

Figure 7: Net Operating Working Capital evolution FY2022-25E (€ mln)(%)



Source: Banca Profilo elaboration and estimates on Company data

Net Debt at €55.9mln in 2023E to €48mln at the end of 2025E

We estimate Net Debt to decrease by some €6mln at the end of 2023E at the level of 1H23 thanks to the cash generation by Net Operating Working Capital. Overall, we project a reduction of Net Debt by €4.5mln on average each year.

Table 5: Beghelli Balance Sheet estimates FY23-25E (€, mln)

		Balance Sheet (€/mln)						
		FY22	FY23 OLD	FY23 NEW	FY24 OLD	FY24 NEW	FY25 OLD	FY25 NEW
Intangible Assets		13.9	15.5	15.4	16.3	16.6	17.1	17.7
Right of use		25.5	17.1	20.4	12.1	15.3	7.1	10.2
Tangible Fixed Asset		16.0	16.8	15.5	17.1	15.0	17.5	14.5
Non-instrumental tangible fixed assets		0.5	0.5	0.5	0.5	0.5	0.5	0.5
Financial Assets		8.0	8.0	6.6	6.6	5.4	5.5	4.5
Fixed Assets		63.9	57.9	58.4	52.6	52.9	47.7	47.5
Trade Receivable		29.7	30.5	32.9	31.7	33.8	32.6	35.1
Inventories		66.0	71.9	58.1	74.3	60.4	75.3	62.7
Trade Payable		(35.2)	(43.9)	(37.4)	(45.4)	(40.1)	(47.8)	(42.5)
Net Operating Working Capital		60.4	58.5	53.6	60.5	54.2	60.0	55.3
	% on Revenue	42%	38%	34%	36%	32%	34%	31%
	Trade receivables (% on Revenue)	21%	20%	21%	19%	20%	19%	20%
	Inventories (% on Revenue)	46%	46%	37%	45%	36%	43%	35%
	Trade pay. (% on cost of serv & materials)	34%	40%	34%	40%	34%	40%	35%
Other Current Assets		34.0	31.5	34.0	33.3	35.6	35.0	37.4
Other Current Liabilities		(19.6)	(18.7)	(20.2)	(18.9)	(20.2)	(20.2)	(21.7)
Net Working Capital		74.9	71.2	67.4	74.9	69.7	74.8	71.0
	% on Revenue	52%	46%	43%	45%	42%	42%	40%
Non Current Assets		13.7	16.6	17.4	17.0	17.8	17.4	18.2
Non Current Liabilities		(10.0)	(11.8)	(10.2)	(11.8)	(10.2)	(11.8)	(10.1)
Net Invested Capital		142.5	133.9	133.0	132.7	130.2	128.1	126.6
CapEx		8.3	4.7	4.7	5.5	5.0	6.2	5.4
	% on Revenue	6%	3%	3%	3%	3%	4%	3%
	Intangible	5.4	3.0	3.8	3.6	4.0	4.0	4.3
	Tangible	2.9	1.6	0.9	1.9	1.0	2.2	1.1
	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		80.3	69.7	69.3	67.9	66.0	69.6	65.8
Group Net Income		(10.2)	(0.9)	(2.3)	2.6	0.6	4.5	2.6
Third party Equity		0.6	0.2	0.2	0.2	0.2	0.2	0.2
Cons. Shareholders' Equity		80.6	78.9	77.1	80.6	76.8	84.3	78.6
Net Financial Position (Cash)		61.9	54.9	55.9	52.1	53.4	43.8	48.0

Source: Banca Profilo elaborations and estimates on Company data

Free Cash Flow

**2023-2025E
cumulated FCFs
improved by €2mln
for cash generation
from cumulated
NOWC**

According to our Profit & Loss and Balance Sheet estimates, cumulated 2023-2025E FCFs stand at €27.8mln, above our previous estimates at €25.8mln. Despite lower cumulated EBIT for 2023-25E at €12.6mln (vs previous €16.9mln), the cash generation from cumulated NOWC (€5.1mln vs previous €1.6mln) more than offset this effect.

On average, 2023-2025E FCFs stands now at €9.3mln from previous €8.6mln.

Table 6: Beghelli Free Cash Flow 2022-2025E (€, mln)

	Free Cash Flow (€/mln)						
	FY22	FY23 OLD	FY23 NEW	FY24 OLD	FY24 NEW	FY25 OLD	FY25 NEW
EBIT	(6.0)	1.5	1.5	6.5	4.3	8.9	6.7
Tax rate	4%	28%	28%	28%	28%	28%	28%
NOPAT	(5.7)	1.1	1.1	4.7	3.1	6.4	4.8
D&A	9.0	9.0	8.9	9.5	9.4	10.0	9.9
Changes in Funds	(2.6)	(0.1)	0.7	0.0	(0.0)	(0.0)	(0.1)
Changes in Operating NWC	(13.5)	3.1	6.8	(2.1)	(0.6)	0.5	(1.2)
Capex	(8.3)	(4.7)	(4.7)	(5.5)	(5.0)	(6.2)	(5.4)
Free Cash Flow	(21.2)	8.4	12.8	6.6	6.9	10.8	8.1

Source: Banca Profilo elaborations and estimates on Company data

Key risks

TYPE OF RISK		DESCRIPTION
EXTERNAL CONTEXT	Ambiental: -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.
	Competitive: - 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 into safety and health devices.
	Obsolescence: -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.
	Cycle demand: -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.
	Corruption: - 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	Safety: - 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.
	Personnel: - 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 7: 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

Non-financial consolidated statement

To best involve stakeholders and to communicate in an increasingly transparent way its ESG goals, Beghelli has published its 2022 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 elaboration 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 8: Energy Consumption in FY 2021-2022

Type of Consumption (GJ)	2022			2021		
	Italy	Foreign	Total	Italy	Foreign	Total
Methane Gas	7,254	11,221	18,475	10,663	23,300	33,963
Gas	209	2,243	2,452	72	2,901	2,973
Diesel	2,876	7,252	10,129	2,506	5,060	7,566
GPL	131	0	131	149	0	149
Purchased Electricity	16,183	10,105	26,288	18,887	13,781	32,668
Purchased Electricity from Renewable Sources	2,312	0	2,312	1,611	0	1,611
Self-produced Electricity from Renewable Sources	38	0	38	1,122	0	1,122
Self-produced and sold Electricity	38	0	38	374	0	374
Total	26,654	30,822	57,475	33,025	45,042	78,067
<i>Of which Renewable</i>	<i>2,312</i>	<i>0</i>	<i>2,312</i>	<i>2,359</i>	<i>0</i>	<i>2,359</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 2021 and 2022. Moreover, production companies operating in Italy (Montevoglio, Savigno and Pievepelago plants), are subject to periodic monitoring by licensed external technicians.

Table 9: Energy Consumption in FY 2021-2022

Energy source	CO2 Emission (ton CO2 eq.)	
	2022	2021
Natural Gas	937	1,729
Gas	165	199
Diesel	725	540
GPL	8	9
Total Scope 1	1,834	2,477

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 10: Waste Management in FY 2022-2021

Type of waste (t)	2022			2021		
	Italy	Foreign	Total	Italy	Foreign	Total
Hazardous Waste	57	33,2	90,2	32	21.1	53.1
Non-Hazardous Waste	319,2	244,8	564	316.4	648.5	964.9
Total	376,2	278	654,2	348.4	669.6	1,018.1

Source: Banca Profilo elaborations on Company data

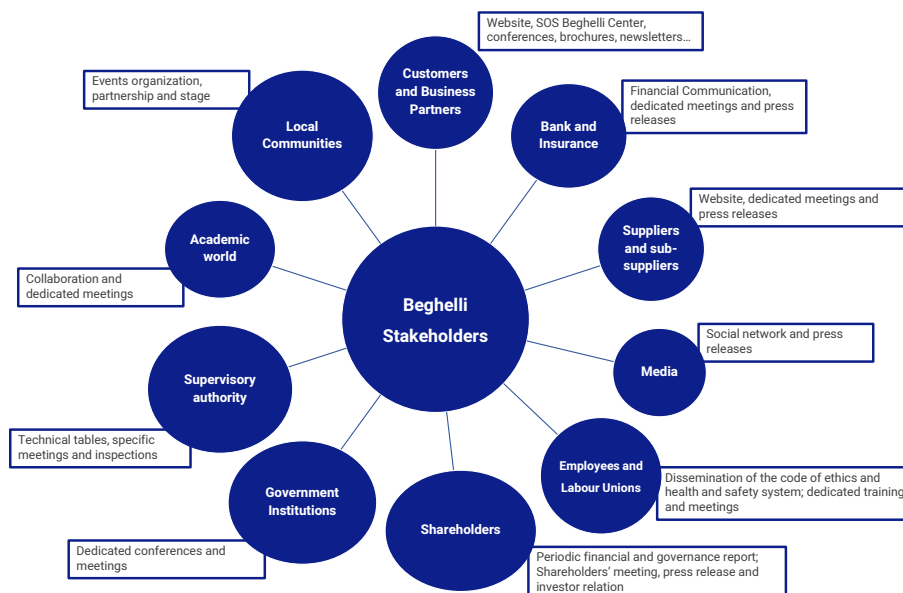
Social issues

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 7: Beghelli stakeholder involvement and dialogue



Source: Banca Profilo elaboration 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 (RSP), workers' safety representative (RLS) and competent doctor.

Table 11: Number of accidents at the workplace in FY 2021-2022

Number of Workplace Accidents	2022			2021		
	Italy	Foreign	Total	Italy	Foreign	Total
Number of deaths due to occupational accidents	0	0	0	0	0	0
Number of recordable occupational accidents	1	12	13	5	3	8
<i>Of which occupational accidents with serious consequences</i>	0	0	0	1	1	2

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 12: Hours of training in FY 2022

Category	Italy			Foreign			Total 2022
	Men	Women	Total	Men	Women	Total	
Senior executives	32	0	32	92	124	216	248
Executives	16	40	56	345	119	464	520
Clerks	350	185	535	885	1,050	1,935	2,469
Workers	78	42	120	562	2,041	5,603	2,723
Total	476	267	743	1,883	3,333	5,216	5,959

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 13: Gender composition of governing bodies in FY 2022

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 1,030 people as of December 31, 2022.

Table 14: Employees number of Beghelli by type of employment, contract and gender in FY 22

Type of contract	2022						Total
	Italy			Foreign			
	Men	Women	Total	Men	Women	Total	
Temporary contract	1	0	1	115	271	386	413
Permanent contract	172	208	380	157	106	263	664
Total	173	208	381	272	3	649	1,030
Full-time	168	137	305	272	364	636	941
Part-time	5	71	76	0	13	13	89
Total	173	208	381	272	377	649	1,030

Source: Banca Profilo elaborations on Company data

Valuation

DCF method and market multiples

Given Beghelli's perspective cash generation, 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 and are estimated at €23.4mln (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 and ii) further weakening of economic growth. Part of these risks might be offset by the persisting trend towards green energy and energy savings.

DCF

Cumulated FCFs at €27.9mln and Terminal Value at €9.1mln

To run a DCF model, we used our FCFs 2023-2025 projections, deriving from our P&L and Balance Sheet estimates.

We expect cumulated 2023-2025E Free Cash Flows at €27.9mln, above our previous estimate of €25.8mln. *[Please refer to our Company Update on 21st April 2023]*. The FCF used in the Terminal Value has been set as the FY23-FY25 average less the extraordinary cash generation effect that we forecast for 2023E. We ended up with a Terminal Value of €9.1mln, above our previous estimate of €8.6mln. To get to the Equity Valuation, we used the latest available Net Debt (end of June 2023) of €55.3mln, well below the previous one (end of December 2022) of €61.9mln.

Table 15: DCF Valuation

DCF Valuation (€ mln, except for the target price)	2023E	2024E	2025E	over
Free Cash Flows (€/000)	12.8	6.9	8.1	9.1
years	1	2	3	
discount factor	0.92	0.85	0.79	
NPV Cash flows (€/000)	11.9	5.9	6.4	
Sum of NPVs (€/000)				24.1
Terminal Value (€/000)				144.7
NPV Terminal Value (€/000)				113.8
Enterprise Value (€/000)				138.0
Net debt 1H23 (€/000)				55.3
Equity Value (€/000)				82.6
number of shares (mln)				200.0
Per share value (€)				0.41

Source: Banca Profilo estimates and elaborations

WACC: 8.3% vs previous 7.8%

To discount FCFs, we applied a 8.3% WACC (vs previous 7.8%):

The WACC derived from:

- Risk Free rate of 5.6% (from 4.8% in our 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 (+0.5bps from previous +0.75bps);
- market risk premium of 5.5% (unchanged);
- a leveraged beta of 0.8 (same previous value);
- after tax (28%) cost of debt of 8%;
- target debt-to-equity ratio of 40% (unchanged).

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

Table 16: WACC calculation

WACC Calculation	
perpetual growth rate	2.0%
WACC	8.3%
risk free rate (30Y)	5.6%
equity risk premium	5.5%
beta	0.8
KE	10.2%
Cost of debt	8%
tax rate	28%
KD	5.5%

Source: Banca Profilo estimates and elaborations

DCF fair value: The DCF method leads us to an Enterprise Value of €138mIn and an Equity Value of €82.6mIn or €0.41/share, slightly above our previous Company Update (on 21st April) at €0.39/share mainly due to lower Net Debt despite the higher WACC.

Beghelli competitive arena

Selected comparables to Beghelli for business similarity: 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.

Zumtobel, Fagerhult, Signify, Acuity Brands, Dialight In terms of business comparability, we analysed:

1. Revenue breakdown by activities (Lighting Fixture, Security Devices, Industrial Maintenance and Other);
2. 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, Signify NV, Fagerhult AB, Dialight plc and Acuity Brands Inc.

Not listed competitors 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 17: 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%
LIGHT-NL Signify NV	100%	--	0%	--	96%	--	31%	31%	8%	30%	11%	53%
FAG-SE Fagerhult Group AB	100%	--	--	--	96%	6%	73%	8%	11%	4%	18%	57%
DIA-GB Dialight plc	69%	31%	--	--	67%	0%	5%	79%	14%	2%	14%	41%
AYI-US Acuity Brands, Inc.	95%	--	5%	0%	91%	0%	31%	37%	22%	10%	13%	52%

Source: Banca Profilo elaborations on Facset and company data

Zumtobel (Austria) 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.

€ 1.2bn FY21-22 revenue

9.9% EBITDA margin

Signify (Netherlands) 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,

€7.5bn FY22 revenue
10.3% EBITDA margin

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.

Fagerhult (Sweden)
€8.3bn FY22 revenue
15.3% 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.

Dialight (UK)
€170mIn FY22 revenue
7.7% 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.

Acuity Brands (USA)
€4bn FY22 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.

Table 18: Sample benchmarking on revenue growth and EBITDA margin

Company	Sales growth							EBITDA margin						
	2018	2019	2020	2021	2022	2023E	2024E	2018	2019	2020	2021	2022	2023E	2024E
<i>20/09/2023</i>														
Zumtobel Group AG	-4.7%	-2.9%	-5.6%	3.7%	8.5%	0.1%	-1.2%	6.3%	9.3%	11.3%	11.0%	9.9%	9.7%	10.1%
Signify NV	-8.7%	-1.7%	4.1%	5.5%	9.5%	-7.1%	1.6%	10.3%	11.0%	11.5%	13.2%	10.3%	12.0%	12.6%
Fagerhult Group AB	8.7%	39.6%	-13.6%	4.5%	16.7%	6.0%	8.2%	23.4%	16.7%	13.4%	16.3%	15.3%	15.5%	15.2%
Dialight plc	-6.3%	-11.0%	-21.2%	10.6%	29.0%	-0.4%	4.1%	7.4%	7.2%	0.8%	8.5%	7.7%	8.9%	9.6%
Acuity Brands, Inc.	3.2%	-3.4%	-5.1%	8.0%	11.2%	-2.2%	-2.2%	15.7%	15.7%	15.8%	16.2%	15.6%	16.3%	16.0%
Median best peers	-4.7%	-2.9%	-5.6%	5.5%	11.2%	-0.4%	1.6%	10.3%	11.0%	11.5%	13.2%	10.3%	12.0%	12.6%
Beghelli	-8.8%	-5.3%	-20.3%	17.1%	-5.7%	9.3%	6.8%	6.6%	9.9%	6.2%	9.9%	2.1%	6.7%	8.2%

Source: Banca Profilo elaborations on Facset and company data (as of 20th September 2023)

Market multiples

A sample of 5 peers for business similarity

We provide the updated multiples table, compared to our latest research [*Please refer to our Company Update on 21st April 2023*]; the sample average EV/EBITDA 2024 decreased to 6.2x (from 6.5x). Beghelli trades at slight premium compared to its peers (8x).

Table 19: Market multiples

Company	EV / EBITDA
	<i>20/09/2023</i>
Zumtobel Group AG	3.0x
Signify NV	5.3x
Fagerhult Group AB	8.0x
Dialight plc	5.5x
Acuity Brands, Inc.	8.9x
Mean	6.2x
Beghelli	8.0x

Source: Banca Profilo elaborations on Facset and company data (as of 20th September 2023)

EV/EBITDA 2024E at 6.2x

To compute valuation through market multiples, we chose FY2024E EV/EBITDA only, and excluded the FY23 multiple for the complex economic and financial scenario and for the uncertainty related to the path of earnings recovery in Beghelli from the slump in 2022. Mean EV/EBITDA 2024E is now at 6.2x, slightly below previous at 6.5x. We derived an Enterprise Value of €84.6mln (vs previous €104mln) and an Equity Value of €29.3mln (vs previous €43mln) or €0.15/share down from previous €0.21/share for EBITDA cut to €13.7mln in 2024E vs previous forecast at €15.9mln despite the lower net debt at €55.3mln (at the end of June 2023) vs previous €61.9mln (at the end of December 2022).

Table 20: EV/EBITDA Market multiples

Valuation on EV/EBITDA market multiples	
(€/000)	2024E
EV/EBITDA	6.2x
EBITDA	13.7
Net Debt 1H23	55.3
EV	84.6
Equity	29.3
n of shares	200
Equity per share	0.15

Source: Banca Profilo estimates and elaborations on Factset data (as of 20 September 2023)

TP unchanged to €0.35/share
BUY confirmed

We confirm our target price to €0.35/share.

As the previous research because of the derating of multiples as a consequence of the macro scenario, the target price is computed as the weighted average of DCF fair value (3/4) which incorporate future FCF and relative market multiples (1/4).

Given the potential upside on Beghelli current stock price, we confirm our BUY recommendation.

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Beghelli "ID Card"

Recommendation

BUY

Target Price

0.35 €

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 competitors
- 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
- Energy efficiency and savings as a driver for ordinary lighting
- Ageing population as a driver for Salvalavita Beghelli

Threats

- Intensifying competition from Asia
- Increasing cost of raw materials, energy and transportation
- War Russia against Ukraine
- Substitute products competition
- CNY/USD exchange rate effect
- Uncertainty of guidelines and procedures in the Italian Health System in relation to the set-up of SanificaAria in public spaces

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"

Recommendation

BUY

Target Price

0.35 €

Upside

42%

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Main Financials

(€/mln)	2021	2022	2023E	2024E	2025E
Total revenue	152.3	143.6	157.0	167.7	178.9
yoy change	17.1%	-5.7%	9.3%	6.8%	6.7%
EBITDA	15.1	3.0	10.5	13.7	16.6
EBITDA margin (%)	10.2%	2.1%	6.7%	8.2%	9.3%
ADJUSTED EBITDA	13.4	5.4	10.5	13.7	16.6
Adj EBITDA margin (%)	9.0%	3.7%	6.7%	8.2%	9.3%
EBIT	6.8	(6.0)	1.5	4.3	6.7
EBIT margin (%)	4.6%	n.m.	1.0%	2.6%	3.8%
Group Net income	3.3	(10.2)	(2.3)	0.6	2.6
Margin (%)	2.2%	n.m.	n.m.	0.4%	1.5%
Adjusted net debt (cash)	42.8	61.9	55.9	53.4	48.0
Shareholders Equity	89.1	80.6	77.1	76.8	78.6
Net Operating Working Capital	46.9	60.4	53.6	54.2	55.3
Capex and acquisitions	6.8	8.3	4.7	5.0	5.4
Free Cash Flow	7.6	(21.2)	12.8	6.9	8.1

Banca Profilo elaborations on Company data

Since Beghelli has not yet published a complete FY22 Balance Sheet, the number in light blue is estimated

Revenue breakdown by business unit

	2021	2022	2023E	2024E	2025E
Emergency & Ordinary Lighting	137.5	139.4	150.0	160.1	170.3
Other	10.5	6.6	7.0	7.6	8.6

Solvability Ratios

	2021	2022	2023E	2024E	2025E
Net debt (cash) / EBITDA	2.8x	11.5x	5.3x	3.9x	2.9x
Net debt (cash) / Equity	0.5x	0.8x	0.7x	0.7x	0.6x

Financial and Operative ratios

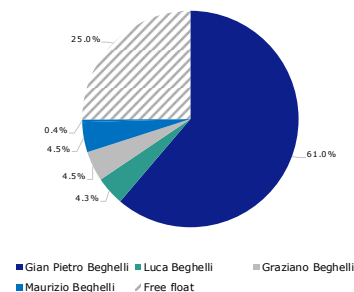
	2021	2022	2023E	2024E	2025E
Tax rate	16%	4%	4%	28%	28%
ROIC	4%	-4%	7%	2%	4%
ROE	4%	-13%	-3%	7%	3%
Days Sales Outstanding	60	75	77	74	72
Days Sales Of Inventory	149	165	136	132	129
Days Payables Outstanding	148	122	122	125	126
Fixed asset turnover ratio (FAT)	2.1	2.2	2.7	3.2	3.8
Capex/Sales	5%	6%	3%	3%	3%
D&A to capex	122%	109%	190%	187%	184%

Source: Factset, Banca Profilo estimates and elaborations

Company Description

Company Sector	Industrials – Electrical Equipment
Price (€) as of 20 Sept 2023	0.24
Number of shares (mln)	200.0
Market Cap (€ mln)	48.8
Reference Index	Italian Stock Exchange
Main Shareholders	Gian Pietro Beghelli
Main Shareholder stake	61.0%
Free Float	25.0%
Daily Average Volumes	139,099
Sample of comparables	Zumtobel, Signify, Fagerhult, Dialight and Acuity Brands

Ownership structure



Data of peers

	2022	2023E	2024E
Sales Growth (yoy)	11.2%	-0.4%	1.6%
EBITDA Margin	2.1%	6.7%	8.2%

Average data (median)

Multiples of peers

Best peers (margins and cash flows)	2024E
EV / EBITDA	6.2x

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

Company	Enterprise Value (mln)	Sales growth							EBITDA margin						
		2018	2019	2020	2021	2022	2023E	2024E	2018	2019	2020	2021	2022	2023E	2024E
Zumtobel Group AG	362	-4.7%	-2.9%	-5.6%	3.7%	8.5%	0.1%	-1.2%	6.3%	9.3%	11.3%	11.0%	9.9%	9.7%	10.1%
Signify NV	4,766	-8.7%	-1.7%	4.1%	5.5%	9.5%	-7.1%	1.6%	10.3%	11.0%	11.5%	13.2%	10.3%	12.0%	12.6%
Fagerhult Group AB	11,567	8.7%	39.6%	-13.6%	4.5%	16.7%	6.0%	8.2%	23.4%	16.7%	13.4%	16.3%	15.3%	15.5%	15.2%
Dialight plc	93	-6.3%	-11.0%	-21.2%	10.6%	29.0%	-0.4%	4.1%	7.4%	7.2%	0.8%	8.5%	7.7%	8.9%	9.6%
Acuity Brands, Inc.	5,510	3.2%	-3.4%	-5.1%	8.0%	11.2%	-2.2%	-2.2%	15.7%	15.7%	15.8%	16.2%	15.6%	16.3%	16.0%
Median best peers		-4.7%	-2.9%	-5.6%	5.5%	11.2%	-0.4%	1.6%	10.3%	11.0%	11.5%	13.2%	10.3%	12.0%	12.6%
Beghelli	110.0	-8.8%	-5.3%	-20.3%	17.1%	-5.7%	9.3%	6.8%	6.6%	9.9%	6.2%	9.9%	2.1%	6.7%	8.2%

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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").