

Company: **Beghelli SpA** Rating: **BUY** Target Price: **€0.30**

Sector: **Electrical Equipment**

Back to growth and margins recovery

FY23 results: Operating efficiency lifts EBITDA margin, NOWC boosts FCFs

Revenue rose by 8.5% yoy to €155.8mln in 2023, almost in line with our estimate (€157.0mln) [Please refer to our Company Update on 25th September 2023]. Regarding Revenue breakdown, Lighting came in at €147.5mln (+5.8% yoy), while Other revenues stood at €8.0mln (+20.8% yoy), the significant increase in the segment is attributable to sales of storage systems for photovoltaic plants. The adj. EBITDA margin stood at 6.1%, 60bps below our forecast (6.7%), yet showing a notable yoy improvement (+240bps) mainly driven by a marked reduction in industrial costs (particularly relating to energy costs) and advertising. Bottom line still revealed a Net loss of €9.3mln due to €3.7mln negative non-recurring items, as well as high financial expenses. At the end of 2023, Net Debt decreased to €52.3mln from €61.9mln at the end of 2022, thanks to the significant reduction in net working capital and the sale of two lots owned by the Chinese subsidiary.

Strengthening core businesses, expanding and innovating

The Company remains committed to consolidating its leadership in core businesses, notably in emergency lighting, while also venturing into promising sectors like energy savings, photovoltaics and elderly safety. In 2023, the Company significantly improved operational and industrial efficiency, leading to strengthened financial and economic performance, with a continued dedication to innovation and the development of new products and services guiding future endeavors. In late 2022, Beghelli launched Beghelli Solare, a successful project highlighted by its remarkable sales performance in 2023, offering innovative solar energy storage solutions to optimize electricity usage from photovoltaic panels, resulting in significant energy cost savings for businesses and households.

FY24-25 (E) estimates fine-tuning; adding FY26 (E)

We project Revenue to grow at a 7.1% CAGR in FY24-26 (E) and to reach €190.8mln in FY26 (E). We forecast EBITDA and EBITDA margin to increase to €12.8mln (vs previous €13.7mln) and 7.7% (vs previous 8.2%) in FY24 (E) and to reach €17.5mln and 9.2% in FY26 (E). We anticipate a continued decrease in Net debt, projecting it to reach €43.4mln by the end of 2026.

Valuation: BUY confirmed; TP cut to €0.30

Our DCF estimates indicate a cumulative FCFs of €18.9mln in 2024-26 (E), a terminal value of €7.7mln (vs previous €9.1mln, value impacted by the one-off 2023 FCF) and a WACC of 7.6% (vs previous 8.3%), leading us to a fair value of €0.37/share (vs previous €0.41/share). For relative valuation, we use the mean EV/EBITDA multiple for FY24 (E) of the peer group which stands at 7.8x, slightly higher than Beghelli's current trading multiple of 7.7x (as of April 26, 2024), leading us to a fair value of €0.24/share (vs previous €0.15/share). Our valuation excludes a potential upside coming from the disposal of assets intended for sale, estimated at €18.0mln (or €0.09/share). By averaging the DCF and Market Multiples approaches, our target price (TP) reaches €0.30/share. Considering the potential upside based on the difference between Beghelli's closing price and our target, we confirm BUY.

May 2, 2024 at 18:00

Company Profil					
Bloomberg				BE-IM	
FactSet				BE-IT	
Stock exchange				Italian Stock Exchange	
Reference Index				FTSE Italia Small Cap	
Market Data					
Price (as of April 26, 2024)				€ 0.23	
Number of shares (mln)				200.0	
Market cap. (mln)				€ 46	
1-Year Performance					
Absolute				-10.8%	
Max/Min				0.28/0.21	
(€/mln)	FY23	FY24 (E)	FY25 (E)	FY26 (E)	
Revenue	155.8	165.6	177.5	190.8	
	yoy	8.5%	6.3%	7.2%	7.4%
EBITDA	9.8	12.8	15.7	17.5	
	EBITDA margin	6.3%	7.7%	8.9%	9.2%
EBIT	(2.9)	3.7	7.2	9.7	
	EBIT margin	n.m.	2.2%	4.0%	5.1%
Net Income	(9.3)	(1.9)	1.1	3.5	
	Net Profit margin	n.m.	n.m.	0.6%	1.8%
Net Financial Position (Cash)					
Shareholders' Equity	70.1	67.5	67.9	70.7	
Net Operating Working Capital	47.1	48.4	51.2	52.7	
CapEx	6.0	5.0	5.3	5.7	
Free Cash Flow	17.1	5.5	5.7	7.7	



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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
- Stressed financial position

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
- War Russia against Ukraine
- Substitute products competition

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The reference industry

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

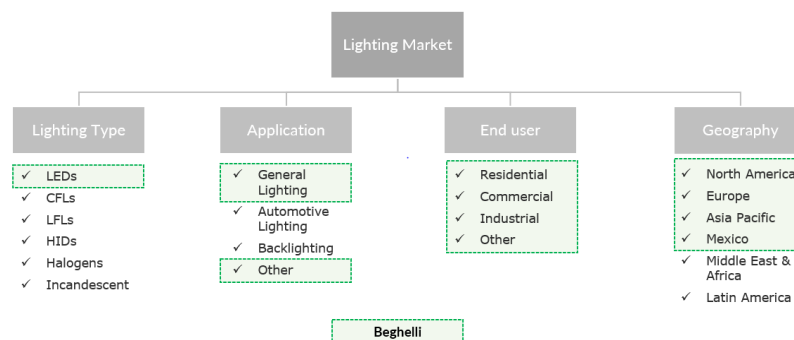
In 2023, Lighting systems revenue accounted for about 94.9% of total Beghelli’s revenue (vs 95.5% in FY22), thus the broader reference market for Beghelli is the Lighting Equipment Manufacturing.

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).

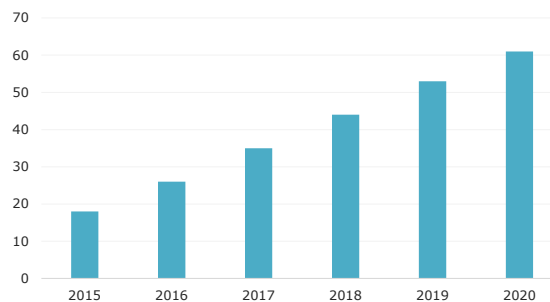
According to the Business Research Company (January 2023), the Global General Lighting market is expected to grow at a 2022-27 CAGR of 6.6%

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% CAGR in FY21-26 (E)

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

Competitive arena

Selected comparables to Beghelli for business similarity:

Zumtobel, Fagerhult, 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:

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 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%
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 (AT):
FY23 sales €1.1bn;
EBITDA margin 9.5%

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.

Signify (NL):
FY23 sales €6.7bn;
EBITDA margin 8.8%

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.

Fagerhult (SE):
FY23 sales SEK8.6bn;
EBITDA margin 16.0%

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):

Dialight Plc engages in the applied light emitting diode technology business. It operates through two business units: Lighting and Signals&Components. Lighting develops,

FY23 sales £149mln; 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) : 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.

FY23 sales \$3.9bn;
EBITDA margin 15.6%

Table 2: Sample benchmarking on revenue growth and EBITDA margin

Comapany	Saales growth (yoy)						EBITDA margin					
	2020	2021	2022	2023	2024 (E)	2025 (E)	2020	2021	2022	2023	2024 (E)	2025 (E)
<i>26/04/2024</i>												
Zumtobel Group AG	-12.2%	9.0%	8.2%	-5.7%	-1.9%	-1.4%	8.3%	10.3%	10.3%	9.5%	9.5%	9.5%
Signify NV	4.1%	5.5%	9.5%	-10.8%	-4.2%	2.4%	11.0%	12.1%	13.8%	8.8%	12.8%	13.1%
Fagerhult Group AB	-13.1%	4.0%	16.7%	3.5%	2.3%	6.2%	11.6%	15.8%	15.5%	16.0%	15.8%	15.8%
Dialight plc	-21.2%	10.6%	29.0%	-12.3%	18.3%	4.0%	-0.7%	8.2%	6.7%	-1.2%	n.m.	n.m.
Acuity Brands, Inc.	-8.3%	11.4%	12.4%	-5.2%	1.8%	3.3%	14.0%	15.3%	14.8%	15.6%	17.3%	17.1%
<i>Mean best peers</i>	-10.1%	8.1%	15.2%	-6.1%	3.3%	2.9%	8.9%	12.3%	12.2%	9.7%	13.9%	13.9%
<i>Median best peers</i>	-12.2%	9.0%	12.4%	-5.7%	1.8%	3.3%	11.0%	12.1%	13.8%	9.5%	14.3%	14.6%
Beghelli SpA	-19.0%	15.1%	-4.1%	8.5%	6.3%	7.2%	6.2%	10.1%	2.1%	6.3%	7.7%	8.9%

Source: Banca Profilo elaborations on Facset and company data (as of April 26, 2024)

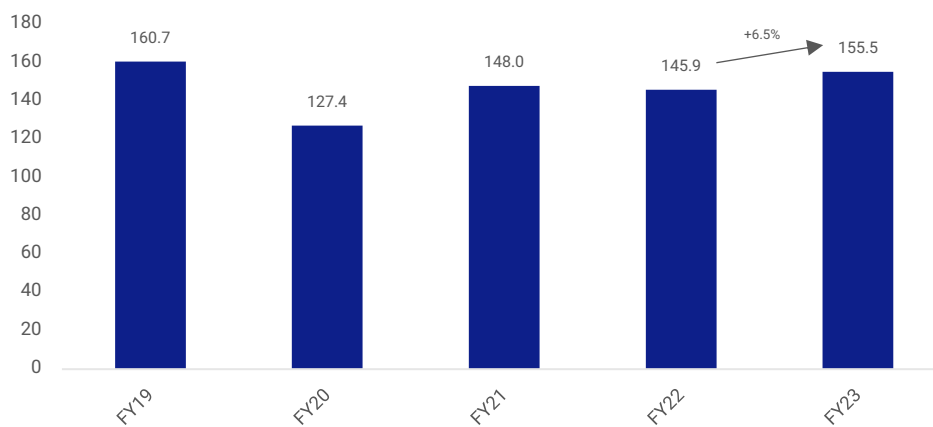
FY23 results: Historical financial performance

FY23 Revenue increased by 6.5% yoy to €155.5mln

Consolidated revenue reached €155.5mln, almost in line with our FY23 estimate (€157.0mln) [*Please refer to our Company Update on 25th September 2023*] and up €9.5mln or 6.5% yoy, mainly due to growth in the lightning sector and the good performance of sales of new storage systems for photovoltaic plants. Breaking down the revenue, Lighting amounted to €147.5mln, marking a 5.8% yoy increase and still comprising 94.9% of revenue. Other revenues stood at €8.0mln, reflecting a notable 20.8% yoy growth, driven by the surge in sales of storage systems for photovoltaic plants.

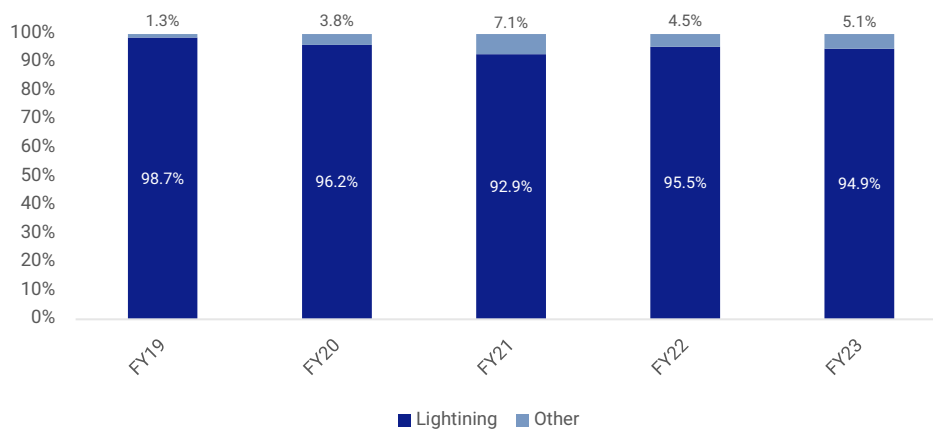
Foreign revenues for the FY23 amounted to €74.8mln, up 4.5% yoy, with growth concentrated in the non-European area (+9.8% yoy). The foreign component as a percentage of reported revenue was 48.1%, slightly decreased from 49.1% in FY22.

Figure 3: Revenue 2019-23 (€/mln)



Source: Banca Profilo elaboration on Company data

Figure 4: Revenue breakdown by segment 2019-23

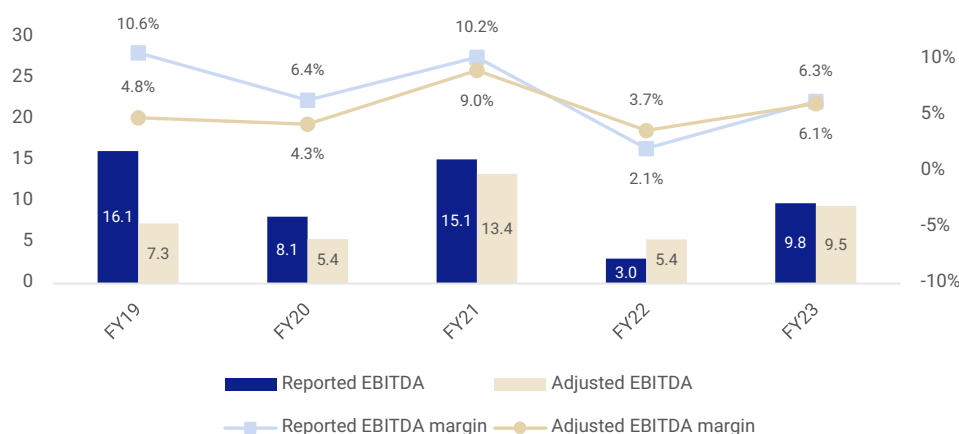


Source: Banca Profilo elaboration on Company data

Recovering Adj. EBITDA margin at 6.1% in FY23

In 2023, Adj. EBITDA stood at €9.5mln, marking a 76% yoy increase from €5.4mln in 2022. Adj. EBITDA margin came in at 6.1%, 60bps below our estimate (6.7%) but still 240bps above the FY22 results due to anticipated reduction in industrial costs (particularly relating to energy costs) and promotional and advertising costs.

Figure 5: EBITDA (€/mln) and EBITDA margin on Revenue 2019-23



Source: Banca Profilo elaboration on Company data

Net loss of €9.3mln in FY23

In FY23, the EBIT posted a negative figure of €2.9mln, below our previous estimate of €1.5mln, but still an improvement from the negative €6.0mln recorded in FY22. Excluding negative non-recurring items totaling €3.7mln, attributed to various factors including a capital gain from the sale of lots in the Chinese company Beghelli Innovation China and write-downs on properties in Monteveglio and Crespellano due to increased urbanization charges, EBIT would stand at a positive €0.8mln (compared to €3.1mln in FY22).

As a result, the bottom line reflected a net loss of €9.3mln, an improvement from the €10.2mln loss in FY22. Adjusting for non-recurring items, the loss narrows to €5.6mln (compared to €6.4mln in FY22).

Table 3: Income Statement FY21-23 (€/mln)

		Profit & Loss (€/mln)			
		FY21	FY22	FY23 OLD	FY23
Lighting		137.5	139.4	150.0	147.5
	% on Revenue	92.9%	95.5%	95.5%	94.9%
Other		10.5	6.6	7.0	8.0
	% on Revenue	7.1%	4.5%	4.5%	5.1%
Reported Revenue		148.0	145.9	157.0	155.5
	yoy	16.2%	-1.4%	7.6%	6.5%
Non-recurring revenue		1.7	(2.3)	0.0	0.3
Revenue		149.7	143.6	157.0	155.8
	yoy	15.1%	-4.1%	9.3%	8.5%
Cost of materials and related services		(65.1)	(68.6)	(73.8)	(73.1)
	% on Revenue	44.0%	47.0%	47.0%	47.0%
Gross Profit		83.0	77.3	83.2	82.3
	Gross margin	56.0%	53.0%	53.0%	53.0%
Labour cost		(33.9)	(35.5)	(34.9)	(36.9)
	% on Revenue	22.9%	24.3%	22.2%	23.7%
Cost of services and other operating costs		(33.9)	(36.5)	(37.9)	(36.0)
	% on Revenue	22.9%	25.0%	24.1%	23.1%
Comprehensive operating costs		(132.9)	(140.6)	(146.5)	(146.0)
	% on Revenue	89.8%	96.3%	93.3%	93.9%
EBITDA		15.1	3.0	10.5	9.8
	EBITDA margin	10.2%	2.1%	6.7%	6.3%
Adj. EBITDA		13.4	5.4	10.5	9.5
	Adj. EBITDA margin	9.0%	3.7%	6.7%	6.1%

D&A		(8.3)	(9.0)	(8.9)	(12.7)
	% on Revenue	5.6%	6.2%	5.7%	8.2%
EBIT		6.8	(6.0)	1.5	(2.9)
	EBIT margin	4.6%	n.m.	1.0%	n.m.
Net Financial Income (expenses)		(2.9)	(4.3)	(4.0)	(7.1)
	% on Revenue	2.0%	3.0%	2.5%	4.6%
EBT		3.9	(10.3)	(2.5)	(10.0)
	Pretax margin	2.6%	n.m.	n.m.	n.m.
Income Tax Expense		(0.6)	0.4	0.1	0.6
	Tax rate	15.8%	4.1%	4.1%	6.0%
Net Income		3.3	(10.2)	(2.3)	(9.3)
	Net Profit margin	2.2%	n.m.	n.m.	n.m.

Source: Banca Profilo elaborations on Company data

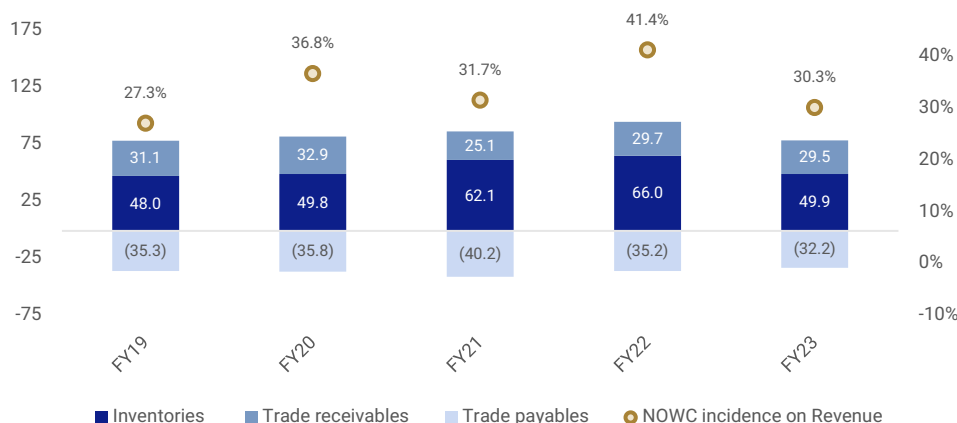
ONWC optimization

Operating Net Working Capital in 2023 decreased to €47.1m from €60.4m in 2022. This figure comprises €29.5m in Trade Receivables, €32.2m in Trade Payables and €49.9m in Inventories.

The notable reduction is primarily attributed to inventory decrease, down from €66.0m in FY22 to €49.9m in FY23, with its impact on turnover declining to 32.1% from 45.2% in 2022. This reduction stems partly from the Company's rationalization efforts aimed at minimizing safety stock levels; indeed, the value of inventories at the end of 2022 still reflected the objective of cushioning the effects of a possible supply chain crisis caused by international tensions.

Trade receivables remained largely stable at 19.0% of revenue (vs 20.3% in FY22) and trade payables decreased from €35.2m in FY22 (33.5% of COGS w/o labour cost) to €32.2m in FY23 (29.6% of COGS w/o labour cost), mainly due to the reduction in volumes purchased in the latter part of the year.

Figure 6: Net Operating Working Capital 2019-23 (€/m)



Source: Banca Profilo elaboration on Company data

Decreasing Net debt at €52.3m in FY23

At the end of December 2023, the Net Debt was €52.3m, down from €61.9m in 2022. The decrease is attributable to the reduction in Net Working Capital and the sale of the two lots owned by the Chinese subsidiary, a transaction that generated a positive effect, net of related accessory and tax charges, of €2.3m. However, it's important to highlight that delays in sales trends and the postponement of the sale of the Crespellano real estate complex to 2024 resulted in non-compliance with a covenant related to Net Debt/EBITDA as of December 31, 2023. While the shortfall was not significant, this breach also led to the forfeiture of term benefits on other loan agreements with a residual value of €14.9m as of the same date.

Should the banks demand repayment, it could significantly challenge the company's ongoing operations.

Table 4: Balance Sheet FY21-23 (€/mln)

Balance Sheet (€/mln)				
	FY21	FY22	FY23 OLD	FY23
Intangible assets	14.7	13.9	15.4	15.1
Right of use	28.2	25.5	20.4	25.6
Tangible fixed asset	16.5	16.0	15.5	15.4
Non-instrumental tangible fixed assets	0.5	0.5	0.5	1.8
Financial assets	11.9	8.0	6.6	6.1
Fixed Assets	71.8	63.9	58.4	64.1
Inventories	62.1	66.0	58.1	49.9
<i>% on Revenue</i>	<i>41.9%</i>	<i>45.2%</i>	<i>37.0%</i>	<i>32.1%</i>
Trade receivables	25.1	29.7	32.9	29.5
<i>% on Revenue</i>	<i>16.9%</i>	<i>20.3%</i>	<i>21.0%</i>	<i>19.0%</i>
Trade payables	(40.2)	(35.2)	(37.4)	(32.2)
<i>% on COGS w/o labour cost</i>	<i>40.6%</i>	<i>33.5%</i>	<i>33.5%</i>	<i>29.6%</i>
Net Operating Working Capital	46.9	60.4	53.6	47.1
<i>% on Revenue</i>	<i>31.7%</i>	<i>41.4%</i>	<i>34.1%</i>	<i>30.3%</i>
Other current Assets	30.5	34.0	34.0	27.1
Other current liabilities	(19.6)	(19.6)	(20.2)	(21.1)
Net Working Capital	57.8	74.9	67.4	53.1
<i>% on Revenue</i>	<i>39.0%</i>	<i>51.3%</i>	<i>42.9%</i>	<i>34.2%</i>
Non-current assets	14.4	13.7	17.4	15.4
Non-current liabilities	(12.0)	(10.0)	(10.2)	(10.2)
Of which Funds	(11.3)	(8.7)	(9.4)	(8.5)
Net Invested Capital	131.9	142.5	133.0	122.4
CapEx	6.8	5.4	4.7	6.0
<i>% on Revenue</i>	<i>4.6%</i>	<i>3.7%</i>	<i>3.0%</i>	<i>3.9%</i>
Intangible	3.6	3.5	3.8	4.7
Tangible	3.2	2.0	0.9	1.3
Share capital	10.0	10.0	10.0	10.0
Reserves and retained earnings	75.9	80.3	69.3	69.0
Group Net Income	3.1	(10.2)	(2.3)	(9.3)
Third party equity	0.2	0.6	0.2	0.5
Shareholders' Equity	89.1	80.6	77.1	70.1
Net Financial Position (Cash)	42.8	61.9	55.9	52.3

Source: Banca Profilo elaborations on Company data

Table 5: Free Cash Flows FY21-23 (€/mln)

Free Cash Flow (€/mln)				
	FY21	FY22	FY23 OLD	FY23
EBIT	6.8	(6.0)	1.5	(2.9)
<i>Tax rate</i>	<i>15.8%</i>	<i>4.1%</i>	<i>28.0%</i>	<i>6.0%</i>
NOPAT	5.8	(5.7)	1.1	(2.7)
D&A	8.3	9.0	8.9	12.7
Changes in Funds	0.3	(2.6)	0.7	(0.2)
Changes in NOWC	(0.0)	(13.5)	6.8	13.3
CapEx	(6.8)	(5.4)	(4.7)	(6.0)
Free Cash Flow	7.6	(18.3)	12.8	17.1

Source: Banca Profilo elaborations on Company data

2024-26 (E) Strategy and Estimates

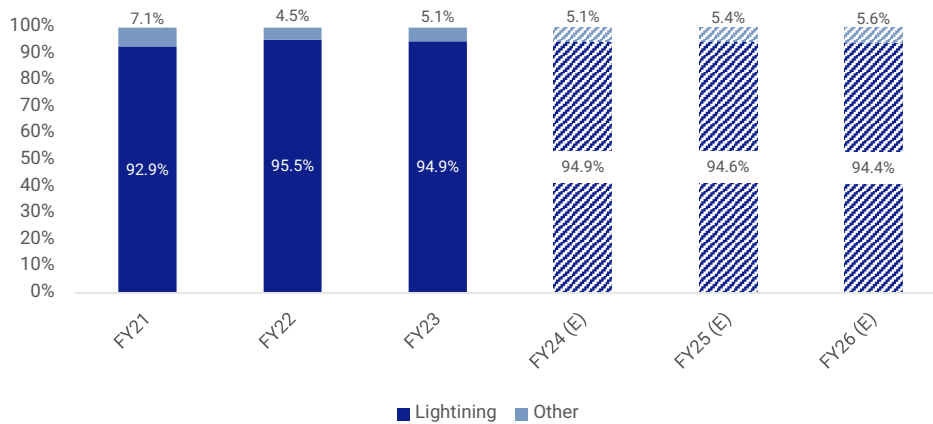
Strategic guidelines

Lighting at the centre of Beghelli core business	Beghelli invested heavily in R&D for the Lighting sector in 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	The main growth drivers are: <ol style="list-style-type: none"> For the lighting business: (i) energy efficiency and savings, (ii) visual comfort (iii) smart lighting and (iv) innovative technology; 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 Crespellano complex by 1H24	About non-core assets, the sale of the real estate complex in Crespellano, previously expected by 4Q23, has been postponed and is now expected by 1H24, while the Monteveglio land will no longer be subject to sale. We value these at their book value of €18.0mln or €0.09/share.

Our 2024-25 estimates fine tuning. Adding 2026 (E)

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: <ol style="list-style-type: none"> Emergency & non-lighting systems: according to Mordor Intelligence Research (2021), the emergency lighting market is expected to grow at a 7.2% 2021-26 CAGR. Ordinary lighting: according to the Business Research Company, 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 2023-26 (E)	According to the independent research mentioned above, we fine tune our estimate for Lighting revenues to generate €157.1mln turnover in FY24 (E) and to grow at a 6.9% CAGR in 2023-26 (E) to reach €180.2mln in FY26 (E).
Other revenues revised upwards boosted by Beghelli Solare	Considering FY23 Other revenue segment's overperformance relative to our projections (€8.0mln vs €7.0mln), primarily fueled by the new Beghelli Solare storage systems sales, we anticipate continued expansion in the segment, reaching €10.6m by 2026 (E). Looking ahead, we anticipate the proportion of Other Revenue to Total Revenue to steadily rise in the coming years, mainly driven by Beghelli Solare, reaching 5.6% by 2026 (E). Consequently, we project a 10.0% CAGR in 2023-26 (E) for Other Revenue.

Figure 7: Revenue breakdown by segment 2021-26 (E) (€/mln)

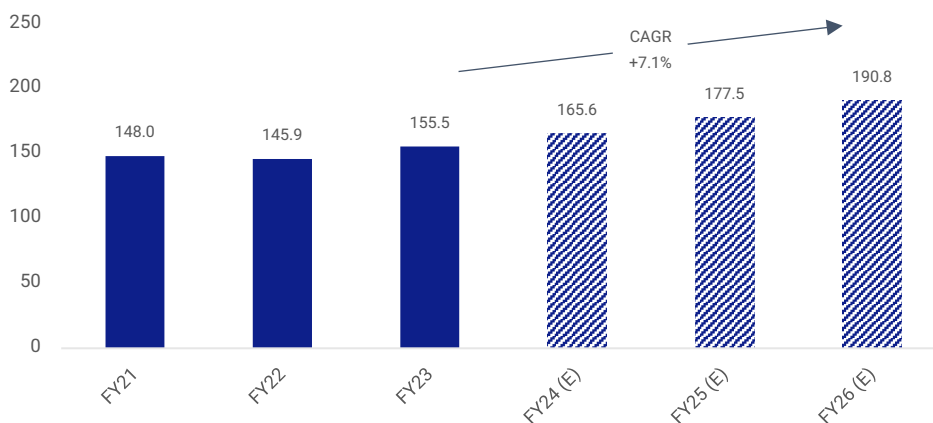


Source: Banca Profilo elaborations and estimates on Company data

Total Revenues to grow at a CAGR of 7.1% 2023-26 (E)

Overall, we project Total Revenues to grow at a 7.1% CAGR in 2023-26 (E) and to reach €190.8mln in FY26 (E).

Figure 8: Total Revenue 2021-26 (E) (€/mln)

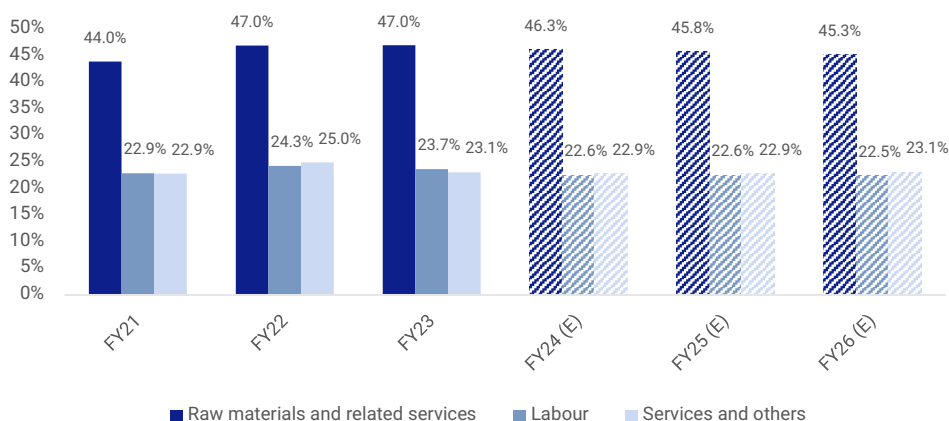


Source: Banca Profilo elaborations and estimates on Company data

Raw materials and related services costs down to 46.3% of Revenue in FY24 (E)

We maintain our expectation that the factors contributing to the post-COVID cost increases will be mitigated, although not to the extent previously estimated. As a result, we anticipate a slight decrease of costs in revenue percentages for the next few years, with the most significant component - raw materials and related services costs - expected to decline to 46.3% (vs 45.6% in our previous estimates) already in FY24 (E) from the current 47.0%.

Figure 9: Incidence of costs on Revenue 2021–26 (E)

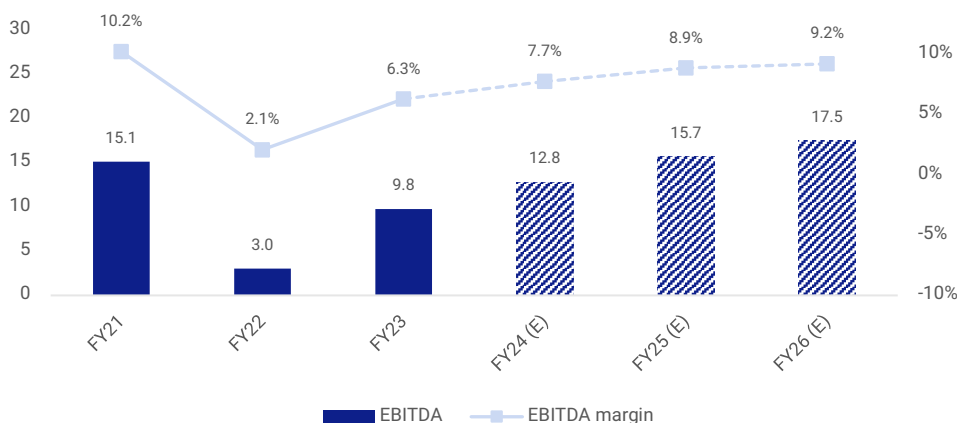


Source: Banca Profilo elaborations and estimates on Company data

EBITDA margin on the rise, averaging 8.7% for 2024-26 (E)

Based on our revenue and operating cost projections, we anticipate EBITDA to climb to €12.8m with an EBITDA margin of 7.7% in FY24 (E), down from our previous estimate of €13.7m and 8.2% respectively. By FY26 (E), we expect EBITDA to rise to €17.5m with a margin of 9.2%. The average EBITDA margin over 2024-26 (E) is forecasted at 8.6%.

Figure 10: EBITDA (€/m) and EBITDA margin on VoP 2021-26 (E)



Source: Banca Profilo elaborations and estimates on Company data

Heavy financial expenses: Loss in FY24, Profit from 2025

We project a continued loss in FY24 (E), albeit a reduced one, with an anticipated net loss of €1.9m, largely due to persistently high financial expenses. However, we anticipate a turnaround to profitability beginning in FY25 (E), with net income projected to reach €3.5m by FY26 (E).

Table 6: Pro Forma Income Statement FY23-26 (E)

		Profit & Loss (€/m)					
		FY23	FY24 (E) OLD	FY24 (E)	FY25 (E) OLD	FY25 (E)	FY26 (E)
Lighting		147.5	160.1	157.1	170.3	168.0	180.2
	% on Revenue	94.9%	95.5%	94.9%	95.2%	94.6%	94.4%
Other		8.0	7.6	8.5	8.6	9.6	10.6
	% on Revenue	5.1%	4.5%	5.1%	4.8%	5.4%	5.6%
Reported Revenue		155.5	167.7	165.6	178.9	177.5	190.8
	% on Revenue	6.5%	6.8%	6.5%	6.7%	7.2%	7.4%
Non-recurring revenue		0.3	0.0	0.0	0.0	0.0	0.0
Revenue		155.8	167.7	165.6	178.9	177.5	190.8
	yoy	8.5%	6.8%	6.3%	6.7%	7.2%	7.4%

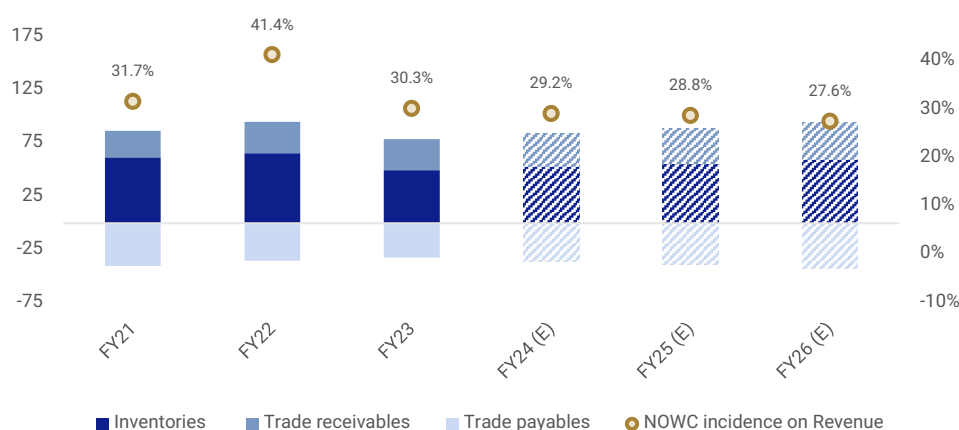
Cost of materials and related services	(73.1)	(76.5)	(76.7)	(80.8)	(81.3)	(86.4)
<i>% on Revenue</i>	47.0%	45.6%	46.3%	45.1%	45.8%	45.3%
Gross Profit	82.3	91.2	89.0	98.1	96.3	104.4
<i>Gross margin</i>	53.0%	54.4%	53.7%	54.9%	54.2%	54.7%
Labour cost	(36.9)	(37.0)	(38.2)	(39.2)	(39.9)	(42.7)
<i>% on Revenue</i>	23.7%	22.0%	23.1%	21.9%	22.5%	22.4%
Cost of services and other operating costs	(36.0)	(40.5)	(37.9)	(42.3)	(40.6)	(44.1)
<i>% on Revenue</i>	23.1%	24.1%	22.9%	23.7%	22.9%	23.1%
Comprehensive operating costs	(146.0)	(154.0)	(152.8)	(162.3)	(161.8)	(173.2)
<i>% on Revenue</i>	93.9%	91.8%	92.3%	90.7%	91.1%	90.8%
EBITDA	9.8	13.7	12.8	16.6	15.7	17.5
<i>EBITDA margin</i>	6.3%	8.2%	7.7%	9.3%	8.9%	9.2%
Adj. EBITDA	9.5	13.7	12.8	16.6	15.7	17.5
<i>Adj. EBITDA margin</i>	6.1%	8.2%	7.7%	9.3%	8.9%	9.2%
D&A	(12.7)	(9.4)	(9.1)	(9.9)	(8.6)	(7.8)
<i>% on Revenue</i>	8.2%	5.6%	5.5%	5.5%	4.8%	4.1%
EBIT	(2.9)	4.3	3.7	6.7	7.2	9.7
<i>EBIT margin</i>	n.m.	2.6%	2.2%	3.8%	4.0%	5.1%
Net Financial Income (expenses)	(7.1)	(3.4)	(6.3)	(3.0)	(5.6)	(4.9)
<i>% on Revenue</i>	4.6%	2.0%	3.8%	1.7%	3.1%	2.6%
EBT	(10.0)	0.9	(2.6)	3.7	1.6	4.8
<i>Pretax margin</i>	n.m.	0.5%	n.m.	2.1%	0.9%	2.5%
Income Tax Expense	0.6	(0.3)	0.7	(1.0)	(0.4)	(1.3)
<i>Tax rate</i>	6.0%	28.0%	26.9%	28.0%	26.9%	26.9%
Net Income	(9.3)	0.6	(1.9)	2.6	1.1	3.5
<i>Net Profit margin</i>	n.m.	0.4%	n.m.	1.5%	0.6%	1.8%

Source: Banca Profilo elaborations and estimates on Company data

Optimized NOWC:
€5.6mIn increase in
2024-26 (E)

In our Balance Sheet projections, we anticipate Net Operating Working Capital to gradually rise from the FY23 levels, increasing by a total of €5.6mIn over 2024-26 (E). The NOWC as a percentage of revenue is expected to average 28.6% throughout the period.

Figure 11: Net Operating Working Capital 2021-26 (E) (€/mIn)

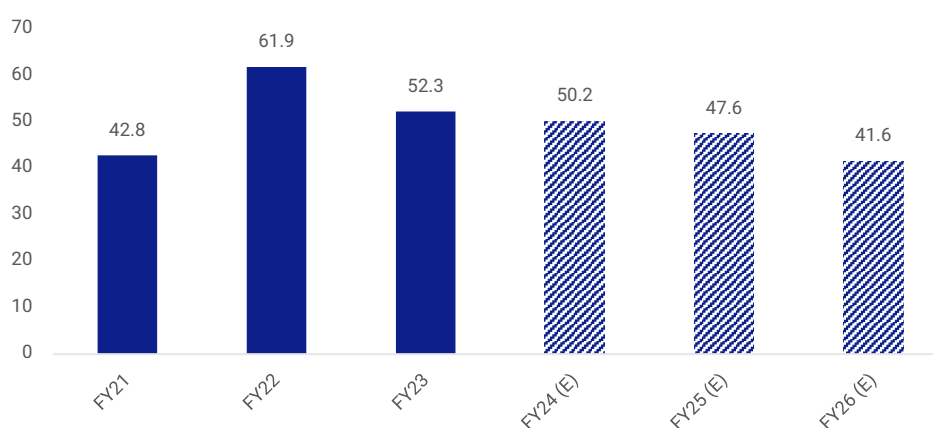


Source: Banca Profilo elaborations and estimates on Company data

Net Debt down to
€41.6mIn in FY26 (E)

We project a reduction in Net Debt over the upcoming years, driven by enhanced profitability and optimization of operating working capital. This trajectory is expected to see Net Debt decrease from €52.3mIn currently to €41.6mIn by December 2026.

Figure 12: Net Debt (Cash) 2021-26 (E) (€/mln)



Source: Banca Profilo elaborations and estimates on Company data

Table 7: Pro Forma Balance Sheet FY23-26 (E) (€/mln)

Balance Sheet (€/mln)						
	FY23	FY24 (E) OLD	FY24 (E)	FY25 (E) OLD	FY25 (E)	FY26 (E)
Intangible assets	15.1	16.6	16.6	17.7	17.8	19.2
Right of use	25.6	15.3	20.5	10.2	15.4	10.3
Tangible fixed asset	15.4	15.0	15.0	14.5	14.6	14.3
Non-instrumental tangible fixed assets	1.8	0.5	1.8	0.5	1.8	1.8
Financial assets	6.1	5.4	4.7	4.5	3.6	2.7
Fixed Assets	64.1	52.9	58.6	47.5	53.3	48.3
Inventories	49.9	60.4	53.1	62.7	56.0	60.2
<i>% on Revenue</i>	<i>32.1%</i>	<i>36.0%</i>	<i>32.1%</i>	<i>35.1%</i>	<i>31.5%</i>	<i>31.5%</i>
Trade receivables	29.5	33.8	31.4	35.1	33.6	35.1
<i>% on Revenue</i>	<i>19.0%</i>	<i>20.2%</i>	<i>19.0%</i>	<i>19.6%</i>	<i>19.0%</i>	<i>18.4%</i>
Trade payables	(32.2)	(40.1)	(36.1)	(42.5)	(38.5)	(42.6)
<i>% on COGS w/o labour cost</i>	<i>29.6%</i>	<i>34.2%</i>	<i>31.5%</i>	<i>34.5%</i>	<i>31.5%</i>	<i>32.6%</i>
Net Operating Working Capital	47.1	54.2	48.4	55.3	51.2	52.7
<i>% on Revenue</i>	<i>30.3%</i>	<i>32.3%</i>	<i>29.2%</i>	<i>30.9%</i>	<i>28.8%</i>	<i>27.6%</i>
Other current Assets	27.1	35.6	27.7	37.4	28.4	29.1
Other current liabilities	(21.1)	(20.2)	(21.6)	(21.7)	(22.2)	(22.9)
Net Working Capital	53.1	69.7	54.5	71.0	57.4	58.9
<i>% on Revenue</i>	<i>34.2%</i>	<i>41.5%</i>	<i>32.9%</i>	<i>39.7%</i>	<i>32.3%</i>	<i>30.9%</i>
Non-current assets	15.4	17.8	14.8	18.2	15.1	15.3
Non-current liabilities	(10.2)	(10.2)	(10.2)	(10.1)	(10.2)	(10.2)
Of which Funds	(8.5)	(9.4)	(8.5)	(9.3)	(8.5)	(8.5)
Net Invested Capital	122.4	130.2	117.7	126.6	115.5	112.3
CapEx	6.0	5.0	5.0	5.4	5.3	5.7
<i>% on Revenue</i>	<i>3.9%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>
Intangible	4.7	4.0	4.0	4.3	4.3	4.6
Tangible	1.3	1.0	1.0	1.1	1.1	1.1
Share capital	10.0	10.0	10.0	10.0	10.0	10.0
Reserves and retained earnings	69.0	66.0	58.9	65.8	56.3	56.8
Group Net Income	(9.3)	0.6	(1.9)	2.6	1.1	3.5
Third party equity	0.5	0.2	0.4	0.2	0.4	0.5
Shareholders' Equity	70.1	76.8	67.5	78.6	67.9	70.7
Net Financial Position (Cash)	52.3	53.4	50.2	48.0	47.6	41.6

Source: Banca Profilo elaborations and estimates on Company data

2024-26 (E)
cumulated FCFs of
€18.9mln

With the anticipated margin increase in the core business, the projected Free Cash Flows (FCFs) for 2024-26 (E) are set to expand, cumulating to a total of €18.9mln.

Table 8: Pro Forma Free Cash Flows FY23-26 (E) (€/mln)

	Free Cash Flow (€/mln)					
	FY23	FY24 (E) OLD	FY24 (E)	FY25 (E) OLD	FY25 (E)	FY26 (E)
EBIT	(2.9)	4.3	3.7	6.7	7.2	9.7
<i>Tax rate</i>	6.0%	28.0%	26.9%	28.0%	26.9%	26.9%
NOPAT	(2.7)	3.1	2.7	4.8	5.2	7.1
D&A	12.7	9.4	9.1	9.9	8.6	7.8
Changes in Funds	(0.2)	(0.0)	0.0	(0.1)	0.0	0.0
Changes in NOWC	13.3	(0.6)	(1.3)	(1.2)	(2.8)	(1.5)
CapEx	(6.0)	(5.0)	(5.0)	(5.4)	(5.3)	(5.7)
Free Cash Flow	17.1	6.9	5.5	8.1	5.7	7.7

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 9: 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

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 €0.09/share

Our valuation does not include the potential upside from the disposal of assets designated for sale, which have been recorded in Working Capital since 2020. The remaining balance of €18.0mIn (or €0.09/share) in December 2023 represents solely the value of the Crespellano property complex.

DCF valuation

€18.9mIn of cumulated FCFs in 2024-26 (E) and Terminal Value at €7.7mIn

To run the DCF model, we used our projections of FCFs for the 2024-26 (E) explicit period: €18.9mIn of cumulated FCFs. We now consider the 2026 (E) FCF of €7.7mIn as the Terminal Value cash flow, below our previous estimate of €9.1mIn [*Please refer to our Company Update on 25th September 2023*]. Our previous estimate, derived from the average FCFs of 2023-25 (E), was notably influenced by the exceptional FCF of 2023, an occurrence we do not anticipate recurring in the coming years.

7.6% WACC (vs previous 8.3%)

We would use a 7.6% WACC (vs previous 8.3%), derived from:

- a risk-free rate at 4.4% (from 5.6% in our last research), as implicitly expected by consensus on the 30Y Italian BTP yield curve (100 day Moving Average);
- a market risk premium equal to 5.5% (unchanged);
- a levered beta of 0.8 (as previous value) coming from the average of chosen listed peers;
- a target Debt-to-Equity (D/E) ratio of 66%;
- a perpetual growth rate of 2%.

Table 10: WACC Calculation

WACC Calculation	
Perpetual growth rate	2.0%
WACC	7.6%
Risk free rate (30Y)	4.4%
Equity risk premium	5.5%
Beta	0.8
KE	8.8%
Cost of debt	8.0%
Tax rate	26.9%
KD	5.9%

Table 11: DCF Valuation

DCF Valuation (€/mIn)				
	FY24 (E)	FY25 (E)	FY26 (E)	Over
Free Cash Flow	5.5	5.7	7.7	7.7
Years	1	2	3	
Discount factor	0.93	0.86	0.80	
NPV Free Cash Flows	5.1	4.9	6.2	
Sum of NPVs				16.2
Terminal Value				137.0
NPV Terminal Value				109.9
Enterprise Value				126.1
Net Debt as of end 2023				52.3
Equity Value				73.8
Number of shares (mIn)				200.0
Per share value (€)				0.37
Current price (€)				0.23

Source: Banca Profilo estimates and elaborations

DCF valuation: €0.37/share

The DCF method leads us to an Enterprise Value of €126.1mIn (vs previous €138.0mIn) and an Equity Value of €73.8mIn (vs previous €82.6mIn) or €0.37/share, below our previous Company Update at €0.41/share [*Please refer to our Company Update on 25th September 2023*] mainly due to lower expected FCFs overcoming the effect of a lower WACC.

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 25th September 2023*], the sample average EV/EBITDA 2024 increased to 7.8x (from 6.2x). Beghelli is currently trading at discount compared to its peers, with a multiple of 7.7x.

Table 12: Market multiples

Comparables	EV / EBITDA	
	26/04/2024	FY24 (E)
Zumtobel Group AG		3.4x
Signify NV		5.3x
Fagerhult Group AB		10.9x
Dialight plc		n.m.
Acuity Brands, Inc.		11.4x
Mean		7.8x
Beghelli SpA		7.7x

Table 13: Relative valuation

Valuation on EV/EBITDA market multiples (€/mln)	
	FY24 (E)
EV/EBITDA	7.8x
EBITDA	12.8
Enterprise Value	99.6
Net Debt as of end 2023	52.3
Equity Value	47.2
Number of shares (mln)	200.0
Price per share (€)	0.24
Current price (€)	0.23

Source: Banca Profilo elaborations on Facset and company data (as of April 26, 2024)

Mean FY24 (E) EV/EBITDA at 7.8x

To compute valuation through market multiples, we use the mean FY24 (E) EV/EBITDA at 7.8x (as of April 26, 2024), above previous at 6.2x.

Market multiples valuation: €0.24/share

The relative method leads us to an Enterprise Value of €99.6mln (vs previous €84.6mln) and to an Equity Value of €47.2mln (vs previous €29.3mln) or €0.24/share, up from previous €0.15/share [*Please refer to our Company Update on 25th September 2023*] mainly due to peers multiple expansion and the reduction in Net Debt.

BUY confirmed with 12-month TP at €0.30/share

We took the simple average of the DCF and multiple valuation and end up with a TP of €0.30/share, down from previous €0.35/share. Given the potential upside on Beghelli closing price (as of April 26, 2024), we confirm our BUY recommendation.

Appendix

Beghelli overview and business model

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.

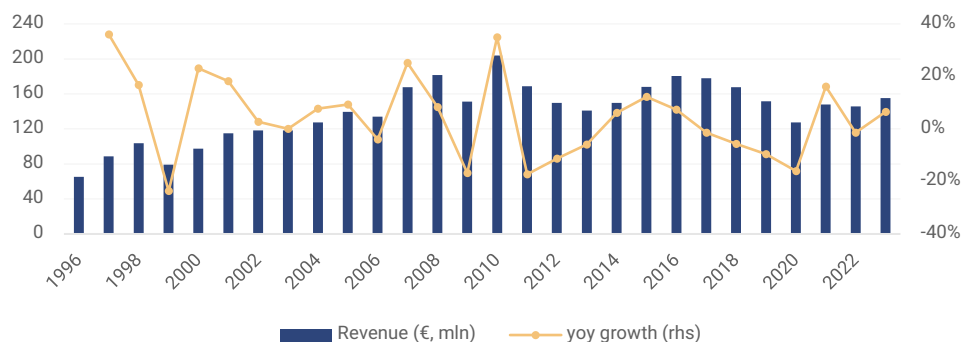
Beghelli was listed on the MTA in 1998 to boost its internal and external growth

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 13: 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 FY23 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 14: Examples of Beghelli products from lighting segment



Source: Banca Profilo elaboration on Company pictures

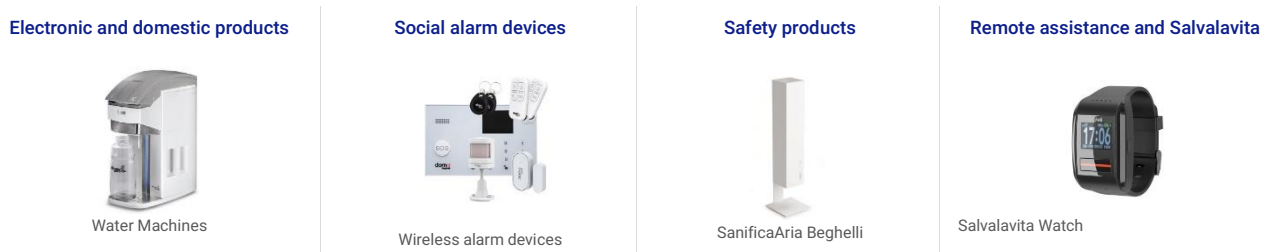
ESCO: Energy Service Company

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 Salvavivita. During 2019 the Group relaunched the business related to Telesalvavivita 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 15: 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.

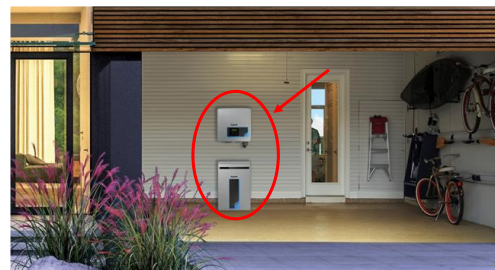
The system bases its technology on a range of high-performance inverter modules and batteries, which manage and store the energy produced by photovoltaic systems with maximum efficiency. A hybrid inverter is an "upgraded" inverter that can i) convert direct current into alternating current and ii) manage 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 16: Examples of products about Beghelli hybrid solar

Hybrid inverter and storage battery



Example of photovoltaic product installation

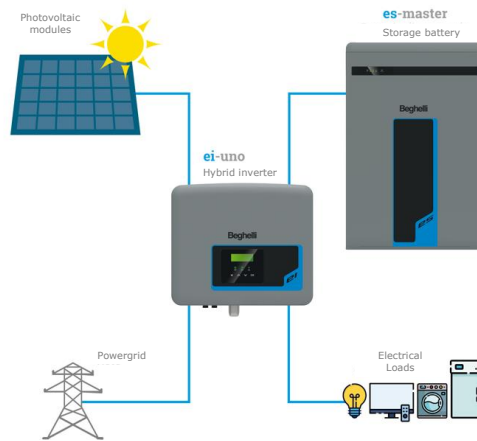


Source: Banca Profilo elaboration on Company pictures

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 17: Beghelli hybrid solar operating scheme

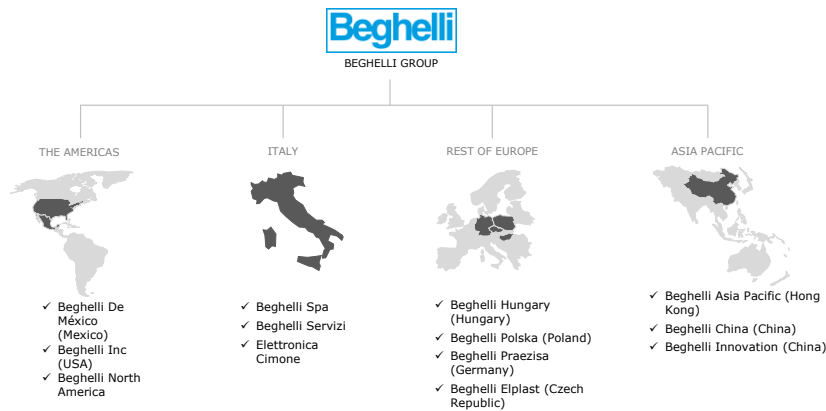


Source: Banca Profilo elaboration on Company pictures

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 18: Beghelli’s geographical presence



Source: Banca Profilo elaboration on Company data

Figure 19: Revenue breakdown by geographic area in FY23

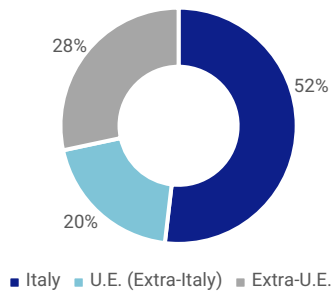
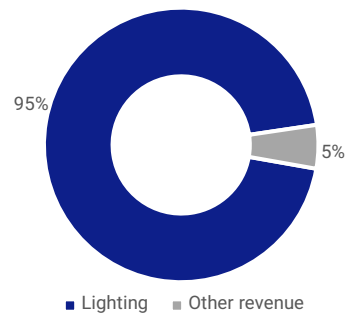


Figure 20: Revenue breakdown by segment in FY23



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.

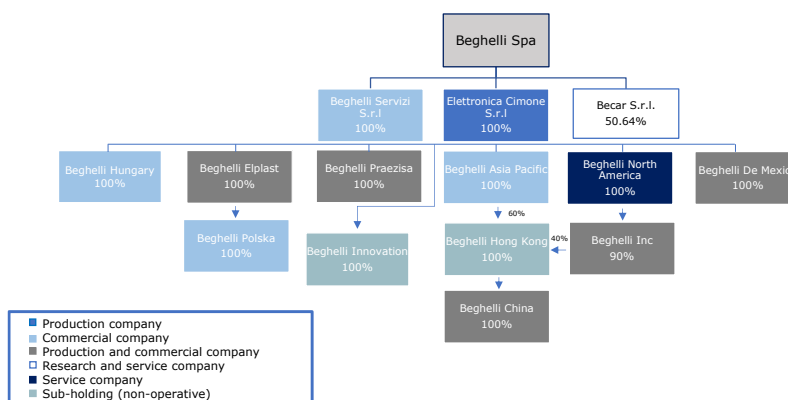
Corporate structure

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 twelve 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 21: Corporate structures

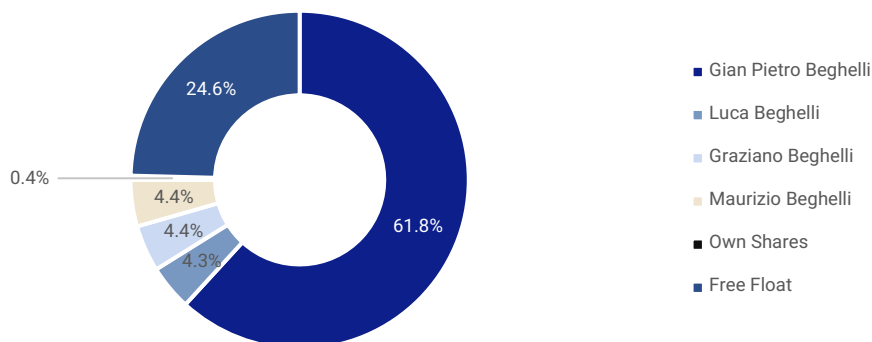


Source: Banca Profilo elaboration on Company data

Ownership structure and free float

Beghelli Family owns 75% Beghelli is listed on the MTA segment of the Italian Stock Exchange. Its founder, Gian Pietro Beghelli owns a 61.8% controlling stake. The other family members, Luca, Graziano and Maurizio hold a total stake of 13.2%. Free Float stands at 24.6%, while Own shares at 0.4%.

Figure 22: Ownership of the Group



Source: Banca Profilo elaboration on Company data

Management

BoD composition

The Board of Directors was appointed at the time of the approval of the FY23 results and is now composed of 10 members, while the Control and Risk Committee and the Remuneration Committee are each composed of 3 members, all of whom will continue to serve in their roles until the approval of the financial statements for the year ending December 31, 2026. The Board of Statutory Auditors consists of 3 regular and 2 alternate members, who will continue to serve in their roles until the approval of the financial statements for the year ending December 31, 2024.

Table 14: Composition on 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
Maccaferri Dania	Director	x			F	1962
Manghi Ilaria	Director		x		F	1973
Martone Raffaella	Director		x	x	F	1970
Pecci Giovanni	Director		x		M	1950

Source: Banca Profilo elaborations on Company data. Data as of April 26th, 2024

ESG Analysis

Non-financial consolidated statement

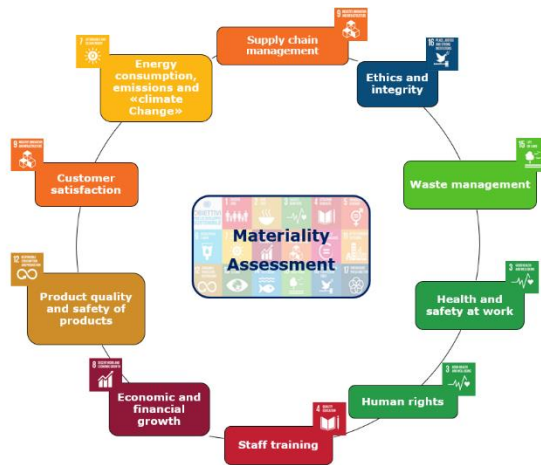
To best involve stakeholders and to communicate in an increasingly transparent way its ESG goals, Beghelli has published its 2022 non-Financial statement using “GRI Sustainability Reporting Standards”.

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 23: 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 15: 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 16: 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 17: 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

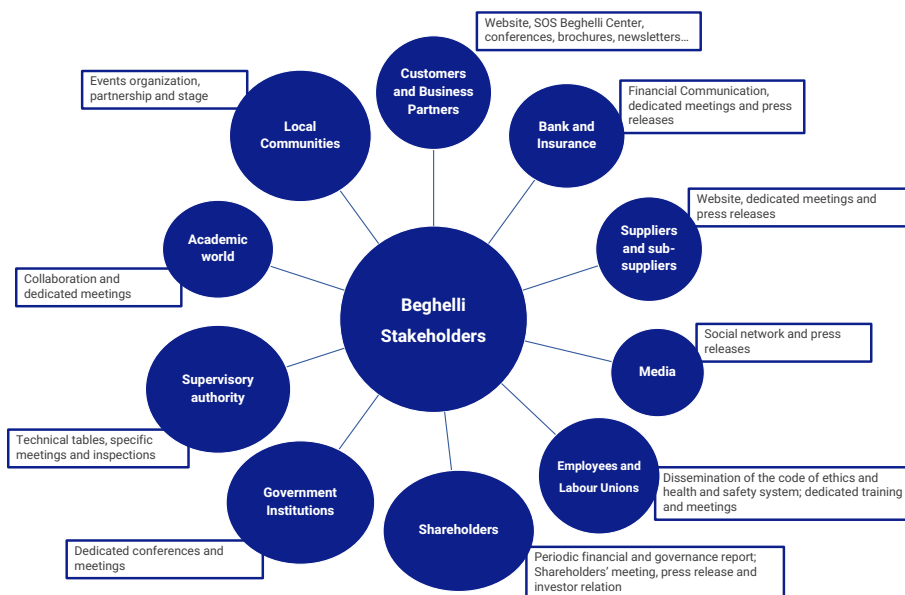
Social issues



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 24: 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 (RSPP), workers' safety representative (RLS) and competent doctor.

Table 18: 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 19: 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 20: 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 21: 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

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Beghelli SpA ID Card

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Recommendation

BUY

Target Price

0.30 €

Upside

31%

Company Overview

The Beghelli 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 61.8% controlling stake. The other family members, Luca, Graziano and Maurizio hold a total stake of 13.2%. Free Float stands at 24.6%.

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

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
- 👎 Stressed financial situation

Beghelli SpA ID Card

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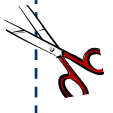
Recommendation

BUY

Target Price

0.30 €

Upside

31%

Main financial data					
(€/mln)	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Revenue	145.9	155.5	165.6	177.5	190.8
<i>yoy</i>	<i>-1.4%</i>	<i>6.5%</i>	<i>6.5%</i>	<i>7.2%</i>	<i>7.4%</i>
Gross Profit	77.3	82.3	89.0	96.3	104.4
<i>Gross margin</i>	<i>53.0%</i>	<i>53.0%</i>	<i>53.7%</i>	<i>54.2%</i>	<i>54.7%</i>
EBITDA	3.0	9.8	12.8	15.7	17.5
<i>EBITDA margin</i>	<i>2.1%</i>	<i>6.3%</i>	<i>7.7%</i>	<i>8.9%</i>	<i>9.2%</i>
EBIT	(6.0)	(2.9)	3.7	7.2	9.7
<i>EBIT margin</i>	<i>n.m.</i>	<i>n.m.</i>	<i>2.2%</i>	<i>4.0%</i>	<i>5.1%</i>
EBT	(10.3)	(10.0)	(2.6)	1.6	4.8
<i>Pretax margin</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>0.9%</i>	<i>2.5%</i>
Net Income	(10.2)	(9.3)	(1.9)	1.1	3.5
<i>Net Profit margin</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>0.6%</i>	<i>1.8%</i>
Net Financial Position (Cash)	61.9	52.3	50.2	47.6	41.6
Shareholders' Equity	80.6	70.1	67.5	67.9	70.7
Net Operating Working Capital	60.4	47.1	48.4	51.2	52.7
CapEx	5.4	6.0	5.0	5.3	5.7
Free Cash Flow	(18.3)	17.1	5.5	5.7	7.7

Activity ratios					
	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Days of inventory On Hand (DOH)	165	117	117	115	115
Days of Sales Outstanding (DSO)	74	69	69	69	67
Number of days of payables	122	108	115	115	119
Fixed Assets Turnover ratio (FAT)	2.2	2.4	2.8	3.3	3.9

Liquidity ratios					
	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Current ratio	1.2	1.1	2.2	2.2	2.1
Cash conversion cycle	117	78	71	69	63

Solvency ratios					
	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Net Debt (Cash)-to-Equity	0.8x	0.7x	0.7x	0.7x	0.6x
Net Debt (Cash)-to-EBITDA	20.4x	5.4x	3.9x	3.0x	2.4x
Interest Coverage ratio	-0.7x	-2.4x	1.7x	0.8x	0.5x

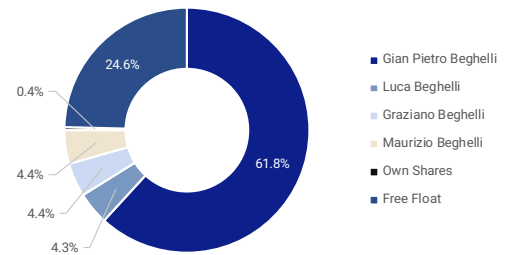
Profitability ratios					
	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Return On Invested Capital (ROIC)	-4.0%	-2.2%	2.3%	4.5%	6.3%
Return On Capital Employed (ROCE)	-5.6%	-3.1%	2.6%	5.1%	7.0%

Source: Bloomberg, Facset, Banca Profilo estimates and elaborations

Company Description

Company Sector	Industrial Manufacturing - Lighting Equipment and Component
Price (as of April 26, 2024)	€ 0.23
Number of shares (mln)	200.0
Market Cap (€/mln)	46.4
Reference Index	FTSE Italia Small Cap
Main Shareholders	Gian Pietro Beghelli
Daily Average Volumes	124,874
Sample of comparables	Zumtobel Group (AT), Signify (NL), Fagerhult Group (SE), Dialight (GB) and Acuity Brands (US)

Shareholder Structure



Data of peers				
Median	FY22	FY23	FY24 (E)	FY25 (E)
Sales growth (yoy)	12.4%	-5.7%	1.8%	3.3%
EBITDA margin	13.8%	9.5%	14.3%	14.5%

Multiples of peers			
Mean	FY24 (E)	FY25 (E)	
EV/EBITDA	7.8x	7.5x	

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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").