

Setting the Italian Semiconductor Testing District

ADD | Fair Value: €3.68 (€3.68) | Current Price: €2.14 | Upside: +72%

€ Million	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Total Revenues	22.6	18.2	19.1	19.7	21.5	28.0	34.5
EBITDA	3.8	3.4	3.5	3.2	2.9	5.0	7.1
margin	16.7%	18.4%	18.5%	16.0%	13.7%	17.7%	20.7%
Net Profit	0.8	0.8	1.7	0.9	0.6	1.9	3.4
margin	3.3%	4.6%	8.8%	4.3%	3.0%	6.9%	9.7%
EPS	n.a.	0.08	0.15	0.06	0.05	0.14	0.25
NFP/(Cash)	4.9	2.1	(0.5)	(3.2)	(2.3)	(4.3)	(8.0)

Source: Company data, KT&Partners' elaboration

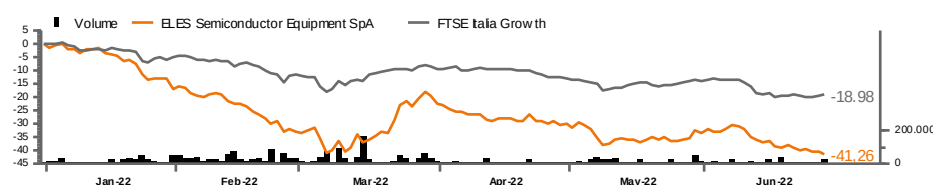
1Q22 financial results. As announced on 9 May, 2022, in 1Q22 ELES reached €4.6mn in sales revenues, experiencing a +33% YoY. Revenue's growth was mainly supported by company's ability to deliver some strategic orders – initially planned for 2021 – in the first months of 2022, despite the persisting global chip shortage that led to i) longer delivery times and ii) an increase in purchase price of both electronic components and raw materials. The Services business line amounted to €2.1mn, contributing to 46% of total sales (vs ca. 75% in 1Q21). Thanks to ELES' established positioning as a global reliability partner, exports increased by 12pp compared to 1Q21 to 78%, also driven by the acquisition of new orders and customers in Israel and Asia.

Strengthening company's growth strategy through M&As. To strengthen its leadership of mission critical test applications, on May 10, 2022, Eles announced the acquisition of a 62.66% stake in CBL Electronics, a Todi-based company focused on the design and production of hardware and software for testing semiconductors, boards, and electronic systems. In FY21, according to OIC national accounting standards, CBL Electronics recorded €9.1mn of VoP, an EBITDA of €0.5mn, and a NFP of €3.3mn. The transaction value was set at €940k or at 8.8x EV/EBITDA. Leveraging on the acquisition and on the contribution from new highly skilled resources, Eles is expected to strengthen its presence in the Aerospace and Defense sector, relying on the added value of RETE methodology, enabling cross and up-selling on the existing customer base through a diversified and widened product portfolio. Following the CBL acquisition and Campera Electronic System's takeover at the beginning of 2022, Eles aims to set the innovation Italian district that aggregates different semiconductor testing technologies, providing a complete offer from design to production. Moreover, we note that in the following years, the Aerospace and Defense will be a crucial Industry given the significant Governments investments already planned. Indeed, Italy is expected to invest up to 2% of annual GDP in defense by 2028.

Growing commitment to sustainability. Eles strengthens its commitment to ESG principles into its business management. Indeed, during the last year, the Group obtained system certifications for the Environment, according to UNI ISO 14001:2015, and for Occupational Health and Safety, in compliance with UNI ISO 45001:2018. However, in order to confirm its attention to sustainability, ELES recently renewed its Quality Management System certification, according to UNI ISO 9001:2015, one of the founding pillars of Eles (first certification December 16, 1993), extending its scope, which becomes: i) design, manufacture, and service of test systems and applications (Test Program and Test Fixture) for quality control and reliability of semiconductors and electronic control units; ii) semiconductor qualification and burn-in services for third parties; iii) design, manufacture, and technical support of electronic modules for Mission Critical sectors.

Estimates and valuation. We will update our estimates following the closing of the CBL acquisition. In the meanwhile, we confirm our previous estimates and valuation of €3.68ps, yielding to a potential upside of +72% on the current price.

YTD Relative Performance Chart



Via della Posta, 10 – Piazza Affari, 20123 Milan – Italy
Tel: +39.02.83424007 Fax: +39.02.83424011
segreteria@ktepartners.com

Research Update

June 30, 2022 – 7.00 h

Equity Research Team

connect@ktepartners.com

Maria Teresa DI GRADO

mdigrado@ktepartners.com

+39 331 631 0793

Federica FIORENZA

ffioranza@ktepartners.com

+39 340 5372563

Valentina ZANONI

vzanoni@ktepartners.com

+39 331 631 6783

Market Data

Main Shareholders	
Zaffarami Antonio	31.0%
Franceschin Carla	8.0%
Zaffarami Francesca	5.1%
Mkt Cap (€ mn)	31.9
EV (€ mn)	28.7
Shares issued (mn)	13.63
Free Float (%)	56%

Market multiples	2021	2022	2023
EV/EBITDA			
ELES	9.1x	8.9x	5.0x
Comps median	12.9x	13.6x	11.0x
ELES vs Median	-29%	-35%	-55%

Stock Data

52 Wk High (€)	4.40
52 Wk Low (€)	2.08
Avg. Daily Trading 90d	15,231
Price Change 1w (%)	3.1%
Price Change 1m (%)	-36.1%

DISCLAIMER

THIS DOCUMENT WAS PREPARED BY MARIA TERESA DI GRADO – SENIOR ANALYST – FEDERICA FIORENZA – SENIOR ANALYST – AND VALENTINA ZANONI – JUNIOR ANALYST – ON BEHALF OF KT&PARTNERS S.R.L., WITH REGISTERED OFFICE AT VIA DELLA POSTA 10, MILAN, ITALY, MILAN COMPANY REGISTER NO. 1926922, SPECIALIZING IN FINANCIAL RESEARCH AND ANALYSIS (HEREINAFTER, “KT&PARTNERS”).

NO OTHER PEOPLE OR COMPANY CONTRIBUTED TO THE RESEARCH. NEITHER THE MEMBERS OF THE RESEARCH TEAM, NOR ANY PERSON CLOSELY ASSOCIATED WITH THEM HAVE ANY RELATIONSHIPS OR ARE INVOLVED IN CIRCUMSTANCES THAT MAY REASONABLY BE EXPECTED TO IMPAIR THE OBJECTIVITY OF THE RESEARCH, INCLUDING INTERESTS OR CONFLICTS OF INTEREST, ON THEIR PART OR ON THE PART OF ANY NATURAL OR LEGAL PERSON WORKING FOR THEM, WHO WAS INVOLVED IN PRODUCING THE RESEARCH.

FOR THIS PURPOSE, THE MEMBERS OF THE RESEARCH TEAM CERTIFY THAT: (I) THEY HAVE NOT RECEIVED AND WILL NOT RECEIVE ANY DIRECT OR INDIRECT COMPENSATION IN EXCHANGE FOR ANY VIEWS EXPRESSED IN THE RESEARCH; (II) THEY DO NOT OWN ANY SECURITIES AND/OR ANY OTHER FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY OR ANY FINANCIAL INSTRUMENT WHICH THE PRICE DEPENDS ON, OR IS LINKED TO ANY SECURITIES AND/OR ANY FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY; (III) NEITHER THE ANALYSTS NOR ANY MEMBER OF THE ANALYST’S HOUSEHOLD SERVE AS AN OFFICER, DIRECTOR OR ADVISORY BOARD MEMBER OF THE COMPANY.

KT&PARTNERS HAS IN PLACE AN EQUITY RESEARCH POLICY, IN ORDER TO RULE RESEARCH SERVICES IN COMPLIANCE WITH PARLIAMENT REGULATION (EU) NO.596/2014 AND COMMISSION DELEGATED REGULATION (EU) NO. 958/2016 ON MARKET ABUSE. IN THIS POLICY, THERE ARE ALSO DESCRIBED THE ORGANIZATIONAL MECHANISMS ADOPTED BY KT&PARTNERS TO PREVENT AND PROFESSIONALLY MANAGE CONFLICTS OF INTEREST THAT MAY ARISE DURING THE PERFORMANCE OF THE RESEARCH. IN ANY CASE, CHINESE WALLS AND OTHER INFORMATION BARRIERS ARE IN PLACE TO AVOID THE EXCHANGE OF CONFIDENTIAL INFORMATION BETWEEN THE EQUITY RESEARCH DEPARTMENT AND OTHER SERVICES AREAS.

KT&PARTNERS PREPARED THIS DOCUMENT ON BEHALF OF ELES SPA ACCORDING TO AN AGREEMENT ENTERED WITH THE SAME AND ON THE BASIS OF THE DATA AND PUBLIC INFORMATION PROVIDED BY THE SAME OR DERIVED FROM SOURCES DEEMED SERIOUS AND RELIABLE ON THE FINANCIAL MARKET BUT WHOSE ABSOLUTE TRUSTWORTHINESS, COMPLETENESS, AND ACCURACY CANNOT BE GUARANTEED. THE FEES AGREED FOR THIS RESEARCH DO NOT DEPEND ON THE RESULTS OF THE RESEARCH.

KT&PARTNERS PREPARED THIS DOCUMENT PURSUANT TO AN ENGAGEMENT LETTER ENTERED INTO WITH BPER BANCA SPA ACTING AS SPECIALIST IN ACCORDANCE TO ART. 35 OF AIM ITALIA MARKET RULES FOR COMPANIES.

KT&PARTNERS PREVIOUSLY RELEASED RELATECH EQUITY RESEARCH UPDATE ON 28/04/2021 WITH A FAIR VALUE OF €3.68PS.

THIS DOCUMENT IS A SOURCE OF INFORMATION ONLY, AND IS NOT PART OF, AND IN NO WAY MUST BE CONSIDERED AN OFFER TO SELL, SUBSCRIBE OR TRADE, OR A SOLICITATION TO PURCHASE, SUBSCRIBE OR TRADE, FINANCIAL INSTRUMENTS/PRODUCTS, OR IN GENERAL TO INVEST, NOR MUST IT BE CONSIDERED ANY FORM OF CONSULTING FOR AN INVESTMENT IN FINANCIAL INSTRUMENTS.

THE INFORMATION PROVIDED IN THIS DOCUMENT MUST NOT BE UNDERSTOOD AS A REQUEST OR SUGGESTION TO CONDUCT OR CARRY OUT A SPECIFIC TRANSACTION.

EACH INVESTOR MUST FORM HIS/HER OWN OPINION BASED EXCLUSIVELY ON HIS/HER ASSESSMENT OF THE ADVISABILITY OF INVESTING. ANY INVESTMENT DECISION MADE ON THE BASIS OF THE INFORMATION AND ANALYSES IN THIS DOCUMENT IS THE EXCLUSIVE RESPONSIBILITY OF THE RECIPIENTS OF THIS DOCUMENT, WHO MUST CONSIDER THIS DOCUMENT MERELY AS A SOURCE OF INFORMATION AND ANALYSIS TO SUPPORT SUCH DECISION.

ANY OPINIONS, FORECAST OR ESTIMATES CONTAINED HEREIN CONSTITUTE A JUDGEMENT AS AT THE DATE OF THIS DOCUMENT, AND THERE CAN BE NO ASSURANCE THAT THE FUTURE RESULTS OF THE COMPANY AND/OR ANY FUTURE EVENTS WILL BE CONSISTENT WITH ANY OF SUCH OPINIONS, FORECAST OR ESTIMATES.

KT&PARTNERS MAKES NO EXPLICIT OR IMPLICIT GUARANTEE WITH RESPECT TO PERFORMANCE OR THE OUTCOME OF ANY INVESTMENT OR PROJECTIONS MADE.

THEREFORE, KT&PARTNERS, ITS REPRESENTATIVES AND/OR EMPLOYEES WILL NOT BE LIABLE FOR ANY EFFECT DERIVING FROM THE USE OF THIS DOCUMENT, AND HEREBY DECLINE ALL LIABILITY FOR ANY DIRECT OR INDIRECT DAMAGES, FINANCIAL OR OTHERWISE, DERIVING FROM ANY USE OF THE INFORMATION IT CONTAINS.

KT&PARTNERS AIMS TO PROVIDE CONTINUOUS COVERAGE OF THE COMPANY IN CONJUNCTION WITH ANY EXCEPTIONAL EVENT THAT OCCURS AFFECTING THE ISSUER'S SPHERE OF OPERATIONS AND IN ANY CASE AT LEAST TWICE PER YEAR.

IN THIS STUDY DCF AND MULTIPLE VALUATION MODELS HAVE BEEN USED. RECOMMENDATIONS FOLLOW THE FOLLOWING RULES:

- ADD – FOR A FAIR VALUE > 15% ON CURRENT PRICE
- HOLD – FOR A FAIR VALUE <15% AND >-15% ON CURRENT PRICE
- REDUCE – FOR A FAIR VALUE < -15% ON CURRENT PRICE



Via della Posta, 10 – Piazza Affari, 20123 Milano – Italy
Tel: +39.02.83424007 Fax: +39.02.83424011
segreteria@ktepartners.com