

AI Advancements and A&D Strength Propel Growth

ADD | Fair Value: €3.12 (€3.12) | Current Price: €1.56 | Upside: +101%

€ Million	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Total Revenues	19.7	26.9	33.7	36.0	41.1	45.6	48.6
EBITDA	3.2	3.5	5.1	5.4	6.6	7.8	8.7
margin	16.0%	13.1%	15.0%	14.9%	16.1%	17.1%	17.8%
Net Profit	0.9	0.7	0.8	1.0	1.8	2.5	2.9
margin	4.3%	2.4%	2.4%	2.9%	4.5%	5.5%	6.1%
EPS	0.06	0.05	0.05	0.06	0.10	0.14	0.17
NFP/(Cash)	(3.2)	7.9	3.7	0.4	(1.2)	(3.9)	(8.5)

Source: Company data, KT&Partners' elaboration

9M24 Results. On November 6th, 2024, Eles released 9M24 financial KPIs. The Group reported Sales Revenues at ca. €22.0mn, posting a 4.0% YoY growth from €21.1mn in 9M23, in line with our projections of €22.2mn. The Aerospace & Defence segment posted ca. €7.8mn in Revenues (35% of Total Revenues), resulting in a 23.0% growth YoY from €6.3mn in 9M23. Conversely, the Semiconductors segment reported Sales at ca. €14.2mn in 9M24 (65% of Total Revenues), falling by 4.0% from €14.8mn in 9M23. The decrease rather aligns with market trends, as both Burn-in Test and Non-Memory Testers markets contracted by 4% and 1%, respectively. The global microchip testing market has seen a mixed picture of recovery; continued weakness in the automotive and consumer products sectors weighs on the overall demand for Non-Memory testers and Burn-In Testers. About the Group, the decline was largely driven by a substantial slowdown in the Automotive end-market, which contracted by 20% YTD, leading to postponed investments by clients. However, these results were confidently mitigated by the mixed recovery shown by the global semiconductor IC ATE market, with faster-than-expected growth in relation to AI and HPC, which is facilitating the opening of new markets and commercial development activities, particularly in the USA. Revenues from the Test Applications product line amounted to approximately €9.9mn, representing 45% of Sales Revenues. This performance is consistent with 9M23, supporting the Semiconductor division's volumes and mitigating the 12% decline in the Test Systems line, confirming the counter-cyclicality of the offering. Finally, the Company continues to boast geographical diversification, with 45% of Sales Revenues coming from foreign countries.

9M23 – 9M24E Sales Revenues (€mn)

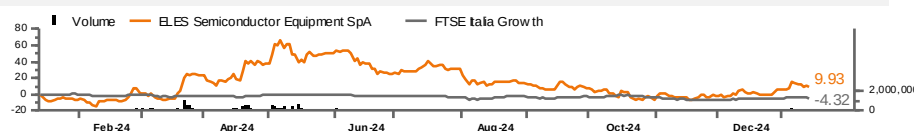
€ million	9M23A	9M24A	YoY %	9M24E	A vs E %
Sales Revenues	21.1	22.0	4.5%	22.2	-1.1%

Fraunhofer Institute Partnership. On November 19th, 2024, ELES announced its collaboration with the Fraunhofer Institute for Electronic Nano Systems (ENAS) to advance semiconductor reliability testing through the RETE methodology. As part of this partnership, plans are underway to establish an EU Test and Reliability Center in Chemnitz, Germany, incorporating ELES's ARThp advanced test system. This initiative leverages predictive algorithms and stress data to enhance testing accuracy and efficiency, aligning with EU's vision for an end-to-end semiconductor supply chain.

Estimates Confirmed. Following 9M24 results, we confirmed our estimates as of October 17th, 2024. We project FY24 revenues to €36.0mn, reflecting a slowdown in the Automotive sector, partly offsetting the growth in the Semiconductor line (driven by AI and HPC) and the strong performance in A&D. We cautiously confirmed our medium-term estimates as well, already adjusted downward, though key growth drivers—including further expansion in A&D, AI and HPC demand, as well as strategic entry into India—continue to support strong growth potential, with FY27E Revenues at €48.6mn. EBITDA projections remained confirmed, with FY24E EBITDA at €5.4mn (14.9% margin) and FY27E at €8.7mn (17.8% margin). Finally, we maintain our forecast for NFP to be almost null in FY24E.

Valuation confirmed. Our valuation - based on DCF and market multiples method (EV/EBITDA and P/E) - returns an average equity value of €54.9mn or a fair value of €3.12ps, showing potential upside of +101% on current market price.

Last 12 Months Relative Performance Chart



Source: Factset

Research Update

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Market Data

Main Shareholders			
Zaffarami Antonio			23.9%
Franceschin Carla			6.2%
Zaffarami Francesca			3.9%
NextStage AM			10.0%
Mkt Cap (€ mn)			27.4
EV (€ mn)			31.1
Shares issued (mn)			17.6
Free Float (%)			56.0%
Market multiples	2023A	2024E	2025E
EV/EBITDA			
ELES	6.2x	5.8x	4.7x
Comps median	29.1x	28.1x	20.4x
ELES vs Median	-79%	-79%	-77%
P/E			
ELES	34.1x	26.4x	14.9x
Comps median	27.7x	43.9x	32.4x
ELES vs Median	23%	-40%	-54%
Stock Data			
52 Wk High (€)			2.47
52 Wk Low (€)			1.23
Avg. Daily Trading 90d			45,065
Price Change 1w (%)			4.4%
Price Change 1m (%)			1.0%

Key Figures – ELES S.p.A.

Current price (€)	Fair Value (€)		Sector				Free Float (%)
1.56	3.12		Semiconductor Testing				56.0%
Per Share Data	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Total shares outstanding (mn)	13.6	13.8	17.6	17.6	17.6	17.6	17.6
EPS	0.06	0.05	0.05	0.06	0.10	0.14	0.17
Dividend per share (ord)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend pay out ratio (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Profit and Loss (EUR million)							
Revenues	19.7	26.9	33.7	36.0	41.1	45.6	48.6
EBITDA	3.2	3.5	5.1	5.4	6.6	7.8	8.7
EBIT	1.1	1.2	2.2	2.2	3.6	4.7	5.4
EBT	1.1	1.0	1.3	1.7	3.0	4.1	4.8
Taxes	(0.3)	(0.4)	(0.5)	(0.7)	(1.2)	(1.6)	(1.9)
Tax rate	23%	35%	39%	39%	39%	39%	39%
Net Income	0.9	0.7	0.8	1.0	1.8	2.5	2.9
Net Income attributable to the Group	0.9	0.7	0.8	1.0	1.8	2.5	2.9
Balance Sheet (EUR million)							
Total fixed assets	9.2	16.7	18.3	18.4	18.5	18.6	18.4
Net Working Capital (NWC)	8.0	13.5	14.0	12.3	13.2	13.7	12.9
Provisions	(0.9)	(1.7)	(1.7)	(2.3)	(3.1)	(3.8)	(4.6)
Total Net capital employed	16.3	28.5	30.6	28.4	28.6	28.4	26.7
Net financial position/(Cash)	(3.2)	7.9	3.7	0.4	(1.2)	(3.9)	(8.5)
Group Shareholder's Equity	19.5	20.6	26.9	28.0	29.8	32.3	35.3
Total Shareholder's Equity	19.5	20.6	26.9	28.0	29.8	32.3	35.3
Cash Flow (EUR million)							
Net operating cash flow	2.9	3.1	4.2	4.5	5.2	6.0	6.6
Change in NWC	(1.7)	(5.5)	(0.5)	1.7	(0.8)	(0.5)	0.8
Capital expenditure	(2.4)	(9.5)	(4.2)	(2.9)	(2.9)	(2.9)	(2.9)
Other cash items/Uses of funds	- 0.4	0.5	0.4	0.4	0.4	0.4	0.5
Free cash flow	(1.6)	(11.4)	(0.8)	3.6	1.9	3.0	5.0
Enterprise Value (EUR million)							
Market Cap	47.9	29.5	39.3	27.4	27.4	27.4	27.4
Net financial position/(Cash)	(3.2)	7.9	3.7	0.4	(1.2)	(3.9)	(8.5)
Enterprise value	44.7	37.3	43.0	27.8	26.2	23.5	18.9
Ratios							
EBITDA margin	16.0%	13.1%	15.0%	14.9%	16.1%	17.1%	17.8%
EBIT margin	5.4%	4.5%	6.4%	6.2%	8.7%	10.2%	11.1%
Gearing - Debt/equity	-16.3%	38.3%	13.7%	1.4%	-4.0%	-12.1%	-24.2%
Interest cover on EBIT	-4.3%	16.4%	38.6%	24.0%	15.1%	11.5%	10.0%
NFP/EBITDA	-1.0x	2.2x	0.7x	0.1x	-0.2x	-0.5x	-1.0x
ROCE	6.6%	4.2%	7.0%	7.9%	12.5%	16.4%	20.1%
ROE	4.4%	3.2%	3.0%	3.7%	6.2%	7.8%	8.4%
EV/Sales	1.6x	1.2x	0.9x	0.9x	0.8x	0.7x	0.6x
EV/EBITDA	9.8x	8.8x	6.2x	5.8x	4.7x	4.0x	3.6x
P/E	24.8x	32.8x	34.1x	26.4x	14.9x	10.9x	9.3x
Free cash flow yield	-3.7%	-26.5%	-2.0%	8.4%	4.4%	7.1%	11.5%
Growth Rates (%)							
Sales	3.4%	36.5%	25.0%	7.0%	14.2%	10.8%	6.6%
EBITDA	-10.4%	11.2%	43.7%	6.0%	23.3%	18.3%	10.9%
EBIT	-31.2%	12.1%	79.0%	4.5%	59.1%	30.7%	15.3%
Net Income	-49.2%	-23.6%	23.0%	29.3%	77.7%	36.2%	17.3%

Source: Company data, KT&Partners' elaboration

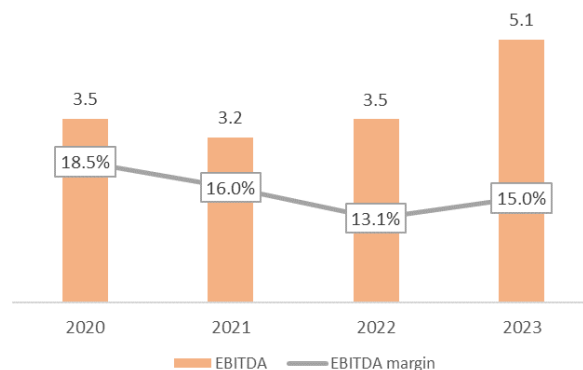
Note: FY20 net income benefitting from a €0.5mn tax advantage related to a property revaluation in accordance with Law Decree 104/202.

Key Charts

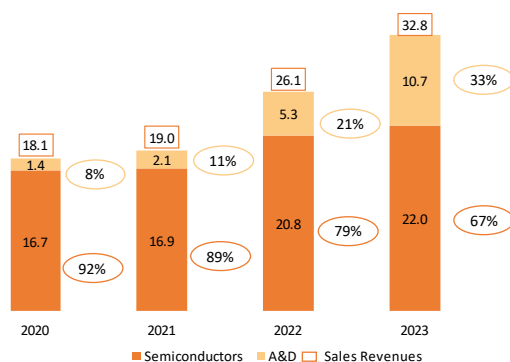
Sales Revenues (€mn)



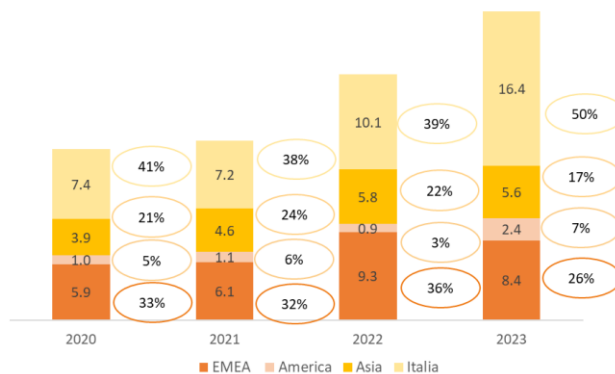
EBITDA and EBITDA Margin (€mn, %)



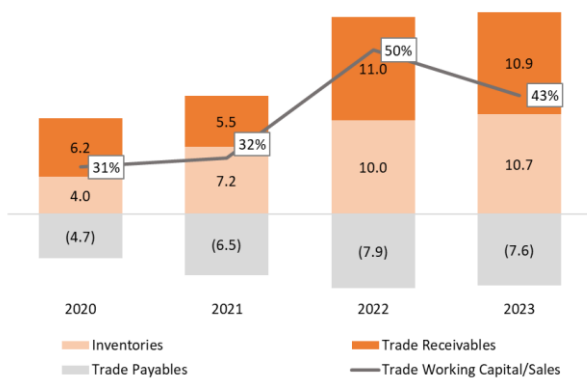
Sales Revenues by Product Line (€mn, %)*



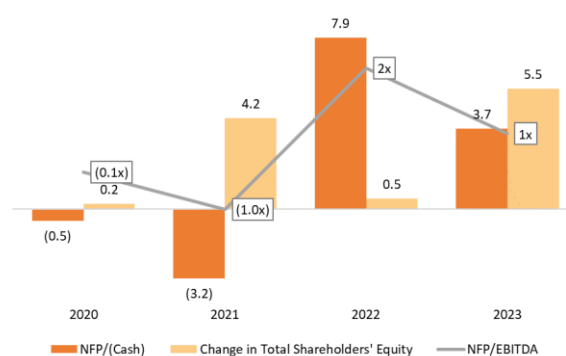
Sales Revenues by Geographic Area (€mn, %)



Trade Working Capital (€mn, %)



NFP, Change in Shareholders Equity and NFP/EBITDA (€mn)



*Note: 2020 and 2021 A&D includes revenues from ECU, later reclassified among Semiconductors.

Overview

Company description

ELES is an Italian company active since 1988 in the market for reliability testing equipment for semiconductors. ELES has developed an innovative semiconductor testing solution (**RETE**) – based on a Test for Reliability approach – which allows for the testing of both the reliability and performance of semiconductor devices, with important advantages in terms of timing and cost savings with respect to traditional tests. The company has also introduced its solutions in the testing market for Electronic Control Units (ECU) for the Automotive and Aerospace & Defense industries.

On June 19th, 2019, ELES became listed on EGM market, raising €6mn. Benefitting from increased brand awareness in Italy and abroad, the company has used IPO proceeds to support its innovation process and market-share expansion through internal and external growth.

Investment case

- **RETE approach to support customers in achieving the “zero-defect” goal.** The RETE approach allows up to 80% of the functional testing to be carried out during the Burn-In phase (*Test-for Reliability*) with important advantages in terms of time and cost savings. Future strategies entail further increased coverage of the functional test, up to 100% (Total Test) on the TfR platform.
- **Constantly innovating and developing new solutions to remain competitive.** Thanks to its 30 years of experience, ELES boasts a rich and continuously updated IP library that forms the basis of the software used to test different semiconductor devices and families. Thanks to an **R&D team with strong know-how** that continually innovates and designs machine-testing solutions, ELES is able to meet market needs and anticipate competitors' moves.
- **Continued expansion of customer base and portfolio of orders.** Over the years, ELES has acquired new strategic clients in Europe, the Far East, USA, and Israel, increasing its international presence while diversifying its customer base.
- **Setting the Italian Semiconductor Testing District.** Thanks to the new synergies and incoming experience following the acquisitions of Campera and CBL Electronics in January 2022 and October 2022, respectively, ELES aims to define the Italian innovation space that aggregates different semiconductor testing technologies, **providing a complete offer from design to production** on ATE platforms. The group has also strengthened its positioning in the crucial **A&D segment**, with an undoubted competitive advantage over competitors thanks to its RETE methodology.

Recent developments

- **New Order Acquisition from Silicon Valley Lab.** On January 13th, 2025, ELES announced securing a new order from an established Silicon Valley laboratory to supply a full Qualification Set for a high-power SoC device. The order attests the effectiveness of the Company's expansion strategy in the US market, gaining a new customer—a leader in the Communication market, which selected ELES's ARThpH system and proprietary RETE methodology for reliability testing. Additionally, the order reflects ELES's ongoing commitment to drive value through technological innovation, anticipating emerging needs in high-growth markets. Notably, with the high-power SoC market projected to grow at a 12–15% CAGR from 2024 to 2030, this achievement consolidates ELES's position in the global semiconductor test market and reaffirms its commitment to support industry leaders in mission-critical, AI-driven applications.

- **Expansion in the Biomedical Sector with a New Strategic Client.** On December 23rd, 2024, ELES announced the acquisition of a new key client in the biomedical sector with a significant order for the ARTgp system, built on the universal ART520 testing platform, designed for mission-critical applications involving System on a Chip (SoC) devices. By integrating the ARTgp system with the advanced RETE (Reliability Embedded Test Engineering) methodology, ELES delivers an unparalleled solution to meet the stringent reliability requirements of SoC devices in critical biomedical applications. This milestone marks a natural evolution of ELES's business model, showcasing its capacity to expand into new, high-growth strategic sectors like biomedical. The acquisition not only underscores the company's robust growth trajectory but also strengthens its leadership in the semiconductor industry.
- **Angelantoni Test Technologies S.r.l. Partnership.** On December 6th, 2024, ELES announced entering into a strategic and commercial partnership with Angelantoni Test Technologies S.r.l. (ATT), a leader in the design and production of environmental test chambers and thermal stress systems. The partnership combines their expertise to deliver advanced solutions for innovative testing approaches, whether they are chips, modules, or entire electronic systems. The partnership encompasses joint initiatives across R&D, commercialization, and training. Key focuses include Advanced Testing Systems particularly for both Automotive and A&D sectors, as well as Refrigeration and Stress Testing Systems for extreme conditions. Additionally, it is expected to promote commercial synergies, by strengthening distribution networks and entering new international markets, as well as training programs, supporting the development of technical and managerial skills, targeting both new talent (via the Academy program) and existing employees. Finally, the agreement also involves the creation of demonstration centers where clients can experience the new offerings resulting from the partnership. Together, ELES and ATT are committed to advance testing solutions for mission-critical industries, including A&D, Automotive, Medical, Industrial, and AI sectors.
- **Fraunhofer Institute Partnership.** On November 19th, 2024, ELES announced its collaboration with the Fraunhofer Institute for Electronic Nano Systems (ENAS) to advance semiconductor reliability testing through the RETE methodology. As part of this partnership, plans are underway to establish an EU Test and Reliability Center in Chemnitz, Germany, incorporating ELES's ARThp advanced test system. This initiative leverages predictive algorithms and stress data to enhance testing accuracy and efficiency, aligning with EU's vision for an end-to-end semiconductor supply chain.
- **Application for a new patent.** In March 2024, ELES filed a patent application for Wafer-level Testing solution for devices in SiC&Gan technology, for which strong growth is expected in the coming years, demonstrating its commitment to establish a strong intellectual property position.
- **ELES and ProteanTecs partner to enhance reliability testing with deep data analytics.** In October 2023 ProteanTecs, a leader in deep data analytics, and ELES have partnered for safety and mission-critical applications. Their collaboration integrates ProteanTecs' monitoring solutions with ELES' reliability testing, detailed in their white paper "Using Deep Data Analytics to Enhance Reliability Testing: The Fast Roadmap for Zero Defects." This partnership aims to improve reliability testing by incorporating parametric measurements, enhancing stress tests, and offering dynamic calibration and early failure detection. This innovative approach aims to increase device reliability, improve production yields, and reduce time to market.

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KT&PARTNERS PREVIOUSLY RELEASED ELES EQUITY RESEARCH UPDATE ON 17/10/2024 WITH A FAIR VALUE OF €3.12PS.

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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



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