

Company: **Beghelli SpA**
 Rating: **BUY**
 Target Price: **€0.39**

Sector: **Electrical Equipment**

Sale of Crespellano industrial complex

Divesting non-core assets to enhance financial position

On June 25, 2024, Beghelli completed the sale of its industrial complex in Crespellano to a major real estate operator for €17.5m, just below its book value of €18m as of December 31, 2023. The proceeds, net of the related costs (almost all of which have already been incurred), will be used to repay the remaining mortgage on the property and, by virtue of previous contractual agreements, the remaining debt of a syndicated loan, for a total principal amount of €5.2m. Part of the price (€13.9m) was paid at the time of the sale, which took place yesterday, and the remainder is due on completion of certain formalities by the 3Q of this year. The sale is part of Beghelli's broader strategy to rationalize its real estate holdings, divest non-core assets, focus and relaunch its core industrial operations, thereby improving the Group's financial stability and supporting its planned commercial development in Italy and abroad.

Valuation: BUY confirmed; TP technically raised to €0.39

Our latest DCF estimates [*Please refer to our Company Update on 6th May 2024*] indicated a cumulative FCFs of €18.9m in 2024-26 (E), a Terminal value of €7.7m and a WACC of 7.6%, leading to a fair value of €0.37/share. For relative valuation, we had used the mean EV/EBITDA multiple for FY24 (E) of the peer group which stood at 7.8x, slightly higher than Beghelli's trading multiple of 7.7x (as of April 26, 2024), leading to a fair value of €0.24/share. By averaging the DCF and Market Multiples approaches, our target price (TP) had reached €0.30/share.

This valuation excluded the upside coming from the sale of the Crespellano complex, which we estimated at the time at its book value, i.e. €18m (or €0.09/share). In light of this news, the transaction implies an anticipated increase in the target price of €0.09/share to €0.39/share. Considering the potential upside based on the difference between Beghelli's closing price and our target, we confirm BUY.

June 26, 2024 at 11:00

Company Profile				
Bloomberg				BE-IM
FactSet				BE-IT
Stock exchange				Italian Stock Exchange
Reference Index				FTSE Italia Small Cap
Market Data				
Price (as of June 26, 2024)				€ 0.25
Number of shares (mln)				200.0
Market cap. (mln)				€ 49.0
1-Year Performance				
Absolute				-5.0%
Max/Min				0.28/0.21
(€/mln)	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Revenue	155.8	165.6	177.5	190.8
	<i>yoy</i>	<i>8.5%</i>	<i>6.3%</i>	<i>7.2%</i>
EBITDA	9.8	12.8	15.7	17.5
	<i>EBITDA margin</i>	<i>6.3%</i>	<i>7.7%</i>	<i>8.9%</i>
EBIT	(2.9)	3.7	7.2	9.7
	<i>EBIT margin</i>	<i>n.m.</i>	<i>2.2%</i>	<i>4.0%</i>
Net Income	(9.3)	(1.9)	1.1	3.5
	<i>Net Profit margin</i>	<i>n.m.</i>	<i>n.m.</i>	<i>0.6%</i>
Net Financial Position				
(Cash)	52.3	50.2	47.6	41.6
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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Beghelli SpA

ID Card

Recommendation

Target Price

Upside

BUY

0.39 €

60%

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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

Recommendation

Target Price

Upside

BUY

0.39 €

60%



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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>	-1.4%	6.5%	6.5%	7.2%	7.4%
Gross Profit	77.3	82.3	89.0	96.3	104.4
<i>Gross margin</i>	53.0%	53.0%	53.7%	54.2%	54.7%
EBITDA	3.0	9.8	12.8	15.7	17.5
<i>EBITDA margin</i>	2.1%	6.3%	7.7%	8.9%	9.2%
EBIT	(6.0)	(2.9)	3.7	7.2	9.7
<i>EBIT margin</i>	n.m.	n.m.	2.2%	4.0%	5.1%
EBT	(10.3)	(10.0)	(2.6)	1.6	4.8
<i>Pretax margin</i>	n.m.	n.m.	n.m.	0.9%	2.5%
Net Income	(10.2)	(9.3)	(1.9)	1.1	3.5
<i>Net Profit margin</i>	n.m.	n.m.	n.m.	0.6%	1.8%
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

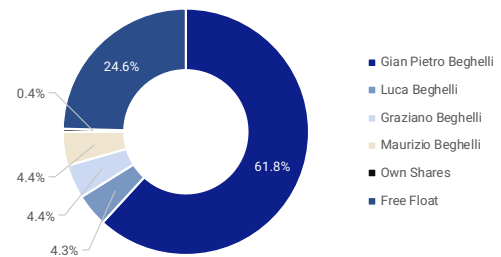
Profitability ratios

	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%

Company Description

Company Sector	Industrial Manufacturing - Lighting Equipment and
Price (as of June 26, 2024)	€ 0.25
Number of shares (mln)	200.0
Market Cap (€/mln)	49.0
Reference Index	FTSE Italia Small Cap
Main Shareholders	Gian Pietro Beghelli
Daily Average Volumes	125,016
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

Source: Bloomberg, Facset, Banca Profilo estimates and elaborations

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