

Company:

**Beghelli SpA**

Rating:

**BUY**

Target Price:

**€0.43**

Sector:

**Electrical Equipment**

## Margin surprise and major financial improvement

 September 20<sup>th</sup>, 2024 at 18:00

### 1H24: Revenue down 1.3%; EBITDA margin improves; Net debt reduced

Revenue declined by 1.3% yoy to €81.4mIn, which represents 49% of our forecast for FY24E (€165.6mIn) [Please refer to our Company Update on 6<sup>th</sup> May 2024]. In the revenue breakdown, Lighting reached €78.2mIn (+2.0% yoy), while Other revenue fell to €3.2mIn (-44.6% yoy), driven by weak PV system sales as the Group restructures its sales strategy and operations. EBITDA margin came in at 9.0%, 130bps above our FY24 forecast (7.7%) and up 190bps yoy driven by (i) a favourable revenue mix; (ii) ongoing industrial optimization; and (iii) reduced advertising and marketing expenses. Bottom line still reported a Net loss of €0.9mIn due to (i) high financial expenses; (ii) changes in the debt mix; and (iii) charges related to the sale of financial receivables. At the end of June, Net Debt declined to €35.7mIn from €52.3mIn at the end of 2023, primarily driven by proceeds from the sale of the Crespellano industrial complex, with €13.9mIn of the €21.9mIn already cashed in.

### Strategic update

The 1H24 reaffirmed the positive impact of the ongoing industrial, technical and management streamlining efforts, along with a stronger commercial focus on the Group's core business - Lighting. The Company plans to continue investing in products and services across its key markets, which are increasingly relevant and topical issues: energy efficiency, safety, the silver economy (Salvalavita line) and renewables.

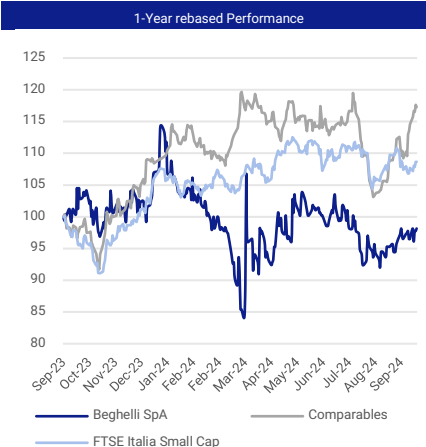
### FY24-26E estimates fine-tuning

We revised our projected revenue growth downward to a 5.5% CAGR for FY24-26E (down from previous 7.1%), expecting it to reach €182.4mIn by FY26E. We forecast EBITDA to increase to €13.8mIn in FY24E (up from previous €12.8mIn), with margins improving to 8.6% (from 7.7%), and further rising to €17.4mIn with a 9.5% margin by FY26E. We expect Net Debt to remain relatively steady at €36.2mIn by year-end (2.6x EBITDA), with a gradual decline projected over the coming years.

### Valuation: 12-month TP raised to €0.43/share; BUY confirmed

Our DCF estimates project cumulative FCFs of €22.6mIn for 2025-27E, up from €18.9mIn in the previous 2024-26E, with a Terminal value of €7.8mIn (vs previous €7.7mIn) and a WACC of 7.9% (vs previous 7.6%), resulting in a fair value of €0.44/share (up from €0.37/share). For the relative valuation, we advanced by one year and applied the peer group's mean EV/EBITDA multiple for FY25E, which is 7.7x, significantly above Beghelli's current trading multiple of 5.4x (as of September 19<sup>th</sup>, 2024). This adjustment results in a fair value of €0.42/share, up from the previous €0.24/share. Reflecting the updated valuations, we have raised our 12-month target price (TP) from €0.39 to €0.43 per share [Please refer to our Flashnote on 26<sup>th</sup> June 2024]. Given the upside potential between Beghelli's current closing price and our target, we reiterate our BUY recommendation.

Company Profile				
Bloomberg				BE-IM
FactSet				BE-IT
Stock exchange				Italian Stock Exchange
Reference Index				FTSE Italia Small Cap
Market Data				
Price (as of September 19 <sup>th</sup> , 2024)				€ 0.24
Number of shares (mln)				200.0
Market cap. (mln)				€ 47.8
1-Year Performance				
Absolute				-1.8%
Max/Min				0.28/0.21
(€/mln)	FY23	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>155.5</b>	<b>160.6</b>	<b>170.7</b>	<b>182.4</b>
	yoy	6.5%	3.3%	6.3%
<b>EBITDA</b>	<b>9.8</b>	<b>13.8</b>	<b>15.6</b>	<b>17.4</b>
	EBITDA margin	6.3%	8.6%	9.1%
<b>EBIT</b>	<b>(2.9)</b>	<b>4.7</b>	<b>5.9</b>	<b>7.1</b>
	EBIT margin	n.m.	2.9%	3.4%
<b>Net Income</b>	<b>(9.3)</b>	<b>(1.6)</b>	<b>(0.1)</b>	<b>1.4</b>
	Net Profit margin	n.m.	n.m.	0.7%
Net Financial Position (Cash)				
Shareholders' Equity	70.1	64.9	64.8	66.2
Net Operating Working Capital	47.1	52.4	54.3	56.7
CapEx	6.0	4.8	5.1	5.5
<b>Free Cash Flow</b>	<b>17.8</b>	<b>2.4</b>	<b>7.0</b>	<b>7.6</b>


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## SWOT analysis

### STRENGTHS

- Solid product pipeline
- Know-how and expertise across different segments of the lighting and emergency industry
- Brand awareness
- Strong geographic diversification
- Strong business diversification
- Strong spirit of innovation

### WEAKNESSES

- Limited scale compared to international competitors
- Not very active social channels
- Low entry barriers

### OPPORTUNITY

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

### THREATS

- Intensifying competition from Asia
- Increasing cost of raw materials, energy and transportation
- Russia's war on 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

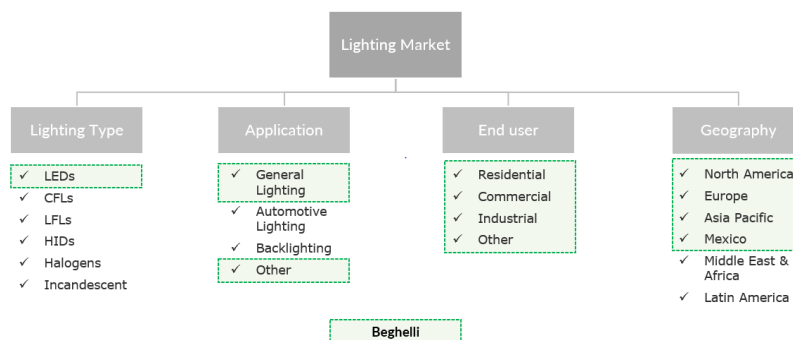
In 2023, Lighting systems revenue accounted for about 94.9% of total Beghelli’s revenue (vs 95.5% in FY22), thus the broader reference market for Beghelli is the Lighting Equipment Manufacturing.

## 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.

**CSIL: Global Lighting market at \$120bn; Europe's growth slows with shift to smart lighting**

CSIL<sup>1</sup> 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).

After two years of extraordinary growth, the European lighting fixtures market is slowing. During the pandemic, residential lighting outperformed professional lighting, but this trend has reversed in the past two years. Key factors driving future include (i) the EU ban on fluorescent lamps; (ii) rising electricity costs; and (iii) the shift towards Smart lighting, as highlighted in CSIL's 2024 report on connected lighting. This shift is reshaping the industry's competitive landscape, with major lighting companies acquiring connectivity firms to create integrated products. Despite current market challenges, the long-term outlook for the lighting sector remains positive due to ongoing demand for energy-efficient solutions.

**Italy's lighting industry shows resilience in 2023, eyes international growth in 2024**

Despite challenging market conditions across the Italian and European manufacturing sectors, Italy's lighting industry closed 2023 with a solid performance, reporting a total production turnover of approximately €2.8bn<sup>2</sup>. The industry posted a 0.4% increase compared to 2022, solidifying its position as the second-largest production hub in the European Union, following Germany.

The sector's performance in 2023 was impacted by weak consumer demand, driven by rising energy costs that affected household incomes, and a slowdown in investment. International markets also showed signs of deceleration, with foreign sales growth at a modest +0.2% in nominal terms. Among the key export destinations, the subdued performance of the German market, Italy's top trade partner, weighed on overall results, with growth of only +0.3% in 2023, following a -5.4% decline in 2022.

However, industrial production volumes have been recovering in the first months of 2024. Growth is also expected to be driven by international markets, where, in a slowly improving environment, growth opportunities are anticipated to return, including within Europe.

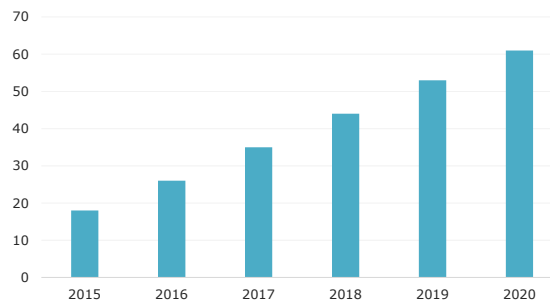
**Global energy savings to continue driving the demand for LED lighting**

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.

<sup>1</sup> CSIL is an economic research institute specializing in industrial competitiveness, regional development, research and innovation policies, sustainability and circular economy.

<sup>2</sup> This figure reflects the results of the 90 companies affiliated with ASSIL (Associazione Nazionale Produttori Illuminazione, part of ANIE Confindustria), which represent 65% of the sector.

**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 FY21-26E

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

Main drivers are: (i) the growing emphasis on strict fire and safety regulations; (ii) the increasing demand for energy-efficient lighting systems across commercial, residential, and industrial sectors; and (iii) the growing number of building/residential restructuring projects.

### LEDs as means to save energy also in the Emergency Lighting

Also, within the Emergency (lighting), the increasing attention to energy-saving measures is pushing the penetration of LEDs also in this sub-industry with is expected to witness significant growth.

### Rapid urbanization in developing countries sees Asia-Pacific as the fastest growing market

From a geographical point of view, Asia-Pacific is expected to have the highest growth rate, over the forecast period as Governments have been actively promoting the adoption of emergency lighting, and building construction has been accelerating following the rapid urbanization in developing countries.

## Competitive arena

**Selected comparables to Beghelli for business similarity:**

Zumtobel, Signify, Fagerhult, Dialight, Acuity Brands

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 <b>Beghelli</b>	96%	4%	--	--		62%	18%	16%	5%	0%	44%	
ZAG-AT <b>Zumtobel Group AG</b>	100%	--	--	--	96%	9%	75%	5%	10%	1%	20%	<b>58%</b>
LIGHT-NL <b>Signify NV</b>	100%	--	0%	--	96%	--	31%	31%	8%	30%	11%	<b>53%</b>
FAG-SE <b>Fagerhult Group AB</b>	100%	--	--	--	96%	6%	73%	8%	11%	4%	18%	<b>57%</b>
DIA-GB <b>Dialight plc</b>	69%	31%	--	--	67%	0%	5%	79%	14%	2%	14%	<b>41%</b>
AYI-US <b>Acuity Brands, Inc.</b>	95%	--	5%	0%	91%	0%	31%	37%	22%	10%	13%	<b>52%</b>

Source: Banca Profilo elaborations on FactSet and company data

**Zumtobel (AT):**  
FY23/24 sales  
€1.1bn; EBITDA  
margin 8.9%

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 12.5%

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 spun-off from Royal Philips in May 2016.

**Fagerhult (SE):**  
FY23 sales SEK8.6bn;  
EBITDA margin 14.3%

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 £144mln;** 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 \$4.0bn;**  
**EBITDA margin 15.0%**

**Table 2: Sample benchmarking on revenue growth and EBITDA margin**

Comapany	Saales growth (yoy)						EBITDA margin					
	2020	2021	2022	2023	2024E	2025E	2020	2021	2022	2023	2024E	2025E
<i>13/09/2024</i>												
Zumtobel Group AG	-7.7%	9.9%	5.3%	-6.8%	-0.5%	2.0%	9.7%	9.9%	11.2%	8.9%	9.6%	10.1%
Signify NV	4.1%	5.5%	9.5%	-10.8%	-7.9%	1.1%	13.7%	14.2%	12.5%	12.5%	12.8%	13.0%
Fagerhult Group AB	-13.1%	4.0%	16.7%	3.5%	2.1%	4.8%	10.9%	14.1%	14.3%	14.3%	15.1%	15.6%
Dialight plc	-21.2%	10.6%	29.0%	-15.2%	-3.1%	7.0%	1.7%	10.1%	8.3%	4.6%	7.6%	9.4%
Acuity Brands, Inc.	-9.4%	4.0%	15.7%	-1.3%	-3.1%	4.0%	14.3%	15.3%	15.2%	15.0%	17.6%	17.7%
<i>Mean best peers</i>	-9.5%	6.8%	15.2%	-6.1%	-2.5%	3.8%	10.0%	12.7%	12.3%	11.1%	12.5%	13.2%
<i>Median best peers</i>	-9.4%	5.5%	15.7%	-6.8%	-3.1%	4.0%	10.9%	14.1%	12.5%	12.5%	12.8%	13.0%
<b>Beghelli SpA</b>	<b>-19.0%</b>	<b>15.1%</b>	<b>-4.1%</b>	<b>8.5%</b>	<b>3.1%</b>	<b>6.3%</b>	<b>6.2%</b>	<b>10.1%</b>	<b>2.1%</b>	<b>6.3%</b>	<b>8.6%</b>	<b>9.1%</b>

Source: Banca Profilo elaborations on FactSet and company data (as of September 19<sup>th</sup>, 2024)



## 1H24 results: Historical financial performance

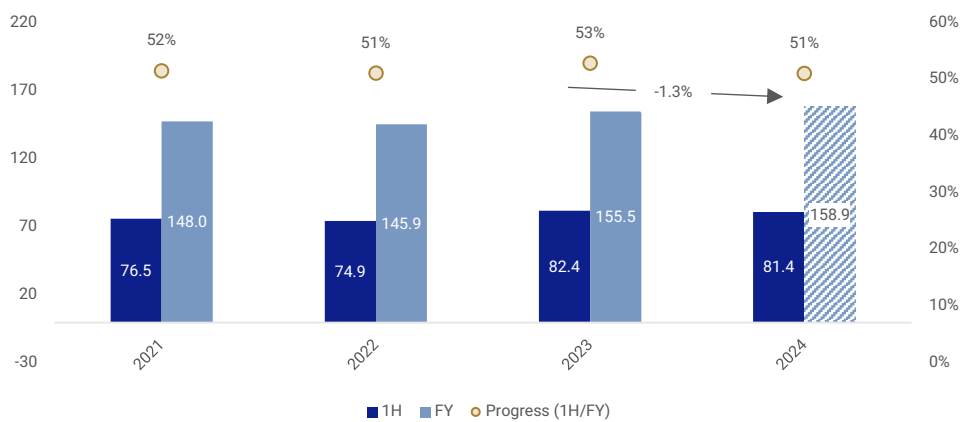
**1H24 revenue decreased by 1.3% yoy to €81.4mln**

Consolidated revenue slightly fell by 1.3% yoy to €81.4mln, which represents 49% of our FY24 estimate of €165.6mln *[Please refer to our Company Update on 6<sup>th</sup> May 2024]*.

In terms of revenue breakdown, Lighting sales grew 2.0% yoy to €78.2mln, while Other revenue fell 44.6% to €3.2mln. This drop is primarily due to decreased sales in photovoltaic systems, as the Group is currently developing a new sales strategy and reorganizing its sales structure. As of June 30<sup>th</sup>, 2024, lighting sales accounted for 96.1% of total revenue, compared to 93.0% in the same period last year.

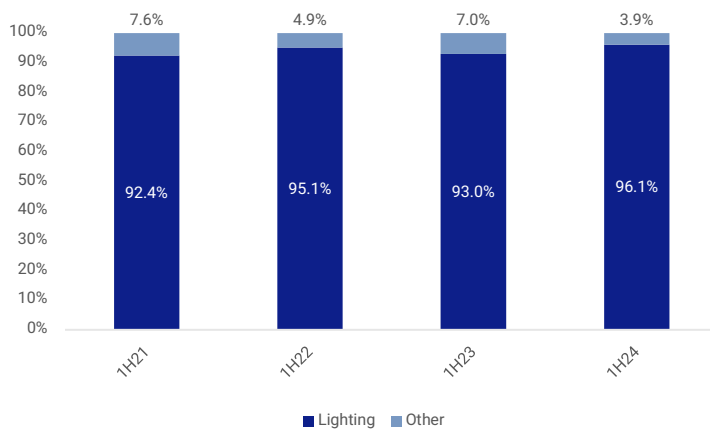
Foreign revenue for 1H24 totalled €39.5mln, up 2.8% yoy, driven by strong growth in non-European markets (+17.1% yoy), which offset a 17.0% decline in Europe ex-Italy. The foreign share of total revenue rose to 48.5%, up from 46.6% in 1H23.

**Figure 3: Revenue 1H21-1H24 (€/mln)**



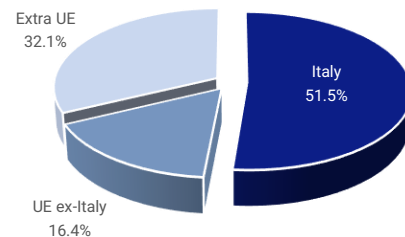
Source: Banca Profilo elaboration on Company data

**Figure 4: Revenue breakdown by segment 1H21-1H24**



Source: Banca Profilo elaboration on Company data

**Figure 5: Revenue breakdown by geographic region 1H24**



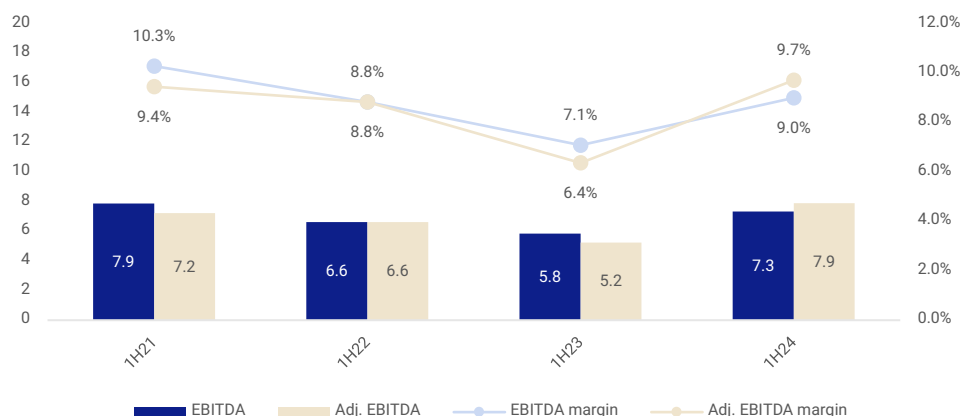
**EBITDA margin at 9.0% in 1H24, above our estimate**

In 1H24, EBITDA reached €7.3mln, up 25.5% yoy from €5.8mln in the same period last year and representing 57% of our FY24 estimate of €12.8mln *[Please refer to our Company Update on 6<sup>th</sup> May 2024]*. The EBITDA margin improved to 9.0%, a 190bps yoy and exceeding our FY24 estimate of 7.7%. This margin improvement is attributed to (i) a favourable revenue mix; (ii) ongoing industrial optimization; and (iii) reduced advertising and marketing expenses, though

it was partially offset by higher labour costs due to salary adjustments and an expanded commercial structure.

After excluding non-recurring items of €(0.6)mln, mainly due to inventory write-downs, adj. EBITDA was €7.9mln, with a margin of 9.7%.

**Figure 6: EBITDA (€/mln) and EBITDA margin 1H21-1H24**



Source: Banca Profilo elaboration on Company data

#### Net loss of €0.9mln in 1H24

In 1H24, the EBIT posted a positive figure of €3.2mln up 81.0% from €1.7mln in the same period last year. After excluding non-recurring items totaling €(0.9)mln, including €(0.4)mln related to the sale of the Crespellano industrial complex, adj. EBIT was €4.1mln, with a margin of 5.0%.

Besides the above, (i) financial expenses from rising interest rates; (ii) changes in the debt mix; and (iii) charges related to the sale of financial receivables during the first half of the year impacted negatively the bottom line, resulting in a net loss of €0.9mln, but still an improvement from the €1.6mln loss in 1H23.

**Table 3: Income Statement 1H22-1H24 (€/mln)**

		Profit & Loss (€/mln)				
		1H22	FY22	1H23	FY23	1H24
Lighting		71.2	139.4	76.6	147.5	78.2
	% on Revenue	95.1%	95.5%	93.0%	94.9%	96.1%
Other		3.6	6.6	5.8	8.0	3.2
	% on Revenue	4.9%	4.5%	7.0%	5.1%	3.9%
<b>Revenue</b>		<b>74.9</b>	<b>145.9</b>	<b>82.4</b>	<b>155.5</b>	<b>81.4</b>
	yoy	-49.4%	-1.4%	10.1%	6.5%	-1.3%
Cost of materials and related services		(33.6)	(68.6)	(39.5)	(73.1)	(33.3)
	% on Revenue	44.9%	47.0%	47.9%	47.0%	41.0%
<b>Gross Profit</b>		<b>41.3</b>	<b>77.3</b>	<b>42.9</b>	<b>82.3</b>	<b>48.0</b>
	Gross margin	55.1%	53.0%	52.1%	53.0%	59.0%
Labour cost		(18.0)	(35.5)	(18.5)	(36.9)	(19.5)
	% on Revenue	24.1%	24.3%	22.4%	23.7%	24.0%
Cost of services and other operating costs		(16.6)	(36.5)	(19.2)	(36.0)	(20.6)
	% on Revenue	22.2%	25.0%	23.3%	23.1%	25.3%
<b>Comprehensive operating costs</b>		<b>(68.3)</b>	<b>(140.6)</b>	<b>(77.2)</b>	<b>(146.0)</b>	<b>(73.5)</b>
	% on Revenue	91.2%	96.3%	93.6%	93.9%	90.3%
<b>EBITDA</b>		<b>6.6</b>	<b>3.0</b>	<b>5.8</b>	<b>9.8</b>	<b>7.3</b>
	EBITDA margin	8.8%	2.1%	7.1%	6.3%	9.0%
<b>Adj. EBITDA</b>		<b>6.6</b>	<b>5.4</b>	<b>5.2</b>	<b>9.5</b>	<b>7.9</b>
	Adj. EBITDA margin	8.8%	3.7%	6.4%	6.1%	9.7%

D&A		(4.0)	(9.0)	(4.1)	(12.7)	(4.2)
	% on Revenue	5.4%	6.2%	5.0%	8.2%	5.1%
<b>EBIT</b>		<b>2.6</b>	<b>(6.0)</b>	<b>1.7</b>	<b>(2.9)</b>	<b>3.2</b>
	EBIT margin	3.4%	n.m.	2.1%	n.m.	3.9%
Net Financial Income (expenses)		(1.8)	(4.3)	(3.3)	(7.1)	(3.9)
	% on Revenue	2.4%	3.0%	3.9%	4.6%	4.8%
<b>EBT</b>		<b>0.8</b>	<b>(10.3)</b>	<b>(1.5)</b>	<b>(10.0)</b>	<b>(0.7)</b>
	Pretax margin	1.0%	n.m.	n.m.	n.m.	n.m.
Income Tax Expense		(0.3)	0.4	(0.1)	0.6	(0.1)
	Tax rate	39.6%	4.1%	-6.1%	6.0%	-18.1%
<b>Net Income</b>		<b>0.5</b>	<b>(10.2)</b>	<b>(1.6)</b>	<b>(9.3)</b>	<b>(0.9)</b>
	Net Profit margin	0.6%	n.m.	n.m.	n.m.	n.m.

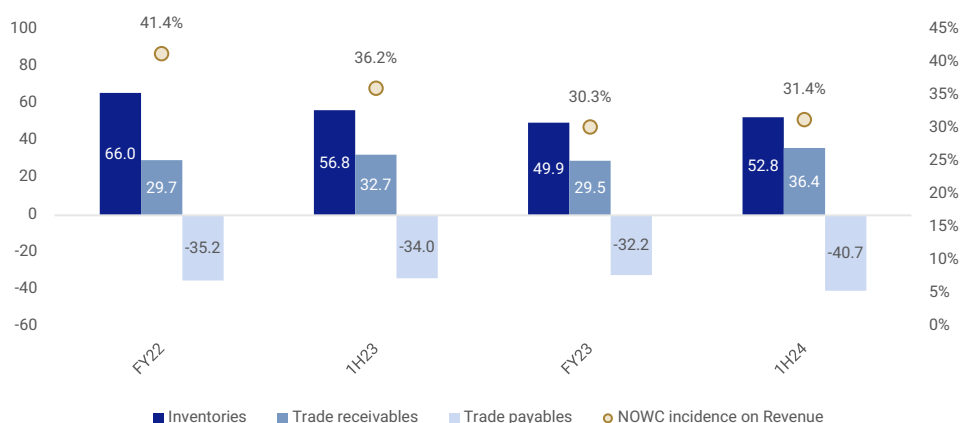
Source: Banca Profilo elaborations on Company data

### Stable NOWC with an improving financial cycle

Net Operating Working Capital (NOWC) increased slightly to €48.5mln in 1H24, up from €47.1mln as of December 31<sup>st</sup>, 2023, with its turnover ratio remaining roughly stable at 31.4% from previous 30.3%.

Inventories rose 6.0% to €52.8mln due to normal seasonal dynamics and easing tensions in the global supply and transport chain. Trade receivables grew 23.6% to €36.4mln, driven by higher sales volumes in the latter part of the half-year and reduced reliance on non-recourse receivables assignment. Trade payables increased 26.3% to €40.7mln, primarily due to higher purchasing volumes at the end of the period and an improved financial cycle.

Figure 7: Net Operating Working Capital FY22-1H24 (€/mln)



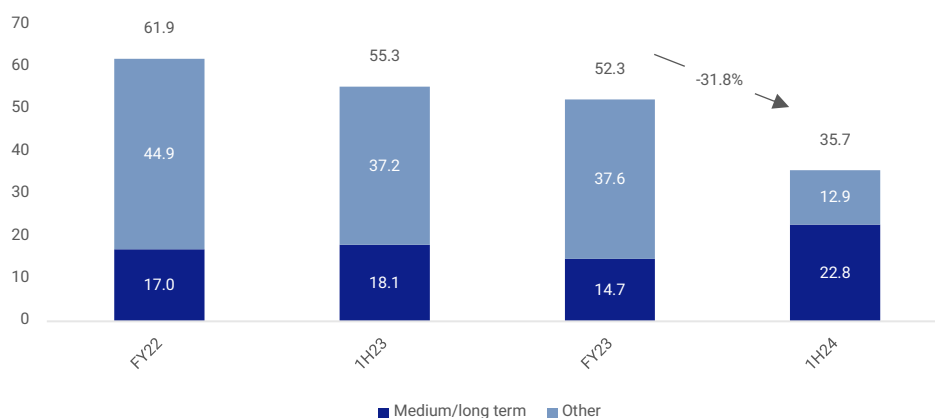
Source: Banca Profilo elaboration on Company data

### Significant decrease in Net debt at €35.7mln in 1H24

At the end of June 2024, the Net Debt was €35.7mln, down €16.7mln (-31.8%) from €52.3mln as of December 31<sup>st</sup>, 2023. The decrease is mainly attributable to the receipt, albeit partial (a total of €21.9mln was collected from the deal, with €13.9mln received at closing on June 25 and an additional €8mln later in July), for the sale of the industrial complex in Crespellano.

Net debt consists of €22.8mln in medium/long term debt (63.9% of total) and €12.9mln in short term debt, net of cash, cash equivalents and derivative instruments (36.1% of total). As of June 30<sup>th</sup>, 2024, the Company had fully obtained waivers for loans with unmet financial *covenants* as of December 31<sup>st</sup>, 2023, covering a residual value of €1.6mln. The increase in medium/long term debt is due to the reclassification of loans (€9.5mln) that were previously categorized as short term due to *covenant* noncompliance. Short term debt decreased mainly due to (i) scheduled loan repayments; (ii) the repayment of €10.9mln tied to the sale of the Crespellano complex; and (iii) the aforementioned reclassification.

Figure 8: Net Debt (Cash) FY22-1H24 (€/mln)



Source: Banca Profilo elaboration on Company data

Table 4: Balance Sheet 1H22-1H24 (€/mln)

Balance Sheet (€/mln)					
	1H22	FY22	1H23	FY23	1H24
Intangible assets	14.9	13.9	14.7	15.1	15.8
Right of use	27.1	25.5	26.4	25.6	24.8
Tangible fixed asset	16.5	16.0	15.4	15.4	14.8
Non-instrumental tangible fixed assets	0.5	0.5	0.4	1.8	1.8
Financial assets	10.8	8.0	6.9	6.1	3.4
<b>Fixed Assets</b>	<b>69.2</b>	<b>63.9</b>	<b>63.8</b>	<b>64.1</b>	<b>60.6</b>
Inventories	67.7	66.0	56.8	49.9	52.8
% on Revenue	46.2%	45.2%	37.0%	32.1%	34.2%
Trade receivables	33.4	29.7	32.7	29.5	36.4
% on Revenue	22.8%	20.3%	21.3%	19.0%	23.6%
Trade payables	(42.8)	(35.2)	(34.0)	(32.2)	(40.7)
% on COGS w/o labour cost	43.8%	33.5%	29.9%	29.6%	39.0%
<b>Net Operating Working Capital</b>	<b>58.3</b>	<b>60.4</b>	<b>55.55</b>	<b>47.1</b>	<b>48.5</b>
% on Revenue	39.8%	41.4%	36.2%	30.3%	31.4%
Other current Assets	32.1	34.0	30.0	27.1	16.3
Other current liabilities	(19.5)	(19.6)	(20.3)	(21.1)	(26.7)
<b>Net Working Capital</b>	<b>70.9</b>	<b>74.9</b>	<b>65.2</b>	<b>53.1</b>	<b>38.1</b>
% on Revenue	48.4%	51.3%	42.4%	34.2%	24.6%
Non-current assets	14.2	13.7	13.9	15.4	16.2
Non-current liabilities	(11.4)	(10.0)	(9.3)	(10.2)	(10.0)
Of which Funds	(10.6)	(8.7)	(8.3)	(8.5)	(8.4)
<b>Net Invested Capital</b>	<b>142.9</b>	<b>142.5</b>	<b>133.5</b>	<b>122.4</b>	<b>104.8</b>
<b>CapEx</b>	<b>5.4</b>	<b>5.4</b>	<b>6.0</b>	<b>6.0</b>	<b>5.0</b>
% on Revenue	3.7%	3.7%	3.9%	3.9%	3.2%
Intangible	3.5	3.5	4.7	4.7	4.0
Tangible	2.0	2.0	1.3	1.3	1.0
Share capital	10.0	10.0	20.0	10.0	10.0
Reserves and retained earnings	80.8	80.3	69.3	69.0	59.5
Group Net Income	0.5	(10.2)	(1.6)	(9.3)	(0.9)
Third party equity	0.2	0.6	0.6	0.5	0.5
<b>Shareholders' Equity</b>	<b>91.5</b>	<b>80.6</b>	<b>78.2</b>	<b>70.1</b>	<b>69.1</b>
<b>Net Financial Position (Cash)</b>	<b>51.4</b>	<b>61.9</b>	<b>55.3</b>	<b>52.3</b>	<b>35.7</b>

Source: Banca Profilo elaborations on Company data

**1H24 CapEx totalled €2.3mln** CapEx for the semester reached €2.3mln, with €0.3mln invested in tangible assets, primarily for machinery and equipment, and €2.0mln allocated to intangible assets, mainly related to capitalized development expenses.

**Table 5: Free Cash Flows 1H22-1H24 (€/mln)**

Free Cash Flow (€/mln)						
		1H22	FY22	1H23	FY23	1H24
EBIT		2.6	(6.0)	1.7	(2.9)	3.2
	<i>Tax rate</i>	27.9%	27.9%	27.9%	27.9%	27.9%
<b>NOPAT</b>		<b>1.8</b>	<b>(4.3)</b>	<b>1.3</b>	<b>(2.1)</b>	<b>2.3</b>
D&A		4.0	9.0	4.1	12.7	4.2
Changes in Funds		(0.7)	(2.6)	(0.4)	(0.2)	(0.1)
Changes in NOWC		(11.4)	(13.5)	4.9	13.3	(1.4)
CapEx		(2.4)	(5.4)	(2.7)	(6.0)	(2.3)
<b>Free Cash Flow</b>		<b>(8.7)</b>	<b>(16.9)</b>	<b>7.1</b>	<b>17.8</b>	<b>2.5</b>

*Source: Banca Profilo elaborations on Company data*

## 2024-26E Strategy and Estimates

### Strategic guidelines

During the 2024, the Group reinforced its commitment to the LED lighting sector, focusing on both energy management of light sources and communication techniques between system components - key factors that provide a competitive edge in developing innovative luminaire ranges to meet market demands.

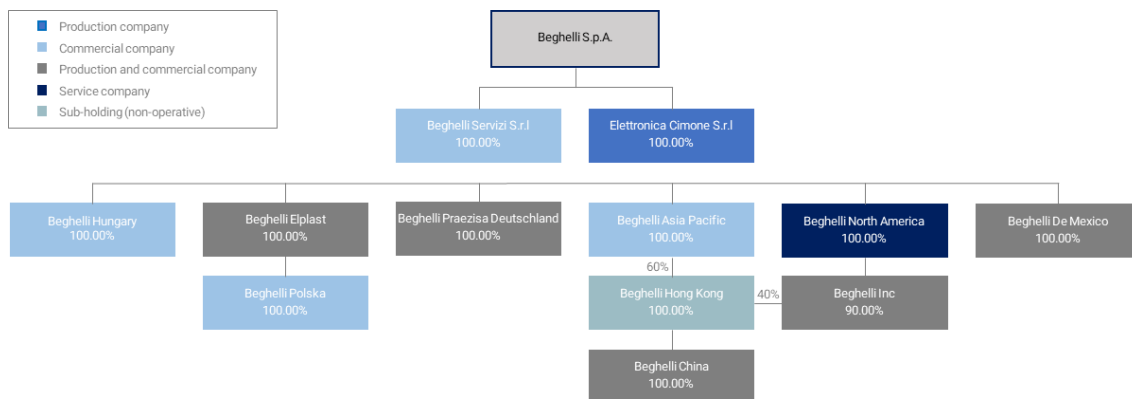
### 2024-28 BP targets PV and Lighting growth

Furthermore, on March 28, 2024, the BoD approved the 2024-28 business plan, revising targets in traditional sectors to better align with market growth and emphasizing potential in the photovoltaic sector, where the Group has recently introduced a new business proposal, and in lighting services.

### Group structure update

The plan also reaffirms the commitment to completing the ongoing industrial reorganization to cut costs, enhance operating margins and drive revenue growth. In this context, the acquisition of minority shares in the subsidiary Becar Srl and its subsequent merger, completed in July, are key steps. This move is part of the broader strategy to centralize research and development activities, improve efficiency and capitalize on synergies in product and process development. Accordingly, the updated Group structure is outlined below<sup>3</sup>.

Figure 9: Corporate structure



Source: Banca Profilo elaborations on Company data

### Main growth drivers

The main growth drivers are:

1. For the lighting business: (i) energy efficiency and savings; (ii) visual comfort; (iii) smart lighting; and (iv) innovative technology;
2. For Other revenues linked to Beghelli Solare: (i) the commitment of the European Commission to a 55% reduction in GhG emissions by 2030 (compared to 1990 levels) and to become the first climate-neutral continent by 2050; and (ii) the Europe Renovation Wave aimed at promoting energy efficiency in the building incentivized restructuring process.

<sup>3</sup> Refer to the Appendix for a brief overview of each company.

### Our 2024-26 estimates fine tuning

#### Emergency and ordinary lighting as guidelines to forecast revenue

Our estimates are on Beghelli Group as is, stand alone, at constant exchange rates. For the Lighting business, we began with independent research estimates and adjusted them to reflect Beghelli's specific geographical exposure:

1. 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.
2. Ordinary lighting: according to the Business Research Company (January 2023), the Global General Lighting market is expected to grow at a 2023-27 CAGR of 6.6%.

#### Lighting revenue growth revised down to 5.4% CAGR in 2023-26E

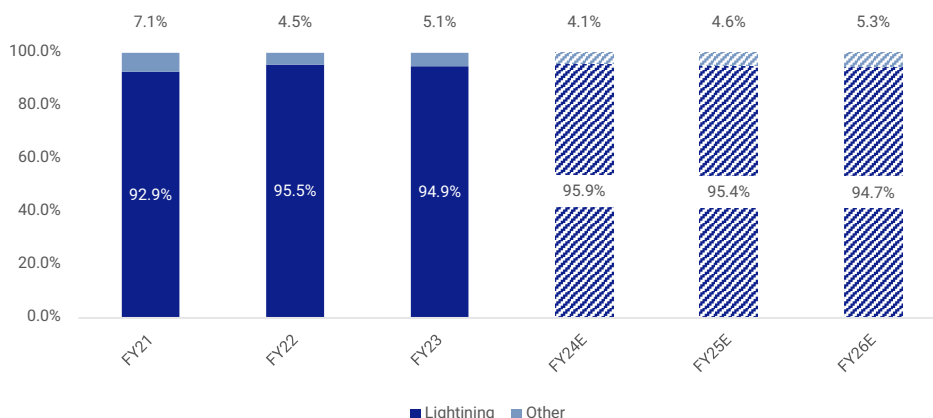
Lighting sales for 1H24 reached 49.7% of our FY24 estimate, compared to an average of 51.5% over the past three years. As a result, we have revised our FY24 estimate down from €157.1m to €154.0m (-2.0% and +4.4% yoy) and conservatively lowered the projected sales growth to a 5.4% CAGR in 2023-26E, with a FY26E target of €172.8m, down from the previous estimate of €180.2m (-4.1%).

#### Other revenue lagged, but expected to recover with a 6.8% CAGR in 2023-26E

Sales from Other activities reached only 37.7% of our FY24 estimate, significantly below the three-year average of 60.9%. This underperformance is primarily due to weak sales of photovoltaic systems, where efforts to develop a new sales proposition and reorganize the sales structure are still ongoing. As a result, we have revised our FY24 revenue estimate down from €8.5m to €6.6m (-22.5% and -17.4% yoy), while projecting an acceleration in the following years. We now expect Other revenue to reach €9.7m in FY26E, down from the previous estimate of €10.6m (-8.6%).

Despite this year's disappointing result, we remain confident that the share of Other revenue will rebound in the coming years, largely driven by Beghelli Solare, reaching 5.3% of Total Revenue by FY26E. Consequently, we now anticipate a 6.8% CAGR in 2023-26E for Other revenue.

Figure 10: Revenue breakdown by segment FY21-26E (€/m)

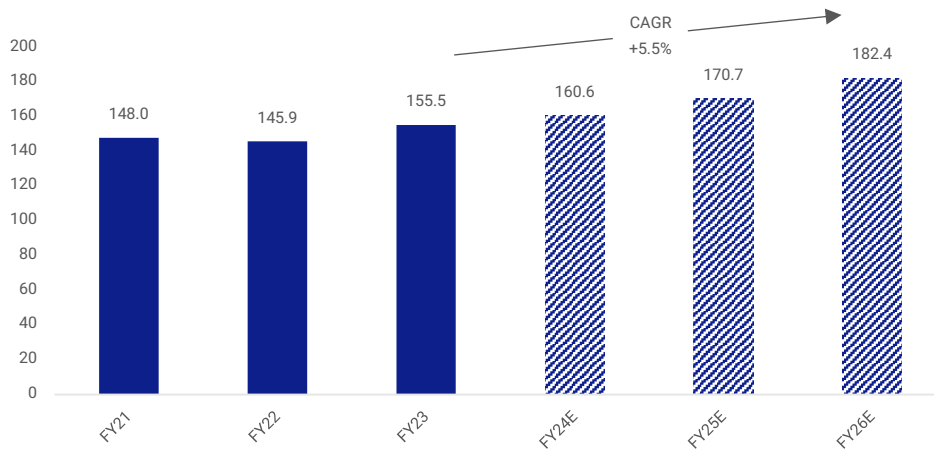


Source: Banca Profilo elaborations and estimates on Company data

#### Total Revenues to grow at a 5.5% CAGR in 2023-26E

Overall, we revised our FY24E Total Revenue estimate down from €165.6m to €160.6m (-3.0% and +3.3% yoy), aligning with the Company's guidance for modest growth. Looking ahead, we expect revenue to grow at a 5.5% CAGR in 2023-26E, reaching €182.4m in FY26E, lower than the previous estimate of €190.8m (-4.4%).

Figure 11: Total Revenue FY21-26E (€/mln)

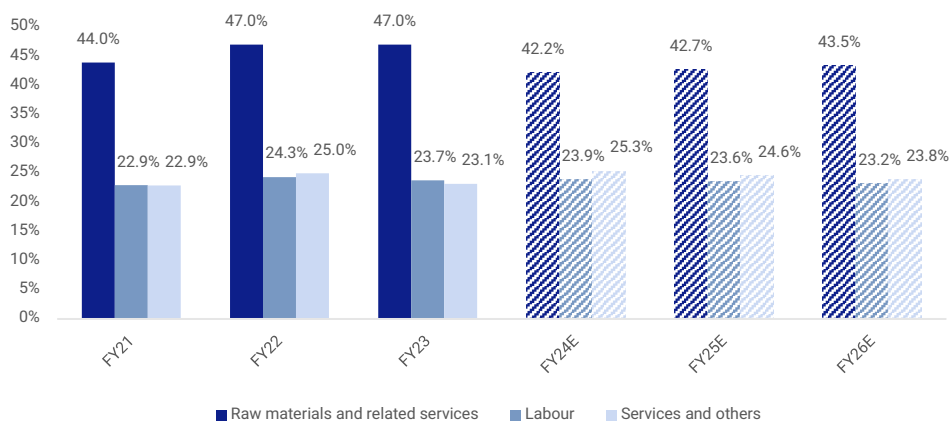


Source: Banca Profilo elaborations and estimates on Company data

**Raw materials and related services costs down to 42.2% of Revenue in FY24E**

Raw material and service costs dropped more than anticipated in 1H24, as reduced pressures from transport, raw materials and energy prices led to lower impacts than in 2023. We now anticipate these costs to stabilize, with gradual improvement in Labour costs, which rose in 1H24 mainly due to contractual wage adjustments triggered from the second half of 2023, and Services and other costs.

Figure 12: Incidence of costs on Revenue FY21-26E



Source: Banca Profilo elaborations and estimates on Company data

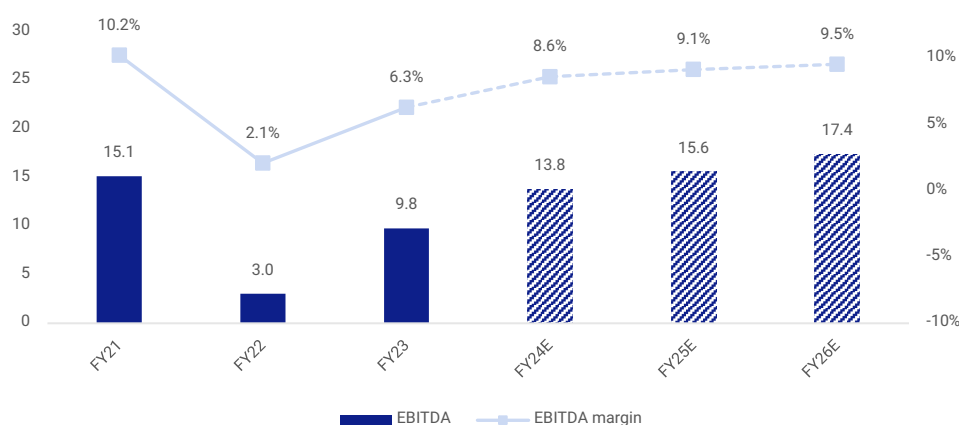
**EBITDA margin recover surprised, now averaging 9.1% for 2024-26E**

We expect margin improvements to offset the lower revenue estimates, prompting an upward revision of our FY24 EBITDA forecast from €12.8mln to €13.8mln (+7.8%), with a margin increase to 8.6%. Historically, Beghelli’s first-half margins are typically higher than those for the full year.

By FY26E, we expect EBITDA to reach €17.4mln (revised from €17.5mln), with a margin of 9.5% (up from 9.2%). The average EBITDA margin for FY24-26E is projected at 9.1%, an improvement from the previous estimate of 8.6%.



Figure 13: EBITDA (€/mln) and EBITDA margin on VoP FY21-26E



Source: Banca Profilo elaborations and estimates on Company data

#### Heavy financial burden: Loss in FY24E-25E

We anticipate two more years of net losses, with an estimated €1.6mln loss in FY24E (narrowed from €1.9mln) and €0.1mln in FY25E (downgraded from a €1.1mln profit), primarily driven by sustained high financial costs. However, we project a return to profitability in FY26E, with net profit forecast at €1.4mln (revised down from €3.5mln).

Table 6: Pro Forma Income Statement FY23-26E

		Profit & Loss (€/mln)						
		FY23	FY24E OLD	FY24E	FY25E OLD	FY25E	FY26E OLD	FY26E
Lighting		147.5	157.1	154.0	168.0	162.8	180.2	172.8
	% on Revenue	94.9%	94.9%	95.9%	94.6%	95.4%	94.4%	94.7%
Other		8.0	8.5	6.6	9.6	7.9	10.6	9.7
	% on Revenue	5.1%	5.1%	4.1%	5.4%	4.6%	5.6%	5.3%
<b>Revenue</b>		<b>155.5</b>	<b>165.6</b>	<b>160.6</b>	<b>177.5</b>	<b>170.7</b>	<b>190.8</b>	<b>182.4</b>
	% on Revenue	6.5%	6.5%	3.3%	7.2%	6.3%	7.4%	6.9%
Cost of materials and related services		(73.1)	(76.7)	(67.8)	(81.3)	(72.9)	(86.4)	(79.3)
	% on Revenue	47.0%	46.3%	42.2%	45.8%	42.7%	45.3%	43.5%
<b>Gross Profit</b>		<b>82.3</b>	<b>89.0</b>	<b>92.8</b>	<b>96.3</b>	<b>97.8</b>	<b>104.4</b>	<b>103.2</b>
	Gross margin	53.0%	53.7%	57.8%	54.2%	57.3%	54.7%	56.5%
Labour cost		(36.9)	(38.2)	(38.3)	(39.9)	(40.2)	(42.7)	(42.3)
	% on Revenue	23.7%	23.1%	23.9%	22.5%	23.6%	22.4%	23.2%
Cost of services and other operating costs		(36.0)	(37.9)	(40.7)	(40.6)	(42.0)	(44.1)	(43.5)
	% on Revenue	23.1%	22.9%	25.3%	22.9%	24.6%	23.1%	23.8%
<b>Comprehensive operating costs</b>		<b>(146.0)</b>	<b>(152.8)</b>	<b>(146.8)</b>	<b>(161.8)</b>	<b>(155.1)</b>	<b>(173.2)</b>	<b>(165.0)</b>
	% on Revenue	93.9%	92.3%	91.4%	91.1%	90.9%	90.8%	90.5%
<b>EBITDA</b>		<b>9.8</b>	<b>12.8</b>	<b>13.8</b>	<b>15.7</b>	<b>15.6</b>	<b>17.5</b>	<b>17.4</b>
	EBITDA margin	6.3%	7.7%	8.6%	8.9%	9.1%	9.2%	9.5%
<b>Adj. EBITDA</b>		<b>9.5</b>	<b>12.8</b>	<b>13.8</b>	<b>15.7</b>	<b>15.6</b>	<b>17.5</b>	<b>17.4</b>
	Adj. EBITDA margin	6.1%	7.7%	8.6%	8.9%	9.1%	9.2%	9.5%
D&A		(12.7)	(9.1)	(9.1)	(8.6)	(9.7)	(7.8)	(10.3)
	% on Revenue	8.2%	5.5%	5.7%	4.8%	5.7%	4.1%	5.7%
<b>EBIT</b>		<b>(2.9)</b>	<b>3.7</b>	<b>4.7</b>	<b>7.2</b>	<b>5.9</b>	<b>9.7</b>	<b>7.1</b>
	EBIT margin	n.m.	2.2%	2.9%	4.0%	3.4%	5.1%	3.9%
Net Financial Income (expenses)		(7.1)	(6.3)	(6.9)	(5.6)	(6.0)	(4.9)	(5.2)
	% on Revenue	4.6%	3.8%	4.3%	3.1%	3.5%	2.6%	2.9%
<b>EBT</b>		<b>(10.0)</b>	<b>(2.6)</b>	<b>(2.2)</b>	<b>1.6</b>	<b>(0.1)</b>	<b>4.8</b>	<b>1.9</b>
	Pretax margin	n.m.	n.m.	n.m.	0.9%	n.m.	2.5%	1.0%

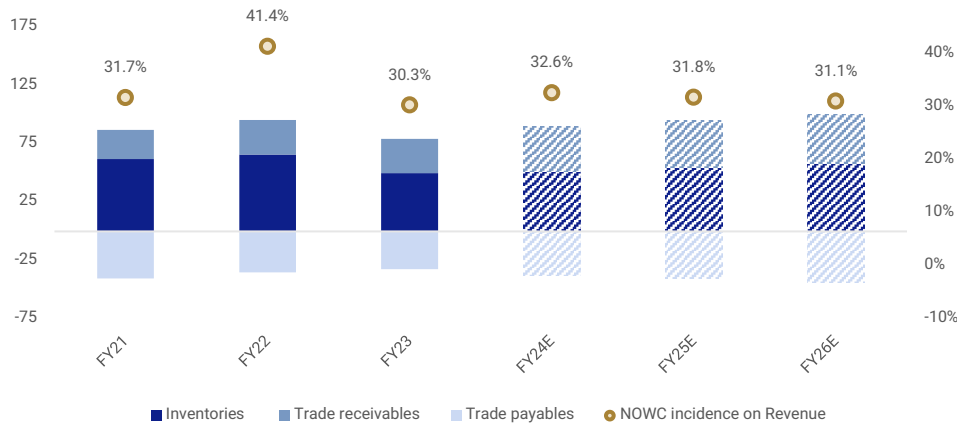
Income Tax Expense		0.6	0.7	0.6	(0.4)	0.0	(1.3)	(0.5)
	Tax rate	6.0%	26.9%	27.9%	26.9%	27.9%	26.9%	27.9%
<b>Net Income</b>		<b>(9.3)</b>	<b>(1.9)</b>	<b>(1.6)</b>	<b>1.1</b>	<b>(0.1)</b>	<b>3.5</b>	<b>1.4</b>
	Net Profit margin	n.m.	n.m.	n.m.	0.6%	n.m.	1.8%	0.7%

Source: Banca Profilo elaborations and estimates on Company data

**Optimized NOWC:**  
**€9.6mln increase in**  
**2024-26E**

In our Balance Sheet projections, we anticipate Net Operating Working Capital to gradually rise from the FY23 levels, increasing by a total of €9.6mln over 2024-26E. The NOWC as a percentage of revenue is expected to average 31.8% throughout the period.

**Figure 14: Net Operating Working Capital FY21-26E (€/mln)**



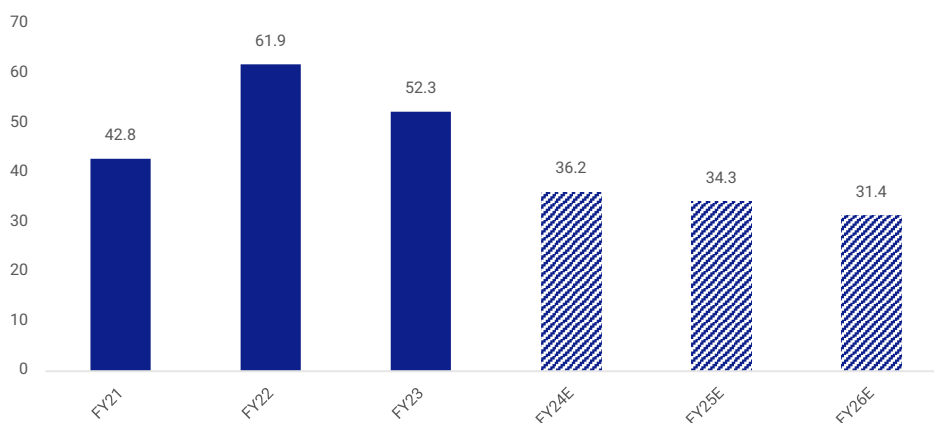
Source: Banca Profilo elaborations and estimates on Company data

**Net Debt under control**

Net Debt estimates for future years have been significantly revised downward compared to previous projections. Although the sale of the Crespellano complex was anticipated, we have maintained a conservative stance, keeping the property listed as an asset held for sale until now. We now anticipate Net Debt to remain almost steady for the rest of the year, ending 2024 at €36.2mln. Despite the confirmed €8.0mln collection from the Crespellano sale in July, this will be completely offset by €3mln in VAT payments and other transaction-related costs.

Looking ahead, we forecast a smooth reduction in Net Debt, supported by improved profitability and enhanced working capital management. This trajectory is expected to bring Net Debt down from €35.7mln to €31.4mln by December 2026.

**Figure 15: Net Debt (Cash) FY21-26E (€/mln)**



Source: Banca Profilo elaborations and estimates on Company data

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

		Balance Sheet (€/mln)						
	FY23	FY24E OLD	FY24E	FY25E OLD	FY25E	FY26E OLD	FY26E	
Intangible assets	15.1	16.6	14.9	17.8	14.3	19.2	13.4	
Right of use	25.6	20.5	22.5	15.4	19.4	10.3	16.3	
Tangible fixed asset	15.4	15.0	14.5	14.6	13.6	14.3	12.7	
Non-instrumental tangible fixed assets	1.8	1.8	1.8	1.8	1.8	1.8	1.8	
Financial assets	6.1	4.7	3.4	3.6	3.4	2.7	3.4	
<b>Fixed Assets</b>	<b>64.1</b>	<b>58.6</b>	<b>57.1</b>	<b>53.3</b>	<b>52.5</b>	<b>48.3</b>	<b>47.7</b>	
Inventories	49.9	53.1	51.5	56.0	54.8	60.2	58.0	
<i>% on Revenue</i>	<i>32.1%</i>	<i>32.1%</i>	<i>32.1%</i>	<i>31.5%</i>	<i>32.1%</i>	<i>31.5%</i>	<i>31.8%</i>	
Trade receivables	29.5	31.4	38.7	33.6	40.2	35.1	42.5	
<i>% on Revenue</i>	<i>19.0%</i>	<i>19.0%</i>	<i>24.1%</i>	<i>19.0%</i>	<i>23.6%</i>	<i>18.4%</i>	<i>23.3%</i>	
Trade payables	(32.2)	(36.1)	(37.9)	(38.5)	(40.7)	(42.6)	(43.9)	
<i>% on COGS w/o labour cost</i>	<i>29.6%</i>	<i>31.5%</i>	<i>34.9%</i>	<i>31.5%</i>	<i>35.5%</i>	<i>32.6%</i>	<i>35.7%</i>	
<b>Net Operating Working Capital</b>	<b>47.1</b>	<b>48.4</b>	<b>52.4</b>	<b>51.2</b>	<b>54.3</b>	<b>52.7</b>	<b>56.7</b>	
<i>% on Revenue</i>	<i>30.3%</i>	<i>29.2%</i>	<i>32.6%</i>	<i>28.8%</i>	<i>31.8%</i>	<i>27.6%</i>	<i>31.1%</i>	
Other current Assets	27.1	27.7	9.4	28.4	10.0	29.1	10.7	
Other current liabilities	(21.1)	(21.6)	(24.8)	(22.2)	(24.8)	(22.9)	(24.8)	
<b>Net Working Capital</b>	<b>53.1</b>	<b>54.5</b>	<b>37.0</b>	<b>57.4</b>	<b>39.4</b>	<b>58.9</b>	<b>42.5</b>	
<i>% on Revenue</i>	<i>34.2%</i>	<i>32.9%</i>	<i>23.0%</i>	<i>32.3%</i>	<i>23.1%</i>	<i>30.9%</i>	<i>23.3%</i>	
Non-current assets	15.4	14.8	17.2	15.1	17.3	15.3	17.5	
Non-current liabilities	(10.2)	(10.2)	(10.2)	(10.2)	(10.2)	(10.2)	(10.2)	
Of which Funds	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	
<b>Net Invested Capital</b>	<b>122.4</b>	<b>117.7</b>	<b>101.1</b>	<b>115.5</b>	<b>99.1</b>	<b>112.3</b>	<b>97.6</b>	
<b>CapEx</b>	<b>6.0</b>	<b>5.0</b>	<b>4.8</b>	<b>5.3</b>	<b>5.1</b>	<b>5.7</b>	<b>5.5</b>	
<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>	<i>3.0%</i>	
Intangible	4.7	4.0	3.9	4.3	4.1	4.6	4.4	
Tangible	1.3	1.0	1.0	1.1	1.0	1.1	1.1	
Share capital	10.0	10.0	10.0	10.0	10.0	10.0	10.0	
Reserves and retained earnings	69.0	58.9	56.1	56.3	54.5	56.8	54.5	
Group Net Income	(9.3)	(1.9)	(1.6)	1.1	(0.1)	3.5	1.4	
Third party equity	0.5	0.4	0.4	0.4	0.4	0.5	0.4	
<b>Shareholders' Equity</b>	<b>70.1</b>	<b>67.5</b>	<b>64.9</b>	<b>67.9</b>	<b>64.8</b>	<b>70.7</b>	<b>66.2</b>	
<b>Net Financial Position (Cash)</b>	<b>52.3</b>	<b>50.2</b>	<b>36.2</b>	<b>47.6</b>	<b>34.3</b>	<b>41.6</b>	<b>31.4</b>	

Source: Banca Profilo elaborations and estimates on Company data

2024-26E cumulated  
FCFs of €16.9mln

Despite an expected margin increase, projected Free Cash Flows (FCFs) for 2024-26E are forecast to total €16.9mln, slightly below the previous estimate of €18.9mln, primarily due to lower NOPAT and higher NOWC growth.

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

		Free Cash Flow (€/mln)						
	FY23	FY24E OLD	FY24E	FY25E OLD	FY25E	FY26E OLD	FY26E	
EBIT	(2.9)	3.7	4.7	7.2	5.9	9.7	7.1	
<i>Tax rate</i>	<i>27.9%</i>	<i>26.9%</i>	<i>27.9%</i>	<i>26.9%</i>	<i>27.9%</i>	<i>26.9%</i>	<i>27.9%</i>	
<b>NOPAT</b>	<b>(2.1)</b>	<b>2.7</b>	<b>3.4</b>	<b>5.2</b>	<b>4.2</b>	<b>7.1</b>	<b>5.1</b>	
D&A	12.7	9.1	9.1	8.6	9.7	7.8	10.3	
Changes in Funds	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0	
Changes in NOWC	13.3	(1.3)	(5.3)	(2.8)	(1.9)	(1.5)	(2.4)	
CapEx	(6.0)	(5.0)	(4.8)	(5.3)	(5.1)	(5.7)	(5.5)	
<b>Free Cash Flow</b>	<b>17.8</b>	<b>5.5</b>	<b>2.4</b>	<b>5.7</b>	<b>7.0</b>	<b>7.7</b>	<b>7.6</b>	

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**

<b>Impact</b>	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					
<b>Potential impact on the business VS likelihood of occurrence</b>		Low	Medium-Low	Medium	High	Very high
		<b>Likelihood</b>				

*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.

In both cases we use the estimated Net Debt at the end of 2024.

### DCF valuation

€22.6mln of cumulated FCFs in 2025-27E and Terminal value at €7.8mln

To run the DCF model, we used our projections of FCFs for the 2025-27E explicit period (vs previous 2024-26E): €22.6mln of cumulated FCFs (up from previous €18.9mln). We now consider the 2026-27E average FCF of €7.8mln as the Terminal value cash flow, above our previous estimate of €7.7mln *[Please refer to our Company Update on 6<sup>th</sup> May 2024]*.

7.9% WACC (vs previous 7.6%)

We use an 7.9% WACC (up from the previous 7.6%), derived from:

- a risk-free rate at 4.4% (unchanged), 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 1.10 (vs previous 0.80) coming from the average of chosen listed peers;
- a cost of debt of 5.8% (vs previous 8.0%);
- a target Debt-to-Equity (D/E) ratio of 67% (unchanged);
- a perpetual growth rate of 2% (unchanged).

Table 10: WACC Calculation

WACC Calculation	
Perpetual growth rate	2.0%
<b>WACC</b>	<b>7.9%</b>
Risk free rate (30Y)	4.4%
Equity risk premium	5.5%
Beta	1.10
<b>KE</b>	<b>10.4%</b>
Cost of debt	5.8%
Tax rate	27.9%
<b>KD</b>	<b>4.2%</b>

Table 11: DCF Valuation

	DCF Valuation (€/mln)			
	FY25E	FY26E	FY27E	Over
<b>Free Cash Flow</b>	<b>7.0</b>	<b>7.6</b>	<b>8.1</b>	<b>7.8</b>
Years	1	2	3	
Discount factor	0.93	0.86	0.80	
NPV Free Cash Flows	6.4	6.5	6.5	
Sum of NPVs				19.4
Terminal Value				132.4
NPV Terminal Value				105.3
<b>Enterprise Value</b>				<b>124.7</b>
Net Debt as of end 2024				36.2
<b>Equity Value</b>				<b>88.6</b>
Number of shares (mln)				200.0
<b>Per share value (€)</b>				<b>0.44</b>
Current price (€)				0.24

Source: Banca Profilo estimates and elaborations

DCF valuation: €0.44/share

The DCF method leads us to an Enterprise Value of €124.7mln (down from previous €126.1mln) and an Equity Value of €88.6mln (up from previous €73.8mln), or €0.44/share, up from previous valuation of €0.37/share *[Please refer to our Company Update on 6<sup>th</sup> May 2024]*. The outcome is driven by (i) substantial debt reduction; (ii) increased FCFs; and (iii) a higher Terminal value.

## Market multiples

A sample of 5 peers for business similarity

We present the updated multiples table and, compared to our previous research [*Please refer to our Company Update on 6<sup>th</sup> May 2024*], now shift our focus to the 2025 EV/EBITDA, with the sample average at 7.7x (slightly down from 7.8x for 2024). Beghelli is currently trading at discount compared to its peers, with a multiple of 5.4x.

**Table 12: Market multiples**

Comparables	EV / EBITDA
	19/09/2024
Zumtobel Group AG	3.0x
Signify NV	4.9x
Fagerhult Group AB	9.8x
Dialight plc	8.8x
Acuity Brands, Inc.	11.9x
<b>Mean</b>	<b>7.7x</b>
<b>Beghelli SpA</b>	<b>5.4x</b>

**Table 13: Relative valuation**

Valuation on EV/EBITDA market multiples (€/mln)	
	FY25E
<b>EV/EBITDA</b>	<b>7.7x</b>
EBITDA	15.6
<b>Enterprise Value</b>	<b>119.8</b>
Net Debt as of end 2024	36.2
<b>Equity Value</b>	<b>83.7</b>
Number of shares (mln)	200.0
<b>Price per share (€)</b>	<b>0.42</b>
Current price (€)	0.24

Source: Banca Profilo elaborations on FactSet and company data (as of September 19<sup>th</sup>, 2024)

Mean FY25E EV/EBITDA at 7.7x

To compute valuation through market multiples, we use the mean FY25E EV/EBITDA at 7.7x (as of September 19<sup>th</sup>, 2024), below previous at 7.8x for FY24E.

Market multiples valuation: €0.42/share

The relative valuation method results in an Enterprise Value of €119.8mln (up from previous €99.6mln) and to an Equity Value of €83.7mln (vs previous €47.2mln), or €0.42/share, compared to the prior €0.24/share [*Please refer to our Company Update on 6<sup>th</sup> May 2024*]. This increase is driven primarily by significant debt reduction and a higher EBITDA forecast for the coming year, with the multiple remaining nearly unchanged.

BUY confirmed with 12-month TP rised to €0.43/share

Based on updated valuations, we have increased our 12-month target price to €0.43/share, an average of the DCF and multiple valuation, up from €0.39/share [*Please refer to our Flashnote on 26<sup>th</sup> June 2024*]. Given the potential upside on Beghelli closing price (as of September 19<sup>th</sup>, 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.

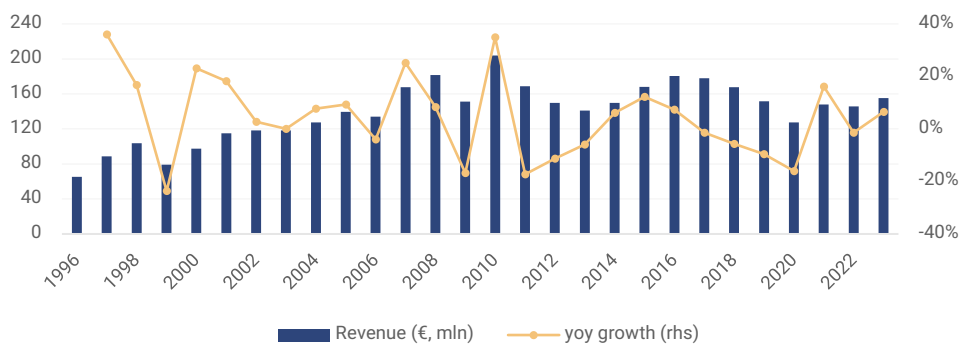
**Beghelli was listed on the MTA in 1998 to boost its internal and external growth**

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 16: 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, categorized into industrial and domestic based on its application, includes luminaires that ensure room and escape route illumination during power outages, while also providing essential safety signage. According to CSIL research, as of June 2023, Beghelli have remained the market leader in emergency lighting both in Italy and Europe, holding a 15.2% market share across Europe. 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 17: Examples of Beghelli products from lighting segment**



Source: Banca Profilo elaboration on Company pictures

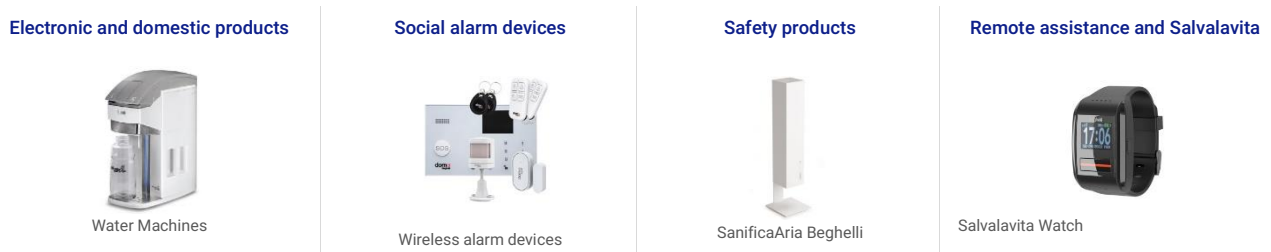
**E.S.Co.: Energy Service Company**

E.S.Co. proposal provides to replacing the existing lighting system with more efficient one, after technical verification. The project is 100% funded in E.S.Co. 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 is recognized as equal instalments of financial income in the income statement, with the total recorded as financial credit at the period's end.

**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 18: 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; (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 19: Examples of products about Beghelli hybrid solar**

Hybrid inverter and storage battery



Example of photovoltaic product installation

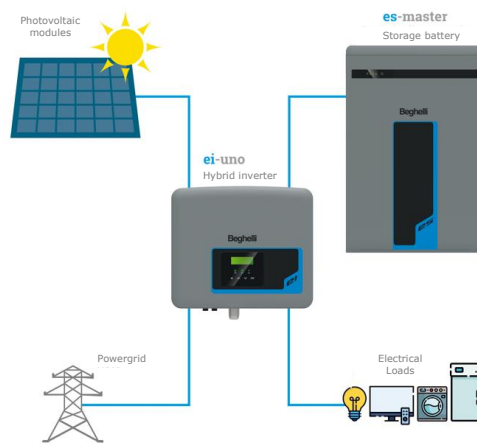


Source: Banca Profilo elaboration on Company pictures

**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 20: 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 21: Beghelli's geographical presence



Source: Banca Profilo elaboration on Company data

Figure 22: Revenue breakdown by geographic area in FY23

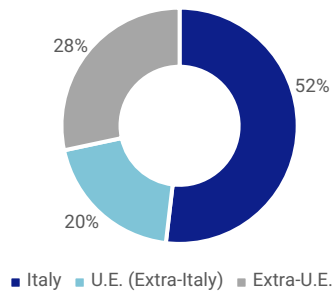
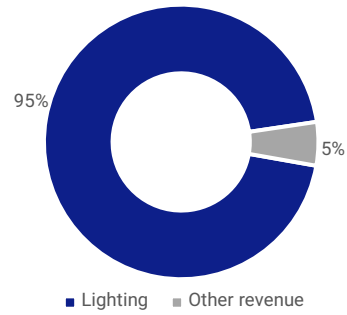


Figure 23: Revenue breakdown by segment in FY23



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 twelve subsidiaries

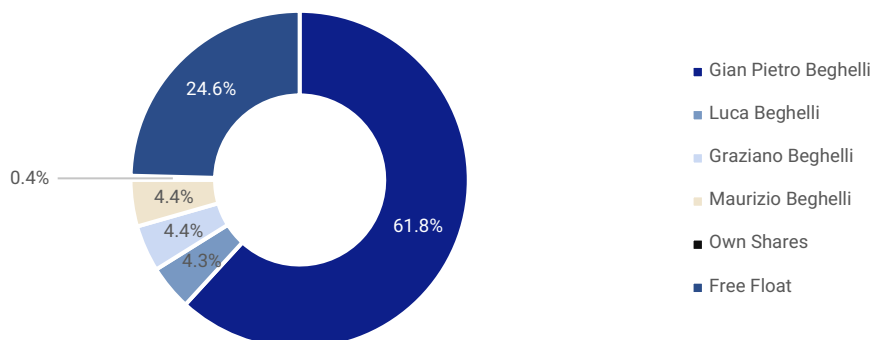
The corporate structure is outlined below:

- Beghelli SpA, based in Valsamoggia (BO), is the parent company responsible for managing the Group's industrial, commercial, and financial strategies. In July 2024, it acquired the remaining minority shares of its subsidiary, Becar Srl, and subsequently merged it. Becar Srl, also headquartered in Valsamoggia, functioned as the Group's research and development division, specializing in digital electronics design;
- Elettronica Cimone S.r.l., located in Pievepelago (MO), produces all the electronic components for the Group's luminaires;
- Beghelli Servizi S.r.l., operating in Valsamoggia (BO), serves private enterprises, public institutions and individuals with a combined offering of industrial and domestic security products, services and energy-saving solutions, supported by its "E.S.Co." qualification. Beghelli Servizi also manages the Centro Salvalavita Beghelli, the Group's operations and call center, which handles alarms, emergencies, safety services, customer assistance and remote diagnostics for installed equipment;
- Beghelli-Elplast a.s., located in Brno, Czech Republic, designs and manufactures lighting fixtures, utilizing the production capabilities of its subsidiary, Beghelli Praezisa, to complement the Beghelli Group's range with plastic components;
- Beghelli Praezisa Deutschland GmbH, based in Dinslaken, Germany, specializes in marketing emergency lighting equipment, with a particular focus on centralized power supply systems;
- Beghelli Inc., headquartered in Miramar, Florida, assembles and markets both emergency and standard lighting fixtures and serves as the representative for Beghelli products in the United States;
- Beghelli China Co. Ltd. manufactures and sells lighting equipment for Group companies as well as for the Chinese market and international markets, including Europe and the United States;
- Beghelli de Mexico S.A. de C.V. handles the assembly and marketing of Beghelli products in Mexico, as well as for the subsidiary Beghelli Inc.;
- Beghelli Asia Pacific Ltd. (Hong Kong) manages the procurement of materials, components and finished products from the Far East, and oversees the marketing of Beghelli brand products in the region;
- Beghelli Polska Sp. z o.o. (Poland) handles the marketing of products from Beghelli Elplast and other Beghelli Group companies within Poland;
- Beghelli Hungary handles the marketing of Beghelli products throughout Hungary.

## 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 24: 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 June 30<sup>th</sup>, 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 2023 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 25: 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 FY21-23**

Type of Consumption (GJ)	2023			2022			2021		
	Italy	Foreign	Total	Italy	Foreign	Total	Italy	Foreign	Total
Natural gas	6,605	9,739	16,344	7,254	11,221	18,475	10,663	23,300	33,963
Gasoline	380	4,104	4,484	209	2,243	2,452	72	2,901	2,973
Diesel	3,405	3,147	6,552	2,876	7,252	10,128	2,506	5,060	7,566
GPL	55	-	55	131	-	131	149	-	149
Purchased electricity	15,264	9,252	24,516	16,183	10,105	26,288	18,887	13,781	32,668
Purchased electricity from renewable sources	2,633	-	2,633	2,312	-	2,312	1,611	-	1,611
Self-produced electricity from renewable sources	36	-	36	38	-	38	1,122	-	1,122
Self-produced and sold electricity	36	-	36	38	-	38	374	-	374
<b>Total</b>	<b>25,709</b>	<b>26,242</b>	<b>51,951</b>	<b>26,653</b>	<b>30,821</b>	<b>57,474</b>	<b>32,277</b>	<b>45,042</b>	<b>77,319</b>
<i>of which Renewable</i>	<i>2,633</i>	<i>-</i>	<i>2,633</i>	<i>2,312</i>	<i>-</i>	<i>2,312</i>	<i>1,611</i>	<i>-</i>	<i>1,611</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 2022 and 2023. 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 FY21-23**

Energy source	CO2 Emission (ton CO2 eq.)		
	2023	2022	2021
Natural gas	831	937	1,729
Gasoline	301	165	199
Diesel	459	725	540
GPL	3	8	9
<b>Scope 1 total</b>	<b>1,594</b>	<b>1,835</b>	<b>2,477</b>

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 FY21-23**

Type of waste (t)	2023			2022			2021		
	Italy	Foreign	Total	Italy	Foreign	Total	Italy	Foreign	Total
Dangerous waste	23.0	47.0	70.0	57.0	33.2	90.2	32.0	21.1	53.1
Non-dangerous waste	818.0	229.2	1,047.2	319.2	244.7	563.9	316.4	648.5	964.9
<b>Total</b>	<b>841.0</b>	<b>276.2</b>	<b>1,117.2</b>	<b>376.2</b>	<b>277.9</b>	<b>654.1</b>	<b>348.4</b>	<b>669.6</b>	<b>1,018.0</b>

Source: Banca Profilo elaborations on Company data

### Social issues

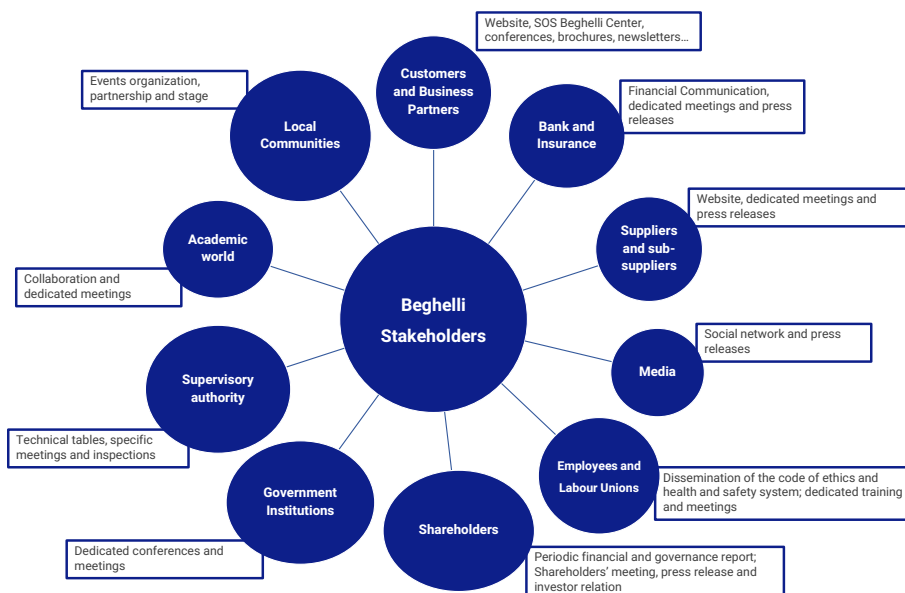
#### Stakeholder involvement and dialogue

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 26: 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 FY21-23

# of workplace accidents	2023			2022			2021		
	Italy	Foreign	Total	Italy	Foreign	Total	Italy	Foreign	Total
# of deaths due to occupational accidents	-	-	-	-	-	-	-	-	-
# of recordable occupational accidents	1	3	4	1	12	13	5	3	8
of which occupational accidents with serious consequences	-	-	-	-	-	-	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 FY23

Category	Italy			Foreign			Total
	Men	Women	Total	Men	Women	Total	
Senior Executives	80	6	86	214	299	513	599
Executives	97	6	103	528	183	711	814
Clerks	391	343	734	884	428	1,312	2,046
Workers	161	256	417	426	1,322	1,748	2,165
<b>Total</b>	<b>729</b>	<b>611</b>	<b>1,340</b>	<b>2,052</b>	<b>2,232</b>	<b>4,284</b>	<b>5,624</b>

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 FY23

Governing body and diversity	Men	Women	Total	<30 years old	30-50 years old	>50 years old
Borad of Directors	7	5	12	-	5	7
%	58.3%	41.7%	100.0%	0.0%	41.7%	58.3%
Internal Auditors	3	2	5	-	-	5
%	60.0%	40.0%	100.0%	0.0%	0.0%	100.0%
Supervisory Board	3	-	3	-	-	3
%	100.0%	0.0%	100.0%	0.0%	0.0%	100.0%
<b>Total</b>	<b>13</b>	<b>7</b>	<b>20</b>	<b>-</b>	<b>5</b>	<b>15</b>

Source: Banca Profilo elaborations on Company data

**Staff composition and management** The Group employed 928<sup>4</sup> people as of December 31<sup>st</sup>, 2023.

Table 21: Employees number of Beghelli by type of employment, contract and gender in FY23

Type of contract	Italy			Foreign			Total
	Men	Women	Total	Men	Women	Total	
Temporary contract	1	-	1	102	199	301	302
Permanent contract	176	193	369	153	104	257	626
<b>Total</b>	<b>177</b>	<b>193</b>	<b>370</b>	<b>255</b>	<b>303</b>	<b>558</b>	<b>928</b>
Full-time	172	123	295	252	290	542	837
Part-time	5	70	75	3	13	16	91
<b>Total</b>	<b>177</b>	<b>193</b>	<b>370</b>	<b>255</b>	<b>303</b>	<b>558</b>	<b>928</b>

Source: Banca Profilo elaborations on Company data

<sup>4</sup> Note that the total number of employees listed here differs from the 941 reported in the 2023 Annual Report, as the latter includes employees from Beghelli Lighting and Beghelli Innovation China, which are excluded from the DNF scope.



## Beghelli SpA ID Card

set, 20 2024 - 16:10

Recommendation

Target Price

Upside

**BUY****0.43 €****80%**

### 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"
- Photovoltaic industry with Beghelli Solare

#### Threats

- Intensifying competition from Asia
- Russia's war on 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

## Beghelli SpA ID Card

set, 20 2024 - 16:10

Recommendation

**BUY**

Target Price

**0.43 €**

Upside

**80%**

### Main financial data

(€/mln)	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
<b>Adj. Revenue</b>	<b>145.9</b>	<b>155.5</b>	<b>160.6</b>	<b>170.7</b>	<b>182.4</b>
<i>yoy</i>	<i>-1.4%</i>	<i>6.5%</i>	<i>3.3%</i>	<i>6.3%</i>	<i>6.9%</i>
<b>Gross Profit</b>	<b>77.3</b>	<b>82.3</b>	<b>92.8</b>	<b>97.8</b>	<b>103.2</b>
<i>Gross margin</i>	<i>53.0%</i>	<i>53.0%</i>	<i>57.8%</i>	<i>57.3%</i>	<i>56.5%</i>
<b>EBITDA</b>	<b>3.0</b>	<b>9.8</b>	<b>13.8</b>	<b>15.6</b>	<b>17.4</b>
<i>EBITDA margin</i>	<i>2.1%</i>	<i>6.3%</i>	<i>8.6%</i>	<i>9.1%</i>	<i>9.5%</i>
<b>EBIT</b>	<b>(6.0)</b>	<b>(2.9)</b>	<b>4.7</b>	<b>5.9</b>	<b>7.1</b>
<i>EBIT margin</i>	<i>n.m.</i>	<i>n.m.</i>	<i>2.9%</i>	<i>3.4%</i>	<i>3.9%</i>
<b>EBT</b>	<b>(10.3)</b>	<b>(10.0)</b>	<b>(2.2)</b>	<b>(0.1)</b>	<b>1.9</b>
<i>Pretax margin</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>1.0%</i>
<b>Net Income</b>	<b>(10.2)</b>	<b>(9.3)</b>	<b>(1.6)</b>	<b>(0.1)</b>	<b>1.4</b>
<i>Net Profit margin</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>0.7%</i>
<b>Net Financial Position (Cash)</b>	<b>61.9</b>	<b>52.3</b>	<b>36.2</b>	<b>34.3</b>	<b>31.4</b>
Shareholders' Equity	80.6	70.1	64.9	64.8	66.2
Net Operating Working Capital	60.4	47.1	52.4	54.3	56.7
CapEx	5.4	6.0	4.8	5.1	5.5
<b>Free Cash Flow</b>	<b>(16.9)</b>	<b>17.8</b>	<b>2.4</b>	<b>7.0</b>	<b>7.6</b>

### Activity ratios

	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Days of inventory On Hand (DOH)	165	117	117	117	116
Days of Sales Outstanding (DSO)	74	69	88	86	85
Number of days of payables	122	108	127	129	130
Fixed Assets Turnover ratio (FAT)	2.2	2.4	2.8	3.2	3.8

### Liquidity ratios

	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Current ratio	1.2	1.1	1.6	1.6	1.6
Cash conversion cycle	117	78	78	74	71

### Solvency ratios

	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Net Debt (Cash)-to-Equity	0.8x	0.7x	0.6x	0.5x	0.5x
Net Debt (Cash)-to-EBITDA	20.4x	5.4x	2.6x	2.2x	1.8x
Interest Coverage ratio	-0.7x	-2.4x	1.5x	1.0x	0.7x

### Profitability ratios

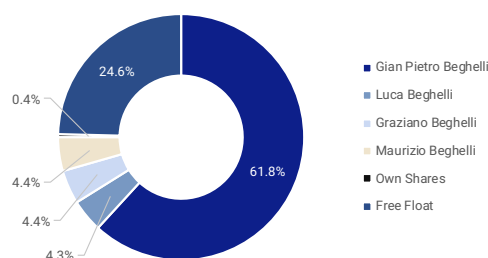
	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Return On Invested Capital (ROIC)	-3.0%	-1.7%	3.3%	4.3%	5.2%
Return On Capital Employed (ROCE)	-5.6%	-3.1%	4.2%	5.4%	6.6%

Source: Bloomberg, Facset, Banca Profilo estimates and elaborations

### Company Description

Company Sector	Industrial Manufacturing - Lighting Equipment and Component Manufacturing
Price (as of September 20, 2024)	€ 0.24
Number of shares (mln)	200.0
Market Cap (€/mln)	47.6
Reference Index	FTSE Italia Small Cap
Main Shareholders	Gian Pietro Beghelli
Daily Average Volumes	123,599
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)	15.7%	-6.8%	-3.1%	4.0%
EBITDA margin	12.5%	12.5%	12.8%	13.0%

### Multiples of peers

Mean	FY24 (E)	FY25 (E)
EV/EBITDA	8.6x	7.7x

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