ALANTRA
Italian Equity Research

25-Feb-25 7:43 AM

POWERSOFT

Sector: Technology

Accretive, synergic and solutions-enhancing move

BUY
Unchanged

TP 21.0
From 18.0

Target price upside 35%

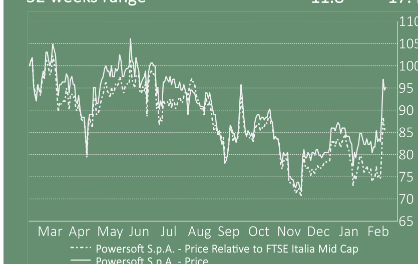
Change in EPS est.	FY24E	FY25E
	0.0%	17.5%

With the K-array acquisition, PWS reinforces its commitment to its long-term strategy, strengthening its position in the pro-audio space and evolving from a product company to a solutions provider. The K-Array integration is transformative in both scale and strategic fit, supported by an attractive transaction multiple (c. 7x EV/EBITDA 24E IFRS-adj.) and a deal structure that preserves PWS's solid balance sheet. We have factored K-Array into our forecasts, projecting >20% EPS accretion in FY25 proforma and FY26E, incorporating initial synergies. Our new estimates prompt us to increase our TP to 21.0/sh (from 18.0), confirming our BUY rating.

- **51% acquisition of K-Array: a major big strategic leap.** Last Thursday, PWS has announced the acquisition of a 51% stake in K-Array, a leading manufacturer of innovative and compact pro-audio solutions for an EV of Eu50mn (implying **7.6x FY24E EV/EBITDA, or we estimate an attractive 7.0x IFRS-adjusted**). The acquisition is strategically aimed at leveraging **combined expertise in innovation and technological know-how** with a strong R&D-driven approach. This move allows PWS to **complete its offering with high-end transducers and audio systems**, with no product overlap, accelerating PWS' evolution from a product-based company to a full-fledged solutions provider. Additionally, **the combined presence in the installation market unlocks new segment opportunities**. K-Array should generate Eu22.1mn in FY24 preliminary revenues (60% in EU, 32% in Americas), with Eu6.6mn EBITDA (29.8% margin) and Eu4.2mn net debt, mainly from trademark and patents acquisitions from its holding company.
- **A compelling deal structure with the option to reach 100% at the same EV.** The transaction includes the issuance of 300k new PWS shares to K-Array shareholders, who have committed to reinvest them with an 18-month lock-up. The share price will be the higher of (i) the 30-day VWAP prior to closing or (ii) a minimum of Eu14.5/sh. The remaining consideration, net of the reinvestment, will be settled in cash, primarily via new bank financing, structured as 60% at closing and 40% in four equal annual installments, starting one year post-closing (expected by March 2025). The deal also includes potential earn-outs of Eu4mn (2027) and Eu8mn (2030), contingent on achieving predefined targets for both companies. Additionally, PWS holds a call option to acquire the remaining 49% stake post-FY30 results, with the equity value based on a Eu50mn EV net of NFP at closing.
- **Main hits from the ccall.** Management highlighted that synergies should materialize in both the short and medium term. Key benefits include: 1) Full transition to PWS as the exclusive amplifier supplier; 2) Joint efforts on new projects, akin to the Ferrari deal, now covering a complete sound spectrum; 3) PWS's entry into new verticals like Transportation; 4) Enhanced geographic reach, leveraging complementary distribution networks; and 5) Utilization of PWS's channels to accelerate K-Array's technology adoption. Management remains confident in preserving K-Array's strong margins, supported by higher gross profitability and double-digit sales growth. Production capacity is still operating on a single shift, allowing for potential scale-up if needed.
- **Double-digit EPS accretion.** Our estimates incorporate: 1) K-Array's consolidation from April 2025; 2) 300k new PWS shares issued to K-Array management (Eu4.4mn assuming Eu14.5/sh); and 3) Eu21.1mn cash consideration, of which 60% at closing. Overall, we confirm low to mid-teens growth for both companies, with preliminary synergies contributing low/mid-single-digit sales upside in FY25-26E. We expect PWS to reach Eu100mn in FY25E net sales (9M K-array contribution) with adj. EBITDA of Eu27.9mn/27.6% margin. We believe the deal is highly accretive, estimating an EPS increase of >20% on FY25E (proforma) and FY26E. We are confident on the combined entity's strong cash generation, which should allow PWS to maintain a solid dividend distribution (average 5.5% dividend yield in FY24E-26E).
- **BUY reiterated with TP to Eu21.0/share (from 18.0).** PWS is trading at 7.3x 2025 EV/EBITDA, 14% below peers, despite we expect higher growth rates and profitability across the board. We confirm our BUY rating and increase our TP by 17% to Eu21.0/share (from Eu18), after upgrading our estimates. While the deal is expected to be a significant growth driver, the execution will be a key factor to monitor.

Ticker (BBG, Reut)	PWS IM	PWS MI
Share price Ord. (Eu)		15.6
N. of Ord. shares (mn)		12.5
Total N. of shares (mn)		12.5
Market cap (Eu mn)		195
Total Market Cap (EU mn)		195
Free Float Ord. (%)		24.4%
Free Float Ord. (Eu mn)		48
Daily AVG liquidity Ord. (Eu k)		68

	1M	3M	12M
Absolute Perf.	22.0%	29.2%	4.0%
Rel.to FTSEMidCap	17.9%	20.1%	-7.5%
52 weeks range		11.8	17.4



	FY23A	FY24E	FY25E
Sales	70	74	101
EBITDA adj.	19.7	20.0	27.9
Net profit adj.	12.1	11.7	16.2
EPS adj.	1.024	0.957	1.278
DPS - Ord.	0.817	0.850	0.772
EV/EBITDA adj.	3.3x	8.4x	7.2x
P/E adj.	6.7x	15.5x	12.4x
Dividend yield	11.9%	5.9%	5.0%
FCF yield	-2.3%	3.2%	6.3%
Net debt/(Net cash)	(17.8)	(15.2)	(1.0)
Net debt/EBITDA	nm	nm	nm

Andrea Zampaloni
andrea.zampaloni@alantra.com
+39 02 63 671 621

Head of Research
Luca Arena
luca.arena@alantra.com
+39 02 63 671 620

ALANTRA
Italian Equity Research

Summary Financials (IFRS)

P&L account (Eu mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	48.2	69.3	73.6	100.2	117.6
Value of Production	48.8	70.3	74.4	101.0	118.5
EBITDA reported	12.4	19.7	20.0	27.6	33.1
D&A	(2.0)	(2.5)	(3.2)	(3.7)	(4.2)
EBIT reported	9.9	16.6	16.0	22.8	27.6
Net financial charges	(1.0)	(0.0)	0.1	(0.2)	(0.2)
Associates	0.0	0.0	0.0	0.0	0.0
Extraordinary items	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	8.9	16.6	16.1	22.6	27.4
Taxes	(2.5)	(4.6)	(4.4)	(6.2)	(7.5)
Minorities	0.0	0.0	0.0	(0.2)	(0.3)
Discontinued activities	0.0	0.0	0.0	0.0	0.0
Net profit reported	6.3	12.1	11.7	16.2	19.5
EBITDA adjusted	**12.4**	**19.7**	**20.0**	**27.9**	**33.1**
EBIT adjusted	**9.9**	**16.6**	**16.0**	**22.8**	**27.6**
Net profit adjusted	**6.3**	**12.1**	**11.7**	**16.2**	**19.5**

Margins (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Gross margin	na	na	na	na	na
EBITDA margin (adj)	25.3%	28.0%	26.9%	27.6%	27.9%
EBIT margin (adj)	20.3%	23.7%	21.5%	22.5%	23.3%
Pre-tax margin	18.2%	23.6%	21.6%	22.4%	23.1%
Net profit margin (adj)	13.0%	17.1%	15.7%	16.0%	16.5%

Growth rates (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Sales	27.7%	44.0%	5.8%	35.8%	17.3%
EBITDA	93.0%	59.5%	1.6%	37.8%	19.8%
EBITDA adjusted	93.0%	59.5%	1.6%	39.3%	18.6%
EBIT	149.0%	68.1%	-3.9%	42.4%	21.1%
EBIT adjusted	149.0%	68.1%	-3.9%	42.4%	21.1%
Pre-tax	120.9%	87.6%	-3.3%	40.5%	21.3%
Net profit	110.6%	90.0%	-3.3%	38.9%	20.6%
Net profit adjusted	110.6%	90.0%	-3.3%	38.9%	20.6%

Per share data	FY22A	FY23A	FY24E	FY25E	FY26E
Shares	11.728	11.838	12.530	12.835	13.207
Shares diluted	11.728	11.838	12.907	13.207	13.207
N. of shares AVG	11.401	11.783	12.184	12.683	13.021
N. of shares diluted AVG	11.401	11.783	12.820	13.120	13.120
EPS	**0.557**	**1.024**	**0.957**	**1.278**	**1.501**
EPS adjusted	**0.557**	**1.024**	**0.957**	**1.278**	**1.501**
DPS - Ord.	**0.820**	**0.817**	**0.850**	**0.772**	**0.859**
DPS - Sav.	0.000	0.000	0.000	0.000	0.000
BVPS	2.732	2.918	3.094	3.811	4.342

Enterprise value (Eu mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Share price Ord. (Eu)	4.4	6.9	14.5	15.6	15.6
Market cap Diluted	51.1	81.4	181.1	200.2	206.0
Net debt/(Net cash)	(24.3)	(17.8)	(15.2)	(1.0)	(5.1)
Adjustments	0.9	1.3	1.3	1.9	2.5
Enterprise value	27.7	64.9	167.2	201.1	203.4

Cash flow (Eu mn)	FY22A	FY23A	FY24E	FY25E	FY26E
EBITDA reported	12.4	19.7	20.0	27.6	33.1
Net financial charges	(1.0)	(0.0)	0.1	(0.2)	(0.2)
Cash taxes	(2.5)	(4.6)	(4.4)	(6.2)	(7.5)
Ch. in Working Capital	(1.3)	(13.4)	(6.2)	(3.8)	(3.9)
Other operating items	(2.9)	(0.8)	(0.8)	(0.8)	(1.4)
Operating cash flow	**4.6**	**0.8**	**8.7**	**16.6**	**20.1**
Capex	(2.2)	(2.7)	(2.9)	(4.1)	(4.7)
FCF	**2.4**	**(1.9)**	**5.8**	**12.6**	**15.4**
Disposals/Acquisitions	0.0	0.0	0.0	(12.7)	(2.1)
Changes in Equity	1.3	0.6	2.3	4.4	0.0
Others	2.3	0.0	0.0	(8.5)	2.1
Dividends	(1.8)	(9.7)	(10.7)	(9.9)	(11.3)
Ch. in NFP	**4.3**	**(10.9)**	**(2.6)**	**(14.2)**	**4.1**

Ratios (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Capex/VoP	**4.4%**	**3.9%**	**3.9%**	**4.0%**	**3.9%**
Capex/D&A	1.1x	1.1x	0.9x	1.1x	1.1x
FCF/EBITDA	19.6%	nm	28.8%	45.5%	46.7%
FCF/Net profit	38.1%	nm	49.4%	77.5%	79.0%
Dividend pay-out	**88.7%**	**88.3%**	**85.0%**	**70.0%**	**70.0%**

Balance sheet (Eu mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Working capital	4.6	13.1	19.3	23.1	27.0
Fixed assets	3.2	4.8	4.5	26.0	26.4
Provisions & others	(0.9)	(1.3)	(1.3)	(1.7)	(2.0)
Net capital employed	**6.9**	**16.6**	**22.5**	**47.3**	**51.4**
Net debt/(Net cash)	**(24.3)**	**(17.8)**	**(15.2)**	**(1.0)**	**(5.1)**
Equity	31.1	34.4	37.7	48.3	56.5
o/w Minority interests	0.0	0.0	0.0	0.2	0.5

Ratios (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Working capital/VoP	**9.4%**	**18.6%**	**26.0%**	**22.8%**	**22.8%**
Net debt/Equity	**nm**	**nm**	**nm**	**nm**	**nm**
Net debt/EBITDA	**nm**	**nm**	**nm**	**nm**	**nm**

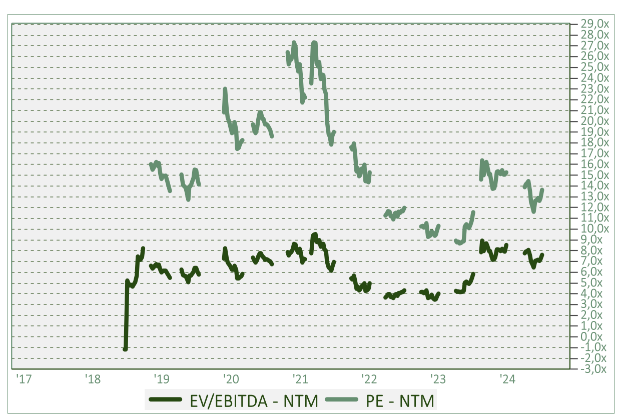
Valuation	FY22A	FY23A	FY24E	FY25E	FY26E
EV/CE	**3.5x**	**3.6x**	**7.0x**	**4.1x**	**3.8x**
P/BV	1.6x	2.4x	4.8x	4.1x	3.6x
EV/Sales	0.6x	0.9x	2.2x	2.0x	1.7x
EV/EBITDA	2.2x	3.3x	8.4x	7.3x	6.2x
EV/EBITDA adjusted	**2.2x**	**3.3x**	**8.4x**	**7.2x**	**6.2x**
EV/EBIT	2.8x	3.9x	10.5x	8.8x	7.4x
EV/EBIT adjusted	**2.8x**	**3.9x**	**10.5x**	**8.8x**	**7.4x**
P/E	8.0x	5.3x	14.2x	12.3x	10.3x
P/E adjusted	**8.0x**	**6.7x**	**15.5x**	**12.4x**	**10.5x**
ROCE pre-tax	118.6%	129.5%	76.7%	62.5%	53.8%
ROE	**20.4%**	**35.1%**	**30.9%**	**33.5%**	**34.6%**
EV/FCF	11.5x	-34.3x	29.0x	16.0x	13.2x
FCF yield	**4.7%**	**-2.3%**	**3.2%**	**6.3%**	**7.5%**
Dividend yield	**18.8%**	**11.9%**	**5.9%**	**5.0%**	**5.5%**

Share price performance

PWS share price is up by c. 14% YTD

Valuation

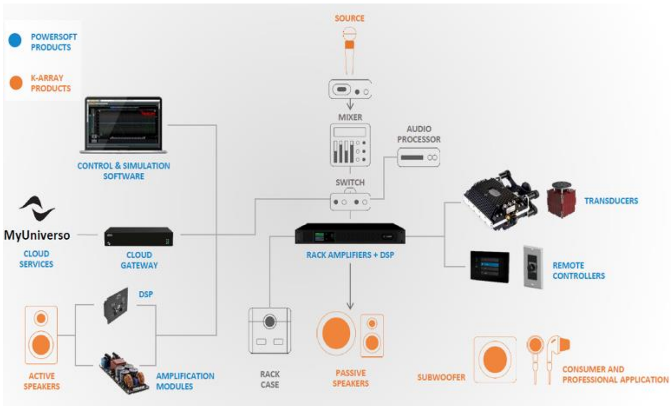
Multiples are well below the peak reached in 2021 despite recent re-rating



Key Charts

Powersoft – A comprehensive solution provider

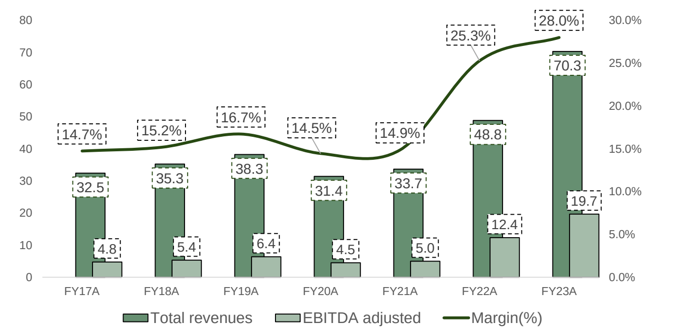
With the K-Array acquisition, PWS has enlarged its offer of pro-audio systems



Source: Powersoft

Powersoft – Historical financials (FY17-23A)

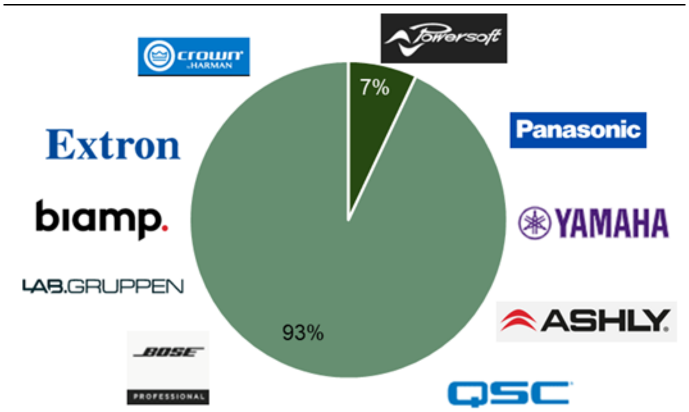
+13% top line CAGR in 2017-23 with EBITDA margin reaching 28% in 2023



Source: Powersoft financial reports

Powersoft's estimated market share in rack amplifiers

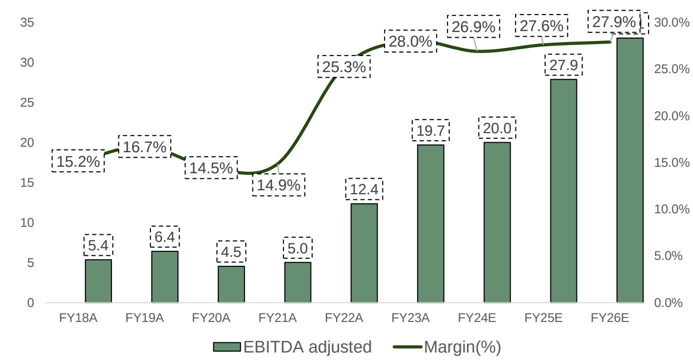
We estimate a market share of 7% in professional rack amplifiers (the core business of Powersoft)



Source: Alantra estimates

Powersoft – Adj. EBITDA and margin (FY18A-26E)

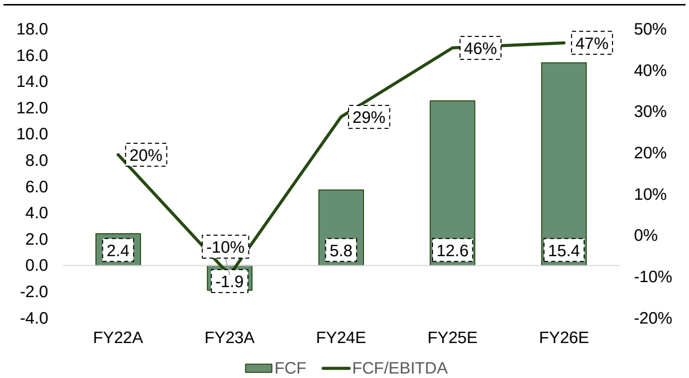
EBITDA margin should stabilize to c. 27-28% in FY24-26E, due to higher personnel to support mounting volumes in business



Source: Powersoft, Alantra estimates

Powersoft – High FCF generation

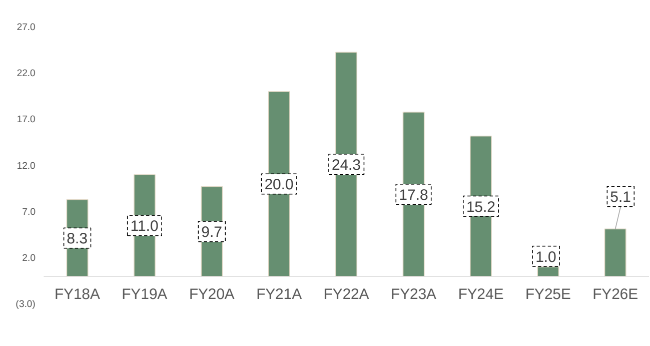
PWS is expected to maintain an attractive FCF generation



Source: Powersoft, Alantra estimates

Powersoft – Cash position

A solid balance sheet despite attractive dividends and the recent sizeable M&A



Source: Powersoft, Alantra estimates

Profile

Background Powersoft is a global leader in the design and manufacturing of high-end patented technologies and solutions for the professional audio sector. The group is specialized in the production of pro-audio power amplifiers, which represent a key part of an audio system (the electronic circuits that increase the power of the electric signal that drives loudspeakers). With the 51% acquisition of K-array, Powersoft key products include active/passive compact speakers and subwoofer, on top of their flagship rack amplifiers (systems) - for both touring and fixed installations - and amplification modules (components, to be assembled into OEM's active loudspeakers). Other products like safety multimedia devices, sound controllers and transducers complement the product offering.

Positioning We believe that the group is a leading global player with estimated market share of 7% in the core business of rack amplifiers. We struggle to find independent product specialists with a similar positioning. The German group IcePower and the Danish player Pascal are mainly producers of professional module amplifiers. Other competitive brands are part of larger multi-brand conglomerates, including the Swedish Lab.Gruppen (acquired in 2015 by the Philippian group Music Tribe) and Crown (part of the US group Harman, acquired by Samsung in 2016). Other competitors are large mono-brand integrated groups, including Bose Professional, Panasonic, Yamaha, Ashly and QSC.

Powersoft's technologies are protected by trademarks. In addition, the group significantly invests in innovation (R&D on sales at 7-8% on average over the last 5 years; 30% of the workforce in R&D). The group has established strong reputation, links and relationships with top clients (Pioneer, Bose, Panasonic, RCF and others) and distributors. Powersoft also supplies module amplifiers to the top loudspeaker brands (L'Acoustics and d&b Audiotechnik).

Growth Powersoft has grown much faster than its reference market over the 16-23 period (+14% vs +9%) powered by continuous R&D investments in product innovation and product offering expansion and by the strengthening of the global distribution network. Powersoft should continue to outperform the reference market in the coming years. Looking forward, PWS's revenues are expected to grow, also thanks to synergies from the K-array integration, at a 26% CAGR FY24-26 (c. 10% organic) with Americas and APAC being the best performers. Regain of production volumes and costs efficiencies should translate into EBITDA growing faster than revenues with EBITDA margin landing in the region of 28% by 2026 from 14.5% in 2020.

Strategy The group is bearing fruits from a new strategic chapter started in 2021: (i) shift from supplier to partner in sound technology, and (ii) from large installations requiring high power amplifiers to the large addressable market of small commercial installations around the globe.

Over the last few years, the company has been significantly investing to reinforce its distribution network in US and China, the two largest addressable markets expected to account for over 40% of the total Professional Amplifier market by 2025.

In February 2025, Powersoft announced its first acquisition, acquiring K-Array, a leading manufacturer of compact audio systems. This move expands its product offering and accelerates its transition from a product company to a solutions provider. As a frontrunner in innovation in the professional audio industry, R&D efforts of the company will be deployed in the development of new products and new solutions for this market. On top the company is now working on different projects to enlarge its product offering and penetrate new markets (e.g. partnership with Ferrari).

Strengths	Weaknesses
Pioneer in the development of cutting-edge professional amplifiers	Many competitors are part of larger and more diversified groups
R&D driven business model	Lower than average market share in US and China
A complete offer of pro-audio systems: frm amplifiers to transducers	

Opportunities	Threats
Expansion of the product portfolio and addressed market segments	Technological obsolescence
Market share gain in US and China	Potential disruptions in the supply chain of key components
Selective M&A to increase market share in amplifiers and/or expand in other products	Change in consumer habits with reduction of live events

Key shareholders	Management	Next events
Evolve S.r.l. 75.65%	Carlo Lastrucci - Chairman	FY24 resuts: 17/03/25
Lorenzo Lepri 3.11%	Luca Lastrucci - CEO	AGM: 16/04/25
Free Float 24.38%	Massimo Ghedini - CFO and IR	1H25 results: 25/09/25
	Claudio Lastrucci - R&D	
	Antonio Peruch - Production Engineering	
	Luca Giorgi - Sales and Business Development	
	Gianmaria Guarini – Operation	
	Akira Mochimaru - Global Marketing	

Focus on K-Array acquisition

A leading manufacturer of compact professional audio systems

Founded in 1990 near Florence (c. 30 minutes from PWS' headquarters), K-Array is a well-established player in the high-performance audio segment, offering a comprehensive portfolio of compact, cutting-edge sound solutions. A longstanding PWS client, the company specializes in speakers, subwoofers, monitors, amplifiers, microphones, and integrated lighting systems, catering to sectors such as theatres, retail, hospitality, etc.

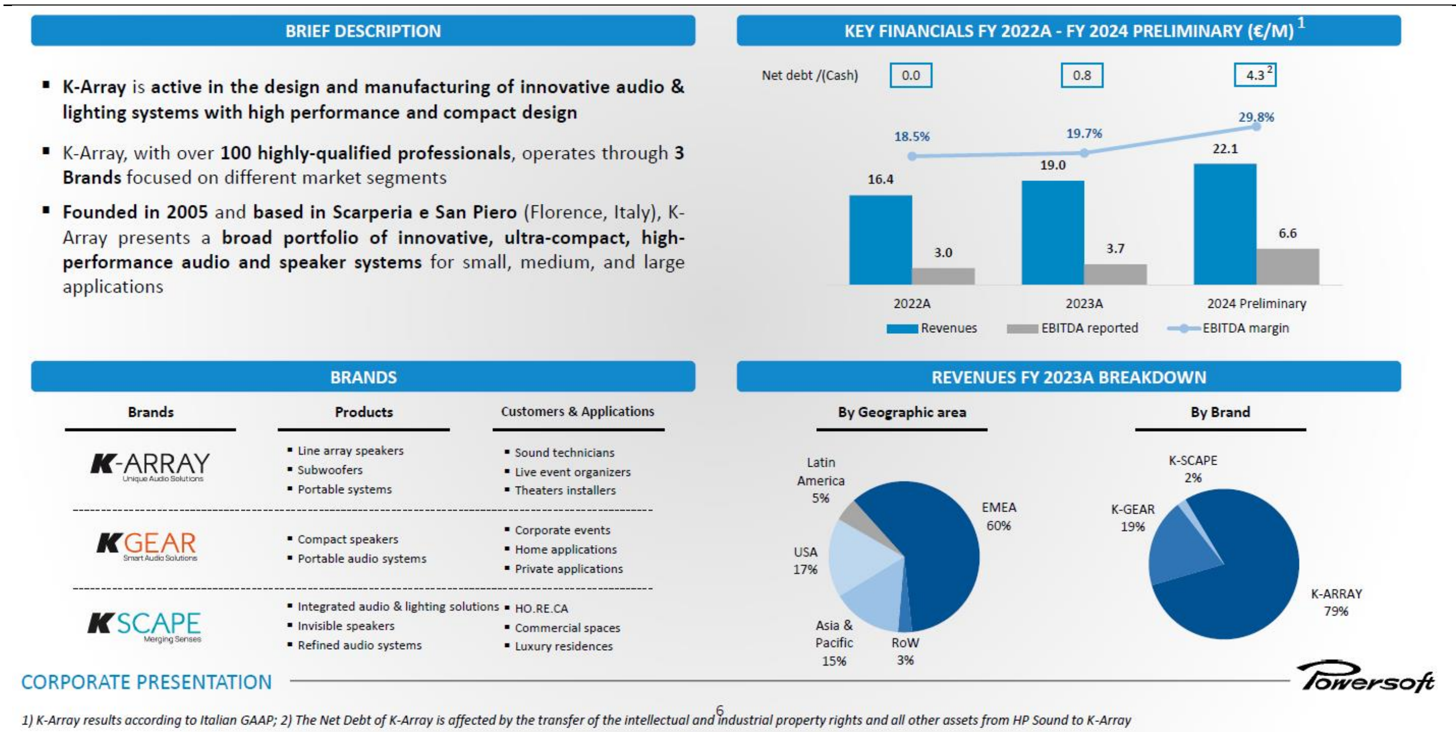
With an international exposure, the group is at the forefront of sound innovation with proprietary technologies such as ultra-compact line arrays, slim array technology, and electronic beam steering, all designed to deliver high-performance audio solutions.

K-Array is expected to generate Eu22.1mn in FY24 preliminary revenues, with Eu6.6mn EBITDA (29.8% margin) and a net debt position of Eu4.25mn, primarily related to the transfer of trademarks and patents from its holding company. The group operates in both the live and installation markets, with a stronger presence in the latter through three distinct brands:

1. K-Array (The main brand for professional audio);
2. K-Gear (Traditional and more affordable audio solutions);
3. K-Scape (a premium line integrating high-performance sound, lighting, and craftsmanship for immersive experiences)

K-Array at a glance

With Eu22.1mn sales in FY24E and c.30% EBITDA margin, K-array manufactures innovative audio & lighting systems for the professional audio around the globe.

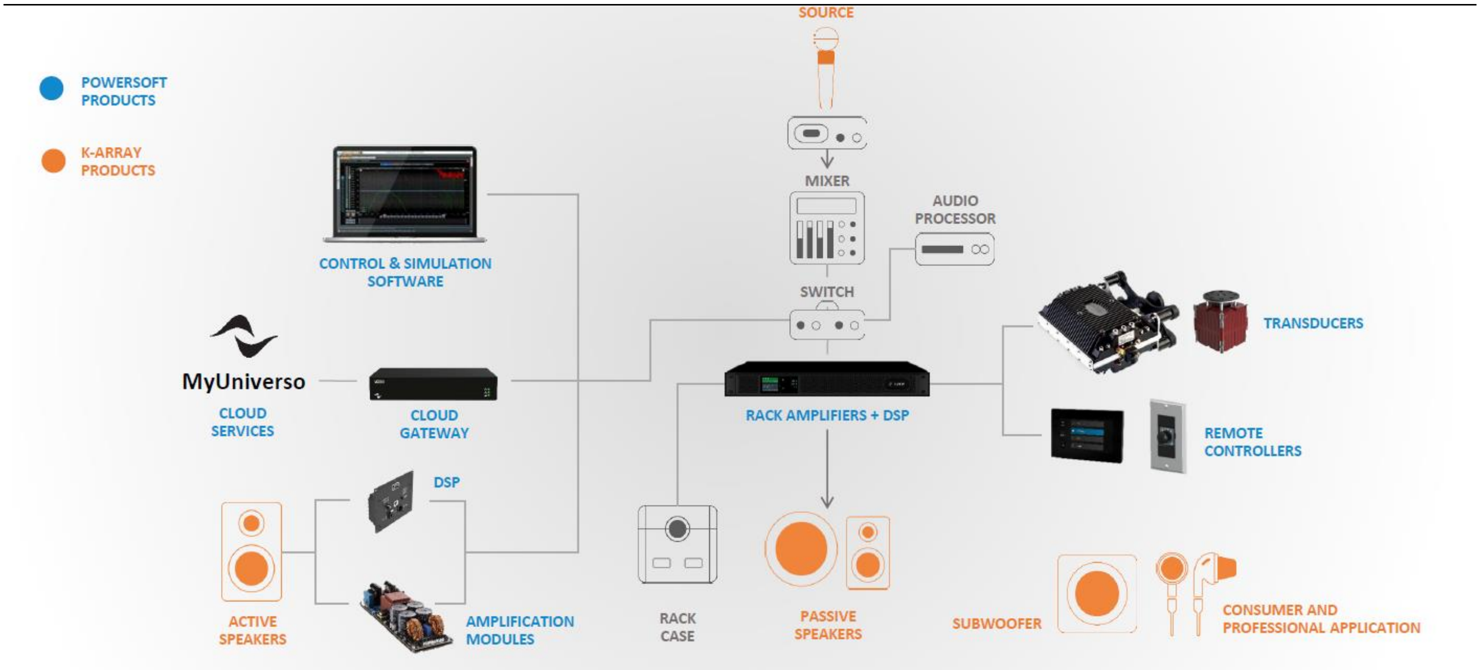


Source: Company presentation

Joining forces for an extended pro-audio solution offering. The acquisition is strategically aimed at leveraging combined expertise in innovation, technological know-how, and R&D-driven solutions, accelerating PWS' transformation from a product-based company to a full-fledged solutions provider in the professional audio industry. The acquired company adds to PWS's professional amplifiers, active and passive speakers, subwoofer, consumer and professional applications, software and other sound systems.

PWS' positioning as a comprehensive solution provider

Integrated solutions for professional audio systems



Source: Company presentation

Strong strategic rationale with multiple potential synergies

Powersoft's long-awaited first acquisition, which appears transformational both in scale, bringing the combined group to FY23PF revenues of Eu88mn, Eu24mn EBITDA, and 300 employees, and in strategic significance, embedding strong complementarities between the two businesses.

The acquisition of K-Array by Powersoft represents a significant strategic move, reinforcing the company's transformation from a product-focused business to a comprehensive solutions provider. We view this deal as highly rational, unlocking multiple synergies, particularly in driving top-line growth. The transaction is expected to enhance volumes and operating leverage while maintaining strong cash generation, aligning with PWS' long-term goals.

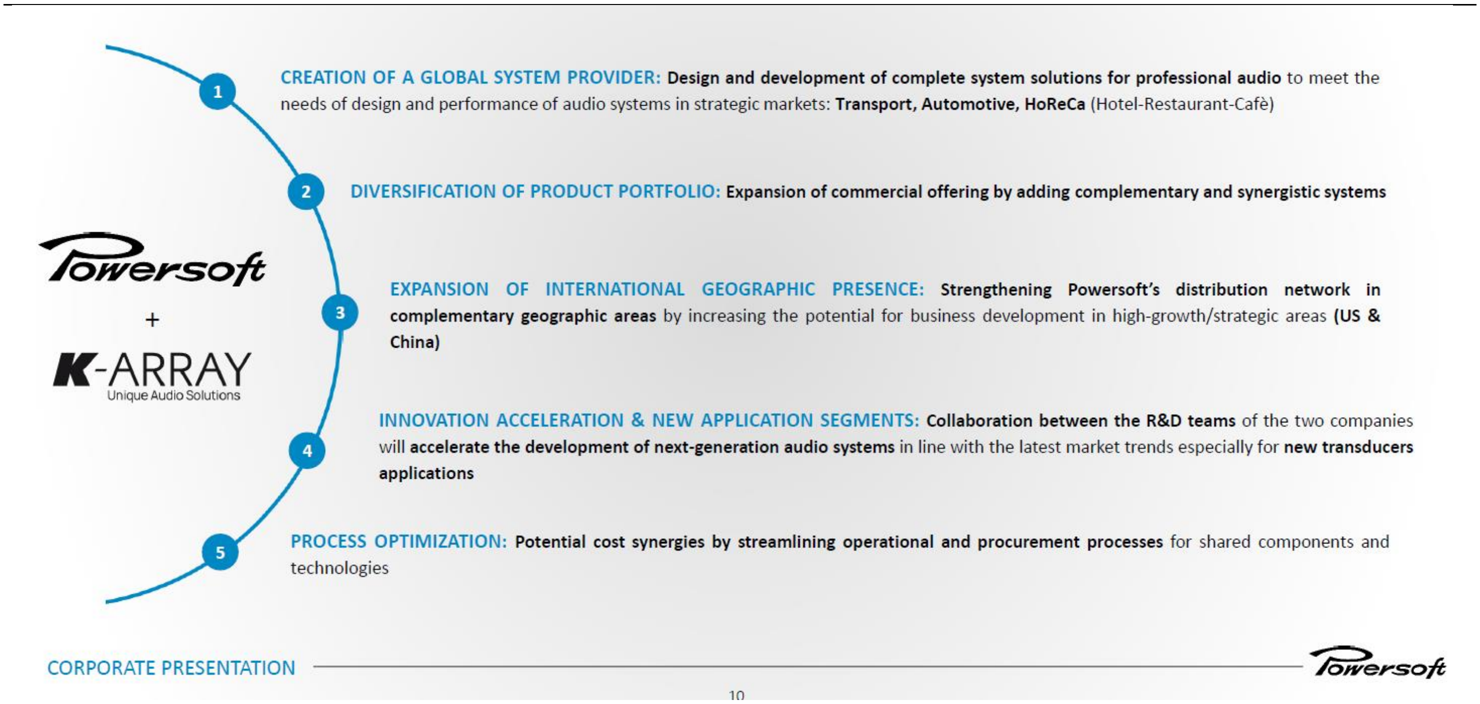
Preliminary key strategic highlights from the acquisition include:

1. Creation of a global system provider: Powersoft is positioned to design and deliver complete audio system solutions for strategic markets like transport, automotive, and HoReCa.
2. Alignment in R&D-driven positioning: The partnership strengthens innovation capabilities, accelerating the development of next-generation audio systems and new transducer technologies.

3. **Diversification of product portfolio**: Powersoft expands its offering by adding complementary and synergistic systems, particularly within the installation market, while consolidating existing verticals to improve business visibility.
4. **No product portfolio overlap**: This ensures a seamless integration of the companies' complementary offerings, driving further business synergies.
5. **Stronger global reach**: The acquisition strengthens Powersoft's distribution network in high-growth regions, particularly Asia and South America, leveraging complementary geographic presences.
6. **Process optimization**: Streamlined operations and procurement processes present potential cost synergies through shared components and technologies.

PWS' positioning as a comprehensive solution provider

We view this deal as highly rational, unlocking multiple synergies, particularly in driving top-line growth



Source: Company presentation

An attractive transaction multiple and deal structure

K-Array has been valued at an enterprise value of Eu50mn, including its 50% stake in K-Array USA (the US distributor), implying EV/EBITDA of 7.6x on 2024 preliminary figures (7.0x IFRS-adjusted). The transaction is expected to close by March 2025.

The acquisition of a 51% stake will be partially financed through the issuance of 300k new Powersoft (PWS) shares to K-Array shareholders, with a commitment to reinvest, subject to an 18-month lock-up period. The share price will be determined as the greater of (i) the 30-day volume-weighted average price (VWAP) prior to closing and (ii) a floor price of Eu14.5 per share.

The remaining consideration will be paid in cash, primarily through new bank financing, with 60% at closing and 40% in four equal annual instalments, starting one year post-closing.

Transaction details

K-Array has been valued at an EV of Eu50mn, implying EV/EBITDA of 7.6x on 2024 preliminary figures (7.0x IFRS-adjusted).

TRANSACTION PERIMETER

- Acquisition of **51% of K-Array share capital**
- In the context of the transaction, HP Sound transferred to K-Array: (i) the **intellectual and industrial property rights** and all other assets in its possession used by K-Array in its ordinary course of business, (ii) certain **employees** from the HR and accounting department and (iii) its **50% stake in K-Array USA LLC**, an US company engaged in the distribution of K-Array products in the United States (to be completed before closing)

PURCHASE PRICE

- The purchase price for 51% stake (the "Stake Price") is based on (i) **100% Enterprise Value of K-Array** equal to **€ 50 million** and (ii) K-Array net financial position (the "NFP"), estimated as of the closing date and subject to an adjustment procedure
- HP Sound has committed to reinvest a portion of the Stake Price by subscribing to **300,000 newly issued Powersoft shares** (the "**Reinvestment Amount**"). The 300,000 shares will be subject to a **lock-up period of 18 months**
- The **Stake Price** will be **paid as follows**:
  - **60%** of the Stake Price, **minus the Reinvestment Amount**, paid in **cash at closing.** The Reinvestment Amount will be due on the date the extraordinary shareholders' meeting approves the reserved capital increase
  - Remaining **40% of the Stake Price paid in cash in four equal annual installments** starting from the first anniversary of the closing date, with no interest accruing on these payments

Source: Company presentation

Additionally, the transaction includes potential earn-outs of Eu4mn and Eu8mn, contingent on the achievement of specific financial targets for both companies in 2027 and 2030, respectively.

PWS holds a call/put option to acquire the remaining 49% stake in K-Array, exercisable after the approval of FY30 results (except in the case of acceleration events). The equity value for this transaction will be based on the Eu50mn enterprise value, adjusted for the NFP at closing. Reduction of the premium on the strike price over time in the event of accelerated exercise of the put option due to unapproved changes in the K-Array business plan.

Put/call option for the remaining 49%

PWS holds a call/put option to acquire the remaining 49% stake in K-Array, exercisable after the approval of FY30 results

FINANCING

- The acquisition will be financed mainly through the use of bank financing, for which a favorable resolution has already been obtained from a primary credit institution, and, residually, through existing own resources

EARN-OUT

- Potential **earn-out of € 4 million** on the basis of the results of Powersoft and K-Array as of December 31, 2027, subject to the achievement of certain targets at both the Powersoft Group level[1] and the standalone K-Array level
- Potential **earn-out of € 8 million** on the basis of the results of Powersoft and K-Array as of December 31, 2030, subject to the achievement of certain targets at both the Powersoft Group level[1] and the standalone K-Array level

PUT/CALL

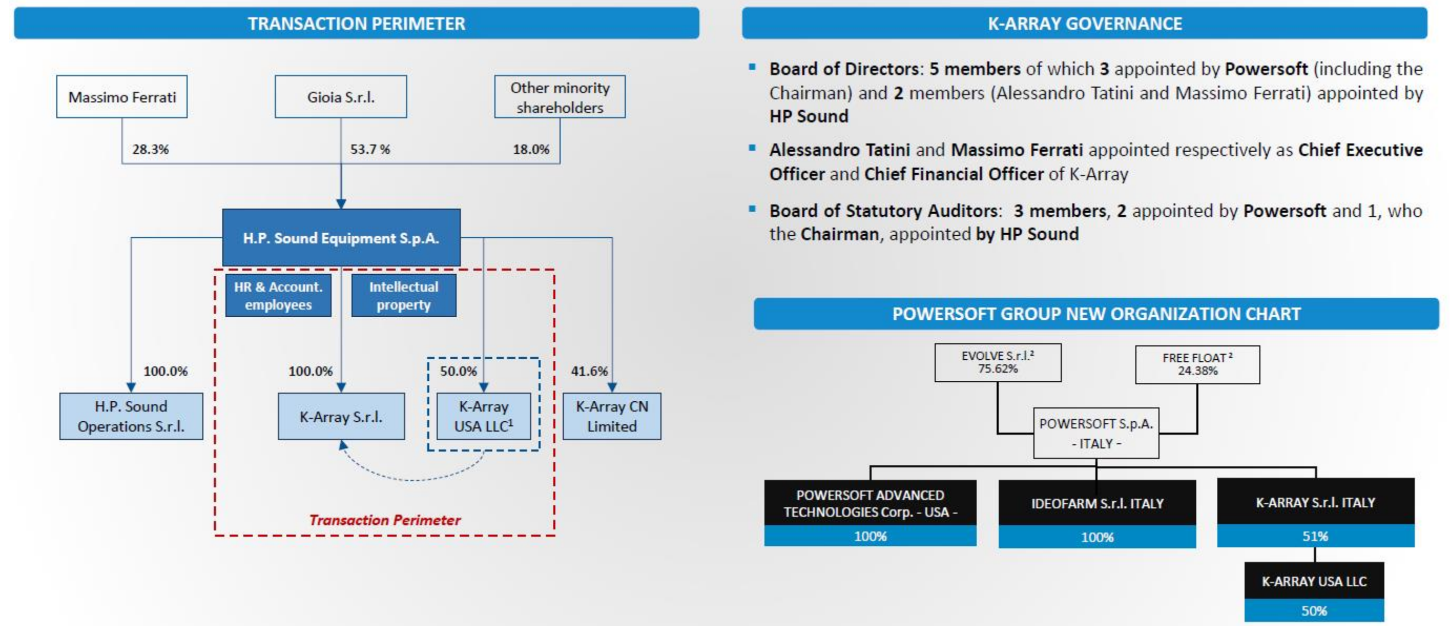
- **Call/Put option** granted to Powersoft/HP Sound on the **remaining 49%** of the share capital of K-Array, exercisable after the approval of K-Array's financial statements as of December 31, 2030 except for specific acceleration events set forth in the agreement
- The **strike price will be equal to 49% of K-Array's equity value**, **determined based on** (i) the **Enterprise Value of € 50 million** net of (ii) the **final NFP at closing**[2]
- Decreasing premium on strike price over time in case of acceleration of the put option due to unagreed changes to K-Array business plan

Source: Company presentation

In terms of governance, K-Array's Board of Directors will comprise five members, with three appointed by Powersoft, including the Chairman. The roles of CEO and CFO will remain with controlling shareholders Alessandro Tatini and Massimo Ferrati for the 2025-2027 period.

Transaction perimeter and corporate governance

-Array's Board of Directors will comprise five members, with three appointed by Powersoft, including the Chairman



Source: Company presentation

Change in estimates

Our estimates reflect: 1) K-Array's integration starting in April 2025; 2) the issuance of 300k new PWS shares to K-Array management (valued at Eu4.4mn assuming a share price of Eu14.5); and 3) a Eu21.1mn cash consideration, with 60% payable at closing. At this stage, we have not factored in the value of the call/put option. We confirmed the low to mid-teens growth for both companies, with preliminary synergies providing low-to-mid single-digit sales upside in FY25-26E. We view the deal as highly accretive, projecting an EPS increase of more than 20% for FY25E (proforma). We are confident in the combined entity's strong cash generation, which should confirm a solid dividend distribution (5.5% dvd yield average FY24-26E)

Change in estimates

Our estimates reflect: 1) K-Array's integration starting in April 2025; 2) the issuance of 300k new PWS shares to K-Array management and 3) a Eu21.1mn cash consideration

	NEW estimates			Change			OLD estimates		
(Eu mn)	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Total Revenues / Value of Production	74.4	101.0	118.5	-1.9%	18.0%	23.7%	75.9	85.6	95.8
EBITDA Reported	20.0	27.6	33.1	-0.1%	21.6%	29.3%	20.0	22.7	25.6
EBIT Reported	16.0	22.8	27.6	0.0%	21.7%	27.3%	16.0	18.7	21.6
Pretax Profit	16.1	22.6	27.4	0.0%	21.6%	27.2%	16.1	18.6	21.5
Net profit	11.7	16.2	19.5	0.0%	20.2%	25.1%	11.7	13.5	15.6
EPS	0.904	1.227	1.480	0.0%	17.5%	22.3%	0.903	1.044	1.210
Net financial position	15.2	1.0	5.1	(0.3)	17.7	16.1	14.9	18.8	21.2

Source: Company data and Alantra estimates

Peers

Trading multiples

At current market price, the stock trading at 14% discount on EV/EBITDA 2025E

Company	Country	Mkt Cap (Eu mn)	EV/Sales			EV/EBITDA			EV/EBIT			PE		
			FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
POWERSOFT	ITALY	194	2.2 x	2.0 x	1.7 x	8.4 x	7.3 x	6.2 x	10.5 x	8.8 x	7.4 x	14.2 x	12.3 x	10.3 x
Premium (discount) to Peers' Median			25%	26%	22%	-23%	-14%	-14%	-13%	-30%	-38%	3%	-31%	-35%
PEERS	Average		2.0 x	1.9 x	1.7 x	10.4 x	10.7 x	7.8 x	22.9 x	13.5 x	15.0 x	16.5 x	55.6 x	20.4 x
	Median		1.8 x	1.6 x	1.4 x	10.8 x	8.4 x	7.1 x	12.0 x	12.7 x	11.9 x	13.8 x	17.8 x	15.7 x
B&C Speakers S.p.A.	ITALY	176	1.9 x	1.7 x	1.6 x	8.6 x	7.8 x	7.2 x	9.6 x	8.8 x	8.1 x	12.1 x	11.6 x	10.7 x
Focusrite PLC	UNITED KINGDOM	132	1.3 x	0.8 x	0.8 x	7.9 x	5.3 x	5.2 x	12.0 x	8.6 x	8.2 x	10.6 x	11.4 x	10.8 x
Sound Peers	Average		1.6 x	1.3 x	1.2 x	8.2 x	6.6 x	6.2 x	10.8 x	8.7 x	8.1 x	11.3 x	11.5 x	10.75
	Median		1.6 x	1.3 x	1.2 x	8.2 x	6.6 x	6.2 x	10.8 x	8.7 x	8.1 x	11.3 x	11.5 x	10.8 x
Cirrus Logic, Inc.	UNITED STATES	5,544	3.0 x	3.0 x	2.8 x	10.8 x	9.1 x	7.0 x	11.9 x	12.2 x	11.4 x	15.5 x	15.9 x	14.4 x
SECO S.p.A.	ITALY	241	1.8 x	1.6 x	1.4 x	12.5 x	7.8 x	6.5 x	66.2 x	17.4 x	12.3 x	na	30.6 x	18.3 x
Acuity Brands, Inc.	UNITED STATES	9,157	2.0 x	2.2 x	2.0 x	11.2 x	11.9 x	10.7 x	12.1 x	13.2 x	11.9 x	19.9 x	17.8 x	15.7 x
Eurotech S.p.A.	ITALY	31	0.8 x	0.8 x	0.7 x	na	28.4 x	9.5 x	na	na	41.4 x	na	na	35.4 x
Electronics Peers	Average		1.9 x	1.9 x	1.7 x	11.5 x	14.3 x	8.4 x	30.1 x	14.3 x	19.3 x	17.7 x	21.4 x	21.0 x
	Median		1.9 x	1.9 x	1.7 x	11.2 x	10.5 x	8.3 x	12.1 x	13.2 x	12.1 x	17.7 x	17.8 x	17.0 x
Live Nation Entertainment, Inc.	UNITED STATES	32,952	1.6 x	1.4 x	1.2 x	16.9 x	14.8 x	13.2 x	43.9 x	23.2 x	19.9 x	nm	54.3 x	44.7 x
CTS Eventim AG & Co. KGaA	GERMANY	9,994	3.3 x	3.0 x	2.8 x	17.1 x	15.2 x	13.5 x	21.1 x	18.2 x	16.2 x	33.3 x	29.5 x	26.8 x
Madison Square Garden Sports Corp. Class A	UNITED STATES	3,784	4.9 x	5.1 x	4.7 x	nm	nm	nm	nm	nm	nm	nm	nm	nm
GL Events SA	FRANCE	583	0.7 x	0.6 x	0.6 x	4.2 x	3.9 x	3.3 x	6.6 x	6.2 x	5.4 x	7.9 x	7.8 x	7.0 x
Eventbrite, Inc. Class A	UNITED STATES	253	0.5 x	0.4 x	0.2 x	4.8 x	3.0 x	1.7 x	na	na	na	na	321.5 x	nm
Live Events Companies	Average		2.2 x	2.1 x	1.9 x	10.7 x	9.2 x	7.9 x	23.9 x	15.9 x	13.8 x	20.6 x	103.3 x	26.2 x
	Median		1.6 x	1.4 x	1.2 x	10.8 x	9.4 x	8.2 x	21.1 x	18.2 x	16.2 x	20.6 x	41.9 x	26.8 x

Source: Alantra estimates and Factset

Financials

PWS is expected to post higher profitability vs direct peers and boasting higher growth potential

Company	Country	Mkt Cap (Eu mn)	FY24E - FY26E average margins					CAGR FY23A - FY26E			
			EBITDA Margin	EBIT Margin	Net Income Margin	Capex / Sales	Dividend Payout	Sales	EBITDA	EBIT	Net Profit
POWERSOFT	ITALY	194	27.4%	22.4%	16.1%	4.0%	75.0%	19.0%	18.8%	18.3%	17.5%
B&C Speakers S.p.A.	ITALY	176	22.4%	20.0%	15.2%	2.0%	55.0%	6.1%	4.1%	4.8%	5.5%
Focusrite PLC	UNITED KINGDOM	132	15.7%	10.0%	6.0%	7.6%	39.8%	-2.6%	-12.7%	-19.0%	-22.9%
Sound Peers	Average		19.0%	15.0%	10.6%	4.8%	47.4%	1.8%	-4.3%	-7.1%	-8.7%
	Median		19.0%	15.0%	10.6%	4.8%	47.4%	1.8%	-4.3%	-7.1%	-8.7%
Cirrus Logic, Inc.	UNITED STATES	5,544	33.8%	24.9%	20.3%	1.8%	na	3.7%	17.4%	3.1%	2.3%
SECO S.p.A.	ITALY	241	18.7%	7.7%	1.1%	8.9%	0.0%	4.0%	0.3%	2.6%	3.5%
#N/A	#N/A	#N/A	na	na	na	na	na	na	na	nm	nm
Eurotech S.p.A.	ITALY	31	2.7%	-3.8%	-3.8%	4.3%	0.0%	8.5%	nm	nm	nm
Italian Electronics companies	Average		18.3%	11.4%	7.2%	4.2%	1.1%	5.8%	9.5%	5.3%	7.8%
	Median		18.4%	12.1%	6.2%	3.1%	0.0%	5.4%	10.9%	3.1%	3.5%
Live Nation Entertainment, Inc.	UNITED STATES	32,952	na	na	na	na	na	na	na	na	na
CTS Eventim AG & Co. KGaA	GERMANY	9,994	0.7%	-5.6%	-5.9%	4.3%	0.0%	na	na	na	na
Madison Square Garden Sports Corp. Class A	UNITED STATES	3,784	9.2%	5.2%	2.8%	2.4%	0.0%	8.6%	12.9%	18.6%	40.1%
GL Events SA	FRANCE	583	20.1%	16.6%	11.5%	4.2%	48.6%	10.3%	9.7%	11.2%	11.7%
Eventbrite, Inc. Class A	UNITED STATES	253	9.6%	8.5%	4.1%	0.1%	0.0%	6.0%	-5.7%	na	na
Live events companies	Average		9.9%	6.2%	3.1%	2.7%	12.2%	8.3%	5.7%	14.9%	25.9%
	Median		9.4%	6.8%	3.5%	3.3%	0.0%	8.6%	9.7%	14.9%	25.9%

Source: Alantra estimates and Factset

Performance

The stock has outperformed peers

Company	Country	Mkt Cap (Eu mn)	Performance 1M	3M	6M	1YR	3YR	5YR
POWERSOFT	ITALY	194	22.0%	29.2%	5.4%	4.0%	253.0%	230.2%
PEERS	Average		2.9%	7.9%	1.0%	-7.2%	-10.4%	11.7%
	Median		-0.8%	1.8%	-1.6%	-8.7%	-11.4%	-7.3%
B&C Speakers S.p.A.	ITALY	176	-0.3%	-3.0%	6.7%	-6.7%	23.1%	10.7%
Focusrite PLC	UNITED KINGDOM	132	-14.4%	-25.7%	-48.9%	-59.8%	-84.3%	-72.1%
Carel Industries SpA	ITALY	2,363	9.8%	19.2%	18.6%	-5.4%	0.4%	80.5%
Eurotech S.p.A.	ITALY	31	-6.4%	28.5%	-34.5%	-58.0%	-82.0%	-88.6%
SECO S.p.A.	ITALY	241	17.5%	11.0%	-26.9%	-41.3%	-72.6%	na
Live Nation Entertainment, Inc.	UNITED STATES	32,952	7.6%	7.8%	54.9%	63.8%	27.2%	101.4%
CTS Eventim AG & Co. KGaA	GERMANY	9,994	15.7%	26.4%	26.3%	48.8%	65.6%	75.8%
Madison Square Garden Sports Corp. Cl	UNITED STATES	3,784	-7.6%	-11.1%	-2.4%	8.2%	14.2%	-8.3%
Eventbrite, Inc. Class A	UNITED STATES	253	-7.9%	-9.2%	-3.8%	-60.7%	-78.0%	-84.5%

Source: Alantra estimates and Factset

Disclaimer

Explanation of Ratings: Alantra Capital Markets Sociedad de Valores SAU (Italian Branch) ("Alantra CM (Italian Branch)") Research Department provides six core ratings: BUY, HOLD, SELL, NOT RATED, UNDER REVIEW and SUSPENDED, based on the expected performance over the next 12 months.

BUY: The stock is expected to generate returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative returns during the next 12 months.

NOT RATED: The stock is not covered.

UNDER REVIEW: An event occurred with an expected significant impact on our target price and we cannot issue a recommendation before having processed that new information and/or without a new share price reference.

SUSPENDED: Alantra CM (Italian Branch) is precluded from providing an investment rating or price target for compliance reasons.

Due to share price volatility, ratings and target prices may occasionally and temporarily be inconsistent with the above definition.

This report has been prepared by Alantra CM (Italian Branch), which is pertaining to the Alantra Group, a financial Spanish group that provides investment banking, asset management, equities brokerage, capital markets and financial advisory services.

Analyst Certification

Each authoring analyst of Alantra CM (Italian Branch) whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the research.

This report is solely for the information of clients of Alantra CM (Italian Branch) and for distribution only under such circumstances as may be permitted by applicable law. Alantra CM (Italian Branch) specifically prohibits the redistribution of this material in whole or in part without the prior written permission of Alantra CM (Italian Branch) and therefore Alantra CM (Italian Branch) accepts no liability whatsoever for the actions or third parties in this respect.

Nothing in this report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. This report is published solely for information purposes, it does not constitute an advertisement and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments in any jurisdiction. The information contained in this research has been compiled by Alantra CM (Italian Branch) from sources believed to be reliable, but no representation or warranty, either expressed or implied, is provided in relation to the fairness, accuracy, completeness or correctness of the information contained herein, nor it is intended to be a complete statement or summary of the securities or markets referred to in this report. Alantra CM (Italian Branch) nor any of its affiliates has not independently verified the facts, assumptions, and estimates contained herein. All estimates, opinions and other information contained in this research constitute Alantra CM (Italian Branch)'s judgement as of the date of this research, are subject to change without notice and are provided in good faith but without legal responsibility or liability. Alantra CM (Italian Branch) its affiliated companies or any other person does not undertake that investors will obtain profits nor accept any liability for any investment losses arising from any use of this report or its contents. This report should not be regarded by recipients as a substitute for the exercise of their own judgement. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas of the Alantra Group as a result of using different assumptions and criteria. Research will be initiated, updated and coverage ceased solely at the discretion of Alantra CM (Italian Branch). The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. Alantra CM (Italian Branch) is under no obligation or keep current the information contained in this report.

From time to time, Alantra CM (Italian Branch) salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our principal trading desk that reflect opinions that are contrary to the opinions expressed in this research. Alantra CM (Italian Branch)'s affiliates, principal trading desk, and investing businesses also from time to time may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

Investments involve risks and investors should exercise prudence in making their investment decisions. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Stocks bear significantly risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in a material loss. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report.

Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other instruments. There is no representation that any transaction can or could have been realized at those prices.

Neither Alantra CM (Italian Branch) nor any of the companies pertaining to the Alantra Group nor any of their shareholders, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report.

Except as otherwise specified herein, this material is exclusively communicated by Alantra CM (Italian Branch) to persons who are eligible counterparties or professional clients and is only available to such persons. The information contained herein does not apply to retail clients.

The analysts responsible for the preparation of this report may interact with trading desk personnel, sales personnel and investment managers. Alantra CM (Italian Branch), any other company pertaining to the Alantra Group, and any of their shareholders, directors, employees may, to the extent permitted by law, have a position or otherwise be interested in any transactions, in any investments directly or indirectly the subject of this publication. The Alantra Group relies on information barriers to control the flow of information contained in one or more areas within the Alantra Group, into other areas, units, groups or affiliates of the Alantra Group. The Alantra Group may do and seek to do business with companies covered in its research reports. As a result, investors should be aware that the Alantra Group may have a conflict of interests. Information regarding transactions in which the Alantra Group has acted as an advisor, or provided professional services, is available on Alantra Group's website (http://www.alantra.com).The Alantra Group has established, implemented and maintains an effective conflicts of interest policy appropriate to its size and organization and to the nature, scale and complexity of its business. Investors should consider this report as only a single factor in making their investment decisions.

Conflict of interest

In order to disclose its possible conflicts of interest Alantra states that:

- Alantra is Corporate Broker of the following Companies: Eurotech, ICF, Tecma Solutions, Planetel, Powersoft, ATON Green Storage, Almawave, Bifire, Indel B, Solid World Group, Comer Industries, Edil San Felice, Fae Technology, Kruso Kapital, B&C Speakers, Trevi, Next Geosolutions Europe, ICOP, Cyberoo, DEA, Farmacosmo

Research Distribution Policy

Alantra, according to article 3, paragraph 1, numbers (34) and (35) Regulation (EU) No 596/2014, has been commissioned to produce Equity Research for the Company by arrangement with the Specialist engaged by the Company.

Alantra CM (Italian Branch) research will be available simultaneously for all of Alantra CM (Italian Branch)'s customers who are entitled to receive the firm's research. Research may be distributed by the firm's sales and trading personnel via email, instant message or other electronic means. Customers entitled to receive research may also receive it via third party vendors. Until such time as research is made available to Alantra CM (Italian Branch)'s customers as described above, Authoring Analysts will not discuss the contents of their research with Sales and Trading or Investment Banking employees without prior compliance consent.

For further information about the proprietary model(s) associated with the covered issuer(s) in this research report, clients should contact their local sales representative.

The disclosures contained in research reports produced by Alantra CM (Italian Branch) shall be governed by and construed in accordance with Spanish and Italian laws.

The receipt of this report implies full acceptance by its recipients of the contents of this disclaimer.

Alantra Capital Markets Sociedad de Valores SAU is the Spanish investment firm located in Madrid, Calle de José Ortega y Gasset 29, registered at the Comisión Nacional del Mercado de Valores (CNMV) with number 258. Alantra CM (Italian Branch) is located in Milano (Italy), Via Borgonuovo 16 with number 155.