EUROTECH

Sector: Technology

FY26-27 targets reiterated despite a challenging context

BUY

Unchanged

TP 1.40

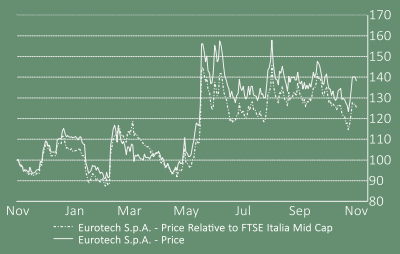
From 1.50

Target price upside15%

Change in EPS est.	FY26E	FY27E
	7.2%	nm

Ticker (BBG, Reut)	ETH IM / E5T MI
Share price Ord. (Eu)	1.2
N. of Ord. shares (mn)	66.2
Total N. of shares (mn)	66.2
Market cap (Eu mn)	81
Total Market Cap (EU mn)	81
Free Float Ord. (%)	54%
Free Float Ord. (Eu mn)	43
Daily AVG liquidity Ord. (Eu k)	361

	1M	3M	12M
Absolute Perf.	-0.2%	-3.0%	41%
Rel.to FTSEMidCap	-5.5%	-4.3%	32%
52 weeks range		0.8	1.4



	FY25A	FY26E	FY27E
Sales	55	58	69
EBITDA adj.	(1.3)	0.2	4.0
Net profit adj.	(7.4)	(3.8)	(0.3)
EPS adj.	(0.20)	(0.07)	(0.00)
DPS - Ord.	0.000	0.000	0.000
EV/EBITDA adj.	nm	nm	22.6x
P/E adj.	nm	nm	nm
Dividend yield	0.0%	0.0%	0.0%
FCF yield	nm	nm	-0.1%
Net debt/(Net cash)	16.8	6.5	6.6
Net debt/EBITDA	nm	nm	1.6x

ETH reported a soft 3Q26, with revenues down 17.0% YoY to Eu11.4mn, as customer orders were postponed on rising component costs/delays and weak European demand. 9M26 sales still grew 3.8% (+7.4% at constant FX), driven by Japan and the US. GM was dented to 44.1% (49.4% in 3Q25) by memory/GPU inflation and a mix shift towards Embedded, turning 3Q adj. EBITDA negative at Eu-0.9mn. However, 9M adj. EBITDA improved by Eu1.5mn to Eu-2.2mn (from Eu-3.8mn) on a leaner cost base. Net debt rose to Eu10.6mn from Eu7.2mn at 1H26, as NWC absorbed Eu1.7mn on inventory build, ahead of the Eu7.7mn reserved capital increase. Mgmt. confirmed its FY26 positive EBITDA and FY27 positive EBIT targets, with Eu2-3mn of revenues shifted into 4Q, making the last quarter delivery the key swing factor. We include the VEM acquisition, the Eu6.5mn capital increase and cut our FY26E adj. EBITDA to Eu0.2mn from Eu0.7mn, assuming prolonged input-cost headwinds which should maintain GM below run rate levels next year. BUY; TP cut to Eu1.40/s (from Eu1.50).

- **3Q hit by deferrals and component inflation, 9M still up YoY.** Revenues declined 17.0% YoY to Eu11.4mn in 3Q26 (-21% QoQ), as some shipments slipped into subsequent quarters, bringing 9M26 sales to Eu36.5mn (+3.8%; +7.4% at constant FX). 3Q gross profit fell 26% to Eu5.0mn, with GM down 530bps to 44.1% (46.9% in 2Q26) on memory, CPU and GPU inflation, passed through at cost or limited margin, and a mix shift towards Embedded. Adj. EBITDA turned negative at Eu-0.9mn (Eu0.3mn in 3Q25), despite recurring opex down 4.9% YoY, and the restated net loss widened to Eu2.4mn from Eu1.0mn. 9M26 adj. EBITDA nonetheless improved to Eu-2.2mn from Eu-3.8mn, and the restated net loss narrowed to Eu6.4mn from Eu7.3mn.

- **Net debt up QoQ on cash burn and inventory build.** Net debt rose to Eu10.6mn from Eu7.2mn at 1H26 (Eu16.8mn at YE25), as a Eu2.6mn operating cash outflow and Eu0.6mn of capex (Eu0.4mn in 2Q) weighed on 3Q. NWC absorbed Eu1.7mn in the quarter, rising to Eu9.9mn from Eu8.2mn at 1H26, mainly on a Eu2.1mn inventory build to Eu17.5mn to secure critical components.

- **Targets confirmed, call supportive on VEM and balance sheet.** Management confirmed positive EBITDA in FY26 and positive EBIT in FY27, expecting 4Q revenues above 3Q and FY26 revenues above FY25. During the call, mgmt. highlighted that Eu2-3mn of revenues has shifted into 4Q, as some customers postponed orders given high component costs. Component costs are still rising and remain the key item to monitor, although they are fully passed through to clients. The Eu7.7mn reserved capital increase (Eu6.5mn in cash + Eu1.2mn through Emera advances) has strengthened the balance sheet, giving more flexibility in inventory management and investments. VEM should be a top-line and margin tailwind, allowing the group to sell embedded products in Europe (currently mainly in Japan), while internalising some production activities.

- **We factor in the capital increase, VEM acquisition and prolonged input-cost headwinds.** We now include the acquired VEM business in our estimates (>Eu4mn sales in FY27E), but our sales forecasts remain broadly unchanged, as we assume prolonged order headwinds. We still expect FY27E sales to grow by 19.5% YoY (+12% organic). We believe that strategic component costs will keep gross margin under pressure, and we now assume a GM slightly below 47% in FY27E. We cut our FY26E adj. EBITDA to Eu0.2mn from Eu0.7mn, still consistent with management's target of a positive figure, and we see FY27E EBIT at breakeven, below management's positive target. Our new estimates imply 4Q26 sales up 4% YoY and broadly flat adj. EBITDA, which we see as demanding but feasible. Including the Eu6.5mn of fresh cash from the capital increase and the VEM cash-out (we estimate Eu3.2mn incl. earn-out), we expect net debt of Eu6.5mn at YE26. An easing of supply-chain constraints and a recovery in European orders would represent tangible upside to our projections.

- **BUY reaffirmed with TP cut to Eu1.40/s (from Eu1.50).** Our updated valuation, based on an equal weighting of DCF and relative method, yields a TP of Eu1.40/share (from Eu1.50), mainly driven by our estimate revisions. BUY confirmed with 15% upside on the current share price.

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ALANTRA
Italian Equity Research

Summary Financials (IFRS)

P&L account (Eu mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Sales	59.1	55.4	57.6	68.8	77.8
Gross margin	30.0	27.1	26.4	32.1	36.4
EBITDA reported	(5.0)	(3.1)	(0.8)	4.0	6.2
D&A	(27.3)	(5.5)	(4.5)	(4.0)	(3.4)
EBIT reported	(32.3)	(8.5)	(4.3)	0.0	2.9
Net financial charges	(0.4)	(0.6)	(0.4)	(0.4)	(0.4)
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	(32.6)	(9.1)	(4.7)	(0.3)	2.5
Taxes	(3.5)	(0.0)	0.9	0.1	(0.5)
Minorities	0.0	0.0	0.0	0.0	0.0
Discontinued activities	0.0	0.0	0.0	0.0	0.0
Net profit reported	(36.2)	(9.3)	(3.8)	(0.3)	2.0
EBITDA adjusted	**(3.7)**	**(1.3)**	**0.2**	**4.0**	**6.2**
EBIT adjusted	**(31.0)**	**(6.8)**	**(4.3)**	**0.0**	**2.9**
Net profit adjusted	**(34.9)**	**(7.4)**	**(3.8)**	**(0.3)**	**2.0**

Margins (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	50.7%	48.9%	45.9%	46.6%	46.8%
EBITDA margin (adj)	-6.3%	-2.3%	0.3%	5.8%	8.0%
EBIT margin (adj)	-52.4%	-12.3%	-7.5%	0.0%	3.7%
Pre-tax margin	-55.2%	-16.5%	-8.1%	-0.5%	3.2%
Net profit margin (adj)	-59.0%	-13.4%	-6.5%	-0.4%	2.6%

Growth rates (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Sales	-37.3%	-6.4%	4.0%	19.5%	13.0%
EBITDA	-179.2%	-38.3%	-2.5%	21.3%	55.9%
EBITDA adjusted	-151.8%	-65.0%	nm	nm	55.9%
EBIT	nm	nm	nm	nm	nm
EBIT adjusted	nm	nm	nm	nm	nm
Pre-tax	nm	nm	nm	0.0%	0.0%
Net profit	nm	nm	nm	nm	nm
Net profit adjusted	nm	nm	nm	nm	nm

Per share data	FY24A	FY25A	FY26E	FY27E	FY28E
Shares	35.516	38.629	66.187	66.187	66.187
N. of shares AVG	35.516	37.072	52.408	66.187	66.187
N. of shares diluted AVG	35.516	37.072	52.408	66.187	66.187
EPS	**(1.018)**	**(0.251)**	**(0.072)**	**(0.004)**	**0.030**
EPS adjusted	**(0.983)**	**(0.201)**	**(0.072)**	**(0.004)**	**0.030**
DPS - Ord.	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
DPS - Sav.	0.000	0.000	0.000	0.000	0.000
BVPS	1.708	1.422	1.262	0.996	1.026

Enterprise value (Eu mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Share price Ord. (Eu)	1.4	0.9	1.2	1.2	1.2
Market cap	48.6	33.8	80.7	80.7	80.7
Net debt/(Net cash)	20.4	16.8	6.5	6.6	5.3
Adjustments	6.8	7.1	5.8	2.6	2.6
Enterprise value	75.8	57.7	93.0	89.9	88.7

Cash flow (Eu mn)	FY24A	FY25A	FY26E	FY27E	FY28E
EBITDA adjusted	(3.7)	(1.3)	0.2	4.0	6.2
Net financial charges	(0.4)	(0.6)	(0.4)	(0.4)	(0.4)
Cash taxes	(3.5)	(0.0)	0.9	0.1	(0.5)
Ch. in Working Capital	8.5	5.0	(2.1)	(1.7)	(1.8)
Other operating items	3.4	(2.9)	0.0	0.0	0.0
Operating cash flow	**4.3**	**0.2**	**(1.4)**	**2.0**	**3.6**
Capex	(5.0)	(2.2)	(2.3)	(2.1)	(2.3)
FCF	**(0.7)**	**(2.0)**	**(3.7)**	**(0.1)**	**1.2**
Disposals/Acquisitions	0.0	0.0	(3.2)	0.0	0.0
Changes in Equity	2.5	6.9	17.2	0.0	0.0
Others	(1.6)	(1.3)	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Ch. in NFP	**0.2**	**3.6**	**10.3**	**(0.1)**	**1.2**

Ratios (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Capex/Sales	**8.4%**	**4.0%**	**4.0%**	**3.0%**	**3.0%**
Capex/D&A	0.2x	0.4x	0.5x	0.5x	0.7x
FCF/EBITDA	nm	nm	nm	-2.2%	19.8%
FCF/Net profit	nm	21.5%	nm	nm	61.5%
Dividend pay-out	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**

Balance sheet (Eu mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Working capital	15.1	9.9	12.1	13.8	15.6
Fixed assets	73.1	65.4	63.2	61.3	60.2
Provisions & others	(7.1)	(5.8)	(2.6)	(2.6)	(2.6)
Net capital employed	**81.1**	**69.5**	**72.6**	**72.5**	**73.2**
Net debt/(Net cash)	**20.4**	**16.8**	**6.5**	**6.6**	**5.3**
Equity	60.7	52.7	66.2	65.9	67.9
Minority interests	0.0	0.0	0.0	0.0	0.0

Ratios (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Working capital/Sales	**25.5%**	**17.9%**	**20.9%**	**20.0%**	**20.0%**
Net debt/Equity	**33.6%**	**31.9%**	**9.8%**	**10.0%**	**7.9%**
Net debt/EBITDA	**nm**	**nm**	**nm**	**1.6x**	**0.9x**

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
EV/CE	**0.9x**	**0.8x**	**1.2x**	**1.2x**	**1.2x**
P/BV	0.8x	0.6x	1.2x	1.2x	1.2x
EV/Sales	1.3x	1.0x	1.6x	1.3x	1.1x
EV/EBITDA	nm	nm	nm	22.6x	14.3x
EV/EBITDA adjusted	**nm**	**nm**	**nm**	**22.6x**	**14.3x**
EV/EBIT	nm	nm	nm	nm	31.1x
EV/EBIT adjusted	**nm**	**nm**	**nm**	**nm**	**31.1x**
P/E	nm	nm	nm	nm	40.5x
P/E adjusted	**nm**	**nm**	**nm**	**nm**	**40.5x**
ROCE pre-tax	nm	nm	nm	nm	3.8%
ROE	**nm**	**nm**	**nm**	**nm**	**2.9%**
EV/FCF	nm	nm	nm	nm	72.2x
FCF yield	**nm**	**nm**	**nm**	**-0.1%**	**1.5%**
Dividend yield	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**

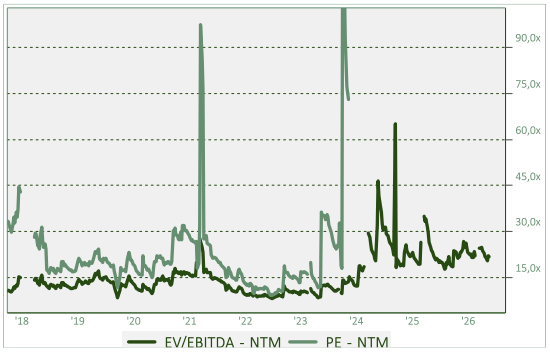
Share price performance

The stock price is up >15% YTD



Valuation

EV/EBITDA NTM multiples are nm



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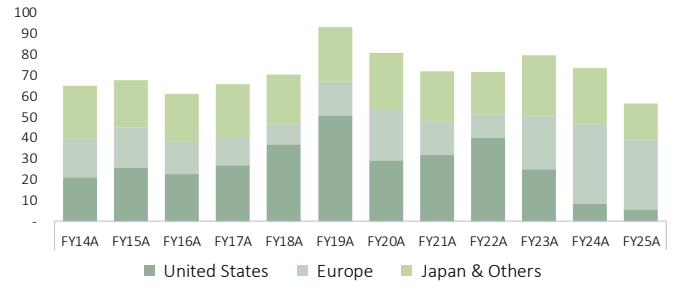
Key Charts

Revenue trend (FY14-FY25A)

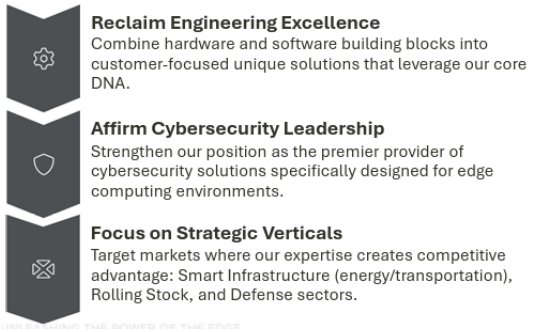
Revenues peaked in 2019 to over Eu100mn



Source: Company data

Mid-term strategic plan

The group pivots on core ETH strengths and strategic verticals



Source: Company data

NeXt 2026-30 BP targets

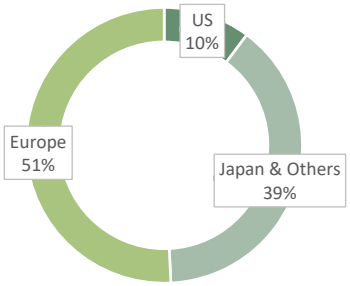
ETH expects to reach positive EBITDA in FY26E and c. Eu80mn in sales by 2028



Source: Company data

Revenue breakdown by Geography (FY25A)

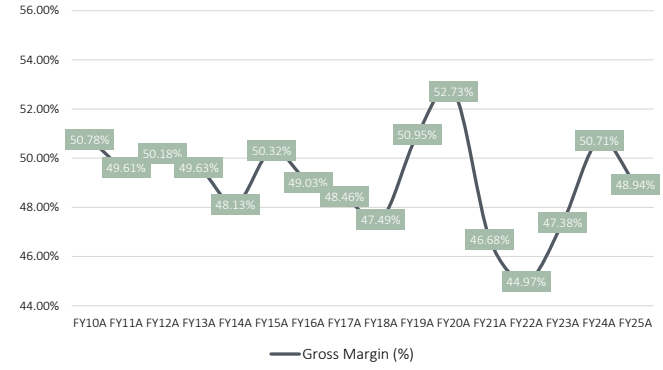
Eurotech is primarily exposed to Europe and Japan



Source: Company data

Gross margin (FY10-FY25A)

Operating leverage and a shift to Edge AIoT explain the swings in profitability



Source: Company data

ETH NeXt plan: Strategic pillars

An integrated, platform-driven approach to mission-critical applications



Source: Company data

Profile

Background

Eurotech (listed on MTA - STAR since 2005) is a tech company that designs and sells embedded computers for several sectors like industrial manufacturing, transportation, medical, and defense sectors. The Group has expanded its activities in Internet of Things (IoT), developing software platforms to enable the implementation of IoT systems, and in Artificial Intelligence, developing high performance computers (HPEC). The Group employs >320 staff, o/w 30% are dedicated to engineering and R&D.

Embedded computers: since its foundation, Eurotech designs the so-called embedded computers, i.e. miniaturized computers that are implemented as part of a larger device, intelligent system or installation. Along the value chain Eurotech is responsible for the research, development, engineering and marketing of products; production is mostly outsourced to a handful of qualified contract manufacturers as Eurotech has adopted a fabless production model characterized by a near total absence of production facilities.

IoT: Eurotech provides hardware and software IoT solutions under the brand name Everyware IoT. Everyware IoT is an innovative and successful IoT platform, easily scalable, based on an open-source model and that can count on the presence of a large ecosystem of partners. This platform is now bearing significant results and offers Eurotech a great driver for growth, addressing a huge market through a scalable business model.

HPEC: Strong R&D capabilities and continuous innovation allowed the Group to gain solid positioning and outstanding references also in the development of high-performance embedded computers (HPEC). Eurotech HPEC systems are the ideal solution wherever computational activity needs to take place closer to the data gathering points (i.e. Edge Computing). Fully autonomous car is an example of an application of this technology.

Positioning

Eurotech offers, as a specialized player, its embedded computers to business customers that need to deal with a higher level of complexity. The Group's presence is particularly strong in the industrial manufacturing, transportation, medical, and defense sectors. The embedded computer market is a niche and mature market (worth Usd8-10bn), populated by few mid-sized players and several smaller specialized players. The embedded computer market is competitive, particularly in the low-end and entry level, where Taiwanese and Chinese companies (e.g. Advantech, Aaeon, Adlink) offer standardized products at low prices; Eurotech and other European (e.g. Duagon AG) and US (e.g. Abaco Systems) specialized players cover the high-end market.

Design wins with relevant customers (e.g. DB Cargo, Fresenius, Ariston Thermo), excellent positioning as recognized by market research and a strong ecosystem of partners are all good reasons to expect a tremendous speed up of Eurotech's IoT business. The IoT market is very competitive but large enough to contain all the players able to build a successful IoT platform. Eurotech has demonstrated to also have a strong positioning in HPEC.

Growth

FY20-21 marked a sharp contraction from the FY19 peak, as Covid-related disruption and weak organic trends weighed on revenues and profitability, with EBITDA falling to Eu6.6mn/9.6% in FY20 and broadly breakeven in FY21. Eurotech returned to growth in FY22, with revenues reaching Eu94.3mn and EBITDA Eu7.2mn/7.6%, while FY23 remained broadly resilient at Eu93.8mn sales, with GM improving to 47.4% and adj. EBITDA at Eu5.5mn. FY24 represented a major setback, with revenues falling 37% to Eu59.1mn, mainly reflecting the phase-out of the largest US embedded customer and weakness across industrial automation, automotive and Japan, while adj. EBITDA turned negative at Eu-3.7mn. FY25 remained transitional, with revenues declining a further 6.4% to Eu55.4mn, although profitability improved, with adj. EBITDA narrowing to Eu-1.3mn and 4Q returning to positive territory. Looking ahead, we expect growth to resume in FY26E, with sales reaching Eu57.6mn (+4.0% YoY), before accelerating to Eu68.8mn/Eu77.8mn in FY27E/FY28E (+19.5%/+13.0%), also thanks to the VEM acquisition.

Strategy

Eurotech will increasingly push its R&D and marketing efforts to grow IoT and HPEC businesses, which represent a long-term growth opportunity. The new CEO Massimo Milan will act as a catalyst to restore market trust, rebuild the equity story, and accelerate execution on strategy. The new 2026-30 BP "NeXt" is a 5-year plan designed to restore competitiveness and support sustainable growth. The roadmap focuses on three main pillars: reclaiming engineering excellence by combining hardware, software and cybersecurity, compliant customer-focused solutions; end-to-end and custom offerings; and focusing resources on fewer strategic verticals where the group holds a competitive advantage (Industrial, Transportation, Energy and Defense).

Strengths	Weaknesses
Leading player in IoT and Artificial Intelligence	Customer concentration
Global footprint	Small size of the company
Significant experience, market reputation and large ecosystem of partners	Still large exposure to mature embedded market
Opportunities	**Threats**
M&A to accelerate scaling	Slowdown or loss of orders from large customers
Strong upselling opportunities	Unproductive R&D
Penetrating velue-added verticals (e.g. Defense)	Stronger than expected competitive pressures on embedded computers

Key shareholders	Management	Next events
Emera - 36.2%	Luca di Giacomo - Chairman	
La Società Privata - 8.39%	Massimo Milan - CEO	
Friulia - 1.9%	Sandro Barazza - CFO	
Free Float - 53.5%		

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3Q/9M26 Results

Revenues declined 17.0% YoY to Eu11.4mn in 3Q26 (-16.6% at constant FX), bringing 9M26 sales to Eu36.5mn (+3.8% YoY; +7.4% at constant FX). Gross profit fell 26% YoY to Eu5.0mn, with GM down to 44.1% from 49.4% in 3Q25 and 46.9% in 2Q26, while 9M26 GM stood at 46.7% vs 49.3% in 9M25. Lower volumes and margin pressure turned 3Q adj. EBITDA negative at Eu-0.9mn from Eu0.3mn in 3Q25, despite recurring opex down 4.9% YoY to Eu6.3mn. On a 9M basis, however, adj. EBITDA improved by Eu1.5mn to Eu-2.2mn, as the Eu1.9mn opex reduction and the Eu1.2mn volume contribution more than offset the lower GM. Adj. EBIT stood at Eu-2.0mn in 3Q26 and Eu-5.7mn in 9M26 (Eu-7.3mn in 9M25), while the restated net loss widened to Eu2.4mn in 3Q but narrowed to Eu6.4mn in 9M26 from Eu7.3mn. Net debt increased to Eu10.6mn from Eu7.2mn at 1H26. Against our old FY26E estimates, 9M26 represents 62.8% of full-year revenues (9M25: 63.5% of FY25), broadly in line with historical phasing, but our FY26E implies a marked 4Q acceleration, with sales of Eu21.6mn (+7% YoY; +90% QoQ) and adj. EBITDA of Eu2.9mn (13.6% margin; +20% YoY), which we see as demanding but potentially feasible given the structurally stronger 4Q seasonality.

3Q/9M26 Results

Lower volumes and margin pressure turned 3Q adj. EBITDA negative at Eu-0.9mn from Eu0.3mn in 3Q25, despite recurring opex down 4.9% YoY to Eu6.3mn.

Eu mn	3Q25A	3Q26A	YoY %	9M25A	9M26A	YoY %	4Q25A	4Q26E	YoY %	FY25A	OLD FY26E	YoY %
Revenues	13.7	11.4	-17%	35.2	36.5	3.8%	20.2	21.1	4.3%	55.4	58.1	5.0%
Gross Margin	6.8	5.0	-26%	17.4	17.0	-1.8%	9.8	9.4	-3.7%	27.1	27.5	1.5%
on sales %	*49.4%*	*44.1%*		*49.3%*	*46.7%*		*48.3%*	*44.6%*		*48.9%*	*47.3%*	
EBITDA Adjusted	0.3	(0.9)	nm	(3.8)	(2.2)	nm	2.5	2.4	-1.5%	(1.3)	0.7	nm
Ebitda Margin %	*2.2%*	*-7.9%*		*neg*	*neg*		*12.1%*	*11.5%*		*neg*	*1.2%*	
EBIT Adjusted	(0.8)	(2.0)	nm	(7.3)	(5.7)	nm	0.5	1.4	nm	(6.8)	(3.6)	nm
Ebit Margin %	*neg*	*neg*		*neg*	*neg*		*2.6%*	*6.5%*		*neg*	*neg*	
Restated Net Profit	(1.0)	(2.4)	nm	(7.3)	(6.4)	nm	(0.1)	2.6	nm	(7.4)	(3.2)	nm
Net Profit Margin %	*neg*	*neg*		*neg*	*neg*		*neg*	*neg*		*neg*	*neg*	
NFP at year end	(19.4)	(10.6)		(19.4)	(10.6)		(16.8)	(6.5)		(16.8)	(10.2)	

Source: Alantra Note: 4Q26E figures are based on our new estimates

Component inflation and German deferrals weigh on 3Q

Management attributed the 3Q shortfall to three factors: i) component inflation, as AI data-centre demand pushed up memory, CPU and GPU prices over the last 12 months; ii) delays on a few critical components, which shifted production schedules and moved some shipments into subsequent quarters; and iii) weaker European demand, particularly from German industrial and automotive customers, some of which deferred production in light of higher costs. To protect GM (46.7% in 9M26 vs 49.3% in 9M25), the group is acting on pricing, group-wide procurement, design (memory, thermal and bill-of-materials optimisation) and selective inventory of critical components. In our view, these headwinds are largely temporary, although passing through higher component costs at limited margin mechanically dilutes GM in percentage terms.

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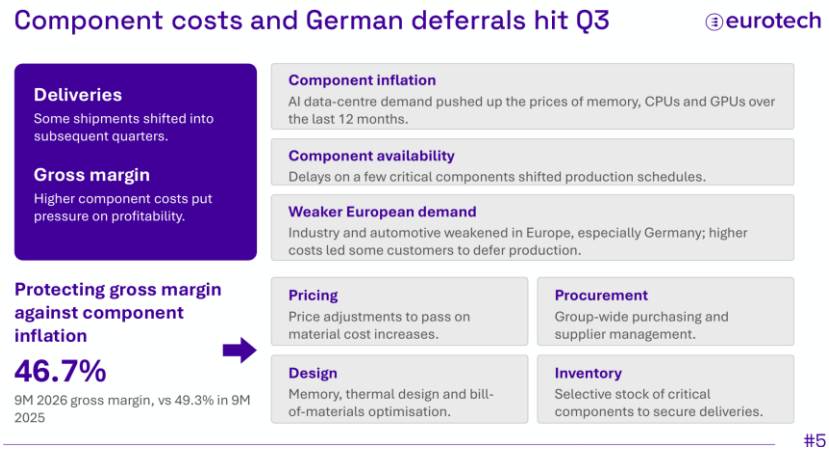
3Q headwinds and mitigating actions

Component inflation and delivery delays shift revenues into later quarters



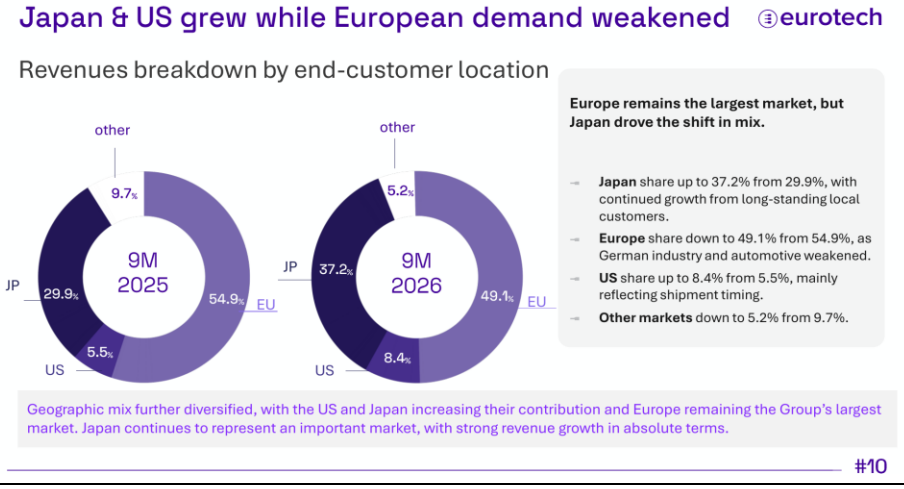
Source: Company presentation

Japan and US offset weaker European demand

Europe remained Eurotech's largest market in 9M26, at 49.1% of revenues (54.9% in 9M25), with sales down 7.1% YoY to Eu17.9mn as German industry and automotive weakened. Japan was the main growth driver, with revenues up 29.2% to Eu13.6mn and its weight rising to 37.2% from 29.9%, supported by continued growth from long-standing local customers, mainly in the traditional embedded business. The US contribution increased to 8.4% from 5.5% (+59.0% YoY to Eu3.1mn), mainly reflecting shipment timing, while other markets fell 44.0% to 5.2% of sales. The mix shift towards Japan explains the lower Edge AIoT weight, at 54.5% of 9M26 revenues vs 56.4% in 1H26, as the higher-value Edge AIoT business was affected by slower order intake in Europe.

Revenue breakdown by end-customer location (9M25 vs 9M26)

Japan drives the shift in mix, Europe remains the largest market



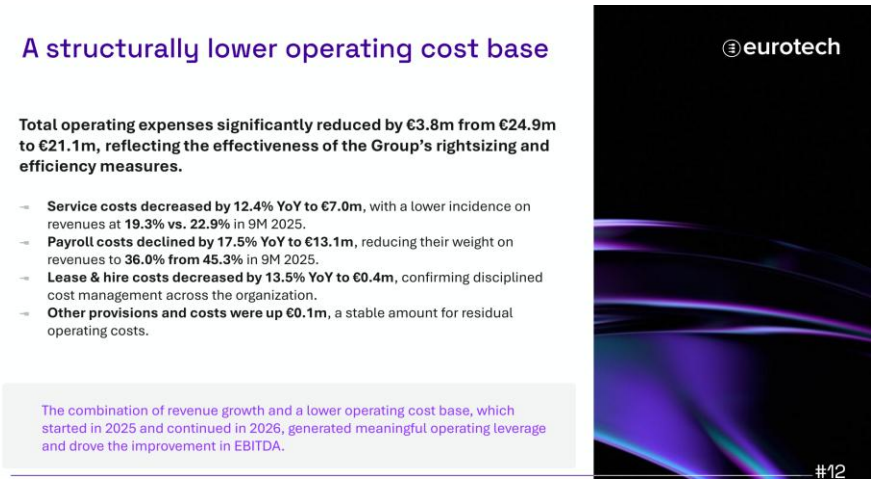
Source: Company presentation

Leaner cost base partly cushions lower volumes

Total operating expenses declined by Eu3.8mn YoY to Eu21.1mn in 9M26, with recurring opex down 11.1% to Eu20.7mn, confirming the benefits of the rightsizing and efficiency initiatives launched in 2025 and continued in 2026. Payroll costs fell 17.5% to Eu13.2mn, reducing their weight on revenues to 36.0% from 45.3%, while service costs declined 12.4% to Eu7.0mn (19.3% of sales vs 22.9%). Lease and hire costs fell 13.5% to Eu0.4mn, while other provisions and costs were broadly stable. In 3Q alone, recurring opex declined 4.9% YoY to Eu6.3mn, a slower pace than in 1H as the comparison base already reflects part of the 2025 savings, and was not sufficient to offset the lower gross profit.

Structurally leaner operating cost base

Rightsizing and efficiency measures support operating leverage



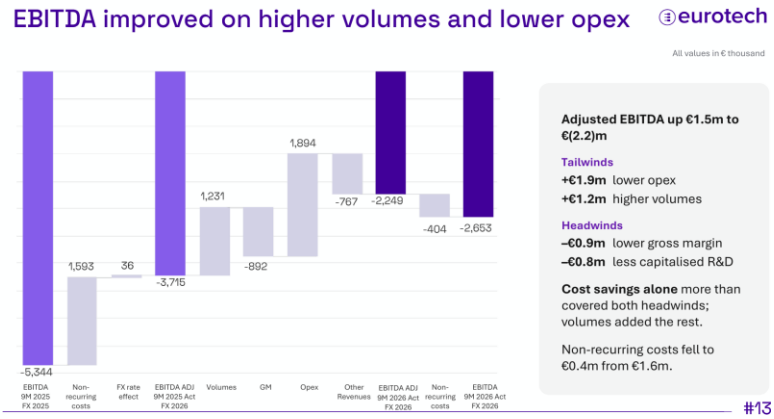
Source: Company presentation

Cost savings more than offset GM pressure in 9M

The 9M EBITDA bridge shows adj. EBITDA up Eu1.5mn YoY to Eu-2.2mn, with lower opex (+Eu1.9mn) and higher volumes (+Eu1.2mn) more than offsetting the lower GM (-Eu0.9mn) and lower other revenues, mainly less capitalised R&D (-Eu0.8mn). Non-recurring costs fell to Eu0.4mn from Eu1.6mn, bringing reported EBITDA to Eu-2.7mn from Eu-5.3mn. Cost savings alone more than covered both headwinds, highlighting the lower breakeven point achieved with the restructuring, although the 3Q print shows that the P&L remains highly sensitive to volumes and input costs.

Adj. EBITDA bridge 9M25-9M26 (Eu k)

Lower opex and higher volumes more than offset GM pressure



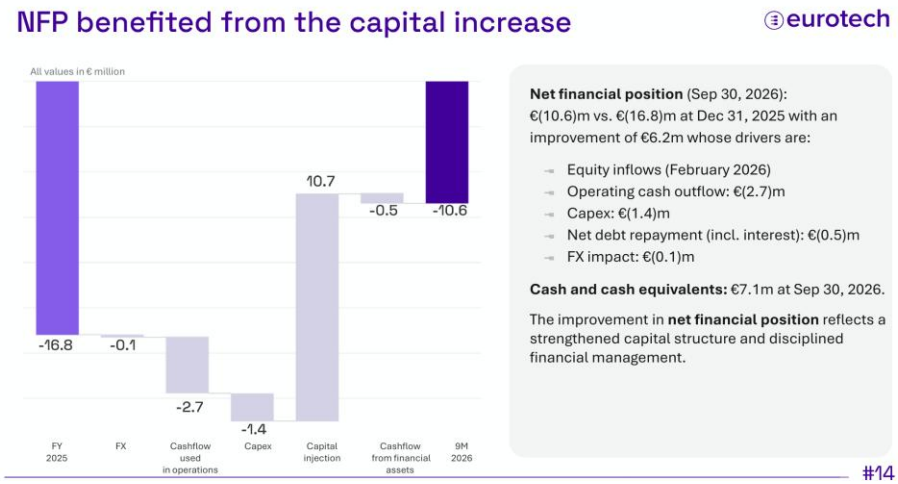
Source: Company presentation

Net debt up QoQ, reserved capital increase to cushion

Net debt stood at Eu10.6mn at end-September 2026, up from Eu7.2mn at 1H26 but well below Eu16.8mn at YE25 and Eu19.4mn in Sep-25. The improvement vs YE25 was driven by the Eu10.7mn February capital injection, partly offset by a Eu2.7mn operating cash outflow, Eu1.4mn of capex, Eu0.5mn of net debt repayment (incl. interest) and Eu0.1mn of FX. In 3Q alone, net debt increased by Eu3.4mn, reflecting a Eu2.6mn operating cash outflow, driven by the EBITDA loss and NWC absorption, and Eu0.6mn of capex. Cash and cash equivalents stood at Eu7.1mn. The Eu7.7mn reserved capital increase approved on 10 November (Emera Eu5.2mn, La Società Privata Eu1.0mn, Friulia Eu1.5mn; 6.56mn new shares at Eu1.17) brings Eu6.5mn of fresh cash, net of Eu1.2mn of converted advances, implying pro-forma net debt of Eu4mn before the VEM cash-out (Eu1.2-1.6mn) and 4Q cash flows. The improvement remains largely equity-funded rather than FCF-driven.

Net debt evolution (FY25-9M26; Eumn)

Capital injection more than offsets operating cash burn and capex



Source: Company presentation

NWC absorbs cash in 3Q, capex broadly stable

NWC increased to Eu9.9mn at end-September from Eu8.2mn at 1H26, but was broadly stable vs Eu9.7mn at YE25 and below Eu10.4mn in Sep-25 (-Eu0.5mn YoY). Inventories rose by Eu2.1mn QoQ to Eu17.5mn (Eu5.6mn above YE25 and broadly in line with Eu17.2mn in Sep-25), as the group continued to secure critical components (memory, CPU, GPU, PCB) to protect deliveries and mitigate rising costs. Trade receivables were broadly stable QoQ at Eu8.9mn (Eu9.0mn in Sep-25), Eu5.1mn below YE25, while trade payables increased to Eu11.5mn from Eu10.2mn in Sep-25. NWC stood at 17.4% of LTM revenues. Capex amounted to Eu0.6mn in 3Q26, slightly up from Eu0.4mn in both 1Q26 and 2Q26, bringing 9M26 investments to Eu1.4mn vs Eu2.0mn in 9M25 (3.8% of sales vs 5.7%), reflecting lower capitalised development.

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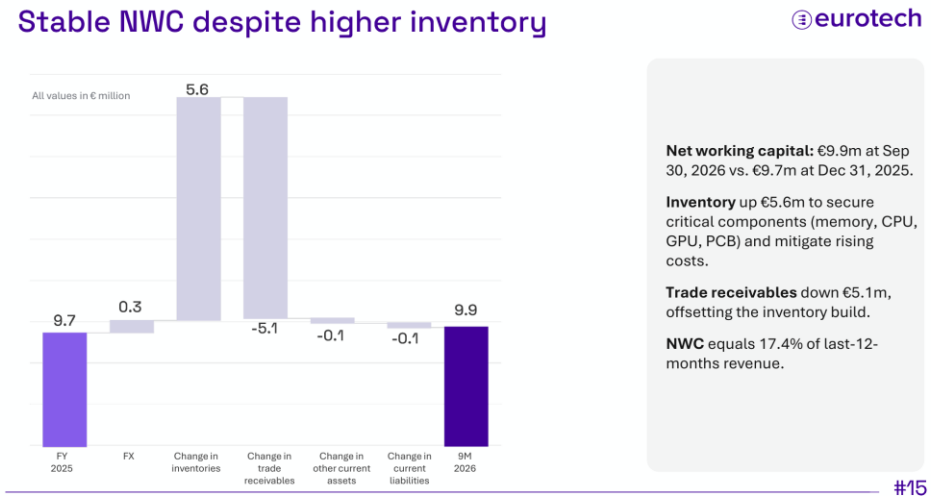
NWC evolution (FY25-9M26; Eumn)

Inventory build offset by lower receivables



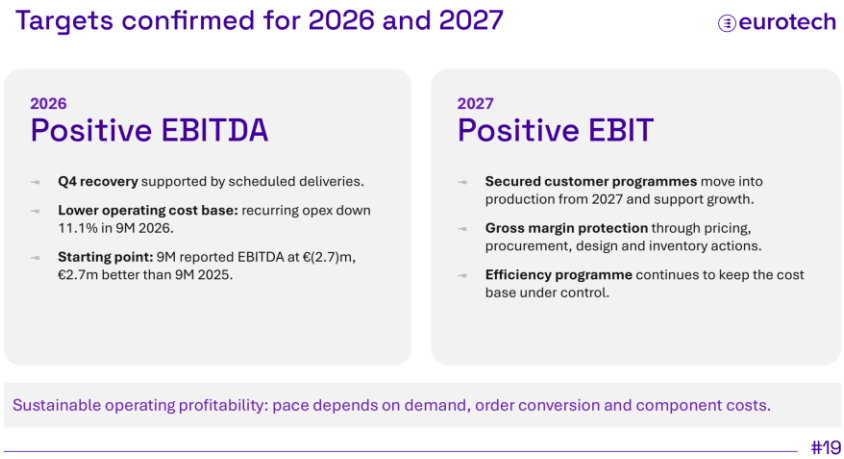
Source: Company presentation

Targets confirmed, 4Q delivery is the swing factor

Management confirmed its targets of positive EBITDA in FY26 and positive EBIT in FY27, expecting 4Q revenues above 3Q on scheduled deliveries and FY26 revenues above FY25. The latter implies 4Q sales of at least Eu19mn, below our Eu21.6mn, while the presentation frames the FY26 EBITDA target on a reported basis (9M at Eu-2.7mn), implying 4Q reported EBITDA above Eu2.7mn vs Eu2.3mn in 4Q25. Demand remains uneven: Japan and the US keep growing, while European shipments are shifting into later periods, especially in Germany. Medium-term drivers remain supportive, including rising defence and aerospace investments, the modernisation of energy infrastructure and the adoption of Physical AI in industrial applications. Secured multi-year customer programmes should move into production from 2027, supported by new products (BoltCOR 45-10 rugged edge server for rail, Advanet's Renesas-based industrial computing family) and IEC 62443 cybersecurity certifications, while the VEM Solutions business unit, consolidated from 4Q26, adds electronics industrialisation and manufacturing capabilities in Europe and should provide a further lever for cost efficiency. Overall, we see our FY26E as demanding but potentially feasible, with 4Q order conversion and component costs the key variables, and the integration of VEM and new product launches key to assessing visibility entering 2027.

2026-27 targets

Positive EBITDA in FY26 and positive EBIT in FY27 confirmed



Source: Company presentation

Change in Estimates

New versus Old estimates

We include VEM, the capital increase and cut FY26E adj. EBITDA on prolonged input-cost headwinds.

(Eu mn)	NEW Estimates			% Change			OLD Estimates		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenues	57.6	68.8	77.8	-1%	-1%	-1%	58.1	69.5	78.5
EBITDA Adjusted	0.2	4.0	6.2	-76%	-7%	-6%	0.7	4.3	6.6
EBIT Adjusted	(4.3)	0.0	2.9	nm	nm	-6%	(3.6)	0.1	3.0
Pretax Profit	(4.7)	(0.3)	2.5	nm	nm	-7%	(3.9)	(0.2)	2.7
Net profit	(3.8)	(0.3)	2.0	nm	nm	-7%	(3.2)	(0.2)	2.1
Net profit restated	(3.8)	(0.3)	2.0	nm	nm	-7%	(3.2)	(0.2)	2.1
EPS	(0.1)	(0.0)	0.0	7%	nm	-16%	(0.1)	(0.0)	0.0
Net financial position	(6.5)	(6.6)	(5.3)	3.73	3.39	3.39	(10.2)	(10.0)	(8.7)

Source: Alantra

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Peers

Trading multiples

The stock is trading at discount to peers on EV/Sales

Company	Country	Mkt Cap (Eu mn)	EV/Sales			EV/EBITDA			EV/EBIT			PE		
			FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
EUROTECH	ITALY	76	1.6 x	1.3 x	1.1 x	nm	22.6 x	14.3 x	nm	nm	31.1 x	nm	nm	40.5 x
Premium (discount) to Peers' Average			-57%	-60%	-61%	nm	72%	27%	nm	nm	160%	nm	nm	150%
PEERS	Average		3.7 x	3.3 x	2.9 x	16.3 x	13.2 x	11.3 x	17.5 x	14.2 x	12.0 x	23.9 x	18.7 x	16.1 x
	Median		3.8 x	3.0 x	2.6 x	15.9 x	13.2 x	11.5 x	17.8 x	16.3 x	13.7 x	22.2 x	20.0 x	17.0 x
PTC Inc.	UNITED STATES	19,309	8.3 x	7.6 x	6.9 x	17.4 x	15.4 x	13.9 x	17.8 x	16.3 x	14.5 x	23.8 x	21.9 x	19.4 x
Kontron AG	GERMANY	1,208	0.8 x	0.7 x	0.6 x	6.1 x	5.2 x	4.4 x	11.4 x	7.9 x	6.3 x	12.9 x	9.5 x	8.2 x
Advantech Co., Ltd.	TAIWAN	14,586	4.4 x	3.6 x	3.1 x	21.2 x	17.0 x	14.4 x	22.3 x	18.0 x	14.9 x	25.9 x	22.1 x	18.7 x
Curtiss-Wright Corporation	UNITED STATES	15,528	4.6 x	4.2 x	3.8 x	20.5 x	18.1 x	16.1 x	23.7 x	20.9 x	18.4 x	30.4 x	27.0 x	24.1 x
Mercury Systems, Inc.	UNITED STATES	4,498	5.3 x	4.7 x	4.1 x	34.5 x	24.1 x	19.8 x	nm	nm	nm	nm	nm	nm
Digi International Inc.	UNITED STATES	1,908	na	na	na	na	na	na	na	na	na	20.5 x	18.1 x	15.4 x
PEERS Embedded and IoT	Average		4.7 x	4.2 x	3.7 x	19.9 x	16.0 x	13.7 x	18.8 x	15.8 x	13.5 x	22.7 x	19.7 x	17.2 x
	Median		4.6 x	4.2 x	3.8 x	20.5 x	17.0 x	14.4 x	20.0 x	17.1 x	14.7 x	23.8 x	21.9 x	18.7 x
Interpump Group S.p.A.	ITALY	4,192	2.0 x	1.9 x	1.7 x	9.3 x	8.3 x	7.3 x	12.6 x	11.0 x	9.7 x	17.7 x	16.1 x	14.7 x
SECO S.p.A.	ITALY	628	3.1 x	2.4 x	2.1 x	14.4 x	10.9 x	9.1 x	25.9 x	18.0 x	13.7 x	47.8 x	23.9 x	19.3 x
B&C Speakers S.p.A.	ITALY	119	1.3 x	1.2 x	1.1 x	7.0 x	6.2 x	5.3 x	8.5 x	7.4 x	6.3 x	11.9 x	10.7 x	9.3 x
PEERS Italian Industrials	Average		2.1 x	1.8 x	1.6 x	10.2 x	8.5 x	7.3 x	15.7 x	12.2 x	9.9 x	25.8 x	16.9 x	14.5 x
	Median		2.0 x	1.9 x	1.7 x	9.3 x	8.3 x	7.3 x	12.6 x	11.0 x	9.7 x	17.7 x	16.1 x	14.7 x

Source: Alantra estimates and Factset

Financials

Stronger sales CAGR 26-28 than peers, starting from a low base

Company	Country	Mkt Cap (Eu mn)	FY26E - FY28E average margins					CAGR FY26E - FY28E			
			EBITDA Margin	EBIT Margin	Net Income Margin	Capex / Sales	Dividend Payout	Sales	EBITDA	EBIT	EPS
EUROTECH	ITALY	76	4.1%	-1.3%	-1.4%	3.3%	0.0%	16.2%	nm	nm	nm
PEERS	Average		24.3%	18.3%	13.2%	3.3%	24.9%	8.8%	13.6%	16.6%	18.7%
	Median		22.3%	16.8%	12.0%	2.5%	11.0%	7.9%	11.3%	16.1%	14.0%
PTC Inc.	UNITED STATES	19,309	48.9%	46.9%	34.8%	0.7%	0.0%	6.7%	8.7%	7.5%	10.7%
Kontron AG	GERMANY	1,208	14.1%	8.9%	6.9%	4.7%	43.4%	7.9%	11.3%	26.6%	25.2%
Advantech Co., Ltd.	TAIWAN	14,586	21.3%	20.3%	17.4%	1.8%	64.6%	17.7%	19.5%	20.7%	17.6%
Curtiss-Wright Corporation	UNITED STATES	15,528	22.9%	19.9%	15.4%	2.5%	6.1%	8.2%	10.7%	11.6%	12.3%
Mercury Systems, Inc.	UNITED STATES	4,498	18.5%	4.7%	1.7%	3.3%	0.0%	10.8%	29.6%	nm	nm
Digi International Inc.	UNITED STATES	1,908	28.6%	17.2%	12.1%	0.5%	na	6.3%	13.6%	24.0%	15.6%
PEERS Embedded and IoT	Average		25.7%	19.7%	14.7%	2.2%	22.8%	9.6%	15.6%	18.1%	16.3%
	Median		22.1%	18.6%	13.8%	2.1%	6.1%	8.0%	12.4%	20.7%	15.6%
Interpump Group S.p.A.	ITALY	4,192	22.5%	16.8%	11.4%	4.4%	16.0%	4.6%	5.5%	6.7%	10.8%
SECO S.p.A.	ITALY	628	22.3%	13.6%	7.2%	9.9%	0.0%	17.5%	23.0%	34.9%	49.4%
B&C Speakers S.p.A.	ITALY	119	19.6%	16.5%	12.0%	2.0%	69.5%	-0.4%	0.7%	0.8%	7.7%
PEERS Italian Industrials	Average		21.5%	15.6%	10.2%	5.4%	28.5%	7.2%	9.7%	14.1%	22.6%
	Median		22.3%	16.5%	11.4%	4.4%	16.0%	4.6%	5.5%	6.7%	10.8%

Source: Alantra estimates and Factset

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Performance

ETH share price outperformed peers in the last 12 months

Company	Country	Mkt Cap (Eu mn)	Performance 1M	3M	6M	1YR	3YR	5YR
EUROTECH	ITALY	76	-0.2%	-3.0%	34.9%	41.2%	-39.0%	-74.9%
PEERS	Average		-3.6%	-5.9%	8.7%	17.6%	55.4%	51.1%
	Median		-1.4%	-12.9%	1.9%	12.3%	35.1%	57.8%
PTC Inc.	UNITED STATES	19,309	1.1%	27.4%	39.2%	12.3%	28.8%	60.9%
Kontron AG	GERMANY	1,208	-8.0%	-13.2%	-17.0%	-20.3%	-11.7%	-4.7%
Advantech Co., Ltd.	TAIWAN	14,586	-15.3%	-12.9%	30.9%	106.1%	77.5%	72.6%
Curtiss-Wright Corporation	UNITED STATES	15,528	-6.0%	-31.5%	-37.1%	-13.6%	121.2%	255.6%
Mercury Systems, Inc.	UNITED STATES	4,498	6.1%	-25.8%	-12.0%	14.3%	143.5%	57.8%
Digi International Inc.	UNITED STATES	1,908	-25.7%	-34.9%	-15.2%	43.9%	145.9%	121.9%
PEERS Embedded and IoT	Average		-8.0%	-15.2%	-1.9%	23.8%	84.2%	94.0%
	Median		-7.0%	-19.5%	-13.6%	13.3%	99.4%	66.7%
Interpump Group S.p.A.	ITALY	4,192	7.1%	5.2%	7.5%	-11.3%	-9.5%	-37.4%
SECO S.p.A.	ITALY	628	10.0%	38.8%	80.2%	57.1%	35.1%	-44.1%
B&C Speakers S.p.A.	ITALY	119	-1.4%	-6.1%	1.9%	-29.9%	-32.5%	-22.3%
PEERS Italian Industrials	Average		5.2%	12.6%	29.8%	5.3%	-2.3%	-34.6%
	Median		7.1%	5.2%	7.5%	-11.3%	-9.5%	-37.4%

Source: Alantra estimates and Factset

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This report is intended for Andrea Zampaloni. 17 11 2026/ 07:48