

## ESI

Sector: Industrial

### Robust tender wins signal growth post weak FY23

*In FY23, ESI's top line nearly halved, with production value at Eu17.0mn, down from Eu30.5mn in FY22. Despite a negative EBITDA of Eu1.6mn and a bottom-line loss of Eu1.7mn, the current backlog stands at Eu52mn. Recent tenders secured over Eu50mn, affirming ESI's position in the photovoltaic industry. Projections for FY24-25 remain conservative, but with steady long-term growth trends and rising solar energy adoption, ESI anticipates growth in 2024. Despite geopolitical uncertainties, a BUY rating and TP of Eu2.0/share are confirmed, reflecting optimism about Italy's expanding renewable energy market and ESI's potential for improvement over time.*

- **Top line almost halved in FY23** - Value of Production totalled Eu17.0mn, down vs. Eu30.5mn reported in FY22. In 2023, nine EPC contracts worth Eu32.1mn were completed, leading to a decrease in work in progress and an increase in revenues, rising from Eu2.4m to Eu32.5mn in 2023. The change in WIP as of Dec-23, negative for Eu15.7mn, reflected the closure of several contracts during the year, with a decrease in work in progress by Eu24.5mn not counterbalanced by an increase of Eu8.8mn.
- **EBITDA turned into negative at Eu1.6mn**, compared to Eu1.2mn positive in 2022, as a result of decreased production volumes and heightened production expenses. This increase stemmed from three main factors: rising raw material costs, component shortages, and supply chain delays, leading to additional construction costs. While raw material costs reduced YoY, service, third-party goods, and personnel expenses rose. These variations align with project lifecycles, with increased service costs during project completion stages, contrasting with higher raw material orders in initial phases (in 2022). EBIT was Eu2.0mn negative vs. Eu0.7mn positive in 2022. As a consequence, bottom line was negative for Eu1.7mn vs. a loss of Eu0.2mn in FY22. Current backlog stands at some Eu52mn, in addition to contracts in advance definition stage for a Eu20mn, translating into a potential backlog for a total consideration of Eu78mn. NFP came in at Eu0.8mn debt and compares with Eu2.3m debt at end-22, primarily due to the repayment of factoring debts, which decreased by Eu2.3mn.
- **A supportive streamline of tender's award.** The group announced the award of several tenders, totalling >Eu50mn since our last update in October, which give business visibility for the next two years. These contracts encompass preliminary design, turnkey construction, and technological upgrading for projects located in Piedmont and Lazio. Among others, ESI has secured: 1) a Eu5.7mn deal with a major multinational in the oil & gas sector for the turnkey construction of a 10 MWp photovoltaic plant in Piedmont; 2) a contract worth Eu8.6mn has been awarded for the construction of a 9.8MWp plant in Foggia, commissioned by a electricity producer; 3) a Eu12.3mn contract with a leading European utility for the design and construction of a 52MWp photovoltaic power plant in Lazio; and 4) a framework agreement has been established for the revamping of photovoltaic plants totaling 60 MWp, valued at Eu23.4mn. These developments underscore ESI's continued leadership and expertise in the photovoltaic industry.
- **Estimates essentially unchanged, entailing a conservative view on the BP targets** - We leave basically unchanged our FY24-25 projections, already reduced in the occasion of the release of 1H23 results and introduced 2026 estimates. Our assumptions suggest a cautious stance relative to the targets set by companies for 2024-2026. This perspective primarily stems from the group's history of underperformance, although there's potential for improvement through sustained and tangible achievements over time.
- **BUY, TP to Eu2.0/share confirmed.** Despite geopolitical uncertainties, long-term growth trends remain steady. Italy's market is expected to expand, with 2023 showing some stabilization in commodity pricing. Solar energy adoption is rising. ESI foresees growth in 2024, supported by renewable energy demand and a substantial order backlog, despite potential energy price increases due to geopolitical tensions. We confirm our BUY rating and TP of Eu2.0/share. Our valuation is based on the avg. of Comal's multiples (avg. 25E-26E EV/EBITDA with a 15% discount) and DCF.

## BUY

Unchanged

## TP 2.0

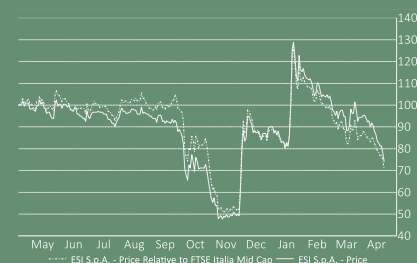
Unchanged

Target price upside: 25%

| Change in EPS est. | FY24E | FY25E |
|--------------------|-------|-------|
|                    | 27%   | 2%    |

| Ticker (BBG, Reut)              | ESI IM | ESI.MI |
|---------------------------------|--------|--------|
| Share price Ord. (Eu)           |        | 1.6    |
| N. of Ord. shares (mn)          |        | 7.8    |
| Total N. of shares (mn)         |        | 7.3    |
| Market cap (Eu mn)              |        | 12     |
| Total Market Cap (EU mn)        |        | 12     |
| Free Float Ord. (%)             |        | 33%    |
| Free Float Ord. (Eu mn)         |        | 4      |
| Daily AVG liquidity Ord. (Eu k) |        | 46     |

|                   | 1M     | 3M     | 12M    |
|-------------------|--------|--------|--------|
| Absolute Perf.    | -19.1% | -38.0% | -22.1% |
| Rel.to FTSEMidCap | -15.2% | -41.2% | -26.8% |
| 52 weeks range    | 1.0    | 2.8    |        |



|                     | FY23A  | FY24E | FY25E |
|---------------------|--------|-------|-------|
| Sales               | 17     | 35    | 50    |
| EBITDA adj.         | (1.6)  | 2.5   | 4.0   |
| Net profit adj.     | (1.7)  | 1.3   | 2.1   |
| EPS adj.            | (0.24) | 0.17  | 0.28  |
| DPS - Ord.          | 0.000  | 0.000 | 0.000 |
| EV/EBITDA adj.      | nm     | 3.9x  | 3.0x  |
| P/E adj.            | nm     | 5.6x  | 3.9x  |
| Dividend yield      | 0.0%   | 0.0%  | 0.0%  |
| FCF yield           | -18.0% | -2.0% | -2.1% |
| Net debt/(Net cash) | 0.8    | 3.0   | 3.2   |
| Net debt/EBITDA     | nm     | 1.2x  | 0.8x  |

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## Financial Summary

| P&L account (Eu mn)        | FY22A      | FY23A        | FY24E      | FY25E      | FY26E      |
|----------------------------|------------|--------------|------------|------------|------------|
| Total Revenues             | 30.5       | 17.0         | 34.9       | 49.5       | 62.5       |
| First margin               | nm         | nm           | nm         | nm         | nm         |
| EBITDA reported            | 1.2        | (1.6)        | 2.5        | 4.0        | 5.3        |
| D&A                        | (0.5)      | (0.4)        | (0.6)      | (0.9)      | (0.9)      |
| EBIT reported              | 0.7        | (2.0)        | 1.8        | 3.0        | 4.4        |
| Net financial charges      | (0.7)      | (0.2)        | (0.1)      | (0.1)      | (0.1)      |
| 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             | 0.0        | (2.2)        | 1.8        | 3.0        | 4.3        |
| Taxes                      | (0.2)      | 0.5          | (0.5)      | (0.8)      | (1.2)      |
| 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        | (0.2)      | (1.7)        | 1.3        | 2.1        | 3.1        |
| <b>EBITDA adjusted</b>     | <b>1.2</b> | <b>(1.6)</b> | <b>2.5</b> | <b>4.0</b> | <b>5.3</b> |
| <b>EBIT adjusted</b>       | <b>1.2</b> | <b>(2.0)</b> | <b>1.8</b> | <b>3.0</b> | <b>4.4</b> |
| <b>Net profit adjusted</b> | <b>0.5</b> | <b>(1.7)</b> | <b>1.3</b> | <b>2.1</b> | <b>3.1</b> |

| Margins (%)             | FY22A | FY23A  | FY24E | FY25E | FY26E |
|-------------------------|-------|--------|-------|-------|-------|
| First margin            | nm    | nm     | nm    | nm    | nm    |
| EBITDA margin           | 4.0%  | -9.3%  | 7.0%  | 8.0%  | 8.5%  |
| EBITDA margin (adj)     | 4.0%  | -9.3%  | 7.0%  | 8.0%  | 8.5%  |
| EBIT margin             | 2.4%  | -11.5% | 5.2%  | 6.1%  | 7.0%  |
| EBIT margin (adj)       | 4.0%  | -11.5% | 5.2%  | 6.1%  | 7.0%  |
| Net profit margin       | -0.7% | -10.2% | 3.6%  | 4.3%  | 4.9%  |
| Net profit margin (adj) | 1.7%  | -10.2% | 3.6%  | 4.3%  | 4.9%  |

| Growth rates (%)    | FY22A  | FY23A  | FY24E  | FY25E | FY26E |
|---------------------|--------|--------|--------|-------|-------|
| Sales               | 92.7%  | -44.2% | 105.3% | 41.8% | 26.3% |
| EBITDA              | -36.3% | nm     | nm     | 61.9% | 33.3% |
| EBITDA adjusted     | -36.3% | nm     | nm     | 61.9% | 33.3% |
| EBIT                | -56.8% | nm     | nm     | 66.1% | 43.7% |
| EBIT adjusted       | -26.5% | nm     | nm     | 66.1% | 43.7% |
| Pre-tax             | -99.8% | nm     | nm     | 69.1% | 44.9% |
| Net profit          | nm     | nm     | nm     | 69.1% | 44.9% |
| Net profit adjusted | -59.2% | nm     | nm     | 69.1% | 44.9% |

| Per share data           | FY22A          | FY23A          | FY24E        | FY25E        | FY26E        |
|--------------------------|----------------|----------------|--------------|--------------|--------------|
| Shares                   | 6.998          | 7.527          | 7.527        | 7.527        | 7.527        |
| N. of shares AVG         | 6.998          | 7.263          | 7.527        | 7.527        | 7.527        |
| N. of shares diluted AVG | 6.934          | 7.345          | 7.757        | 7.757        | 7.757        |
| <b>EPS</b>               | <b>(0.032)</b> | <b>(0.238)</b> | <b>0.167</b> | <b>0.283</b> | <b>0.410</b> |
| <b>EPS adjusted</b>      | <b>0.075</b>   | <b>(0.238)</b> | <b>0.167</b> | <b>0.283</b> | <b>0.410</b> |
| <b>DPS - Ord.</b>        | <b>0.000</b>   | <b>0.000</b>   | <b>0.000</b> | <b>0.000</b> | <b>0.000</b> |
| DPS - Sav.               | 0.000          | 0.000          | 0.000        | 0.000        | 0.000        |
| BVPS                     | 0.495          | 0.398          | 0.551        | 0.835        | 1.245        |

| Enterprise value (Eu mn) | FY22A | FY23A | FY24E | FY25E | FY26E |
|--------------------------|-------|-------|-------|-------|-------|
| Share price Ord. (Eu)    | 2.8   | 2.0   | 1.6   | 1.6   | 1.6   |
| Market cap               | 19.6  | 15.1  | 12.0  | 12.0  | 12.0  |
| Net debt/(Net cash)      | 2.3   | 0.8   | 3.0   | 3.2   | 3.5   |
| Adjustments              | 0.1   | 0.1   | 0.2   | 0.3   | 0.4   |
| Enterprise value         | 22.0  | 16.1  | 15.3  | 15.6  | 15.9  |

| Cash flow (Eu mn)          | FY22A        | FY23A      | FY24E        | FY25E        | FY26E        |
|----------------------------|--------------|------------|--------------|--------------|--------------|
| EBITDA reported            | 1.2          | (1.6)      | 2.5          | 4.0          | 5.3          |
| Net financial charges      | (0.7)        | (0.2)      | (0.1)        | (0.1)        | (0.1)        |
| Cash taxes                 | (0.2)        | 0.5        | (0.5)        | (0.8)        | (1.2)        |
| Ch. in Working Capital     | (2.9)        | 1.9        | (4.0)        | (3.2)        | (4.2)        |
| Other Op. items            | 0.1          | 0.0        | 0.1          | 0.1          | 0.1          |
| <b>Operating cash flow</b> | <b>(2.6)</b> | <b>0.6</b> | <b>(2.0)</b> | <b>(0.1)</b> | <b>(0.1)</b> |
| Capex                      | (0.4)        | (0.2)      | (0.2)        | (0.2)        | (0.2)        |
| <b>FCF</b>                 | <b>(3.0)</b> | <b>0.4</b> | <b>(2.2)</b> | <b>(0.2)</b> | <b>(0.3)</b> |
| Disposals/Acquisitions     | 0.0          | 0.0        | 0.0          | 0.0          | 0.0          |
| Changes in Equity          | (0.2)        | 1.2        | 0.0          | 0.0          | 0.0          |
| Others                     | (0.1)        | (0.0)      | 0.0          | 0.0          | 0.0          |
| Dividends                  | 0.0          | 0.0        | 0.0          | 0.0          | 0.0          |
| <b>Ch. in NFP</b>          | <b>(3.3)</b> | <b>1.5</b> | <b>(2.2)</b> | <b>(0.2)</b> | <b>(0.3)</b> |

| Ratios (%)              | FY22A       | FY23A       | FY24E       | FY25E       | FY26E       |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Capex/Sales</b>      | <b>1.4%</b> | <b>1.4%</b> | <b>0.5%</b> | <b>0.3%</b> | <b>0.3%</b> |
| Capex/D&A               | 0.8x        | 0.6x        | 0.3x        | 0.2x        | 0.2x        |
| FCF/EBITDA              | nm          | -23.5%      | -87.8%      | -5.9%       | -4.9%       |
| FCF/Net profit          | nm          | -21.6%      | nm          | -11.1%      | -8.3%       |
| <b>Dividend pay-out</b> | <b>0.0%</b> | <b>0.0%</b> | <b>0.0%</b> | <b>0.0%</b> | <b>0.0%</b> |

| Balance sheet (Eu mn)       | FY22A      | FY23A      | FY24E      | FY25E      | FY26E       |
|-----------------------------|------------|------------|------------|------------|-------------|
| Working capital             | 3.6        | 1.7        | 5.7        | 8.9        | 13.1        |
| Fixed assets                | 2.3        | 2.2        | 1.7        | 0.9        | 0.1         |
| Provisions & others         | (0.1)      | (0.1)      | (0.2)      | (0.3)      | (0.4)       |
| <b>Net capital employed</b> | <b>5.8</b> | <b>3.7</b> | <b>7.1</b> | <b>9.5</b> | <b>12.8</b> |
| <b>Net debt/(Net cash)</b>  | <b>2.3</b> | <b>0.8</b> | <b>3.0</b> | <b>3.2</b> | <b>3.5</b>  |
| Equity                      | 3.5        | 2.9        | 4.2        | 6.3        | 9.4         |
| Minority interests          | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         |

| Ratios (%)                   | FY22A        | FY23A        | FY24E        | FY25E        | FY26E        |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Working capital/Sales</b> | <b>11.8%</b> | <b>9.8%</b>  | <b>16.3%</b> | <b>18.0%</b> | <b>21.0%</b> |
| <b>Net debt/Equity</b>       | <b>67.0%</b> | <b>28.2%</b> | <b>71.6%</b> | <b>51.1%</b> | <b>37.0%</b> |
| <b>Net debt/EBITDA</b>       | <b>1.9x</b>  | <b>nm</b>    | <b>1.2x</b>  | <b>0.8x</b>  | <b>0.7x</b>  |

| Valuation                 | FY22A         | FY23A       | FY24E         | FY25E        | FY26E        |
|---------------------------|---------------|-------------|---------------|--------------|--------------|
| <b>EV/CE</b>              | <b>3.8x</b>   | <b>4.2x</b> | <b>2.1x</b>   | <b>1.6x</b>  | <b>1.2x</b>  |
| P/BV                      | 5.7x          | 5.2x        | 2.9x          | 1.9x         | 1.3x         |
| EV/Sales                  | 0.7x          | 0.9x        | 0.4x          | 0.3x         | 0.3x         |
| EV/EBITDA                 | 18.0x         | nm          | 6.2x          | 3.9x         | 3.0x         |
| <b>EV/EBITDA adjusted</b> | <b>18.0x</b>  | <b>nm</b>   | <b>6.2x</b>   | <b>3.9x</b>  | <b>3.0x</b>  |
| EV/EBIT                   | 30.7x         | nm          | 8.3x          | 5.1x         | 3.6x         |
| <b>EV/EBIT adjusted</b>   | <b>18.0x</b>  | <b>nm</b>   | <b>8.3x</b>   | <b>5.1x</b>  | <b>3.6x</b>  |
| P/E                       | nm            | nm          | 9.6x          | 5.7x         | 3.9x         |
| <b>P/E adjusted</b>       | <b>37.3x</b>  | <b>nm</b>   | <b>9.6x</b>   | <b>5.7x</b>  | <b>3.9x</b>  |
| ROCE pre-tax              | 30.7%         | nm          | 32.7%         | 35.4%        | 37.8%        |
| <b>ROE</b>                | <b>15.2%</b>  | <b>nm</b>   | <b>30.4%</b>  | <b>33.9%</b> | <b>33.0%</b> |
| EV/FCF                    | -7.3x         | 43.2x       | -7.1x         | -66.1x       | -61.8x       |
| <b>FCF yield</b>          | <b>-15.4%</b> | <b>2.5%</b> | <b>-17.9%</b> | <b>-2.0%</b> | <b>-2.1%</b> |
| <b>Dividend yield</b>     | <b>0.0%</b>   | <b>0.0%</b> | <b>0.0%</b>   | <b>0.0%</b>  | <b>0.0%</b>  |

### Share price performance

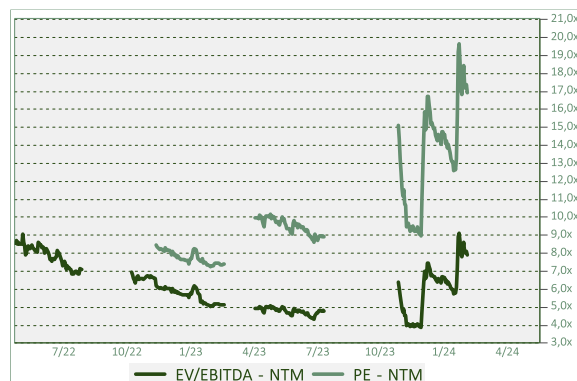
Stock price at historic lows



Source: Factset

### Valuation

A recent slight re-rating from the historic lows



Source: Factset

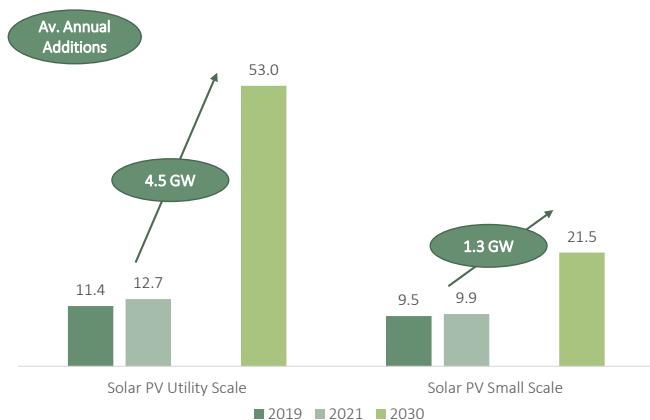
# ALANTRA

## Italian Equity Research

### Key Charts

#### Utility-scale Solar PV market

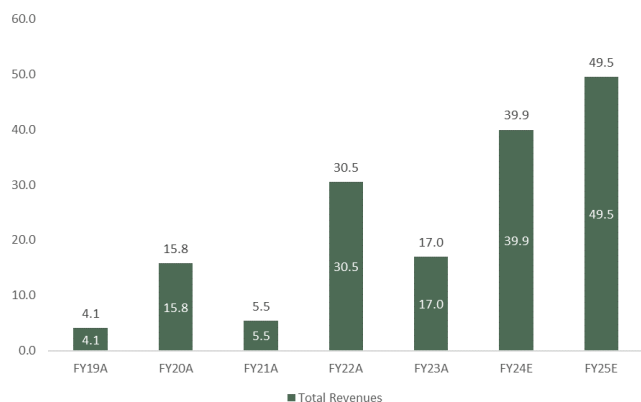
Ambitious targets should boost the solar PV utility scale market in Italy



Source: SNAM, Terna, GSE, Alantra

#### Evolution of Revenues

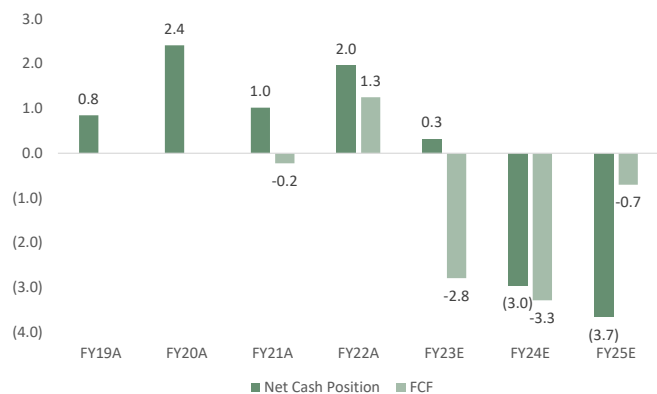
Revenues growth back on track from 2024



Source: ESI, Alantra

#### Evolution of FCF

FCF should improve from FY25E



Source: ESI, Alantra estimates

#### An established presence in EPC and System Integration

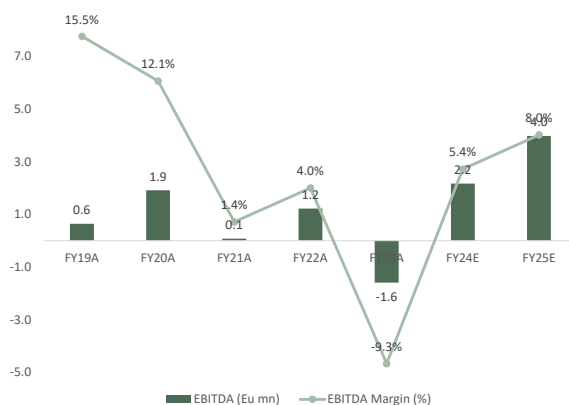
ESI has a substantial track record in both EPC and System Integration



Source: ESI, Alantra estimates

#### Evolution of EBITDA (Eu mn) and EBITDA margin (%)

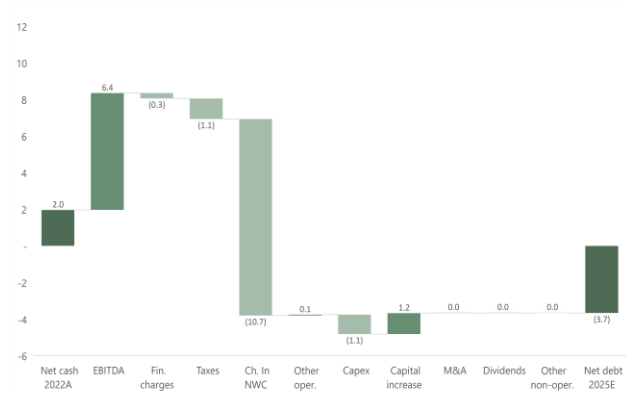
EBITDA margin to recover substantially as from 2024-25



Source: ESI, Alantra estimates

#### Evolution of net cash (Eu mn)

Development & Construction business should require higher NWC needs



Source: ESI, Alantra estimates

## Background

ESI (Energy System Integrator) is an EPC and electrification player acting in the growing PV market, both in Italy and internationally. The company was established in 2018 through the spin-off of the renewable business of Work System Srl (a company with a track record of 15+ years in the EPC and off-grid fields), with the objective to create a business focused on renewable energies. ESI mainly manages two business areas: (i) EPC, where the company acts as a general contractor of utility-scale PV plants in developed countries (mostly Italy) with a portfolio of prestigious clients (utilities and specialised funds); (ii) System Integration, which includes the development of PV and Hybrid off-grid plants for the electrification of remote areas, as well as the creation of energy storage systems. This division includes special electrification projects in geographies like Congo, Burundi, Uganda, Rwanda, Mozambique, Eritrea and Ethiopia, commissioned primarily by non-profit organizations, foundations, NGOs.

ESI in Jul-22 changed its main shareholder, with the acquisition of a 29.58% stake (at a price of Eu3.145/share) by Innovatec from Integra (the holding company 50-50 owned by the two founders), whose stake now stands at 26.18%. Innovatec should become an important industrial partner for ESI, through the origination of EPC contracts related to large industrial (>1MW) PV installations.

## Positioning

In the EPC business, ESI boasts a proven track record and a substantial backlog that should trigger a strong expansion in the years ahead.

Furthermore, the company is also present in off-grid projects in remote areas, where few players are active in the geographies targeted by ESI (the company primarily competes with only 5 international players and other smaller regional players). ESI has substantial expertise and track record in the development of electrification projects, which make it a partner of choice for off-grid projects in remote areas. Furthermore, ESI has a proven business model that allows it to be extremely flexible (project-base employment, leveraging on local hiring) and work under difficult circumstances.

## Growth

ESI is positioned to benefit from a booming market. On the back of the EU's objective of net-zero greenhouse gas emissions by 2050, Europe plans to increase its current solar PV capacity (209 GW in 2022) to 600 GW in 2030. Italian utility-scale PV capacity is expected to grow to 53 GW by 2030, with an avg. annual addition of ca. 4.5 GW. Least Developed Countries (LDCs) are dealing with a different topic: the lack of electricity. According to ESMAP and The World Bank, the mini-grid market foresees investments between USD62bn and USD98bn in the period 2021-2030 to electrify remote areas around the world.

In FY23, ESI's revenue plummeted to Eu17.0mn from Eu30.5mn in FY22, impacted by the completion of Eu32.1mn worth of EPC contracts. EBITDA turned negative at Eu1.6mn compared to a positive Eu1.2mn in 2022, attributed to reduced production volumes and heightened expenses, including rising raw material costs and supply chain delays. EBIT worsened to Eu2.0mn negative from Eu0.7mn positive in 2022, resulting in a bottom-line loss of Eu1.7mn. The current backlog is Eu52mn, with potential for Eu78mn, while net financial position improved to Eu0.8mn debt due to factoring debt repayment.

## Strategy

In EPC, ESI should concentrate mainly on two objectives: the expansion of the client base and the diversification of the target market. While the company is now working almost with few large clients, in the EPC business, ESI should intensify its commercial efforts to address new clients active in the development of PV plants, such as Iberdrola. At the same time, we believe that ESI should increase its exposure to large industrial PV EPC business (installations above 1MW), beginning to benefit from the recent agreement with Innovatec.

The group recently unveiled the 24-26 business plan which foresees to reach FY26E top-line target of Eu69mn and EBITDA of Eu6mn (8.7% margin). According to the plan, ESI should generate cumulated revenues of Eu172.3mn with average first margin of 13.5% and EBITDA of Eu13.8mn in 2024-26. Net debt position should land in the region of Eu3.5mn in 2026. Main drivers are: 1) Increase volumes in EPC; 2) New Development & Construction division (production and sale of PV plants) and 3) New B2B division.

### Strengths

- Strong track record with large clients on solar PV EPC business in Italy
- Strong competitive positioning in mini-grid and off-grid in target markets
- Diligent NWC management and conservative approach to new tenders

### Weaknesses

- Lack of leading positioning in the Italian EPC market
- Strong concentration on few large clients/projects
- Dependency on the expertise, knowledge and network of the two co-founders

### Opportunities

- Consolidating the system integration business in Africa
- Expansion of the client base in Italian EPC targeting new large utilities
- Expansion to large industrial solar PV EPC thanks to the partnership with Innovatec

### Threats

- Internalization of PV EPC practice from large utilities
- Entrance of additional large EPC players in the mini-grid and off-grid market
- Miss on delivery from the partnership with Innovatec

### Key shareholders

- Genkinn S.r.l. (Innovatec) - 32.45%
- Integra S.r.l. - 25.67%
- Exacto S.p.A. - 9.23%
- Free Float - 32.65%

### Management

- Riccardo Di Pietrogiamco, Co-Founder & CEO
- Stefano Plocco, Co-Founder
- Angelo Trementozzi, CFO
- Felice Egidi, Chairman

### Next events

- AGM - 24 April 2024
- 1H24 - 25 September 2024

# ALANTRA

Italian Equity Research

## FY23 results

### FY23 results

Top line almost halved in FY23. EBITDA turned into negative at Eu1.6mn.

| Eu mn               | 2H22A | 2H23A  | YoY %  | 2H23E | A vs E | FY22A | FY23A  | YoY %  | FY23E | A vs E |
|---------------------|-------|--------|--------|-------|--------|-------|--------|--------|-------|--------|
| Value of Production | 15.6  | 7.1    | -54.8% | 10.8  | -34.7% | 30.5  | 17.0   | -44.2% | 20.8  | -18.1% |
| EBITDA              | 0.4   | (0.5)  | nm     | 1.3   | nm     | 1.2   | (1.6)  | nm     | 0.2   | nm     |
| Ebitda Margin %     | 2.8%  | -7.2%  |        | 11.8% |        | 4.0%  | -9.3%  |        | 0.9%  |        |
| EBIT                | 0.6   | (0.7)  | nm     | 1.1   | nm     | 1.2   | (2.0)  | nm     | (0.2) | nm     |
| Ebit Margin %       | 3.7%  | -10.0% |        | 10.1% |        | 4.0%  | -11.5% |        | -0.8% |        |
| Pretax Profit       | (0.5) | (0.8)  | nm     | 1.1   | nm     | 0.0   | (2.2)  | nm     | (0.3) | nm     |
| Pretax Margin %     | -3.3% | -11.4% |        | 10.4% |        | 0.0%  | -12.9% |        | -1.3% |        |
| Net Profit          | (0.6) | (0.6)  | nm     | 0.9   | nm     | (0.2) | (1.7)  | nm     | (0.2) | nm     |
| Net Profit Margin % | -3.6% | -9.1%  |        | 8.2%  |        | -0.7% | -10.2% |        | -0.9% |        |
| Restated Net Profit | 0.2   | (0.6)  | nm     | 0.9   | nm     | 0.5   | (1.7)  | nm     | (0.2) | nm     |
| Net Profit Margin % | 1.2%  | -9.1%  |        | 8.2%  |        | 1.7%  | -10.2% |        | -0.9% |        |
| NFP (debt)/cash     | (2.3) | (0.8)  | nm     | (1.0) | nm     | (2.3) | (0.8)  | nm     | 0.3   | nm     |

Source: ESI, Alantra estimates

## Change in estimates

### New versus old estimates

We broadly confirm our estimates

| (Eu mn)                              | NEW Estimates |       |       | % Change |       |       | OLD Estimates |       |       |
|--------------------------------------|---------------|-------|-------|----------|-------|-------|---------------|-------|-------|
|                                      | FY24E         | FY25E | FY26E | FY24E    | FY25E | FY26E | FY24E         | FY25E | FY26E |
| Total Revenues / Value of Production | 39.6          | 49.2  | 62.2  | 0.0%     | 0.0%  | -     | 39.6          | 49.2  | -     |
| EBITDA Adjusted                      | 2.5           | 4.0   | 5.3   | 10.7%    | 0.3%  | -     | 2.2           | 4.0   | -     |
| EBIT Adjusted                        | 1.8           | 3.0   | 4.4   | 23.7%    | 1.4%  | -     | 1.5           | 3.0   | -     |
| Pretax Profit                        | 1.8           | 3.0   | 4.3   | 26.9%    | 2.1%  | -     | 1.4           | 2.9   | -     |
| Net profit                           | 1.3           | 2.1   | 3.1   | 26.9%    | 2.1%  | -     | 1.0           | 2.1   | -     |
| Net profit restated                  | 1.3           | 2.1   | 3.1   | 26.9%    | 2.1%  | -     | 1.0           | 2.1   | -     |
| EPS                                  | 0.167         | 0.283 | 0.410 | 26.9%    | 2.1%  | -     | 0.132         | 0.277 | -     |
| Net financial position               | (3.0)         | (3.2) | (3.5) | 0.0      | 0.5   | -     | (3.0)         | (3.7) | -     |

Source: Alantra estimates

## Peers

### Trading multiples – ESI versus selected peers

ESI is trading at a 13% discount on FY25E EV/EBITDA vs peers

| Company                             | Country | Mkt Cap<br>(Eu mn) | EV/EBITDA |       |       | EV/EBIT |        |       | PE     |        |       | EV/Sales |       |       |
|-------------------------------------|---------|--------------------|-----------|-------|-------|---------|--------|-------|--------|--------|-------|----------|-------|-------|
|                                     |         |                    | FY24E     | FY25E | FY26E | FY24E   | FY25E  | FY26E | FY24E  | FY25E  | FY26E | FY24E    | FY25E | FY26E |
| ESI S.p.A.                          | ITALY   | 15                 | 6.2 x     | 3.9 x | 3.0 x | 8.3 x   | 5.1 x  | 3.6 x | 9.6 x  | 5.7 x  | 3.9 x | 0.4 x    | 0.3 x | 0.3 x |
| Premium (discount) to Peers' Median |         |                    | -4%       | -13%  | -3%   | 15%     | 4%     | 17%   | -10%   | -23%   | -32%  | -6%      | -41%  | -37%  |
| PEERS                               |         |                    | Average   | 5.5 x | 4.8 x | 2.7 x   | 6.6 x  | 6.2 x | 3.0 x  | 10.7 x | 8.5 x | 5.8 x    | 1.3 x | 1.0 x |
|                                     |         |                    | Median    | 6.5 x | 4.5 x | 3.1 x   | 7.2 x  | 4.9 x | 3.1 x  | 10.6 x | 7.4 x | 5.8 x    | 0.5 x | 0.5 x |
| Comal S.p.A.                        | ITALY   | 41                 | 6.3 x     | 4.7 x | 4.0 x | 7.4 x   | 5.4 x  | 4.7 x | na     | na     | na    | 0.5 x    | 0.5 x | 0.4 x |
| Altea Green Power S.p.A.            | ITALY   | 127                | 7.0 x     | 4.4 x | 3.1 x | 7.1 x   | 4.4 x  | 3.1 x | 10.6 x | 7.4 x  | 6.2 x | 4.3 x    | 2.7 x | 2.0 x |
| Italian Solar PV EPC & Development  |         |                    | Average   | 6.6 x | 4.5 x | 3.5 x   | 7.2 x  | 4.9 x | 3.9 x  | 10.6 x | 7.4 x | 6.2 x    | 2.4 x | 1.6 x |
|                                     |         |                    | Median    | 6.6 x | 4.5 x | 3.5 x   | 7.2 x  | 4.9 x | 3.9 x  | 10.6 x | 7.4 x | 6.2 x    | 2.4 x | 1.6 x |
| Tecnicas Reunidas SA                | SPAIN   | 728                | 2.1 x     | 1.6 x | 1.0 x | 2.4 x   | 1.9 x  | 1.1 x | 6.7 x  | 5.6 x  | 5.3 x | 0.1 x    | 0.1 x | 0.0 x |
| Elecnor S.A.                        | SPAIN   | 1,753              | 6.7 x     | 8.7 x | na    | 9.4 x   | 13.2 x | na    | 14.7 x | 12.6 x | na    | 0.4 x    | 0.6 x | na    |
| Diversified EPC Contractors         |         |                    | Average   | 4.4 x | 5.1 x | 1.0 x   | 5.9 x  | 7.6 x | 1.1 x  | 10.7 x | 9.1 x | 5.3 x    | 0.2 x | 0.3 x |
|                                     |         |                    | Median    | 4.4 x | 5.1 x | 1.0 x   | 5.9 x  | 7.6 x | 1.1 x  | 10.7 x | 9.1 x | 5.3 x    | 0.2 x | 0.3 x |

Source: Factset, Alantra

### Financials – ESI versus selected peers

ESI should exhibit higher sales growth rates vs peers

| Company                            | Country | Mkt Cap<br>(Eu mn) | FY24E - FY26E average margins |                |                         |                  |                    | CAGR FY23A - FY26E |        |       |               |
|------------------------------------|---------|--------------------|-------------------------------|----------------|-------------------------|------------------|--------------------|--------------------|--------|-------|---------------|
|                                    |         |                    | EBITDA<br>Margin              | EBIT<br>Margin | Net<br>Income<br>Margin | Capex /<br>Sales | Dividend<br>Payout | Sales              | EBITDA | EBIT  | Net<br>profit |
| ESI S.p.A.                         | ITALY   | 15                 | 7.9%                          | 6.1%           | 4.3%                    | 0.3%             | 0.0%               | 54.3%              | nm     | nm    | nm            |
| PEERS                              |         |                    | Average                       | 20.7%          | 19.6%                   | 13.1%            | 2.9%               | 22.2%              | 33.3%  | 35.9% | 36.5%         |
|                                    |         |                    | Median                        | 8.0%           | 6.3%                    | 3.8%             | 2.8%               | 33.3%              | 45.0%  | 33.5% | 34.2%         |
| Comal S.p.A.                       | ITALY   | 41                 | 9.8%                          | 8.3%           | 4.6%                    | 2.3%             | na                 | 48.2%              | 33.5%  | 34.2% | na            |
| Altea Green Power S.p.A.           | ITALY   | 127                | 62.2%                         | 61.6%          | 42.3%                   | 6.1%             | 33.3%              | 45.0%              | 64.9%  | 65.6% | 63.8%         |
| Italian Solar PV EPC & Development |         |                    | Average                       | 36.0%          | 35.0%                   | 23.5%            | 4.2%               | na                 | 46.6%  | 49.2% | 49.9%         |
|                                    |         |                    | Median                        | 36.0%          | 35.0%                   | 23.5%            | 4.2%               | na                 | 46.6%  | 49.2% | 49.9%         |
| Tecnicas Reunidas SA               | SPAIN   | 728                | 4.7%                          | 4.0%           | 2.4%                    | 0.1%             | 0.0%               | 6.8%               | 9.1%   | 9.8%  | 25.4%         |
| Elecnor S.A.                       | SPAIN   | 1,753              | 6.2%                          | 4.3%           | 3.0%                    | 3.2%             | 33.3%              | na                 | na     | na    | na            |
| Diversified EPC Contractors        |         |                    | Average                       | 5.5%           | 4.1%                    | 2.7%             | 1.6%               | 16.7%              | 6.8%   | 9.1%  | 9.8%          |
|                                    |         |                    | Median                        | 5.5%           | 4.1%                    | 2.7%             | 1.6%               | 16.7%              | 6.8%   | 9.1%  | 9.8%          |

Source: Factset, Alantra

### Performance – ESI versus selected peers

Performance is well below peers in the last year and in 1/3M

| Company                           | Country | Mkt Cap<br>(Eu mn) | Performance |        |       |        |        |        |      |
|-----------------------------------|---------|--------------------|-------------|--------|-------|--------|--------|--------|------|
|                                   |         |                    | 1M          | 3M     | 6M    | 1YR    | 3YR    | 5YR    | YTD  |
| ESI S.p.A.                        | ITALY   | 13                 | -19.1%      | -38.0% | 9.5%  | -22.1% | -42.4% | na     | 0.0% |
| PEERS                             |         |                    | Average     | 5.6%   | 0.9%  | 30.9%  | 46.1%  | 29.8%  | 4.6% |
|                                   |         |                    | Median      | 0.7%   | 4.6%  | 22.8%  | 38.1%  | 14.2%  | 4.6% |
| Comal S.p.A.                      | ITALY   | 41                 | -3.5%       | 1.4%   | 13.1% | 2.9%   | 14.2%  | na     | 2.9% |
| Altea Green Power S.p.A.          | ITALY   | 127                | -6.5%       | -18.3% | 71.3% | 105.3% | na     | na     | 7.5% |
| Italian Solar PV EPC & Developmen |         |                    | Average     | -5.0%  | -8.5% | 42.2%  | 54.1%  | 14.2%  | na   |
|                                   |         |                    | Median      | -5.0%  | -8.5% | 42.2%  | 54.1%  | 14.2%  | na   |
| Tecnicas Reunidas SA              | SPAIN   | 728                | 27.3%       | 12.7%  | 6.6%  | 7.7%   | -17.6% | -63.1% | 8.6% |
| Elecnor S.A.                      | SPAIN   | 1,753              | 4.9%        | 7.8%   | 32.6% | 68.6%  | 92.8%  | 72.2%  | 3.1% |
| Diversified EPC Contractors       |         |                    | Average     | 16.1%  | 10.3% | 19.6%  | 38.1%  | 37.6%  | 4.6% |
|                                   |         |                    | Median      | 16.1%  | 10.3% | 19.6%  | 38.1%  | 37.6%  | 4.6% |

Source: Factset, Alantra

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