

ESI

Sector: Industrial

Solar power to the people

With Solar PV becoming mainstream, ESI is best positioned to benefit from a booming market, in both utility-scale solar PV plants (the group is an EPC player in Italy trusted by large clients) and electrification of remote areas (ESI delivers mini-grid and off-grid projects backed by governments and international entities). After the up-and-downs in revenues in 2020 / 2021, a solid set of 1H22A results, a substantial backlog, and a new industrial partner and main shareholder (Innovatec) should support a strong top line growth in the coming years. A diligent NWC management and a conservative order intake should trigger FCF generation. We initiate with a BUY rating and TP of Eu3.9/share

- **A trusted Italian PV EPC player and electrification developer in remote areas.** ESI is an EPC and electrification player in the growing PV market with a track record of 15+ years. The group manages two business units: (i) EPC (74% of 1H 2022 sales), where it acts as a general contractor of utility-scale PV plants, mostly in Italy, with a portfolio of prestigious clients (utilities and specialised funds); (ii) System Integration (25%), which includes the development of PV / Hybrid off-grid plants for the electrification of remote areas. ESI's business is intrinsically ESG: while being an enabler of the transition to renewable energy sources, the group also contributes to the improvement of living conditions in developing countries
- **Set to benefit from the crucial role of solar PV in decarbonization and electrification.** 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 (158 GW in 2021) 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
- **Innovatec has added trust, business opportunities and speculative appeal.** In summer 2022, Innovatec (listed on EGM, with Eu170mn market cap) became the new major shareholder of ESI with a 29.58% stake acquired from the two founders at Eu3.145/share. Innovatec should become a key industrial partner for ESI in large industrial (>1MW) PV installations in Italy. In the future, we do not rule out a scenario of full control by Innovatec, which adds speculative appeal to ESI
- **New clients and segments in EPC. New geographies in System Integration.** In EPC, ESI should concentrate mainly on two objectives: the expansion of the client base (the group is now working almost solely with 3 large clients, i.e. Enel Green Power, Edison and Tages) and the diversification of the target market (increasing its exposure to large industrial PV EPC business). In System Integration, we believe that ESI could leverage on its track record to win new tenders mainly in Africa and Island Nations, possibly expanding to Southeast Asia
- **Revenues are set to jump in 2022 / 2023, supported by a strong backlog.** After substantial up-and-downs in revenues in 2020 and 2021, the group is now running at full speed. In 1H 2022 ESI reported Eu14.9mn sales (versus Eu1.9mn in 1H21) with 5.3% EBITDA margin. The substantial backlog of Eu49.6mn as of June 2022 covers our expected top line in 2H22 (Eu17.4mn) and more than 80% of the net sales expected in FY23E (Eu39.1mn). With System Integration increasingly becoming more relevant, operational leverage and raw material costs normalization, EBITDA is expected to reach Eu5.0mn in FY24E (up from Eu0.1mn in 2021), with a margin of 10.5% (vs 5.3% in 1H22). Our 2023E EBITDA is 17.2% above consensus
- **We initiate with a BUY rating and TP of Eu3.9/share.** ESI has performed well since its IPO, with an increase of 21% from Eu2.1/share to Eu2.5/share (vs +22% of the FTSE Italia Mid Cap index in the same period). Our target price of Eu3.9/share is based on the avg. of Comal's multiples (avg. 22E-23E EV/EBITDA with 15% discount) and DCF, resulting in a 51% upside vs the current stock price. We believe that consolidation of the track record on delivery (after a good set of 1H22 results) could trigger a reduction of the gap

BUY

New Coverage

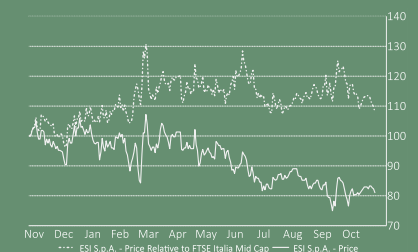
TP 3.9

New Coverage

Target price upside 51%

Ticker (BBG, Reut)	ESI IM	ESI.MI
Share price Ord. (Eu)		2.5
N. of Ord. shares (mn)		7.2
Total N. of shares (mn)		7.2
Market cap (Eu mn)		18
Total Market Cap (Eu mn)		18
Free Float Ord. (%)		34%
Free Float Ord. (Eu mn)		6
Daily AVG liquidity Ord. (Eu k)		53

	1M	3M	12M
Absolute Perf.	-2.3%	-4.1%	-18.1%
Rel.to FTSEMidCap	-12.1%	0.0%	7.3%
52 weeks range		2.4	3.4



	FY20A	FY21A	FY22E
Sales	16	5	32
EBITDA adj.	1.9	0.1	2.3
Net profit adj.	1.3	0.1	1.3
EPS adj.	0.369	0.016	0.190
DPS - Ord.	0.000	0.032	0.000
EV/EBITDA adj.	nm	7.6x	4.3x
P/E adj.	nm	13.3x	7.8x
Dividend yield	1.3%	0.0%	0.0%
FCF yield	nm	1.6%	8.6%
Net debt/(Net cash)	(2.4)	(1.0)	(0.8)
Net debt/EBITDA	nm	nm	nm

Marco Costantini
marco.costantini@alantra.com
+39 02 63 671 614

Head of Research
Giuseppe Marsella
giuseppe.marsella@alantra.com
+39 02 63 671 620

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ALANTRA

Italian Equity Research

Summary Financials

P&L account (Eu mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Total Revenues	15.8	5.5	32.3	39.6	47.1
First margin	nm	nm	nm	nm	nm
EBITDA reported	1.9	0.1	2.3	3.6	5.0
D&A	(0.3)	0.0	(0.3)	(0.4)	(0.5)
EBIT reported	1.7	0.1	2.0	3.2	4.4
Net financial charges	(0.1)	(0.0)	(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	1.6	0.0	1.9	3.2	4.4
Taxes	(0.3)	0.1	(0.5)	(0.9)	(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	1.3	0.1	1.3	2.3	3.1
EBITDA adjusted	1.9	0.1	2.3	3.6	5.0
EBIT adjusted	1.7	0.1	2.0	3.2	4.4
Net profit adjusted	1.3	0.1	1.3	2.3	3.1

Margins (%)	FY20A	FY21A	FY22E	FY23E	FY24E
First margin	nm	nm	nm	nm	nm
EBITDA margin	12.1%	1.4%	7.0%	9.2%	10.5%
EBITDA margin (adj)	12.1%	1.4%	7.0%	9.2%	10.5%
EBIT margin	10.5%	1.4%	6.0%	8.1%	9.4%
EBIT margin (adj)	10.5%	1.4%	6.0%	8.1%	9.4%
Pre-tax margin	10.1%	0.7%	5.7%	8.0%	9.3%
Net profit margin	8.1%	2.1%	4.1%	5.8%	6.7%
Net profit margin (adj)	8.1%	2.1%	4.1%	5.8%	6.7%

Growth rates (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Sales	-65.5%	491.8%	22.6%	18.9%	
EBITDA	-95.9%	2783.7%	61.2%	36.4%	
EBITDA adjusted	-95.9%	2783.7%	61.2%	36.4%	
EBIT	-95.3%	2396.3%	65.2%	37.2%	
EBIT adjusted	-95.3%	2396.3%	65.2%	37.2%	
Pre-tax	-97.6%	4616.6%	71.3%	37.8%	
Net profit	-91.1%	1067.0%	71.3%	37.8%	
Net profit adjusted	-91.1%	1067.0%	71.3%	37.8%	

Per share data	FY20A	FY21A	FY22E	FY23E	FY24E
Shares	6.998	6.998	6.998	6.998	6.998
Shares diluted	7.228	7.228	7.228	7.228	7.228
Saving shares	0.000	0.000	0.000	0.000	0.000
Treasury shares	0.064	0.064	0.064	0.064	0.064
N. of shares AVG	3.499	6.998	6.998	6.998	6.998
N. of shares diluted AVG	3.614	7.228	7.228	7.228	7.228
EPS	0.369	0.016	0.190	0.326	0.449
EPS adjusted	0.369	0.016	0.190	0.326	0.449
DPS - Ord.		0.032	0.000	0.000	0.000
DPS - Sav.		0.032	0.000	0.000	0.000
BVPS		0.556	0.715	1.041	1.490

Enterprise value (Eu mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Share price Ord. (Eu)	2.5	2.5	2.5	2.5	2.5
Market cap	17.4	17.8	17.8	17.8	17.8
Net debt/(Net cash)	(2.4)	(1.0)	(0.8)	(2.3)	(4.8)
Adjustments	0.0	0.0	0.2	0.2	0.2
Enterprise value	15.0	16.8	17.1	15.6	13.2

Cash flow (Eu mn)	FY20A	FY21A	FY22E	FY23E	FY24E
EBITDA reported	1.9	0.1	2.3	3.6	5.0
Net financial charges	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)
Cash taxes	(0.3)	(0.1)	(0.5)	(0.9)	(1.2)
Ch. in Working Capital	(1.2)	0.7	(1.0)	(0.7)	(0.6)
Other Op. items	(0.0)	0.0	0.1	0.0	0.0
Operating cash flow	0.4	0.6	0.7	2.1	3.1
Capex	(1.4)	(0.8)	(0.5)	(0.6)	(0.7)
FCF	(1.1)	(0.2)	0.3	1.5	2.4
Disposals/Acquisitions	0.0	(0.0)	0.0	0.0	0.0
Changes in Equity	0.0	0.2	0.0	0.0	0.0
Others	2.6	(1.4)	(0.3)	0.0	0.0
Dividends	0.0	(0.0)	(0.2)	0.0	0.0
Ch. in NFP	1.6	(1.4)	(0.2)	1.5	2.4

Ratios (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Capex/Sales	9.1%	15.5%	1.4%	1.4%	1.4%
Capex/D&A	5.6x		1.5x	1.4x	1.2x
FCF/EBITDA	-54.8%	-289.3%	13.0%	42.0%	49.3%
FCF/Net profit	-81.6%	-197.9%	22.0%	66.9%	77.7%
Dividend pay-out	0.0%	0.5%	194.4%	0.0%	0.0%

Balance sheet (Eu mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Working capital	0.7	0.7	1.7	2.3	3.0
Fixed assets	1.4	2.2	2.7	2.8	2.9
Provisions & others	(0.0)	(0.0)	(0.2)	(0.2)	(0.2)
Net capital employed	2.1	2.9	4.2	4.9	5.6
Net debt/(Net cash)	(2.4)	(1.0)	(0.8)	(2.3)	(4.8)
Equity	4.5	3.9	5.0	7.3	10.4
Minority interests	0.0	0.0	0.0	0.0	0.0

Ratios (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Working capital/Sales	4.2%	12.1%	5.2%	5.9%	6.3%
Net debt/Equity	nm	nm	nm	nm	nm
Net debt/EBITDA	nm	nm	nm	nm	nm

Valuation	FY20A	FY21A	FY22E	FY23E	FY24E
EV/CE		5.8x	3.9x	3.0x	2.2x
P/BV		4.6x	3.6x	2.4x	1.7x
EV/Sales		3.1x	0.5x	0.4x	0.3x
EV/EBITDA		nm	7.6x	4.3x	2.7x
EV/EBITDA adjusted		nm	7.6x	4.3x	2.7x
EV/EBIT		nm	8.8x	4.9x	3.0x
EV/EBIT adjusted		nm	8.8x	4.9x	3.0x
P/E		nm	13.3x	7.8x	5.7x
P/E adjusted		nm	13.3x	7.8x	5.7x
ROCE pre-tax		3.1%	53.8%	67.8%	80.1%
ROE		2.9%	26.7%	31.3%	30.2%
EV/FCF		nm	58.4x	10.2x	5.4x
FCF yield		nm	1.6%	8.6%	13.7%
Dividend yield		1.3%	0.0%	0.0%	0.0%

Source: Company data, Alantra estimates

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

Opportunities

- Expansion of the system integration business into new geographies (e.g. Southeast Asia)
- 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

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

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

- Innovatec - 29.58%
- Integra S.r.l. - 26.22%
- Exacto S.p.A. - 9.95%
- Free Float - 34.25%

Management

- Riccardo Di Pietrogiacomo, Co-Founder & Co-CEO
- Stefano Plocco, Co-Founder & Co-CEO
- Felice Egidi, Chairman

Next events

Executive Summary

With Solar PV becoming mainstream, ESI is positioned to benefit from a booming market, in both utility-scale solar PV plants (the group is an EPC player in Italy trusted by large clients) and electrification of remote areas (ESI delivers mini-grid and off-grid projects backed by governments and international entities).

After the up-and-downs in revenues in 2020 / 2021, a solid set of 1H22A results, a substantial backlog, and a new industrial partner and main shareholder (Innovatec) should support a strong top line growth in the coming years. A diligent NWC management and a conservative order intake should trigger FCF generation.

We initiate with a BUY rating and TP of Eu3.9/share (51% upside). We believe that consolidation of the track record on delivery could trigger a reduction of the gap.

A trusted Italian PV EPC player and electrification developer in remote areas

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** (74% of 1H 2022 sales), where the group 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** (25%), 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. The combined ESI / Work System track record includes ca. 60 projects for a total of 300 MWp installed to date. ESI's business is intrinsically ESG oriented: while being an enabler of the transition to renewable energy sources, the group also contribute to the improvement of the living conditions of populations in developing countries. After a strong 2020, the business has been hardly hit by the pandemic, which delayed the closing/execution of multiple contracts. The group is now running at full speed: in 1H 2022 ESI reported Eu14.9mn sales with 5.3% EBITDA margin and an order backlog of Eu49.6mn.

An established presence in EPC and System Integration

Established in 2018 from the spin-off of the renewable business of an existing player, ESI has a substantial track record in both EPC (74% of 1H22 revenues) and System Integration (25%): ca. 60 projects for a total of 300 MWp installed



Source: Company's Website, Alantra. Note: Percentages are based on 1H22 Revenues

A new major shareholder and industrial partner

ESI has recently 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 has been reduced to 26.22%. Listed on the EGM with a market capitalisation of ca. Eu180mn, Innovatec is active in the Environmental & Circular Economy (from the collection of waste and disposal in owned landfills, to the recovery of materials and their recycling) and in Energy Efficiency (general contractor for B2C and small industrial PV installations). Innovatec reported PF21 revenues of Eu238mn and EBITDA of Eu33mn (13.8% margin) and an ambitious growth plan to 2024. After the acquisition of the stake in ESI, Innovatec unveiled a target of Eu100mn sales in the PV B2B business in 2024, out of which ESI should be a main contributor in our view. Innovatec should become an important industrial partner for ESI, through the origination of EPC contracts related to large industrial (>1MW) PV installations. No changes to the governance of ESI have been made so far, but we believe that the new shareholder should appoint the majority of the board members at the next GM (Spring 2022). In our view, Innovatec could take full control of ESI in the future, with the agreement of the two founders, which have been significantly reducing their stake in ESI since IPO. This potential scenario generates speculative appeal. Previous disposals by the two founders have been finalized at prices between Eu3.0 and Eu3.9 / share.

Summary of the agreement/deal with Innovatec

In July 2022 Innovatec acquired the 29.58% of the share capital of ESI from Integra S.r.l. for a total of Eu6.5mn

	 
Transaction Summary	• Buyer: Innovatec S.p.a. • Seller: Integra S.r.l. • Stake Acquired: 29.58% of share capital • Price Paid: Eu3.145/Share, for a total of Eu6.5mn • Payment type: Eu4.5mn in cash, Eu2.0mn in shares of the buyer
Transaction Rationale	• Strategic partner for the development of the large-scale industrial PV business and other utility scale PV plants • Innovatec has launched a new B2B PV business unit (target 2024 revenues of Eu100mn) where ESI should play a major role

Source: ESI, Innovatec, Alantra

One of many in Italy; one of few in remote areas

The global EPC space is dominated by large, international players of the likes of SOLV Energy, Trina Solar, Sterling & Wilson. In Italy, there are many local players that can leverage on a bigger scale than that of ESI (such as Comal, Prodiel, and Tozzi Green). Therefore, ESI is “one of many” in the PV EPC space, even though the group has a proven track record and a substantial backlog that should trigger a strong expansion in the years ahead, also benefitting from the recent agreement with Innovatec. The setting is different when it comes to off-grid projects in remote areas, where fewer players are active in the geographies targeted by ESI. The group primarily competes with 5 international players (Powergen, Solar Century, Winch Energy, Nidec Corporation and Siemens) and other smaller regional players (HavenHill, GVE, Sunkofa Energy, Rensource, Redavia, Husk Power, Enersol, Ensol). As a matter of fact, multiple factors make these projects less attractive for large international EPC players: (i) lower contract size, as off-grid mini grid installations normally range between 10kW and just few MWs (with the majority being of a size between 10kW and 100kW), (ii) political and economic instability of the reference countries. ESI has substantial expertise and track record in the development of electrification projects, which makes 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 (option to expand and retract its workforce when needed, thanks to project-base employment, leveraging on local hiring) and work under difficult circumstances (while the full duration of one off-grid project is around 8-10 months, only less than 2 months are actually spent in the installation area, hence diminishing the associated risks).

A trusted PV EPC in Italy and a fairly unique positioning in the electrification of remote areas

While ESI does not shine in the Italian EPC space, the company is better positioned when it comes to electrification projects in some specific geographies

Italian PV EPC Market	Electrification Projects
1. Only "One of Many" in the PV EPC market 2. Track record below that of Italian Competitors 3. Coverage of the EPC Value Chain equal or below Italian competitors 4. However, substantial backlog and recent agreement with Innovatec should trigger a strong expansion	1. "One of Few" in the electrification of remote areas (mini- and off-grid) 2. Track record above that of small or regional competitors for mid-size installations (above 100 kWp), with exposure to multiple countries 3. They compete with essentially 5 big players as these projects are usually less attractive for large EPCs
Main Competitors in Italy 	Main Competitors 

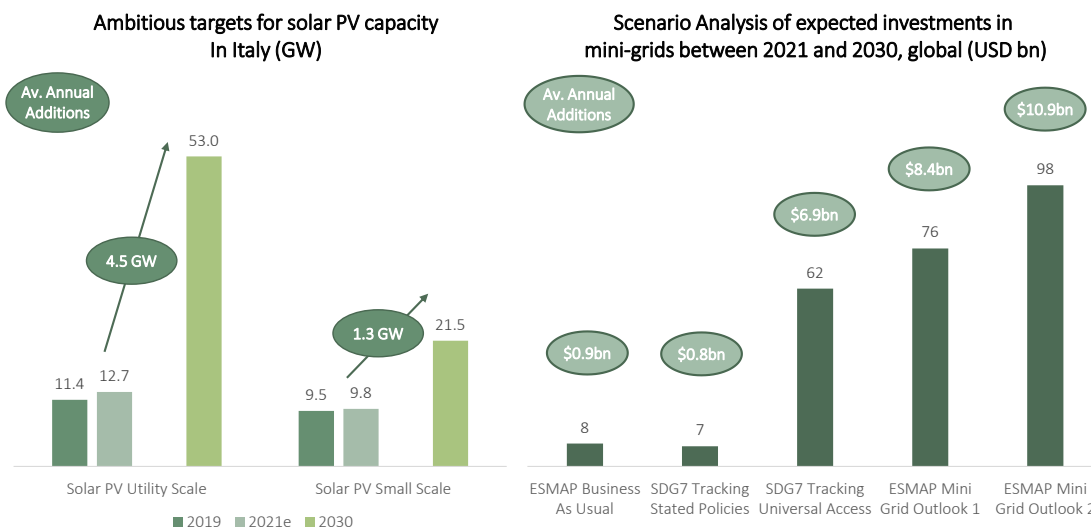
Source: Alantra

Solar PV plays a crucial role in decarbonization and electrification

The EU's objective of net-zero greenhouse gas emissions by 2050 implies a rising effort from policymakers to achieve climate-neutrality. Renewable energies will play a major role and solar power should be the key contributor. Thanks to economies of scale in manufacturing and a continuous technological development, the levelized cost of electricity for Solar PV has decreased by a staggering 88% globally from 2010 to 2021 (reaching grid parity in many countries). As a result, 70% of solar PV power generation capacity added in 2021 had a lower cost than that of the cheapest fossil fuel alternative. The current geopolitical environment adds up more pressure over the energy transition to renewables, on the back of gas shortages and spiking prices of electricity. Europe plans to increase its current solar PV capacity (158 GW in 2021) to 320 GW in 2025 and 600 GW in 2030, implying an average annual addition of ca. 50 GW between 2021 and 2030. The Italian government has undertaken similar objectives, targeting ca. 75 GW of installed Solar PV capacity by 2030. Italian utility-scale Solar PV capacity stood at ca. 13 GW in 2021 and should grow to 53 GW by 2030, according to a study released in August 2022 by Terna and SNAM, with average annual additions of ca. 4.5 GW (versus 0.3GW in 2021 and 1.0GW in 2022E). Least Developed Countries (LDCs) are dealing with a different topic: the lack of electricity. These places are outside of national grids and therefore need off-grid systems, such as a solar PV mini-grid (suitable for areas with medium/high density of population) with an associated storage capacity and wiring. More than 21,000 mini-grids are installed worldwide, with installations increasingly incorporating PV technologies and mainly ranging between 10 kW and few MW. According to ESMAP and The World Bank, the mini-grid market foresees investments between USD62bn and USD98bn in the period 2021-2030 (21-30 CAGR of cumulated investments between 13.5% and 17.8%).

Utility-scale Solar PV in Italy and mini-grids in LDCs to expand substantially

While ambitious targets should boost the solar PV utility scale market in Italy, investments in mini-grids should increase substantially in Least Developed Countries (mainly Africa)



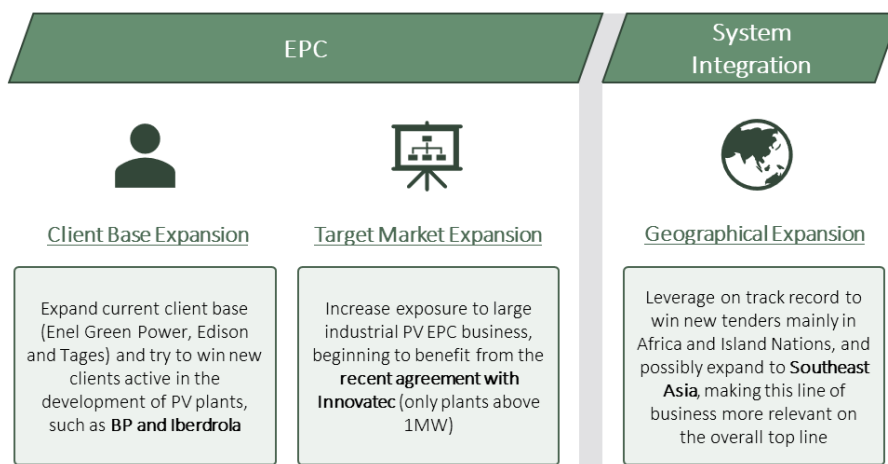
Source: SNAM, Terna, World Bank, ESMAP, Alantra estimates

New clients and segments in EPC. New geographies in System Integration

We believe that in System Integration, ESI should leverage on its track record to win new tenders mainly in Africa and Island Nations, and possibly expand to Southeast Asia (another major geography for the mini-grid and electrification markets), making this line of business more relevant on the overall top line in the future. In EPC, ESI should concentrate mainly on two objectives: the expansion of the client base and the diversification of the target market. While the group is now working almost solely with 3 large clients (Enel Green Power, Edison and Tages) in the EPC business, ESI should intensify its commercial efforts to address new clients active in the development of PV plants, such as BP and 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 industrial business should also allow ESI to implement subsequent upselling of energy storage capacity solutions. Furthermore, ESI could also take care of the installation of the PV plants that Innovatec intends to build next to its landfills (2 owned and 1 managed) in Italy, as disclosed by Innovatec in its sustainability report.

Focus on 3 different areas

Client base and target market expansion in EPC, geographical expansion in System Integration



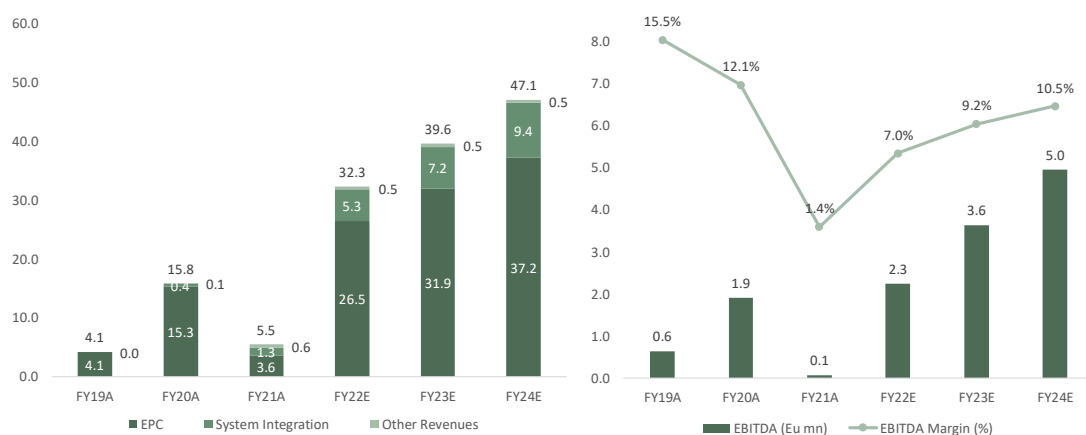
Source: Alantra

Revenues set to jump in 2022 and 2023

ESI's revenues reached a record high of Eu15.8mn in FY20, with EBITDA of Eu1.9mn (12% margin), highly driven by a large EPC Solar PV plant project in Spain. In 2021, the top line has been hardly hit by the pandemic, which delayed the closing/execution of multiple contracts. However, ESI closed the year with a strong order backlog of Eu48.7mn. The group is now running at full speed. In 1H 2022 ESI reported Eu14.9mn sales (versus Eu1.9mn in 1H21) with 5.3% EBITDA margin. FY22 is therefore on track to be a record year, with estimated revenues of Eu32.3mn. Further visibility is given by: (i) the substantial backlog of Eu49.6mn as of June 2022, which covers our expected top line in 2H22 and more than 80% of the sales expected in FY23E; (ii) the recent agreement with Innovatec, which should start contributing to top line growth from 2023, bringing in industrial projects with a minimum scale of 1 MW. We expect revenues to reach Eu47.1mn in 2024 (vs Eu5.5mn in 2021), with System Integration becoming increasingly more relevant on the overall revenue mix (from 17% in 2022 to 20% in 2024). Revenues mix (off-grid and mini-grid projects have higher margins than those of EPC projects), operational leverage and raw material costs normalization should benefit profitability. We expect Adj. EBITDA to reach Eu5.0mn in FY24E (up from Eu0.1mn in 2021), with an EBITDA margin of 10.5% (vs 5.3% in 1H22 and 7.0% in FY22E). Our 2023E EBITDA is 17.2% above consensus. Net profit should reach Eu3.1mn in 2024, up from only Eu0.1mn in 2021.

Substantial revenues growth coupled with margin expansion

While revenues are expected to reach Eu47.1mn in 2024, EBITDA margin should return to double-digit grounds from 2024



Source: Alantra, ESI

Asset-light BS and prudent management of NWC

ESI has a fixed asset light business model, which is typical of pure general contractors. At the same time, the BS is not Net Working Capital intensive (positive at only 5.2% of revenues in 2022E). We believe that management has a prudent approach to the business: 1) Stringent selection of the tenders, based on the likelihood to generate positive margins without cash imbalances during the execution. The approach can penalize the order intake and backlog, but it safeguards cash generation and risk profile; 2) Back-to-back conditions agreed with suppliers, which are usually paid only after cash-in of receivables. Availability of banking credit lines is used to face potential short-term cash miss-matches during contract execution. The business model has proven to be effective also during 1H22, a half-year that experienced a substantial increase in revenues, with ESI managing to absorb only Eu0.9mn in the period. We forecast Eu4.3mn cumulated FCF in the period 22-24E thanks to Eu10.8mn cumulated EBITDA, with an ending Net Cash of Eu4.8mn in FY24E. We expect revenues growth to absorb some working capital in the forecast period, while CAPEX needs should remain low, without any non-recurring investment foreseen.

Net cash to reach Eu4.8mn in 2024

Thanks to Eu10.8mn of cumulated EBITDA in 22E-24E, prudent NWC management and low CAPEX requirements, net cash should reach Eu4.8mn by 2024, from Eu1.0mn in 2021A



Source: Alantra

TP of Eu3.9/share

ESI has performed well since its IPO on the EGM segment, with an increase of 21% from Eu2.1/share IPO price, to Eu2.5/share (vs a 22% performance of the FTSE Italia Mid Cap index in the same period). ESI is a hybrid solar PV player, operating both in EPC and System integration, and thus it is not easy task to identify pure listed comparables. However, we believe that few listed Italian PV EPC and development companies (Comal, Renenergetica and Altea Green Power) can be a good benchmark, with Comal being the closest peer (pure Solar PV EPC player). We have also selected a second panel of diversified EPC contractors, even though we do not consider it for the purpose of valuation. Our target price of Eu3.9/share is based on the average of Comal's multiples (avg. 22E-23E EV/EBITDA with 15% discount to take into consideration the leading positioning of Comal in Italy as well as its diversification in the production of trackers) and DCF approach. Our DCF assumes 4 years of estimates, with 13.5% WACC and 1.5% terminal growth rate. The high WACC is justified in our view by the intrinsic risks linked to the EPC business and exposure to risky countries outside of Italy. ESI is currently trading at a 22E/23E EV/EBITDA of 7.6x/4.3x or a discount of 45%/56% versus Comal. We believe that consolidation of the track record on delivery (after a good set of 1H22 results) could trigger a reduction of the gap.

Trading multiples

Company	Country	Mkt Cap (Eu mn)	EV/EBITDA			EV/EBIT			PE			EV/Sales		
			FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
ESI S.p.A.	ITALY	18	7.6 x	4.3 x	2.7 x	8.8 x	4.9 x	3.0 x	13.3 x	7.8 x	5.7 x	0.5 x	0.4 x	0.3 x
Premium (discount) to Peers' Median			35%	-5%	-36%	30%	-16%	-46%	25%	-5%	-33%	-31%	-31%	-44%
PEERS	Average		7.0 x	5.6 x	4.9 x	8.8 x	7.0 x	6.0 x	10.4 x	8.5 x	8.2 x	1.8 x	1.3 x	1.1 x
	Median		5.6 x	4.5 x	4.2 x	6.7 x	5.8 x	5.6 x	10.7 x	8.2 x	8.5 x	0.8 x	0.6 x	0.5 x
Comal S.p.A.	ITALY	36	13.7 x	9.9 x	8.1 x	17.6 x	13.0 x	10.3 x	na	na	na	1.1 x	0.7 x	0.6 x
Renergetica SpA	ITALY	56	9.2 x	9.0 x	8.2 x	10.8 x	10.2 x	9.2 x	12.5 x	11.8 x	10.9 x	4.4 x	3.8 x	3.5 x
Altea Green Power S.p.A.	ITALY	39	6.0 x	4.4 x	3.3 x	6.5 x	4.8 x	3.6 x	na	na	na	4.5 x	2.6 x	1.7 x
Italian Solar PV EPC & Development	Average		9.6 x	7.7 x	6.5 x	11.6 x	9.3 x	7.7 x	12.5 x	11.8 x	10.9 x	3.3 x	2.4 x	1.9 x
	Median		9.2 x	9.0 x	8.1 x	10.8 x	10.2 x	9.2 x	12.5 x	11.8 x	10.9 x	4.4 x	2.6 x	1.7 x
MaireTecnimont SpA	ITALY	1,038	5.3 x	4.7 x	4.4 x	6.8 x	6.1 x	5.5 x	11.0 x	9.9 x	9.7 x	0.3 x	0.3 x	0.3 x
Tecnicas Reunidas SA	SPAIN	445	3.3 x	2.0 x	1.7 x	4.7 x	2.6 x	2.0 x	10.3 x	6.5 x	5.1 x	0.1 x	0.1 x	0.1 x
Elecnor S.A.	SPAIN	879	4.6 x	3.9 x	3.9 x	6.7 x	5.4 x	5.6 x	7.6 x	5.6 x	7.3 x	0.4 x	0.4 x	0.4 x
Diversified EPC Contractors	Average		4.4 x	3.6 x	3.3 x	6.0 x	4.7 x	4.4 x	9.7 x	7.4 x	7.4 x	0.3 x	0.3 x	0.2 x
	Median		4.6 x	3.9 x	3.9 x	6.7 x	5.4 x	5.5 x	10.3 x	6.5 x	7.3 x	0.3 x	0.3 x	0.3 x

Source: Factset, Alantra

Main risks. We believe that the main risks related to ESI's business can be summarised with the following factors: (1) EPC business intrinsically risky; (2) Dependency on few large clients; (3) Lack of leading competitive positioning in EPC in Italy; (4) Increase in competitive pressure from big players in the System Integration business; (5) Miss on delivery from the partnership with Innovatec; (6) No related party transactions procedure in place at the moment; (7) Overhang Risk with Exacto; (8) Inability to generate the expected order intake in the coming years; (9) Dependency on 2 key people; (10) Internalization of Solar PV EPC from large utilities.

A trusted Italian PV EPC player and electrification developer in remote areas

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** (74% of 1H 2022 sales), where the group 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** (25%), 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. The combined ESI / Work System track record includes ca. 60 projects for a total of 300 MWp installed to date. ESI's business is intrinsically ESG oriented: while being an enabler of the transition to renewable energy sources, the group also contribute to the improvement of the living conditions of populations in developing countries. After a strong 2020, the business has been hardly hit by the pandemic, which delayed the closing/execution of multiple contracts. The group is now running at full speed: in 1H 2022 ESI reported Eu14.9mn sales with 5.3% EBITDA margin and an order backlog of Eu49.6mn.

An established presence in EPC and System Integration

ESI (established in 2018 from the spin-off of the renewable business of an existing player) has a substantial track record in both EPC (74% of 1H22 revenues) and System Integration (25%), having worked with local and international players for the realization of ca. 60 projects for a total of 300 MWp installed



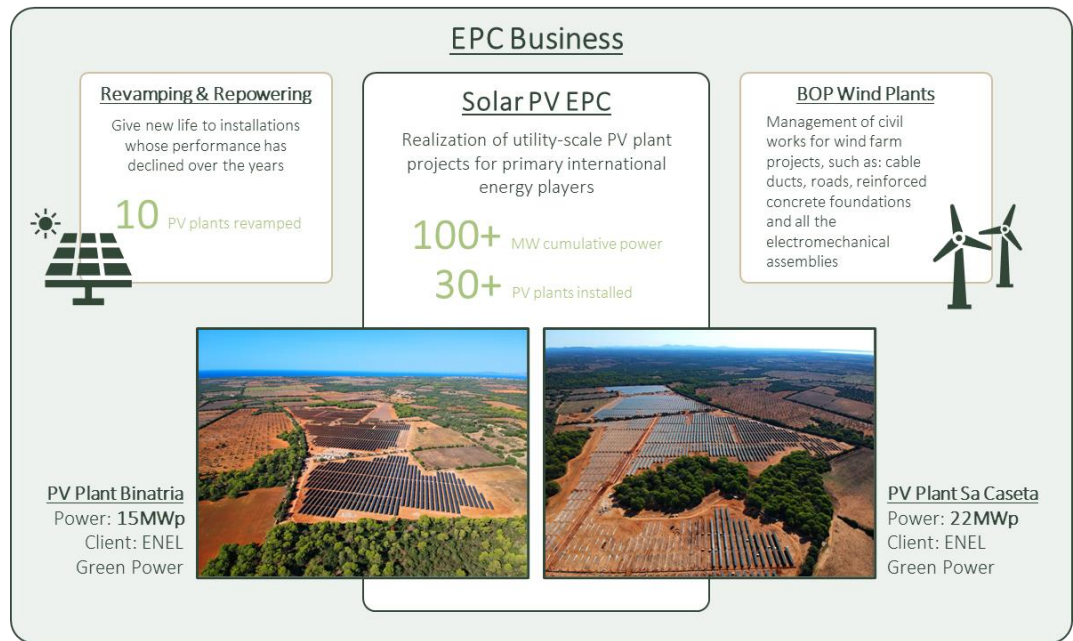
Source: Company's Website, Alantra. Note: Percentages are based on 1H22 Revenues

A trusted renewable energy player for the Italian market...

Established in 2018 as the spin-off of Work System Srl (a company with a track record of 15+ years in the EPC and off-grid fields), ESI boasts a substantial experience in the PV EPC market, having realized multiple utility-scale PV plant (total power above 1MWp) and having installed 30+ plants for a cumulative power of about 100+ MWp in the last few years. Despite solar PV is the main component of the EPC division, the company also participates in other two activities within this business: the revamping of PV plants and the civil works required for Wind Farms (BOP, or Balance of Plant, i.e. the civil works necessary for the project, like wiring and the construction of the cement base). With regards to the former, the group has revamped a total of 10 plants for an aggregated power of 10MW since 2009. BoP for Wind Farms remains a very marginal activity.

Substantial track record in the Solar PV EPC business

With >30 PV plants installed and a cumulated installed power of 100+ MWp in the last few years, ESI boasts a substantial track record



Source: Company's website, Alantra

ESI works for primary utilities and specialised funds (of the calibre of Enel Green Power, Edison and Tages). Projects are usually awarded by these players through a tendering process. After an initial technical alignment between the company's engineers and the commissioning entity is completed, an economic offer is presented by ESI. If the offer is accepted and the PV plant is awarded to the company, the installation process begins. It consists of the phases below:

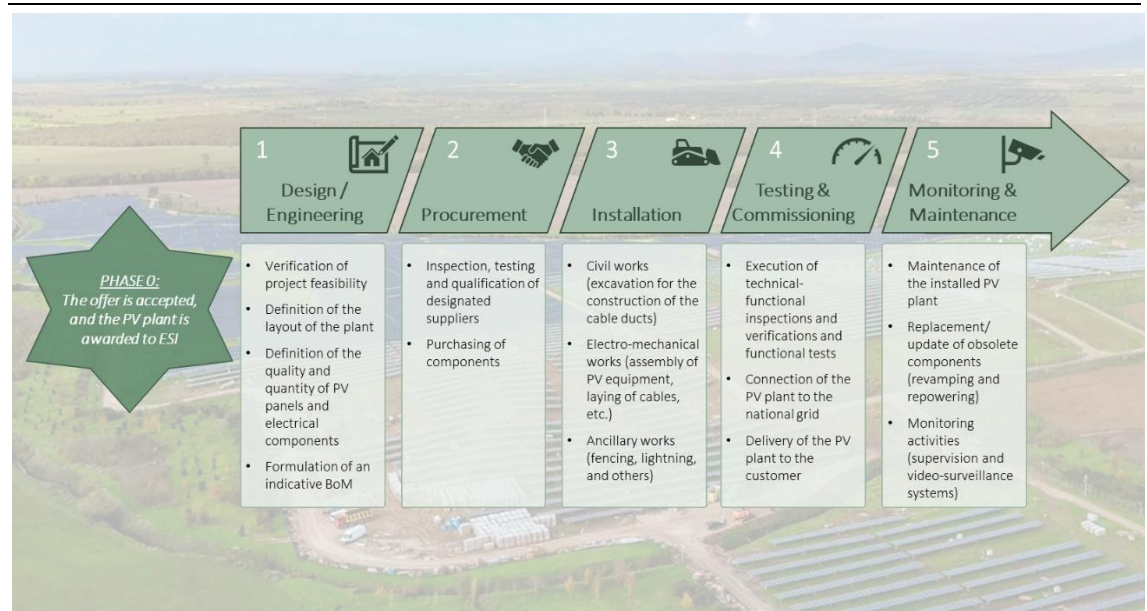
1. **Design/Engineering Phase:** the engineering and design of a PV plant is a fundamental phase that guides the entire EPC process, from the initial conceptualization of the plant, to its effective installation. ESI has a team of ca. 10 experienced engineers (civil, electric, and mechanical ones) that internally take care of the design process. This phase normally includes:
 - a. Verification of project feasibility such as site assessment and solar resource analysis
 - b. Definition of the layout of the plant (including necessary civil/mechanical/electrical works)
 - c. Definition of the quality and quantity of PV panels and electrical components (cables, substations, MV switches, the anti-intrusion system, the SCADA, inverters in quantity and type) to be installed
 - d. Formulation of an indicative BoM ("Bill of Materials", where costs are detailed) for the main components (PV modules, inverters and tracking systems) for budgeting purposes

2. **Procurement Phase:** in this step ESI takes care of the inspection, testing and qualification of designated suppliers, as well as the subsequent purchasing of components (such as structures, photovoltaic panels, electrical cables, electrical substations, inverters and string-boxes). ESI does not participate in the production of components but instead leverages on established long-term partnerships with primary international suppliers (including Rizer and Huawei)
3. **Installation Phase:** This part of the process begins with the civil works associated with the PV plant installation, i.e. the excavation for the construction of the cable ducts (this includes activities like the preparation of the foundation as well as the areas for the installation of inverters, cabins, switchbox etc. among other earthworks). Once civil works have been completed, the area is then ready for electro-mechanical works, which include the assembly of the metal structures, the assembly of the photovoltaic equipment/panels, the assembly of the cabins, and the laying of cables to connect strings with string boxes, power stations, cabins, field connections. Finally, few ancillary works are required to finalize the installation, like fencing, lightning, and other activities not directly related to the assembly and realization of the electric generation plant. Ad-hoc personnel is hired on a project-basis to take care of the installation phase of the PV plant.
4. **Testing and Commissioning Phase:** at the end of the installation, the system test phase is carried out through the execution of technical-functional inspections / verifications and functional tests. Once the testing phase has been completed, the PV plant needs to be connected to the national grid, which is done in conjunction with the TSO (transmission System Operator, the entity in charge of transporting energy on a national/regional level). The PV plant is then delivered to the customer.
5. **Monitoring and Maintenance phase:** these services are divided into 3 sub-groups: (i) maintenance of the installed PV plant; (ii) replacement/update of obsolete components (ESI is specialized in the revamping and repowering of PV plants); (iii) monitoring activities (supervision and video-surveillance systems).

All in all, PV EPC projects normally take around 10 months from inception to completion. Considering that the company does not take part in the production of the necessary components of the PV plant installation (only the design and assembly are done internally), the company differs from similar but more integrated players like Comal (which internally produces the metallic structures and, in some cases, the trackers). This implies a light and low-risk business profile, resulting in low fixed costs. In many cases, product warranties are directly provided by the suppliers.

Main phases of the EPC business

Once the offer is accepted and the contract is awarded to the company, the installation process of the PV plant begins

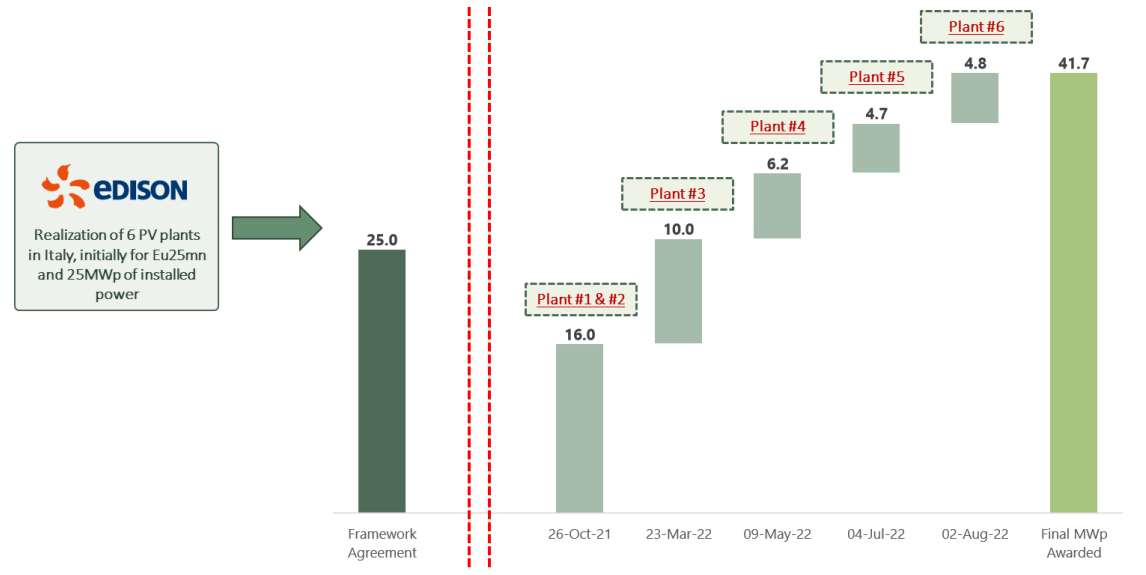


Source: ESI, Solar Trade Association, Alantra

The awarding of the tender by the company may result either in a specific contract for the construction of one PV plant, or in a framework agreement, that is, an umbrella agreement that defines a long-term relationship during which ESI may be awarded one or more contracts by the commissioning entity. This kind of legal setting has been used by ESI with two large utilities: (i) the first one was signed with Edison for the realization of 6 PV plants in Italy, initially for Eu25mn and 25MWp of installed power, and then extended to a total of 40+MWp; (ii) the other one is a 2-year framework agreement signed with ENEL for the realization of PV Plants in the south of Italy for a total of Eu14.4mn and max power of 27 MWp, coupled with O&M activities.

Framework Agreements: the case study Edison – MWp

ESI signed a framework agreement with Edison for the realization of 6 PV plants in Italy, initially for Eu25mn and 25MWp of installed power, which then have been extended to a total of 40+MWp



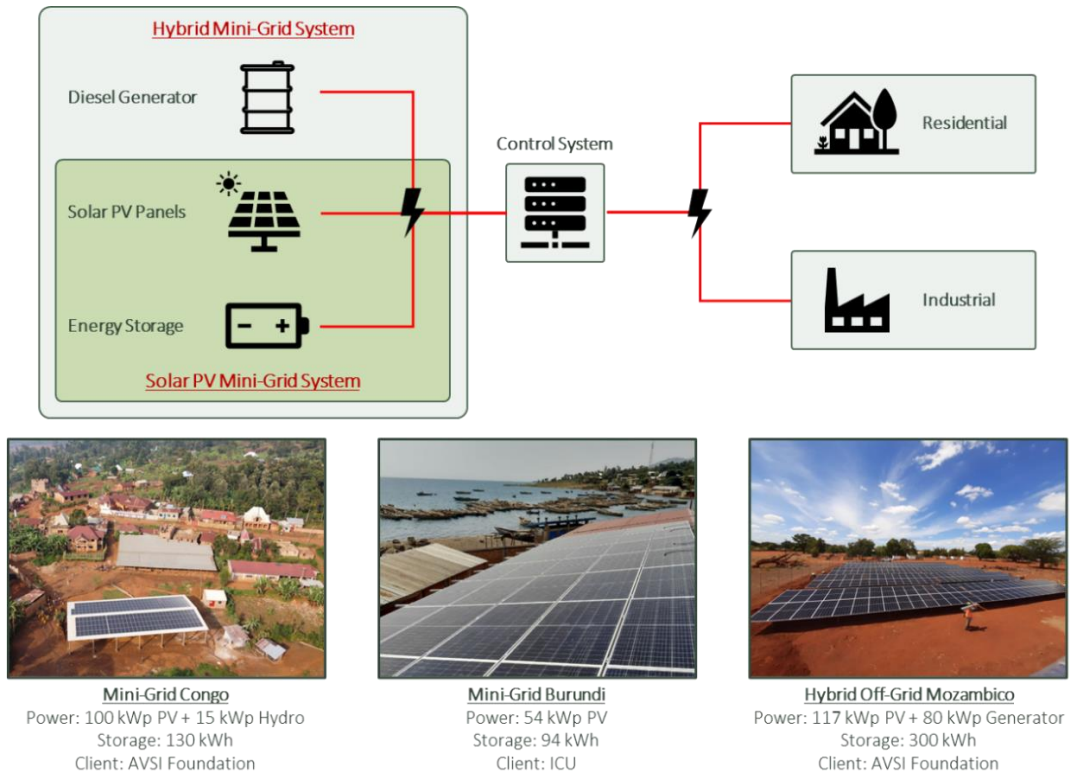
Source: ESI, Alantra

... and a peculiar developer of off-grid projects in remote areas

The extension of the main grid has been the predominant approach to provide electricity access to large part of the population over the years. However there are few, remote areas where the marginal cost of extending the national grid becomes prohibitive, or where the grid is present but unreliable. Globally, more than 750mn people do not have access to electricity, with most of them being concentrated in Least Developed Countries (primarily Sub-Saharan Africa and Asia). In these places, off-grid mini-grid projects, among others, have been widely used to bring electricity or to make it more reliable. In this context, ESI acts as a system integrator, i.e. it develops turnkey installation of solar PV mini-grid and hybrid systems (including storage systems and other required activities such as wiring). While PV mini-grids generate electricity only from solar, hybrid installations can also count on a diesel generator (which can offer additional support to the power generated by solar PV panels in the case, for example, of challenging weather or other sub-optimal conditions). The group boasts a substantial track record in special electrification projects in geographies like Congo, Burundi, Uganda, Rwanda, Mozambique, Eritrea and Ethiopia, commissioned primarily by non-profit organizations, foundations, NGOs, etc. of the standing of ICU, AVSI Foundation and CUAMM. Since 2011, the company has installed 11 mini-grid / off-grid plants for a total power of 1.4 MWp.

ESI develops turnkey installation of solar PV mini-grid and hybrid systems

With a substantial track record, ESI is an electrification player for remote areas, implementing both hybrid and PV solar solutions



Source: ESI, Alantra

The installation process of mini-grid and off-grid plants is similar to the one outlined for the EPC business, but with some key differences:

1. The clients are usually non-profit organizations, foundations, and NGOs
2. The Design/Engineering and Procurement phases take considerably more time compared to EPC projects due to the higher complexity
3. Before proceeding with the Installation phase, the company pre-wires the components/structures in its facility so as to diminish the subsequent time spent on site. Considering this, as well as the remoteness of the sites, the shipment of the containers requires a substantial amount of time
4. Thanks to the pre-wiring of the components, the Installation phase is shorter, at around 1-2 months, so as to minimize the time spent in the site and diminish the associated risks (as this kind of projects are normally carried out in remote areas, which might be dangerous). Furthermore, the company also takes care of the creation of the infrastructure to deliver the electricity generated by the mini-grid or off-grid to the premises where no national grid is available

Differences in process between System Integration and EPC projects

The phases of the installation process are similar, but few differences should be highlighted

	EPC	System Integration
Clients	- Primary utilities - Specialized funds	- Non-profit organizations - Foundations - NGOs
Design & Procurement	- Lower Complexity - Lower time-consumption	- Higher Complexity - Higher time-consumption
Installation	- Directly assembled and wired in the construction site - PV plant only needs to be connected to the national grid	- Pre-wired at the company's facility before shipping - Need to create the infrastructure (grid) to deliver the electricity to the premise

Source: ESI, Alantra

System Integration adds an “S” to the typical “E” of all the other PV players

ESI implements renewable energy solutions and electrifies remote areas in developing countries. While the former is a well-known contributor to the “E” (Environmental) of ESG, the latter adds an “S” (Social) component. As a matter of fact, the electrification of remote areas in developing countries can contribute to the economic development of the local communities, in turn allowing for new local businesses, increased employment, improved healthcare services, better education, food storage and easier water usage.

CASE STUDY #1 - No more blackouts for St. Luke Hospital - Ethiopia

In 2018 ESI realized a hybrid solar PV mini-grid installation of total power of 164kWp coupled with a storage capacity of 400kWh for the St. Luke Hospital in Wolisso (Ethiopia). The structure was often subject to blackouts caused by the weak Ethiopian national grid. Such voltage drops were highly damaging both to equipment and to people's life (100k patients per day). Thanks to the project developed by ESI and commissioned by ENEL Green Power and the NGO “Doctors with Africa CUAMM”, the hospital is now capable of self-producing the electricity it needs, in turn guaranteeing constant power supply.

Mini-grid installation for the St. Luke Hospital in Wolisso, Ethiopia

Hybrid solar PV mini-grid installation of 164kWp, with storage capacity of 400kWh



Source: Sustainable Energy for All

CASE STUDY #2 - Electricity to 550 households in the Kitobo village - Uganda

In 2016 the group (Work System at that time) realized a solar PV mini-grid plant with a 228kW power and 500kWh of storage capacity commissioned by Absolute Energy (a renewables-focused investment platform and principal investor) in collaboration with AICS (Agenzia Italiana per la cooperazione e lo sviluppo). This installation allowed the village to benefit from reliable, affordable and green electricity, replacing the previous diesel- and petrol-based source of energy. Thanks to the new mini-grid, CO2 emissions were also substantially curbed (reduced by 80 tons). Capable of satisfying the demand of 1,500 people and 50 local businesses, the installation has been centered not only on the improvement of current living conditions, but also on the achievement of community empowerment and economic development. After only one year ESI reported that new jobs were created thanks to the plant.

Mini-grid installation for the Kitobo village, Uganda

Solar PV mini-grid installation of 228kWp, with storage capacity of 500kWh



Source: Company's Website

CASE STUDY #3 - Enablement of new business activities in the market of Gitanza - Burundi

Commissioned by the ICU (Istituto per la Cooperazione Universitaria) and AICS (Italian Agency for Development Cooperation), a solar PV mini-grid plant has been installed by ESI in the Gitanza (Burundi) market in 2021. The total power of the plant stands at 54 kWp, while the storage capacity installed was 94kWh. The electrification of this market has allowed locals to start new business activities, and the population can now benefit from cinemas, refrigerators for food and sanitary use, etc.

Mini-grid installation for the Gitanza market, Burundi

Solar PV mini-grid installation of 54kWp, with storage capacity of 94kWh



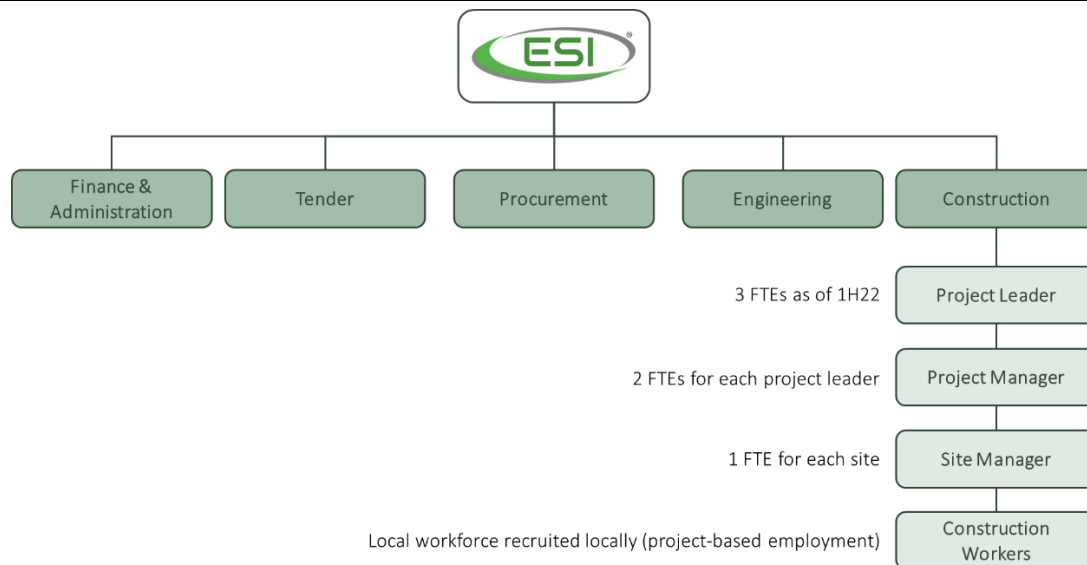
Source: Company's Website

A lean, flexible organization, relying on two key persons

The company has adopted a lean organizational model that envisages only ca. 25 FTEs in the “core” personnel (mainly for project management, engineering, procurement, tenders) as of 2021. The remaining part of the workforce is hired on a project-basis, directly recruiting local workforce in the locations of the sites. This is done both in EPC projects and System Integration ones. Each project is organized following the same hierarchical structure: usually there is a project leader, 2 project managers directly reporting to her/him, one site manager physically present at the site, and multiple construction workers. Thanks to this organizational structure, the company can easily limit its costs when there are fewer projects ongoing. As an example, in 1H22 the company had 48 employees, while in YE21 employees were only 18. The company is headquartered in Rome, in an owned real estate.

A lean organizational model

There are few FTEs in the company (ca. 25 as of 1H22), with construction works normally locally recruited in the location of the site

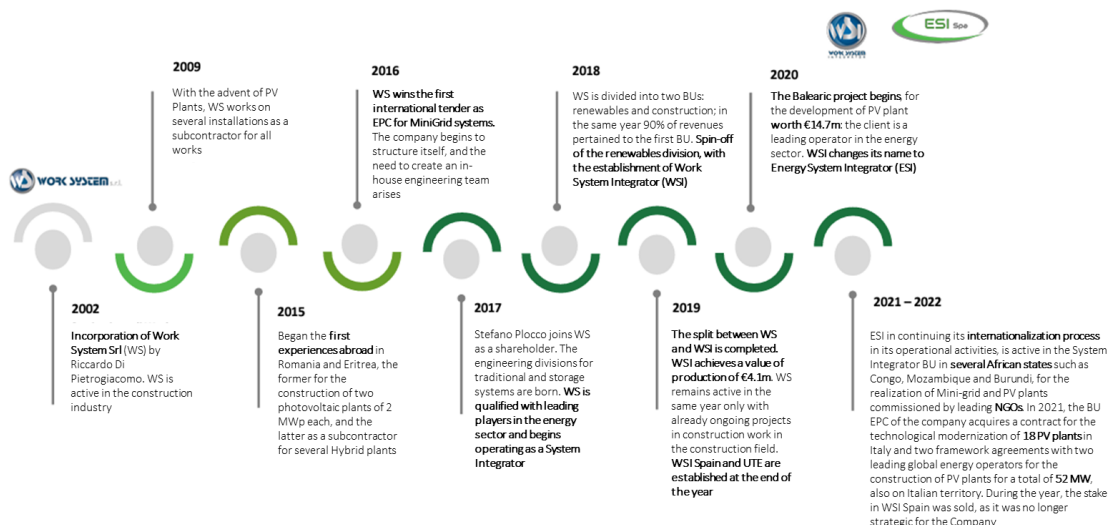


Source: Alantra

ESI strongly relies on its two founders and co-CEOs (Riccardo di Pietrogiacomo and Stefano Plocco). They boasts an extensive experience in the renewables sector, having worked for companies like Innovatec, Enertronica, Prima Costruzioni and Omicron. Riccardo di Pietrogiacomo established Work System (WS) in 2002. Stefano Plocco joined in 2017. WS originally operated in the Italian construction industry, then starting to work also in the renewables EPC business as from 2009. In 2018, Work System Integrator (WSI, then renamed into Energy System Integrator, ESI, in 2020) was created from the spin-off of the Renewables division of WS, hence inheriting a track record of 15+ years in the EPC and off-grid fields.

The history of the group in a nutshell

In 2018 WSI (then renamed into Energy System Integrator, ESI, in 2020) was created as the spin-off of the Renewables division of WS



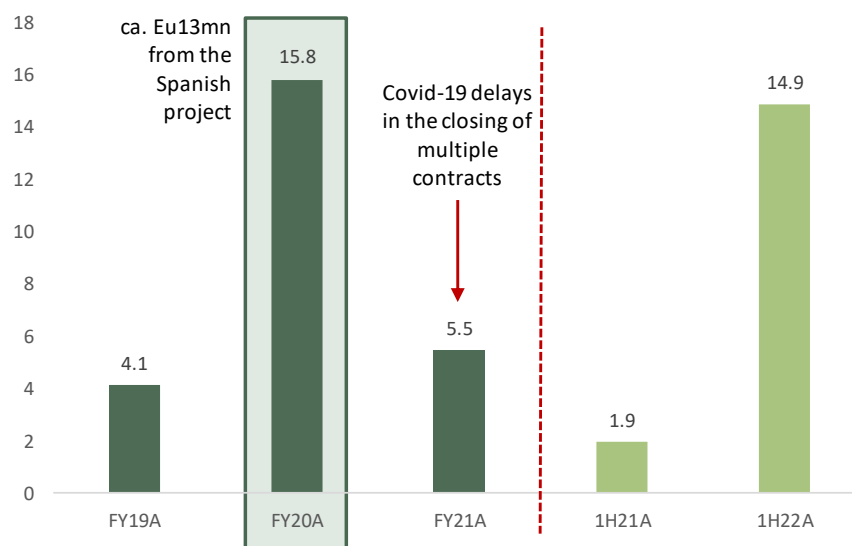
Source: ESI, Alantra

Running at full speed after a strong decline of sales in 2021

In FY20A, revenues reached a record high of Eu15.8mn, with EBITDA of Eu1.9mn (12% margin), highly driven by a large EPC Solar PV plant project in Spain, for a total of 37MWp split into two plants. This installation has been performed by the Spanish entity controlled by ESI (WSU Spain), which was subsequently sold for Eu400k in October 2021. After a strong 2020, the business has been hardly hit by the pandemic, with delays in the closing and execution of multiple contracts resulting in FY21 revenues of only Eu5.5mn. However, business development was substantial in the year, with an YE21 backlog standing at Eu49mn. We believe that the group is now running at full speed. In 1H 2022 ESI reported Eu14.9mn sales with 5.3% EBITDA margin with an order backlog of Eu49.6mn.

The group is now running at full speed after a strong decline of sales in 2021

With Eu14.9mn revenues in 1H22A, the business is poised to post a great come-back from a pandemic-hit 2021



Source: ESI, Alantra

A new major shareholder and industrial partner

ESI has recently 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 has been reduced to 26.22%. Listed on the EGM with a market capitalisation of ca. Eu180mn, Innovatec is active in the Environmental & Circular Economy (from the collection of waste and disposal in owned landfills, to the recovery of materials and their recycling) and in Energy Efficiency (general contractor for B2C and small industrial PV installations). Innovatec reported PF21 revenues of Eu238mn and EBITDA of Eu33mn (13.8% margin) and an ambitious growth plan to 2024. After the acquisition of the stake in ESI, Innovatec unveiled a target of Eu100mn sales in the PV B2B business in 2024, out of which ESI should be a main contributor in our view. Innovatec should become an important industrial partner for ESI, through the origination of EPC contracts related to large industrial (>1MW) PV installations. No changes to the governance of ESI have been made so far, but we believe that the new shareholder should appoint the majority of the board members at the next GM (Spring 2022). In our view, Innovatec could take full control of ESI in the future, with the agreement of the two founders, which have been significantly reducing their stake in ESI since IPO. This potential scenario generates speculative appeal. Previous disposals by the two founders have been finalized at prices between Eu3.0 and Eu3.9 / share.

Innovatec is the new main shareholder of ESI

In July 2022 Innovatec acquired a 29.58% of the share capital of ESI from Integra S.r.l. (previous majority shareholder owned by Riccardo di Pietrogiacomo and Stefano Plocco) now owning 26.22% of ESI for a total of Eu6.5mn (Eu3.145/Share). The acquisition was paid for Eu4.5mn in cash and the remaining part (Eu2.0mn) in shares (valued, for the purpose of the deal, at Eu2.0/Share).

Summary of the agreement/deal with Innovatec

In July 2022 Innovatec acquired the 29.58% of the share capital of ESI from Integra S.r.l. for a total of Eu6.5mn

	  
Transaction Summary	• Buyer: Innovatec S.p.a. • Seller: Integra S.r.l. • Stake Acquired: 29.58% of share capital • Price Paid: Eu3.145/Share, for a total of Eu6.5mn • Payment type: Eu4.5mn in cash, Eu2.0mn in shares of the buyer
Transaction Rationale	• Strategic partner for the development of the large-scale industrial PV business and other utility scale PV plants • Innovatec has launched a new B2B PV business unit (target 2024 revenues of Eu100mn) where ESI should play a major role

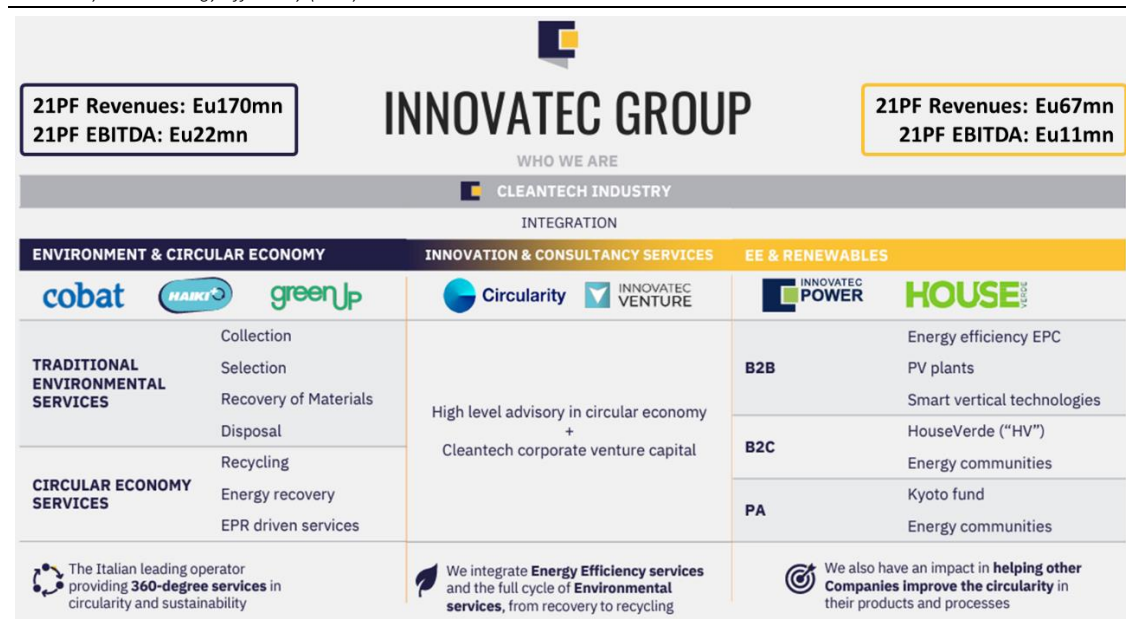
Source: ESI, Innovatec, Alantra

Innovatec at a glance

Listed on the EGM with a market capitalisation of ca. Eu180mn, Innovatec is active in the Environmental & Circular Economy (from the collection of waste and disposal in owned landfills, to the recovery of materials, and their recycling) and in Energy Efficiency (general contractor for B2C and small industrial PV installations). Innovatec reported PF21 revenues of Eu238mn and EBITDA of Eu33mn (13.8% margin) and an ambitious growth plan to 2024. The group has pursued an intense acquisition strategy recently with a particular focus on Energy Efficiency and Renewables, coupled with the signing of an agreement with Coldiretti for the realization of industrial solar PV installations for agricultural businesses.

Innovatec at a glance

With PF21 revenues of Eu238mn and EBITDA of Eu33mn, Innovatec is active in Environmental & Circular Economy (72% of PF21 Revenues) and in Energy Efficiency (28%)



Source: Innovatec

Innovatec should become an industrial partner of ESI...

After the acquisition of the stake in ESI, Innovatec unveiled a target of Eu100mn sales in the PV B2B business in 2024, out of which ESI should be a main contributor in our view. Innovatec should become an important industrial partner for ESI, through the origination of EPC contracts related to large industrial (>1MW) PV installations. In few cases the acquirer could also act as the main contractor of a project and sub-contract all the activities to ESI. The recent agreement between Innovatec and Coldiretti for the realization of PV plants for agricultural companies in the coming 2 years opens the door to a 430MWp market of potentially installable solar PV capacity. ESI could be again the EPC partner. We expect Innovatec to start contributing to the top line of ESI as from 2023.

Innovatec: Target of Eu100mn revenues in the PV B2B business in 2024

In August 2022 Innovatec disclosed a new PV B2B business unit (which includes ESI), with a Eu100mn target for 2024



Source: Innovatec

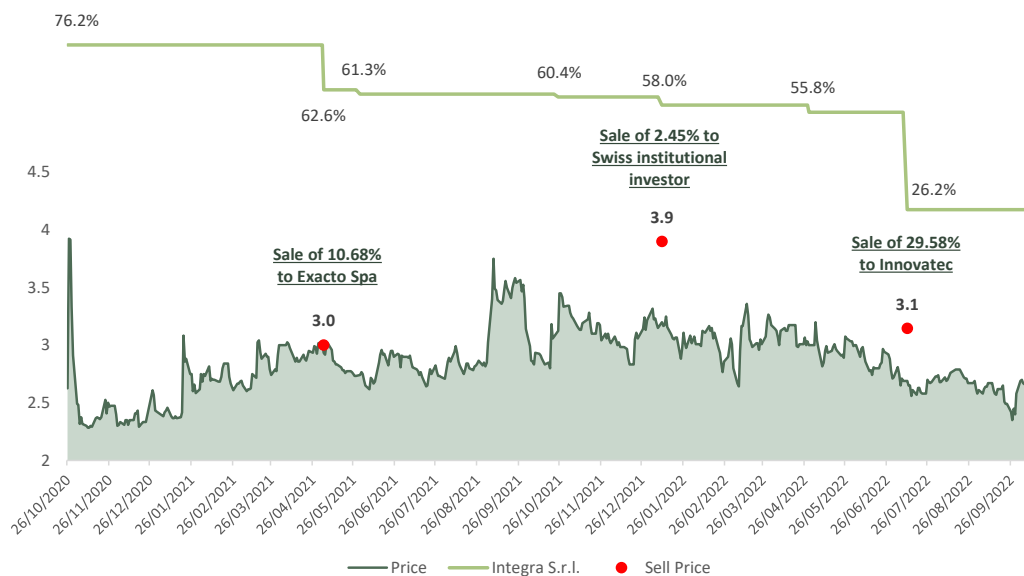
...and potentially it could acquire full control at some point

The governance is yet to be outlined as no related-party transactions procedures are in place. The current BoD of ESI is composed of the two co-founders and Mr Felice Egidi (Chairman and independent director), who boasts a relevant experience in the energy sector, having worked at ENEL first as Head of global Regulatory Affairs (2009-2015) and then as Head of European Public Affairs (2015-2020). We believe that Innovatec should appoint the majority of the board members at the next GM (Spring 2022), as to consolidate ESI by line. Riccardo di Pietrogioacomo and Stefano Plocco are very likely to maintain a key role.

In our view, Innovatec could take full control of ESI in the future, with the agreement of the two founders, which have been significantly reducing their stake in ESI since IPO. This potential scenario generates speculative appeal, also considering that past disposals have always been agreed at considerable premiums over market price.

The two founders have been significantly reducing their stake in ESI since IPO

Due to the sale of their stakes to industrial and institutional investors, the conversion of the warrants, and the conversion/annulation of the PAS, the two founders decreased their share from 76.2% (post-IPO) to 26.2% (today)

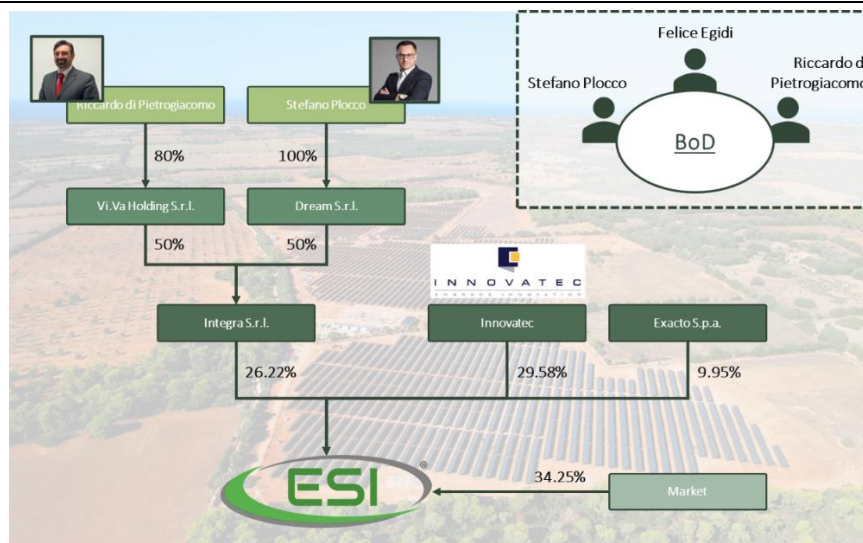


Source: Alantra

As of today, Innovatec is the main shareholder of ESI, with 29.58% of share capital, while Integra (in turn owned 50/50 by the two co-founders) at 26.22%. Exacto (9.95%) acquired its stake from the founders in May 2021. It was supposed to be a strategic partner of ESI, considering that Exacto also owns Renergetica, a company active in renewable energy projects in Italy. While Renergetica should have managed the development of PV plant projects (feasibility study, project authorization, etc.), ESI was supposed to be in charge of the subsequent construction phase. The partnership has never materialized and Exacto has recently trimmed its position in ESI (which diminished from initial 10.68% to 9.95% as of October 2022). This could be a potential overhang risk in the Future. Furthermore, as of 13th October 2022, the company has recently hired a new CFO, Angelo Tremontozzi, Chartered Financial Analyst (CFA) with a 10-year experience in asset management (Mid- and Small- Cap in Italy).

Shareholders Structure and BoD of ESI

Innovatec is the main shareholder of ESI, with 29.58% of share capital. The BoD is composed of the two-cofounders and Felice Egidi



Source: Alantra, ESI

One of many in Italy; one of few in remote areas

The global EPC space is dominated by large, international players of the likes of SOLV Energy, Trina Solar, Sterling & Wilson. In Italy, there are many local players that can leverage on a bigger scale than that of ESI (such as Comal, Prodiel, and Tozzi Green). Therefore, ESI is “one of many” in the PV EPC space, even though the group has a proven track record and a substantial backlog that should trigger a strong expansion in the years ahead, also benefitting from the recent agreement with Innovatec. The setting is different when it comes to off-grid projects in remote areas, where fewer players are active in the geographies targeted by ESI. The group primarily competes with 5 international players (Powergen, Solar Century, Winch Energy, Nidec Corporation and Siemens) and other smaller regional players (HavenHill, GVE, Sunkofa Energy, Rensource, Redavia, Husk Power, Enersol, Ensol). As a matter of fact, multiple factors make these projects less attractive for large international EPC players: (i) lower contract size, as off-grid mini grid installations normally range between 10kW and just few MWs (with the majority being of a size between 10kW and 100kW), (ii) political and economic instability of the reference countries. 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 (option to expand and retract its workforce when needed, thanks to project-base employment, leveraging on local hiring) and work under difficult circumstances (while the full duration of one off-grid project is around 8-10 months, only less than 2 months are actually spent in the installation area, hence diminishing the associated risks).

A trusted PV EPC in Italy and a fairly unique positioning in the electrification of remote areas

While ESI does not shine in the Italian EPC space, the company is better positioned when it comes to electrification projects

Italian PV EPC Market	Electrification Projects
1. Only “One of Many” in the PV EPC market 2. Track record below that of Italian Competitors 3. Coverage of the EPC Value Chain equal or below Italian competitors 4. However, substantial backlog and recent agreement with Innovatec should trigger a strong expansion	1. “One of Few” in the electrification of remote areas (mini- and off-grid) 2. Track record above that of small or regional competitors for mid-size installations (above 100 kWp), with exposure to multiple countries 3. They compete with essentially 5 big players as these projects are usually less attractive for large EPCs
<u>Main Competitors in Italy</u> 	<u>Main Competitors</u> 

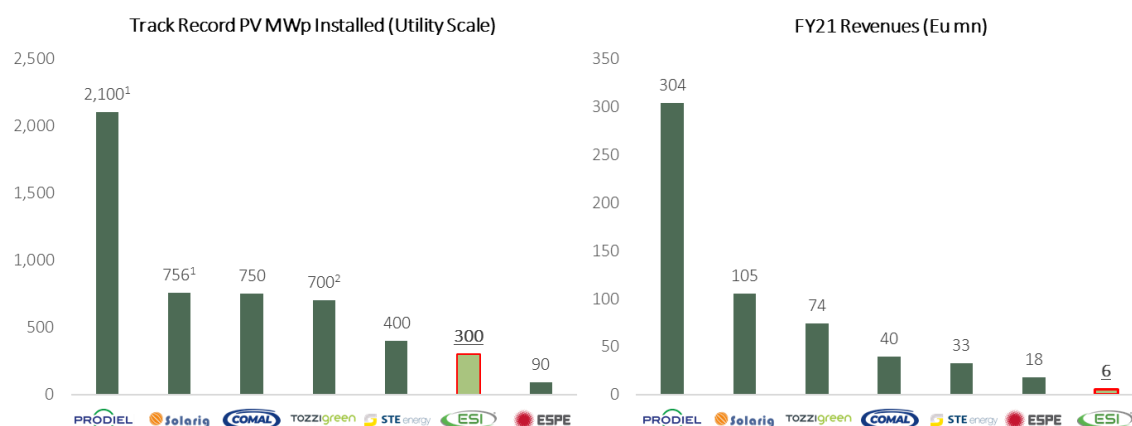
Source: Alantra

While competition is strong in the PV EPC market in Italy...

We believe that ESI is only “one of many” inside the PV EPC market, both on a global prospective and in Italy. Worldwide, the EPC landscape is dominated by large, international players of the likes of SOLV Energy (ca. 9 GWp of solar energy projects), Trina Solar (5.5 GWp), Sterling & Wilson (12 GWp, of which 10 GWp in utility scale plants). In Italy there are few large players active in the utility-scale PV EPC market, such as Comal (750 MWp installed to date), Prodiel (2,100 MWp), Solarig (756 MWp), STE Energy (400 MWp) and Tozzi Green (700 MWp in solar PV and other renewable energy sources). Comal is the closest competitor to ESI, being both focused on the Italian market and on PV, although Comal is also vertically integrated in the production of trackers and metal structures and more focused on maintenance and control. The aforementioned players have bigger scales than that of ESI, while normally being more diversified in terms of geography and/or renewable energy sources covered: Prodiel and Solarig can leverage on a significant track record, but they are not focused on the Italian market (they are both Spanish players active internationally); STE Energy is also present in hydropower, high voltage and energy storage business; Tozzi Green is also an owner of green plants, a developer of wind farms, biomass and biogas installations, hydroelectric power stations. ESI is a smaller player in the PV EPC Italian market, with ca. 300 MWp installed to date. However, the group has a proven track record and a substantial backlog that should trigger a strong expansion in the years ahead, also benefitting from the recent agreement with Innovatec.

“One of many” in the Italian PV EPC market

ESI is still a marginal player in the Italian PV EPC market when looking at the track record (MWp installed to date)



Source: Alantra, Companies' websites. Note 1: Prodiel and Solarig MW installed are mostly done outside of Italy (primarily Spain); Note 2: MW installed by Tozzi Green also include other renewable sources (like wind and hydropower)

When looking at the coverage of the PV EPC value chain, Italian players do not exhibit substantial differences across each other, except from Prodiel and Comal, which are the only two being active throughout the entire spectrum of activities. By contrast, the other competitors, including ESI, are normally specialized on specific activities and/or completely outsource few activities to third parties.

Coverage of the EPC value chain

Except from Prodiel and Comal, the other players (incl. ESI) do not exhibit substantial differences / particularities across each other

						
	R&D	Commercial Bid	Plant Design	Plant Construction	Commissioning	Monitoring and Maintenance
 PRODIEL	✓	✓	✓	✓	✓	✓
 COMAL	✓	✓	✓	✓	✓	✓
 Solarig	✗	✓	✓	✓	✗	✓
 ESI	✗	✓	✓	✓	✓	✓
 TOZZIGREEN	✗	✓	✓	✓	✗	✓
 STE energy	✗	✓	✓	✓	✗	✓

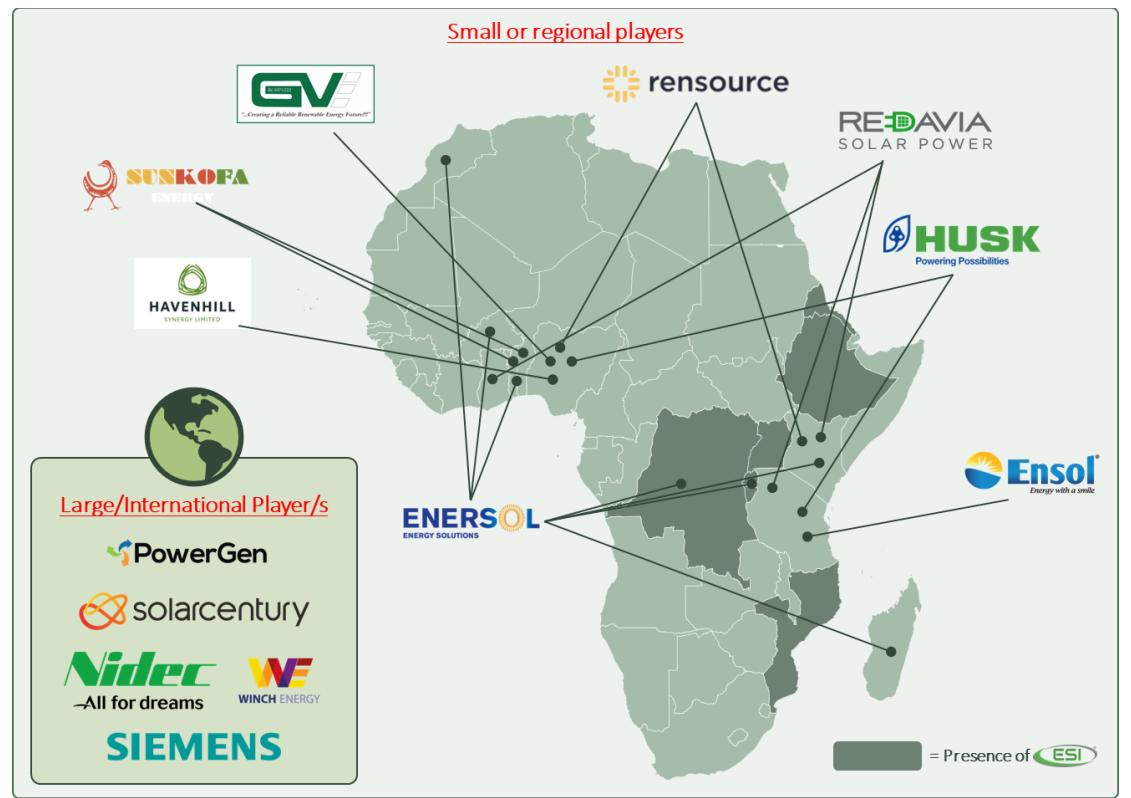
Source: Comal, Alantra

...only few large players are active in the development of off-grid electrification works

While being “One of many” in the Italian PV EPC market, ESI can be considered “One of few” in the electrification of remote areas through the use of mini-grids and off-grids systems in the targeted regions. In this market, ESI primarily competes with 5 international players (Powergen, Solar Century, Winch Energy, Nidec Corporation and Siemens). As a matter of fact, multiple factors make these projects less attractive for large international EPC players: (i) lower contract size due to off-grid / mini-grid installations normally ranging between 10kW and just few MWs (with the majority being of a size between 10kW and 100kW), (ii) political and economic instability of the reference countries. ESI is mostly active in Africa, where other smaller regional players (HavenHill, GVE, Sunkofa Energy, Rensource, Redavia, Husk Power, Enersol, Ensol) normally lack the expertise and track record to be selected in international tenders when it comes to mid-size off-grid or mini-grid installations. As a matter of fact, many of these local players are specialized in small plants, below 100 kWp, while ESI has expertise in the development of also larger projects (238 kWp hybrid plant in Eritrea, 228 kWp mini-grid in Uganda, 164kWp mini-grid in Ethiopia, and more). Furthermore, small/regional players tend to be focused on only few locations, i.e. concentrating on max 2 or 3 countries (with only few exceptions like Enersol), while ESI has been operating in Congo, Burundi, Uganda, Rwanda, Mozambique, Eritrea and Ethiopia. In few of these countries ESI does not normally compete with small or regional players as many of them tend to operate in different locations (such as Nigeria, Kenya, Tanzania, Benin).

“One of Few” in the off-grid electrification market

ESI primarily competes with 5 major international players, with smaller players lacking expertise and being mostly focused on other markets



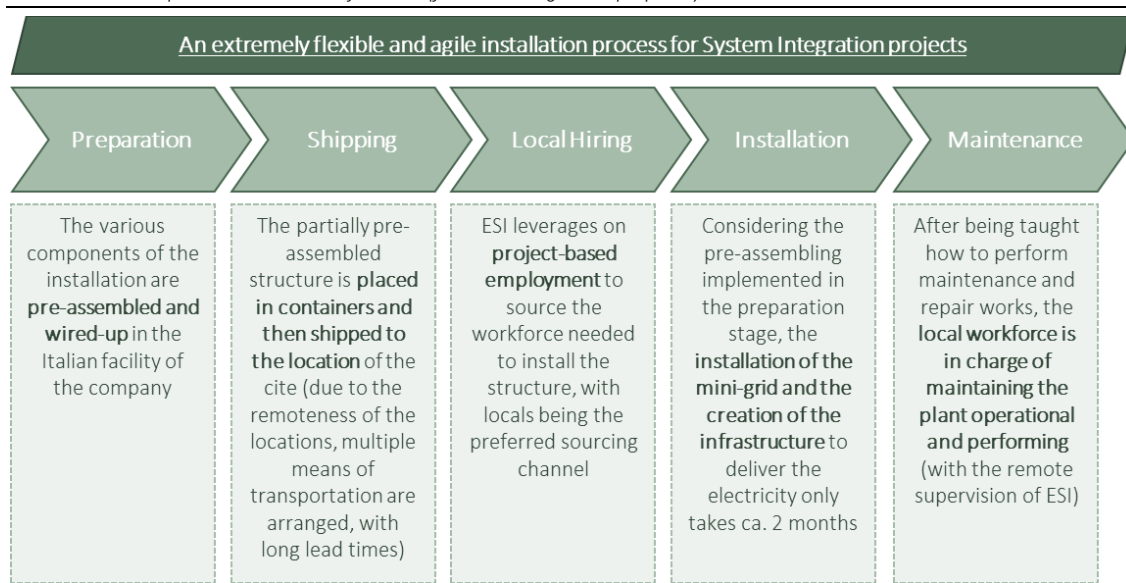
Source: Alantra, Companies' websites. Note: the companies displayed in the infographic are not exhaustive of the market

Agile and flexible approach to front the most challenging projects

Electrification projects in remote areas of Africa as well as some islands might be challenging, requiring a certain organizational structure and expertise to be performed in an efficient and safe way. ESI has a proven business model that allows it to be extremely flexible, with the option to expand and retract its workforce when needed thanks to project-base employment, leveraging on local hiring. Furthermore, the company usually partially assembles the mini-grid / off-grid installations in their facilities, in Italy, before shipping everything to the location of the site (which normally requires multiple means of transportation considering the remoteness of the location of the worksite). This procedure, coupled with additional and specific insurance coverage of the workforce, allows the company to safely work under difficult circumstances. While the full duration of one off-grid project is around 8-10 months, only less than 2 months are actually spent in the installation area, hence diminishing the associated risks connected to the specific geographies. The following maintenance of the plant is then carried out by locals, who have been taught how to perform maintenance and repair works, without the need for ESI's workforce to return to the site.

Operational efficiency at the core

The entire installation process, from the pre-assembling to the maintenance works, is managed to obtain maximum efficiency and the shortest time spent in the location of the site (for risk management purposes)



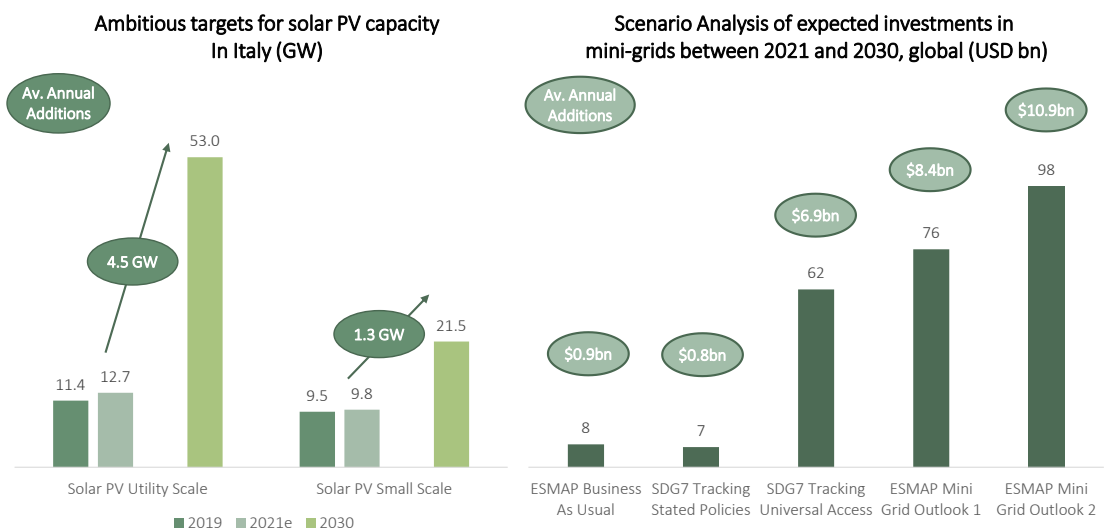
Source: Alantra, ESI

Solar PV plays a crucial role in decarbonization and electrification

The EU's objective of net-zero greenhouse gas emissions by 2050 implies a rising effort from policymakers to achieve climate-neutrality. Renewable energies will play a major role and solar power should be the key contributor. Thanks to economies of scale in manufacturing and a continuous technological development, the levelized cost of electricity for Solar PV has decreased by a staggering 88% globally from 2010 to 2021 (reaching grid parity in many countries). As a result, 70% of solar PV power generation capacity added in 2021 had a lower cost than that of the cheapest fossil fuel alternative. The current geopolitical environment adds up more pressure over the energy transition to renewables, on the back of gas shortages and spiking prices of electricity. Europe plans to increase its current solar PV capacity (158 GW in 2021) to 320 GW in 2025 and 600 GW in 2030, implying an average annual addition of ca. 50 GW between 2021 and 2030. The Italian government has undertaken similar objectives, targeting ca. 75 GW of installed Solar PV capacity by 2030. Italian utility-scale Solar PV capacity stood at ca. 13 GW in 2021 and should grow to 53 GW by 2030, according to a study released in August 2022 by Terna and SNAM, with average annual additions of ca. 4.5 GW (versus 0.3GW in 2021 and 1.0GW in 2022E). Least Developed Countries (LDCs) are dealing with a different topic: the lack of electricity. These places are outside of national grids and therefore need off-grid systems, such as a solar PV mini-grid (suitable for areas with medium/high density of population) with an associated storage capacity and wiring. More than 21,000 mini-grids are installed worldwide, with installations increasingly incorporating PV technologies and mainly ranging between 10 kW and few MW. According to ESMAP and The World Bank, the mini-grid market foresees investments between USD62bn and USD98bn in the period 2021-2030 (21-30 CAGR of cumulated investments between 13.5% and 17.8%).

Utility-scale Solar PV in Italy and mini-grids in LDCs to expand substantially

While ambitious targets should boost the solar PV utility scale market in Italy, investment in mini-grids should increase substantially in Least Developed Countries (mainly Africa)



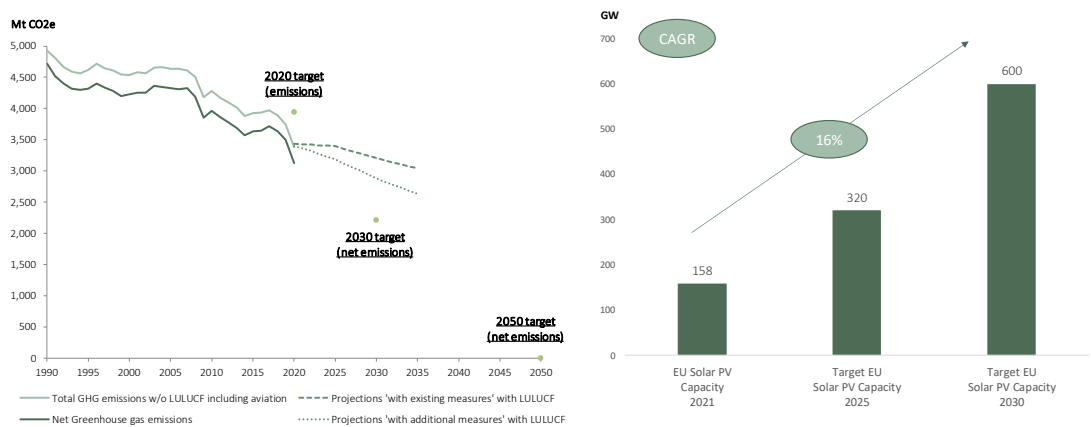
Source: SNAM, Terna, World Bank, ESMAP, Alantra estimates

Solar PV should play a major role in the EU decarbonization agenda

The EU has set ambitious targets in terms of greenhouse gas emissions reduction, aiming to reach a net-zero value by 2050. However, recent data shows that the current trajectory is not enough to reach the decarbonization targets set by the EU for 2030 and 2050, with annual decarbonization required to almost double to 4% per year (from ca. 2% in the period 2007-2019). Furthermore, the current geopolitical environment adds up more pressure over the energy transition to renewables, on the back of gas shortages and spiking prices of electricity. The recently announced REPowerEU plan is the EU response to the global energy market disruption caused by Russia's invasion of Ukraine, in turn placing further emphasis on energy transition, speeding-up the process by increasing the 2030 target for renewable energies from the previous 40% to 45% of final energy consumption. More specifically, a new EU Solar Strategy has been set accordingly, with the goal of doubling the installed Solar PV capacity by 2025, finally reaching 600GW by 2030. Considering the current (2021) installed Solar PV capacity of 158 GW, this implies an average annual addition between 2021 and 2030 of ca. 50 GW.

Emission reduction and Solar PV capacity targets

The EU has set ambitious targets in terms of greenhouse gas emissions reduction as well as Solar PV capacity installed

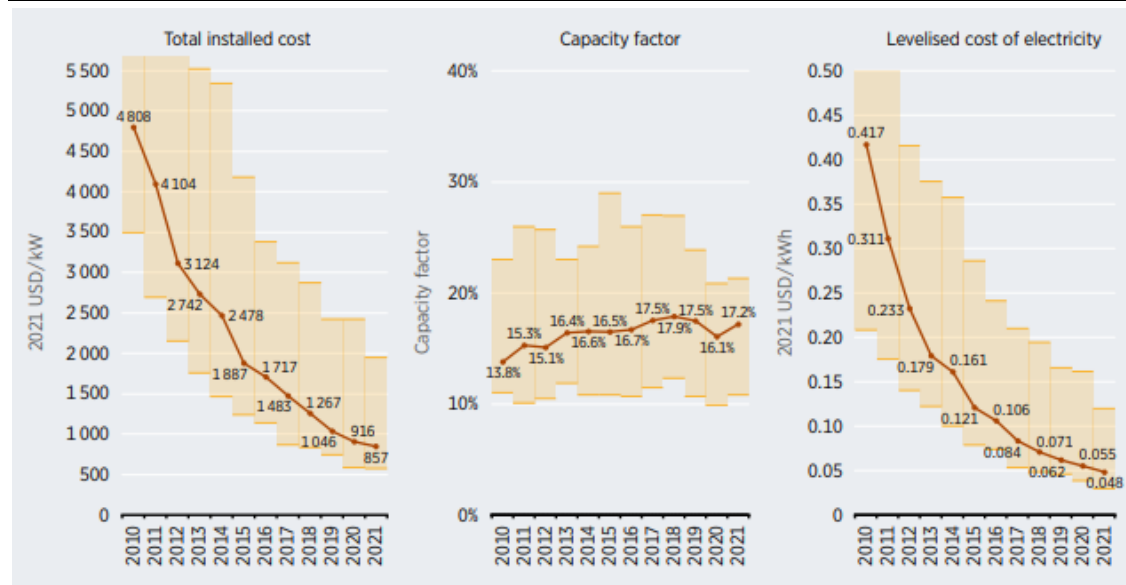


Source: European Commission, IRENA

Such an effort from the EU to promote solar PV capacity has also been the consequence of incremental improvements in the solar PV technology, both on a cost reduction and an energy production efficiency point-of-view. As a matter of fact, the global weighted average Levelized Cost Of Electricity (LCOE, i.e. cost of generating a single unit of electricity throughout the life of the PV solar plant) of utility-scale PV installations have been constantly reducing over the years, declining by 88% from 2010 to 2021. This resulted in 70% of solar PV power generation capacity added in 2021 having a lower cost than that of the cheapest fossil fuel alternative. At the same time, the capacity factor of such plants (i.e. energy produced by a solar PV plant compared to the maximum output of such plant) has been on the rise, going from 13.8% in 2010 to 17.2% in 2021.

Global utility-scale solar PV costs are down substantially, while energy production efficiency improves

While LCOE of utility-scale PV has decreased by 88% at global level since 2010, the capacity factor jumped from 13.8% to 17.2%

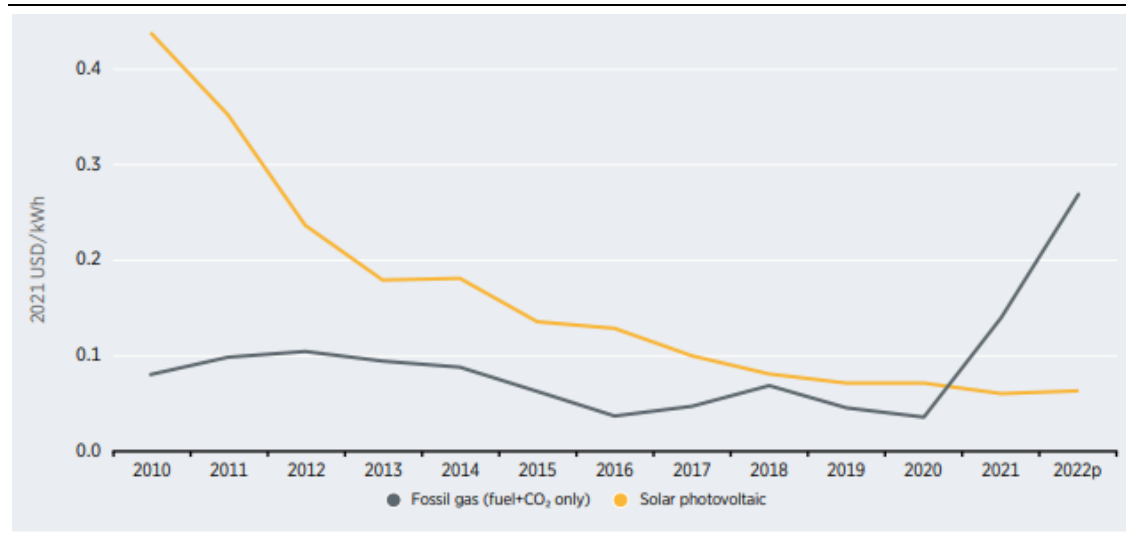


Source: IRENA

Lower costs and higher output have been thus contributing to Solar PV reaching grid-parity (i.e. same costs as conventional sources like fossil fuel) in some geographies. For example, a 2022 report from IRENA highlighted that the weighted average LCOE of utility scale solar PV in Europe has been declining below the one of fossil gas in 2021, with the difference in cost estimated to exacerbate in 2022 on the back of spiking costs of conventional sources of energy.

Utility Scale Solar PV reach grid-parity in Europe

In 2021 utility-scale Solar PV LCOE has decreased below the cost for fossil gas in Europe, with this difference expected to exacerbate in 2022 on the back of spiking costs of conventional sources of energy



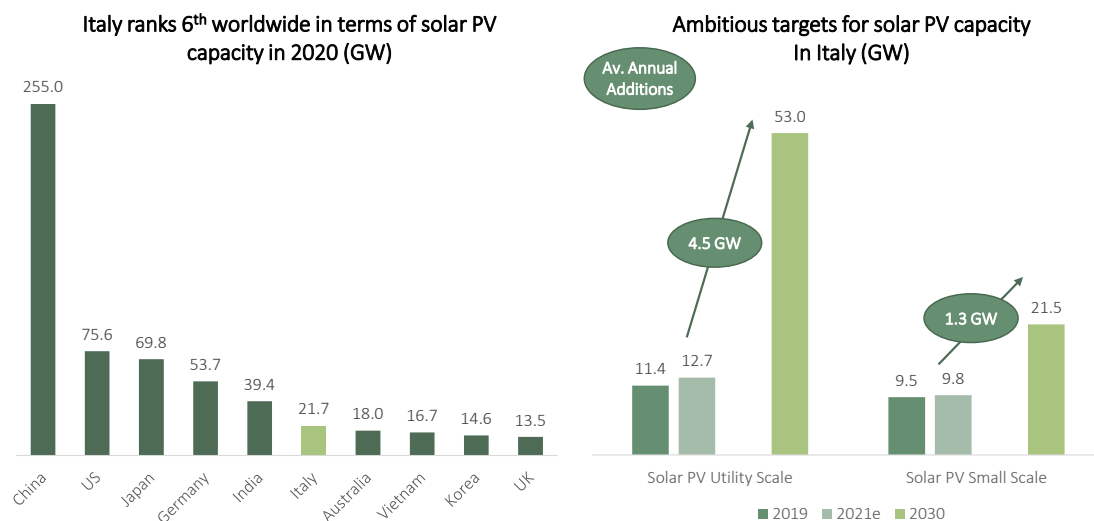
Source: IRENA

Italy to target more ca. 75 GW of installed Solar PV capacity by 2030

Italy is one of the leading players in terms of Solar PV power generation capacity, ranking 6th (with ca. 22 GW in 2020) as per a worldwide ranking by IRENA. On top of this, the National Energy and Climate Plan has set ambitious targets for 2030, with renewables capacity at 30% of total energy consumption and 55% of electricity generation. According to a 2022 study developed by Terna and SNAM, such targets require ca. 75 GW of installed Solar PV capacity by 2030 (resulting in a 14.2% 21-30 CAGR). Utility-scale solar PV plants occupy a large share of this increase, at ca. 77.5% of the total expected increase in installed Solar PV capacity (from 12.7 GW in 2021 to 53 GW in 2030). This expansion in renewable energy capacity will also require additional energy storage capacity in the years to come: the same study from Terna and SNAM estimates a national need of 95 GWh in energy storage capacity in 2030 (up from less than 1GW in 2021), out of which ca. 79 GWh should be allocated to utility-scale plants.

Italy ranks 6th worldwide (in 2020) by Solar PV capacity, with ambitious targets for 2030

As per a 2022 study developed by Terna and SNAM, the targets set by the National Energy and Climate Plan in Italy imply ca. 75 GW of installed Solar PV capacity by 2030, with an increase of 52 GW vs 2021 levels



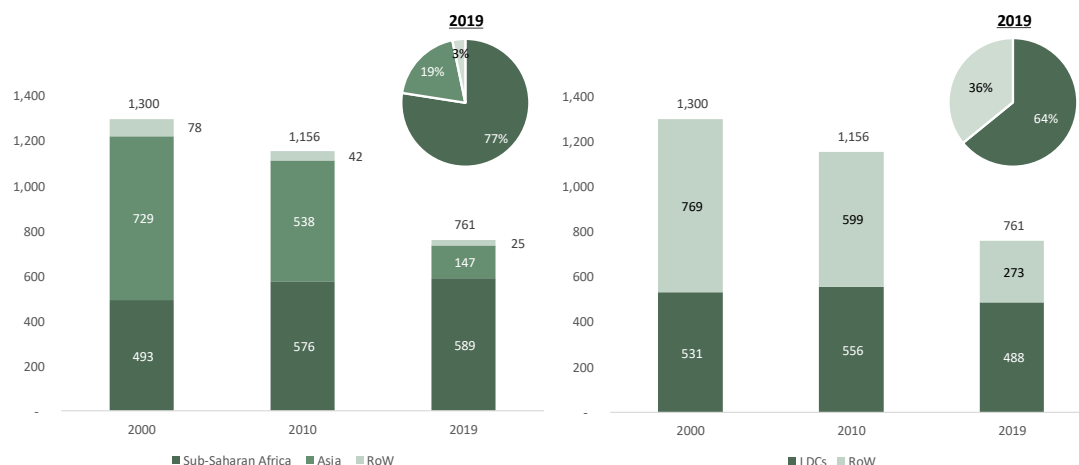
Source: IRENA, SNAM, Terna, Alantra estimates

Least Developed Countries still lack universal access to electricity

While developed economies are concentrated on the expansion of renewable energy capacity and decarbonization, Least Developed Countries (LDCs) are dealing with a much different topic: the lack of electricity. Globally, more than 750mn people do not have access to electricity, with most of them being concentrated in LDCs. As of 2019, data from the World Bank highlighted that 64% of people lacking electricity access are located in LDCs. Furthermore, Sub-Saharan Africa and Asia represent the two main geographical pools of people lacking electricity, standing at 77% and 19% respectively as of 2019, with Island Nations being the main contributors of the remaining 3%. This issue is a consequence of the absence or unreliability of the national grid, which has sometimes forced villages to adopt high-polluting sources of energy like fossil fuel. Expanding access to electricity in these locations by making use of renewable energy sources could therefore also contribute to the decrease in greenhouse gas emissions.

The majority of people without access to electricity are concentrated in LDCs

64% of people lacking electricity are concentrated in LDCs. Sub-Saharan Africa represents the largest geographical pool



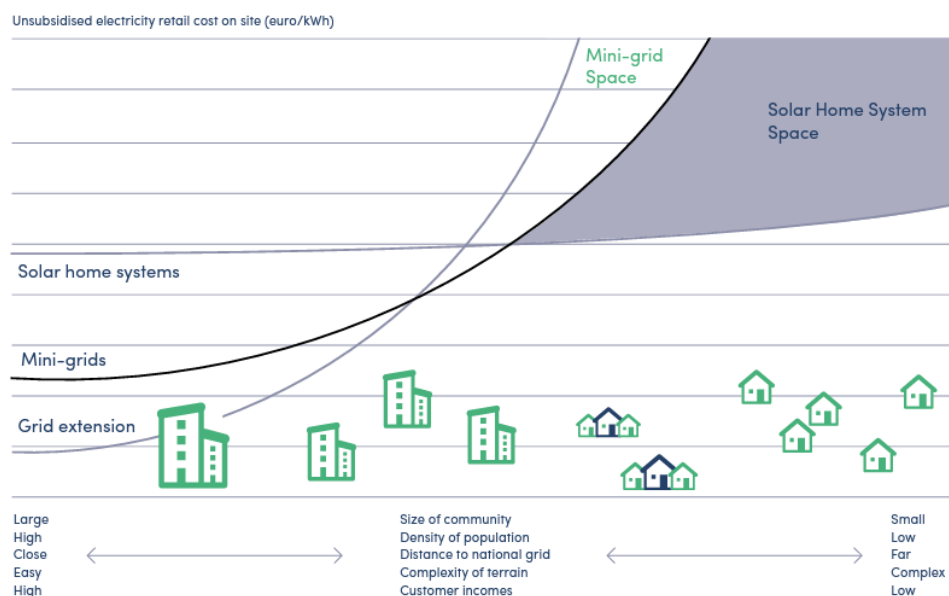
Source: World Bank, Alantra

PV Mini-grids and Off-grid installations should help reduce the gap

The extension of the national grid is not always the go-to choice as it requires some few conditions to be economically viable, such as high population density, strong demand of electricity, proximity to the main grid, etc. In these situations, two other main solutions can be adopted: Solar Home Systems (with a basic set-up consisting of a small solar panel, an energy storage battery, led lights, and some small and energy-efficient home appliances) and mini-grids. While the former is best suited for small villages with low population density and high distance from the national grid, mini-grids offer the best solution when communities becomes somewhat larger and more densely-populated (though still below the thresholds for the economical expansion of the main grid). Furthermore, mini-grids are also useful to complement the national grid, which is often unreliable in LDCs (this is for example a common use case for hospitals, which require a very stable and reliable source of energy to operate efficiently and save lives).

Alternative solutions to expand electricity access

Depending upon population density, distance from national grid, etc. the best alternative solution among Mini-Grids, Grid Extension and Solar Home Systems can be identified

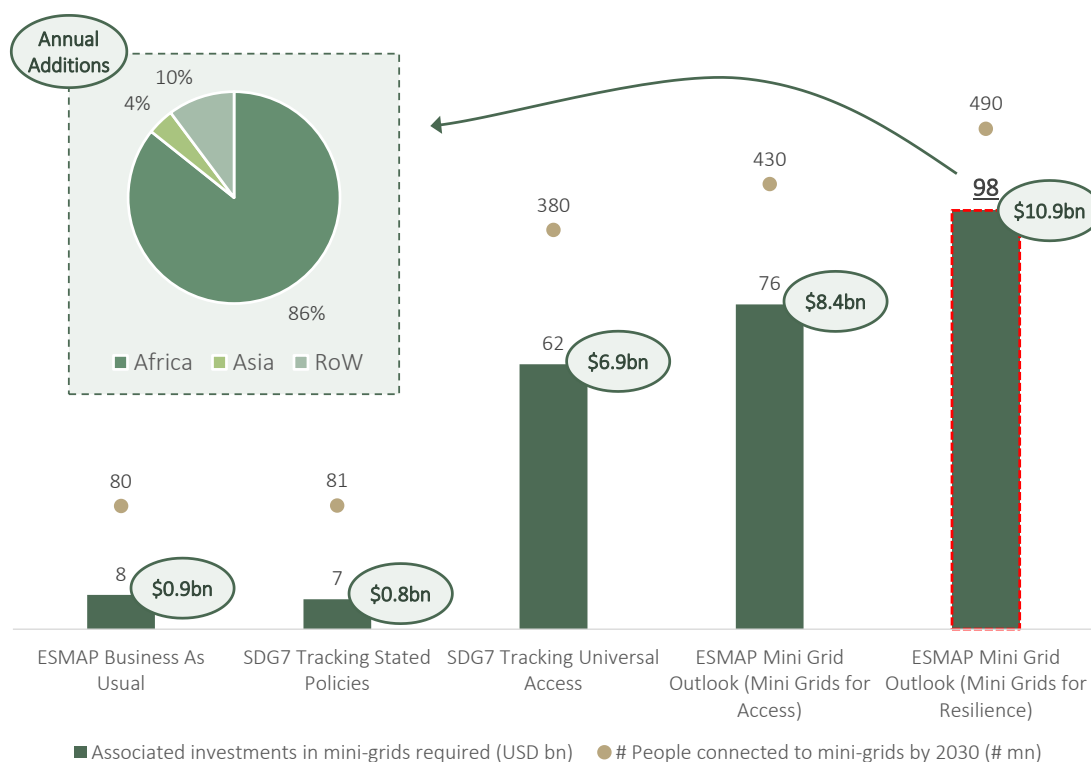


Source: GOGLA report

Mini grids can both be on-grid (i.e. connected to the national grid, mainly used when the latter is unreliable) or off-grid (i.e. independent and thus disconnected from the main grid, normally implemented for a single village, an island, or for other industrial purposes, when the cost of extending the main grid becomes prohibitive). Due to the strong benefits that mini-grid can bring to people lacking electricity in LDCs, as well as their adaptability to multiple uses and environments, USD29bn have been invested to-date (as of 2021) for the realization of 21,500 mini-grids. A report from ESMAP and The World Bank has aggregated and laid down multiple scenarios that forecast the number of people to be connected to mini-grids by 2030, and the related investment costs. According to ESMAP and The World Bank, the mini-grid market outlook foresees investments between USD62bn and USD98bn in the period 2021-2030 (21-30 CAGR of cumulated investments between 13.5% and 17.8%), with a cumulated total of installed mini-grids that could grow from 21,500 to 217,000, in turn increasing the number of people connected to mini-grids from 48mn to 490mn by 2030 (in the brightest scenario).

Substantial investments in Mini-Grids are expected in the period 2021-2030

Investments in Mini-Grids in the period 2021-30 could range between USD62bn and USD98bn, with large part to be deployed in Africa



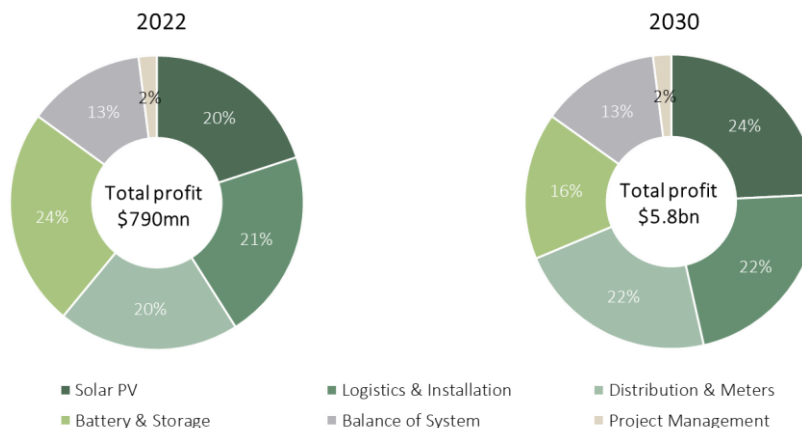
Source: World Bank, ESMAP, Alantra

Looking at this mini-grid market more in depth, ESMAP has also estimated the potential profit for companies acting as facilitators in the installation process. While in 2022 the estimated profit across the mini-grid value chain stands at USD790mn, ESMAP forecasts a potential total profit of USD5.8bn in 2030, implying a 22-30 CAGR of ca. 28%. Solar PV, Logistics & Installation, and Distribution & Meters should be the top 3 net profit sources, with respectively 24%, 22% and 22% of total profits of the value chain by 2030. Geographically speaking, the largest share is expected to come from Africa, which is expected to generate 74% of mini-grid value chain profits.

Total profit of the Mini-Grid value chain to expand substantially

ESMAP forecasts a potential profit of USD5.8bn in 2030 across the mini-grid value chain, implying a 22-30 CAGR of ca. 28%

Mini-Grid Value Chain Profit

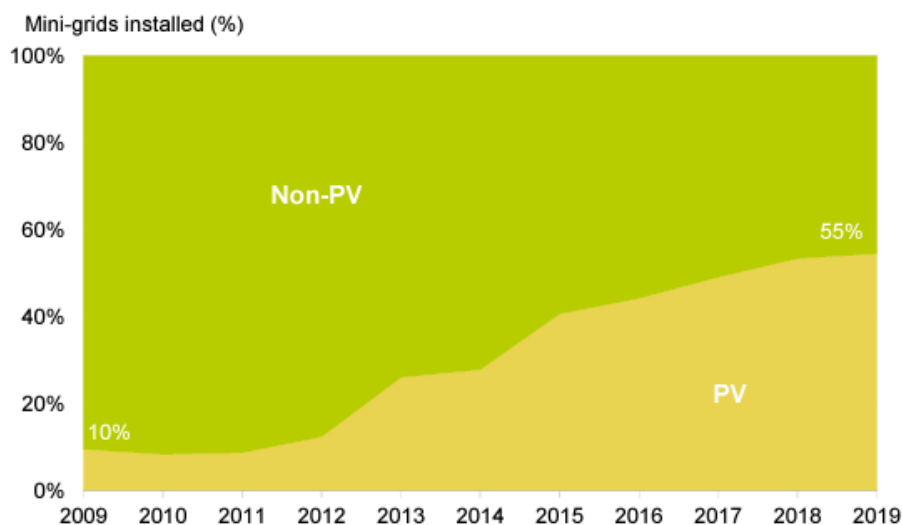


Source: World Bank, ESMAP

Finally, while mini-grids can leverage on different renewable (or hybrid) sources of energy, solar PV is the predominant technology in this space. According to a report from the world Bank, solar PV mini-grids account for half of the 21,500 installations done to date. This predominance of solar PV is expected to exacerbate in the future as a consequence of decreasing costs (solar has become one of the most cost-competitive sources of energy) and increasing outputs of this technology, coupled with the ease of installation (key factor when considering locations with high complexity of terrain). A study from SEforALL, Bloomberg NEF and MGP (based on data collected on >7,000 mini grid assets out of 21,500 done to date) has highlighted that while only 10% of newly installed mini-grids were Solar PV in 2010, this percentage increased to 55% as of 2019, and is expected to further expand.

Solar PV should be the predominant technology used in mini-grids going forward

While only 10% of newly installed mini-grids were Solar PV in 2010, this percentage increased to 55% as of 2019



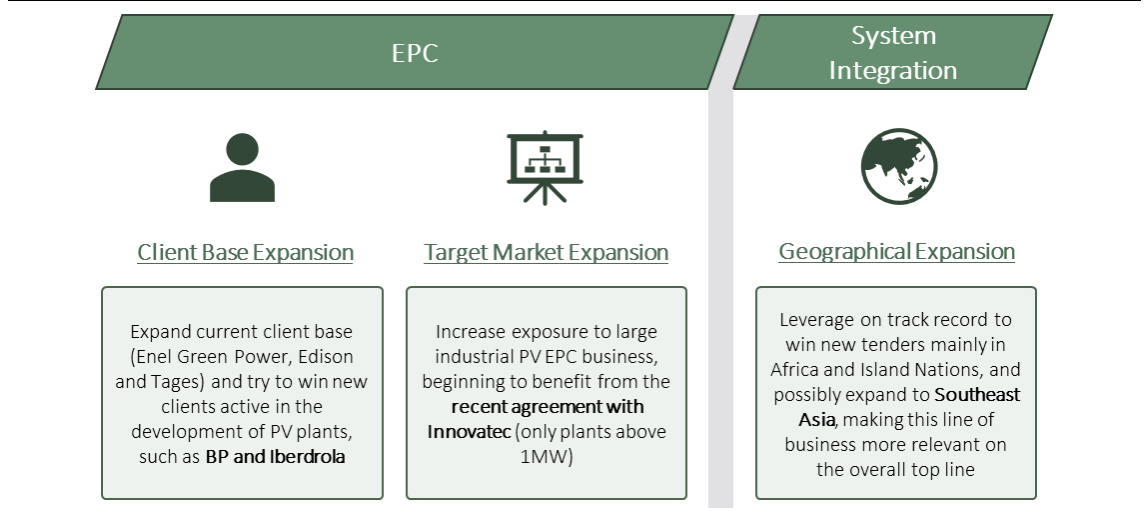
Source: SEforALL, BloombergNEF, Carbon Trust, CLUB-ER, GIZ, surveyed companies

New clients and segments in EPC. New geographies in System Integration

We believe that in System Integration, ESI should leverage on its track record to win new tenders mainly in Africa and Island Nations, and possibly expand to Southeast Asia (another major geography for the mini-grid and electrification markets), making this line of business more relevant on the overall top line in the future. In EPC, ESI should concentrate mainly on two objectives: the expansion of the client base and the diversification of the target market. While the group is now working almost solely with 3 large clients (Enel Green Power, Edison and Tages) in the EPC business, ESI should intensify its commercial efforts to address new clients active in the development of PV plants, such as BP and 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 industrial business should also allow ESI to implement subsequent upselling of energy storage capacity solutions. Furthermore, ESI could also take care of the installation of the PV plants that Innovatec intends to build next to its landfills (2 owned and 1 managed) in Italy, as disclosed in its sustainability report.

Focus on 3 different areas

Client base and target market expansion in EPC, geographical expansion in System Integration



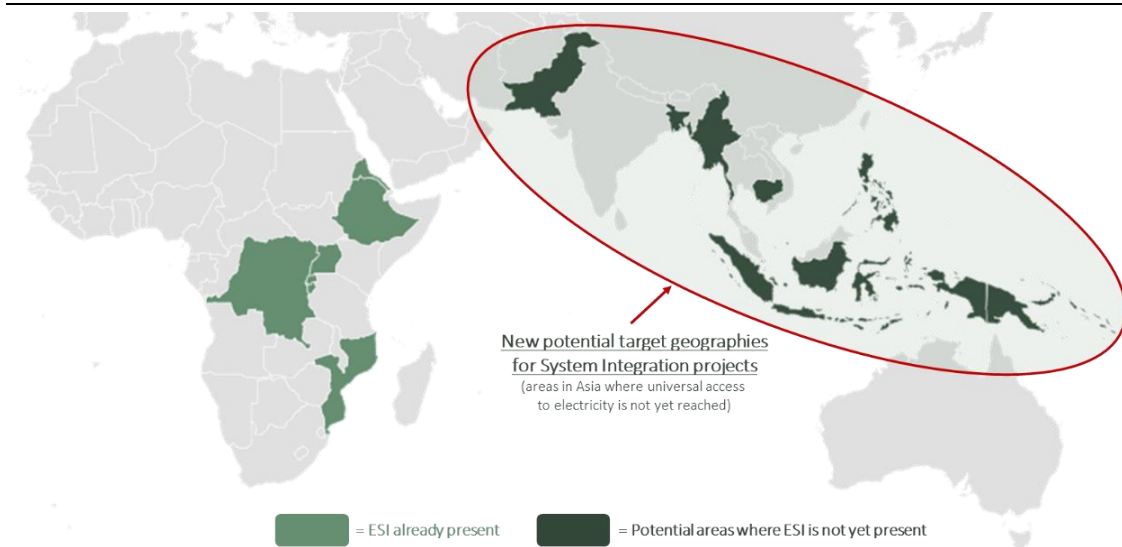
Source: Alantra

Geographical expansion to benefit System Integration

ESI has a strong track record in Africa. However, Southeast Asia, with a specific focus on its Island Nations (where the national grid is not present), is a very attractive geography when it comes to mini-grids / off-grid installations. ESI should try to leverage on its expertise and track record (as these kind of installations are normally complex and require specific knowledge) to win tenders for the electrification of small islands, thus diversifying outside of Africa. Furthermore, while electrification has been achieved in many smaller islands of Southeast Asia in the last years, the technology being implemented so far has been based on expensive and polluting diesel generators according to the IEA, therefore requiring substitution with more sustainable and cheaper sources of energy (target of 11% of Solar and Wind energy share in 2030 according to latest national plans, from 4% in 2021). ESI could take advantage on the shift to renewables to implement Solar PV mini-grids and off-grid solutions to replace polluting diesel generators.

Potential expansion in Southeast Asia

Southeast Asia, and specifically its Island Nations, is a very attractive geography when it comes to mini-grids / off-grid installations



Source: Alantra, The World Bank. Note: an area is defined as "potential" if electrification has not yet reached ca. 100% of the population

Client base and target market in the spotlight of the EPC business

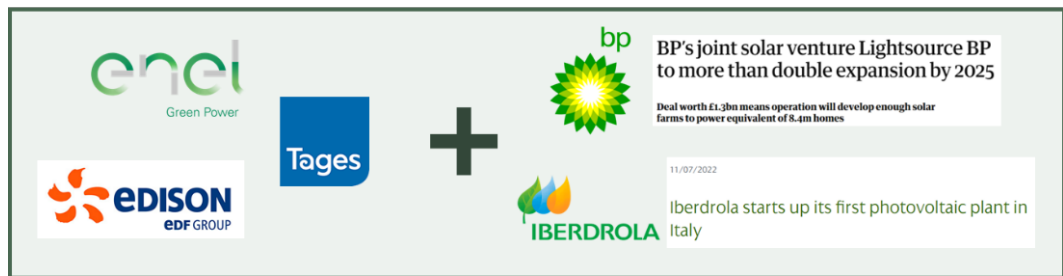
ESI prevalently collaborates with 3 main players active in the renewables space: Enel Green Power, Edison and Tages. The company should strive to gain new clients, expanding to other international, large utilities that are actively investing in Solar PV projects. BP and Iberdrola, for example, are two players that have stated their commitment to renewable energies, with the latter already operating in Italy.

At the same time, ESI could progressively tap into large industrial (> 1MW) Solar PV plants, leveraging on the recent agreement with Innovatec. The industrial business should also allow ESI to implement subsequent upselling, thanks to the complementary need of energy storage capacity once the plant is up and running. ESI is not new to large industrial installations, as it has already won the tender for two large industrial projects: The first (with a capacity of 3,091 kWp) will be built on the roof of Brembo S.p.A, and the second (with a capacity of 1,710 kWp) on the roof of Keter Italia S.p.A. Furthermore, ESI could also take care of the installation of the PV plants that Innovatec intends to build next to its landfills (2 owned and 1 managed) in Italy, as disclosed in its sustainability report.

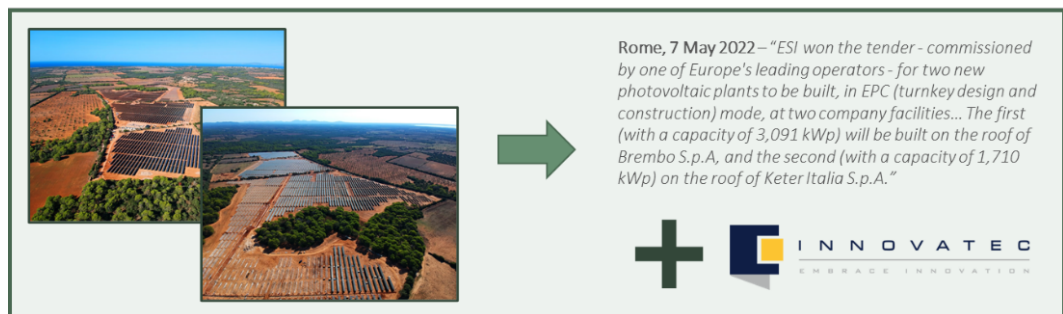
New clients and new target markets

ESI should strive to get new large Utility clients like BP and Iberdrola, while also transitioning to large industrial plants

Enlargement of the client base with new potential contracts with large utilities



Increase the share of large industrial PV plants vs utility-scale plants



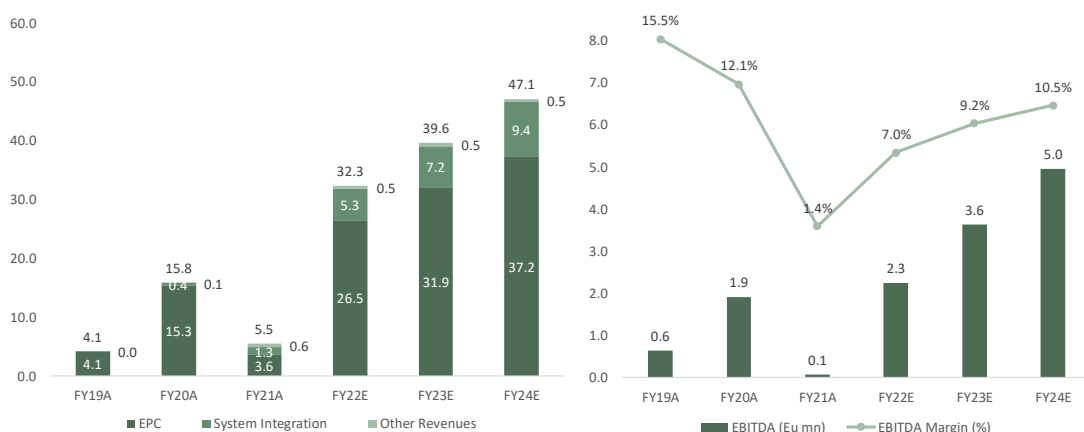
Source: Alantra, ESI, The Guardian, Iberdrola

Revenues set to jump in 2022 and 2023

ESI's revenues reached a record high of Eu15.8mn in FY20, with EBITDA of Eu1.9mn (12% margin), highly driven by a large EPC Solar PV plant project in Spain. In 2021, the top line has been hardly hit by the pandemic, which delayed the closing/execution of multiple contracts. However, ESI closed the year with a strong order backlog of Eu48.7mn. The group is now running at full speed. In 1H 2022 ESI reported Eu14.9mn sales (versus Eu1.9mn in 1H21) with 5.3% EBITDA margin. FY22 is therefore on track to be a record year, with estimated revenues of Eu32.3mn. Further visibility is given by: (i) the substantial backlog of Eu49.6mn as of June 2022, which covers our expected top line in 2H22 and more than 80% of the sales expected in FY23E; (ii) the recent agreement with Innovatec, which should start contributing to top line growth from 2023, bringing in industrial projects with a minimum scale of 1 MW. We expect revenues to reach Eu47.1mn in 2024 (vs Eu5.5mn in 2021), with System Integration becoming increasingly more relevant on the overall revenue mix (from 17% in 2022 to 20% in 2024). Revenues mix (off-grid and mini-grid projects have higher margins than those of EPC projects), operational leverage and raw material costs normalization should benefit profitability. We expect Adj. EBITDA to reach Eu5.0mn in FY24E (up from Eu0.1mn in 2021), with an EBITDA margin of 10.5% (vs 5.3% in 1H22 and 7.0% in FY22E). Our 2023E EBITDA is 17% above consensus. Net profit should reach Eu3.1mn in 2024, up from only Eu0.1mn in 2021.

Substantial revenues growth coupled with margin expansion

While revenues are expected to reach Eu47.1mn in 2024, EBITDA margin should return to double-digit grounds from 2024



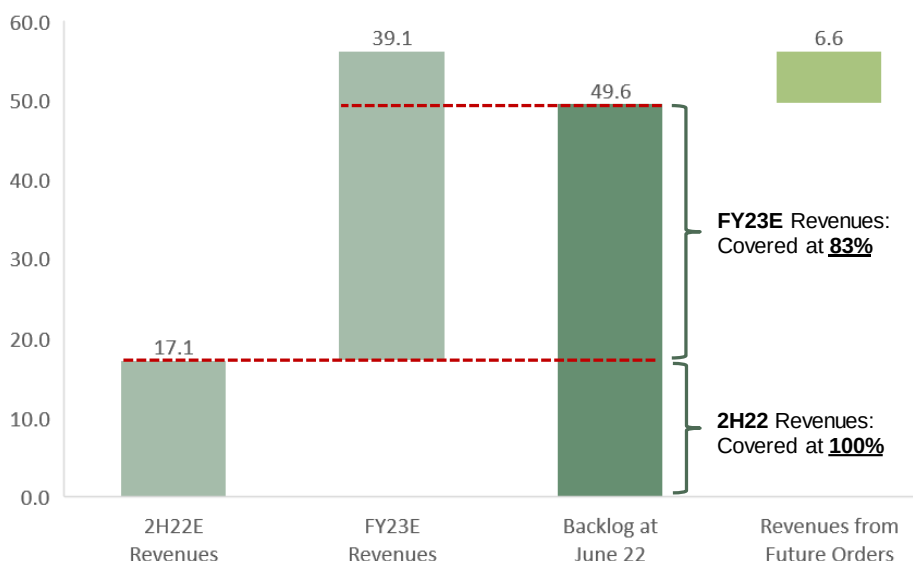
Source: Alantra, ESI

After a 2020-2021 rollercoaster, revenues look promising going forward

2020 and 2021 have been a rollercoaster for ESI, with the former being a record year (due to the installation of a large EPC Solar PV plant project in Spain), and the latter being strongly impacted by Covid (which delayed the closing/execution of multiple contracts), with sales going from Eu15.8mn in FY20A to Eu5.5mn in FY21A. A strong 1H22 as well as a substantial backlog of Eu49.6mn as of June 2022 (we assume only additional order intake of ca. Eu6mn in 2H22E) give strong visibility to both 2H22 and FY23 revenues. Even without additional order intake, the 1H22 backlog already covers our expected 2H22 sales and 83% of our expected FY23 top line. We therefore expect 2022 to be a record year, with estimated revenues of Eu32.3mn.

Current backlog gives strong visibility to both 2H22 and FY23

Without assuming any additional order intake, the backlog at June 2022 already covers 2H22E sales and 83% of FY23E revenues



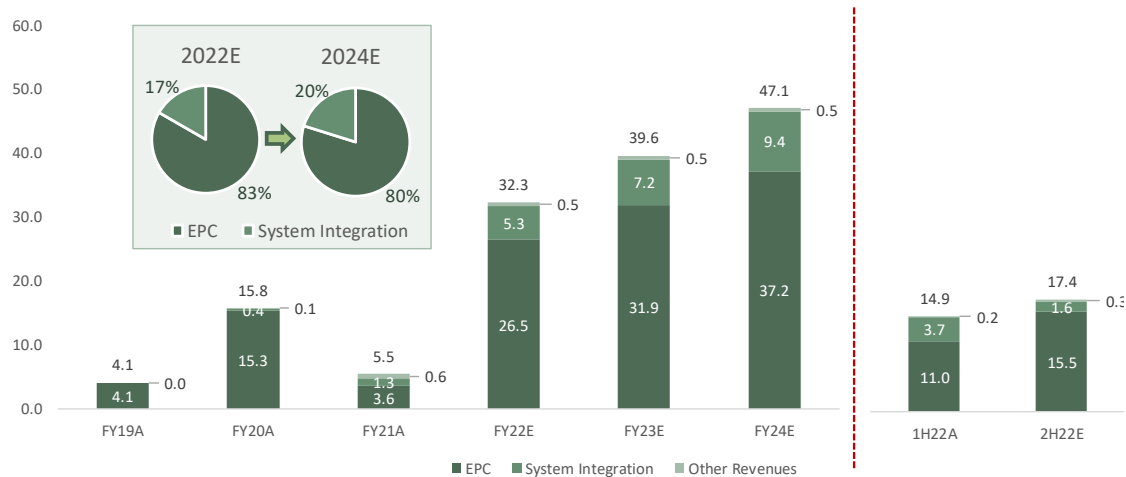
Source: Alantra, ESI. Note: Revenues in the chart do not consider "Other Revenues" for the purpose of this analysis

We expect sales to reach Eu47.1mn in 2024, resulting from the following:

1. In the **EPC** division, the market is expected to post a significant growth in the coming years, both at European (estimated 50GW annual additions required to meet 2030 targets) and at Italian level (average 4.5GW additions of utility-scale PV plants - above 0.2 MW - required according to Terna and SNAM), and ESI should benefit from this booming demand. Focusing on the Italian market, we assume an almost-flat market share of ESI (around 3-4% throughout the forecast period), based on the total MW installed with plants above 1MW, as well as a conservative estimate for additions of PV capacity (of only plants above 1MW), at ca. 1 GW on average in the period 22-24. The agreement with Innovatec should start contributing to the growth of the top line from 2023 onwards. Additional revenues could also come from the potential upselling opportunity connected to industrial PV plants, which normally require energy storage capacity solutions. We thus expect FY24E EPC revenues to reach Eu37.2mn, from Eu3.6mn in 2021.
2. In the **System Integration** division, substantial global investments in mini-grids in the period 2021-30 (ranging, depending on the scenario, between USD62bn and USD98bn worldwide) should foster significant order intakes, and in turn revenues growth. We expect ESI to maintain a very marginal, but increasing, market share on the global annual capacity additions of off-grid solar capacity, supported by a geographical expansion in Southeast Asia, with a particular focus on Island Nations. System Integration should gain share over the total revenues, growing from 17% in 2022E to 20% in 2024E, with FY24 revenues expected at Eu9.4mn (from Eu1.3mn in 2021).

Eu47.1mn Revenues expected in 2024, with System Integration growing in relevance

EPC and System Integration should reach, respectively, Eu37.2mn and Eu9.4mn in 2024, with the latter growing in relevance

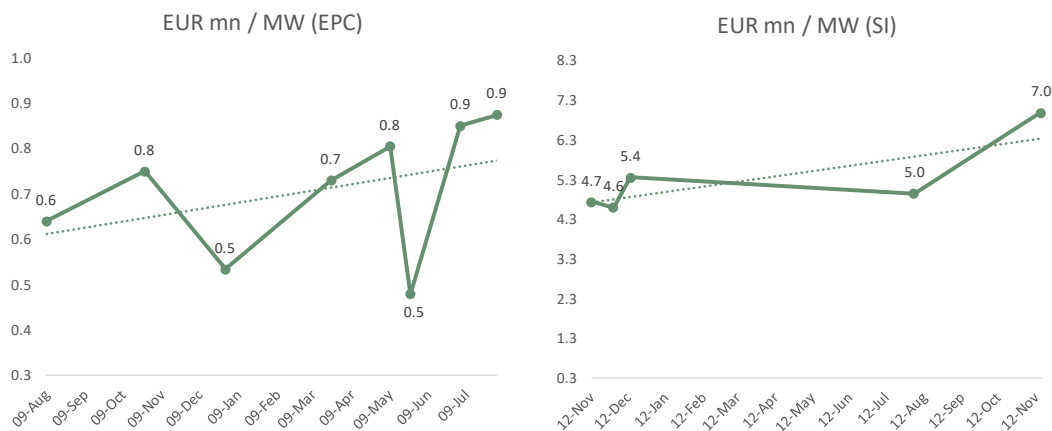


Source: Alantra, ESI. Note: Other revenues for 2019/2020 are included in EPC and System Integration revenues

Despite not assuming in our estimates any change in the Eumn / MWh (of solar PV capacity installed) charged by ESI in each division, the company has an historical trend of price increases over the years. Furthermore, System Integration projects have been historically more expensive than EPC projects. As a matter of fact, (i) the installation of a complementary energy storage system increases the overall price paid, (ii) the difficulties associated with the logistics, installation, and safety of personnel (in certain geographies) demand a higher average compensation for every kW of capacity installed.

An upward trend in Eumn / MW of solar PV capacity installed, based on the contracts announced by ESI

Despite some volatility, ESI managed to apply increasingly high prices, with System Integration projects being more expensive



Source: Alantra. Note: the last data point for the System Integration chart also considers as MW the kW of a backup diesel generator installed by ESI in the same project

Overview of the last years of commercial news flow

During 2021 and 2022 (until October), ESI managed to achieve substantial order intake, respectively at Eu37mn (considering the framework agreement for the 6 PV plants in tranches based on contractual dates) and Eu23mn. While 3 new contracts have been signed after June 2022, two of them were already part of the framework agreement signed with Edison. Therefore, only one new contract (Revamping of 1 PV Plant in Alessandria) has been closed since June, for an amount of 0.5mn.

Substantial order intake in 2021 and 2022

During 2021 and 2022 (until October), ESI managed to achieve substantial order intake, respectively at Eu37mn and Eu23mn

Project Description	Announcement Date	Amount (Eu mn)	Revenues Recognition at Announcement	Capacity to be Installed/Revamped	Energy Storage (kWh)	Business Unit
Off-Grid PV Plant in Burundi	12-nov-20	0.3	2020 & 2021	54 kWp	100	System Integration
Off-Grid PV Plant in Mozambique	30-nov-20	0.5	2020 (13%) & 2021 (87%)	115 kWp	300	System Integration
Mini-Grid PV/Hydro Plant in Congo	14-dic-20	0.6	2020 (40%) & 2021 (60%)	100 kWp (PV) + 15 kWp (Hydro)	130	System Integration
Revamping of 18 PV Plants in Italy	29-apr-21	3.2	2021	23 MWp (Revamped)	na	EPC
Hybrid PV Plant in Stromboli Island	04-ago-21	1.0	2021 (60%) & 2022 (40%)	202 kWp	1,000	System Integration
2 PV Plants in Perugia	09-ago-21	1.3	2021 (80%) & 2022 (20%)	2 MWp	na	EPC
2 High-Voltage Energy Sub-Stations	15-set-21	1.3	2021 (20%) & 2022 (80%)	na	na	EPC
Framework Agreement Edison	26-ott-21		2021, 2022 & 2023	25 MWp	na	EPC
Framework Agreement Edison (1* and 2* Plants)	26-ott-21	12.0	2021 (21%) & 2022 (79%)	16 MWp	na	EPC
3 Off-Grid PV Hybrid Plants in Mozambique	16-nov-21	4.3	2022	400 kWp + 215 kVA	2,305	System Integration
Framework Agreement ENEL	29-dic-21	14.4	2022 & 2023	27 MWp	na	EPC
Framework Agreement Edison (3* Plant)	23-mar-22	7.3	2022	10 MWp	na	EPC
Framework Agreement Edison (4* Plant)	09-mag-22	5.0	2022 (80%) & 2023 (20%)	6.21 MWp	na	EPC
2 PV Plants in Italy	25-mag-22	2.3	2022	4.8 MWp	na	EPC
Framework Agreement Edison (5* Plant)	04-lug-22	4.0	2022 (20%) & 2023 (80%)	4.7 MWp	na	EPC
Framework Agreement Edison (6* Plant)	02-ago-22	4.2	2022 (20%) & 2023 (80%)	4.8 MWp	na	EPC
Revamping of 1 PV Plant in Alessandria	17-ott-22	0.5	2023	2 MWp (Revamped)	na	EPC

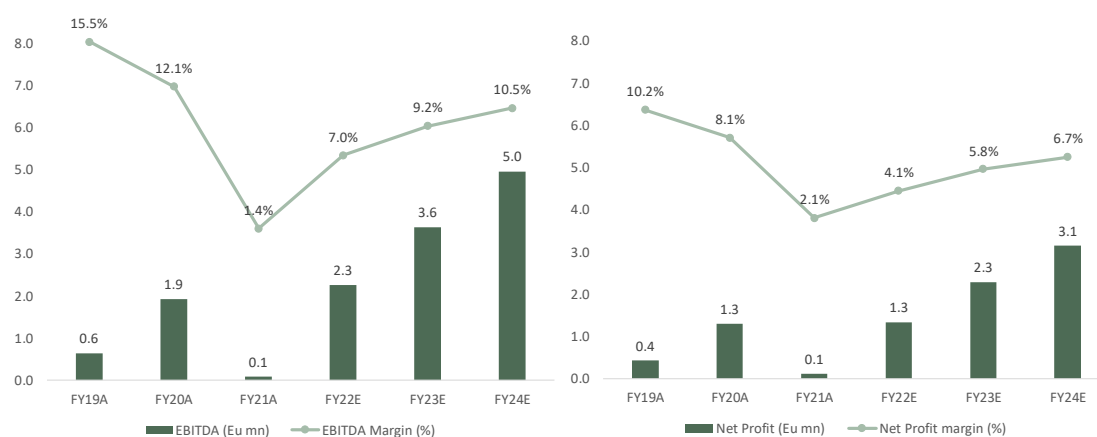
Source: Alantra, ESI. Note: order intake is calculated based on the signing of the contracts, therefore the framework agreements with Edison is divided into multiple subcontracts, awarded at the date of announcement of each one of them

Revenues mix, operational leverage and raw material costs normalization should benefit profitability

We believe that multiple factors should have a positive effect on the profitability of ESI: (i) Considering that System Integration projects normally have a higher gross margin (around 21% / 23%) than that of EPC ones (12% / 17%), a gradual increase in exposure to System Integration Projects (from 17% in 2022E to 20% in 2024E) should bring margin accretion in the coming years; (ii) operational leverage triggered by the bigger expected size of the top line, although ESI has a light fixed cost structure and most of the costs are related to projects; (iii) in a scenario of price inflation, the company has been able to be awarded contracts at increasing prices. We expect EBITDA to grow from Eu1.9mn in 2020 (and Eu0.1mn in 2021) to Eu5.0mn in 2024E, reaching an EBITDA margin of 10.5% in the year. EBIT and Net profit should grow at a similar pace to that of EBITDA, reaching, respectively, Eu4.4mn (up from Eu1.7mn in 2020 and Eu0.1mn in 2021; margin of 9.4%) and Eu3.1mn (up from Eu1.3mn in 2020 and Eu0.1mn in 2021; margin of 6.7%) in 2024.

Back to double-digit EBITDA margin in 2024, with Eu3.1mn Net Profit

Thanks to revenues mix, operational leverage and gradual normalization of raw material costs, EBITDA should go back to double-digit EBITDA margin in 2024, with Net Profit at Eu3.1mn



Source: Alantra, ESI

Our estimates are above consensus

ESI is covered by only 1 broker. While our EBITDA and EBIT estimates are almost in line in 2022, our forecasts are significantly above in 2023 and 2024.

Alantra versus Consensus

Our 2023E EBITDA is 17.2% above consensus

Revenue		FY21A	FY22E	FY23E	FY24E
Total Revenues					
	<i>Alantra</i>	5.5	32.3	39.6	47.1
	<i>Consensus</i>		25.0	30.0	35.0
	<i>Alantra vs Consensus</i>		29.2%	32.0%	34.5%
EBITDA reported					
	<i>Alantra</i>	0.1	2.3	3.6	5.0
	<i>Consensus</i>		2.3	3.1	4.1
Alantra vs Consensus			-2.1%	17.2%	20.8%
EBIT reported					
	<i>Alantra</i>	0.1	2.0	3.2	4.4
	<i>Consensus</i>		2.0	2.7	3.7
Alantra vs Consensus			0.0%	19.3%	21.1%

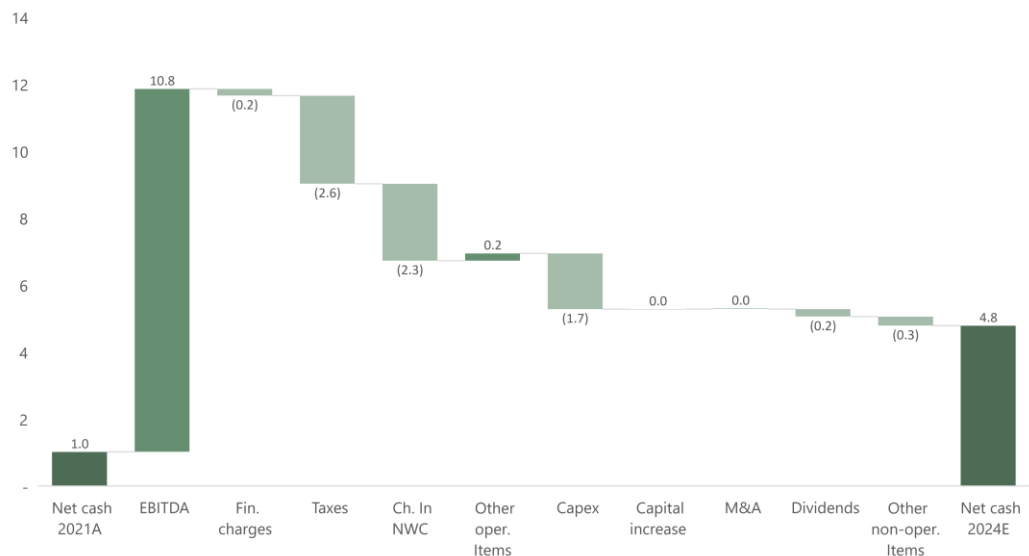
Source: Alantra, Factset

Asset-light BS and prudent management of NWC

ESI has a fixed asset light business model, which is typical of pure general contractors. At the same time, the BS is not Net Working Capital intensive (positive at only 5.2% of revenues in 2022E). We believe that management has a prudent approach to the business: 1) Stringent selection of the tenders, based on the likelihood to generate positive margins without cash imbalances during the execution. The approach can penalize the order intake and backlog, but it safeguards cash generation and risk profile; 2) Back-to-back conditions agreed with suppliers, which are usually paid only after cash-in of receivables. Availability of banking credit lines is used to face potential short-term cash miss-matches during contract execution. The business model has proven to be effective also during 1H22, a half-year that experienced a substantial increase in revenues, with ESI managing to absorb only Eu0.9mn in the period. We forecast Eu4.3mn cumulated FCF in the period 22-24E thanks to Eu10.8mn cumulated EBITDA, with an ending Net Cash of Eu4.8mn in FY24E. We expect revenues growth to absorb some working capital in the forecast period, while CAPEX needs should remain low, without any non-recurring investment foreseen.

Net cash to reach Eu4.8mn in 2024

Thanks to Eu10.8mn of cumulated EBITDA in 22E-24E, prudent NWC management and low CAPEX requirements, net cash should reach Eu4.8mn by 2024, from Eu1.0mn in 2021A



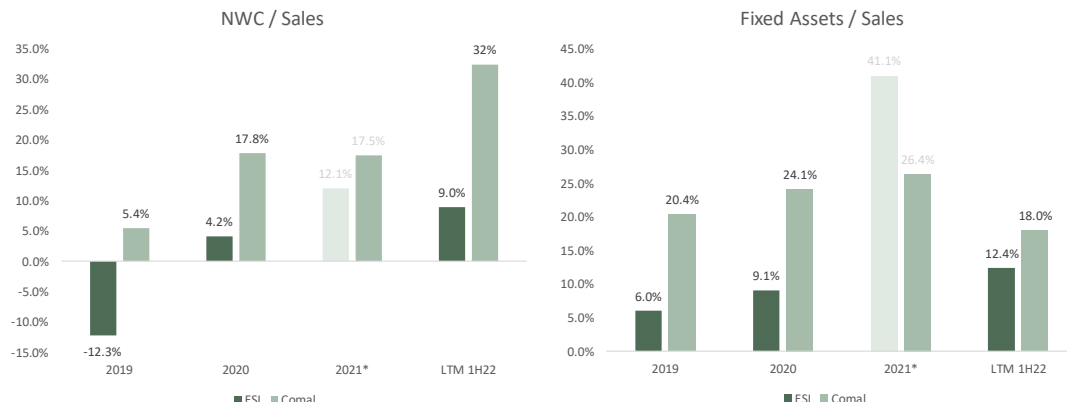
Source: Alantra

Limited fixed assets and NWC requirements

ESI has a fixed asset light business model, which is typical of pure general contractors. At the same time, the BS is not Net Working Capital intensive (positive at only 5.2% of revenues in 2022E). We believe that management has a prudent approach to the business: 1) Stringent selection of the tenders, based on the likelihood to generate positive margins without cash imbalances during the execution. The approach can penalize the order intake and backlog, but it safeguards cash generation and risk profile; 2) Back-to-back conditions agreed with suppliers, which are usually paid only after cash-in of receivables. Availability of banking credit lines is used to face potential short-term cash miss-matches during contract execution. The BS and business model are very different from those of the listed Italian solar PV leader COMAL. This group internally manages some activities (production of trackers and metallic structures) and it is more fixed asset intensive. In addition, the NWC requirements of COMAL are much higher: NWC / Sales at 17.5% in 2021.

ESI vs Comal: different business models and balance sheet in comparison

ESI boasts a lighter NWC (in turn implying a lower cash absorption) and fixed assets profile than that of Comal

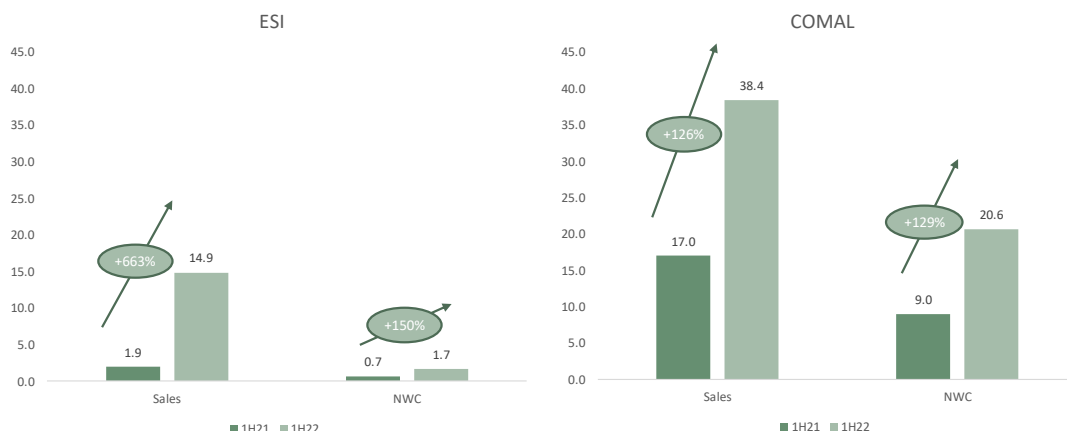


Source: Alantra, ESI, Comal. * Note: 2021 data of ESI is not meaningful considering the very low revenues recorded in the year

The business model has proven to be effective also during 1H22, a half-year that experienced a substantial increase in revenues, with ESI managing to absorb only Eu1.9mn in the period.

ESI vs Comal: NWC management in comparison

Despite experiencing a much stronger yoy growth in 1H22, ESI managed to maintain its NWC under control



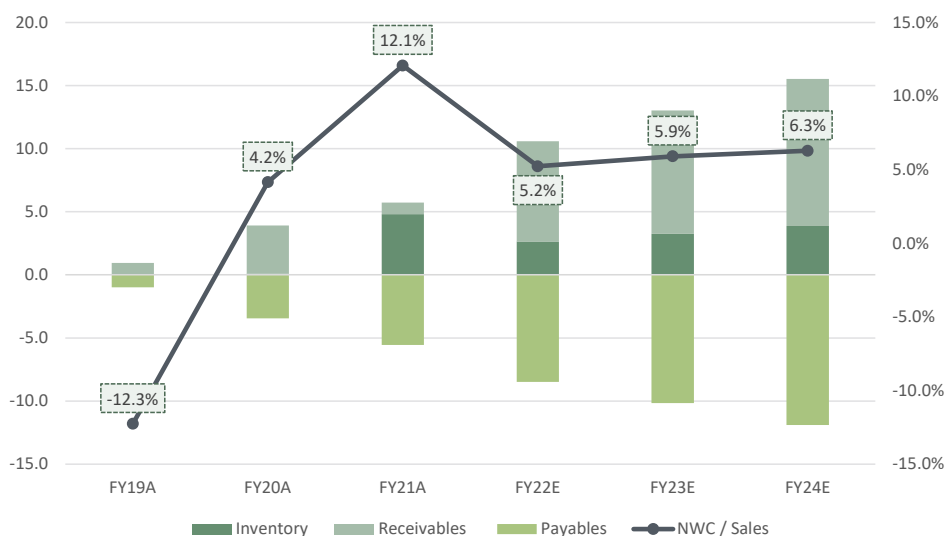
Source: Alantra, ESI, Comal

Looking forward, we estimate that:

- **The sum of DSO and DOI should stabilize at around 120.** We consider the combination of DSO and DOI to model the trade working capital of the group. While inventory is mainly linked to work in progress (works where contractual milestones have not been yet reached, and thus invoices are yet to be issued), receivables are linked to invoiced business. The mix of the two items is relatively unpredictable, depending on contractual agreements and the advances on the different projects, but the sum of the two, linked to the value of production, should be relatively stable over time. Advances to suppliers are included in inventory, while advances from customers are included in accounts payables. There was an unusual spike in 2021 (influenced by the small amount of revenues recorded in the year). We assume DSO at around 90 in the future and DOI at around 30. The sum of the two is above both 2019 and 2020
- **DPO should remain close to 100:** as per DSO, also DPO experienced a jump in 2021, while it was stable at around 105 in the previous years. ESI has a supplier base reliant on large, international suppliers, with strong bargaining power. We thus expect DPO to remain stable at 105 from 2022 going forward, at similar levels to those experienced in both 2019 and 2020

Low NWC requirements

Despite the expected increase in receivables (linked to top line growth) for 2022E, ESI should manage to maintain a limited NWC absorption from 2022



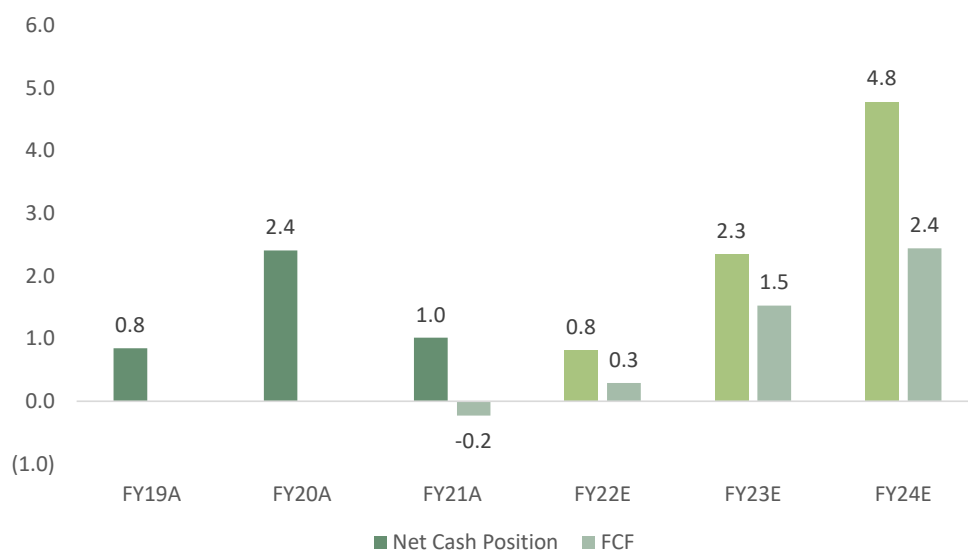
Source: Alantra, ESI

FCF generation to further strengthen a sound, debt-free financial profile

We do not assume any extraordinary CAPEX in our estimates, while maintenance CAPEX should remain marginal, at only 1.4% during the forecast period. NWC management, coupled with low CAPEX requirements, should boost FCF generation going forward. We expect Eu4.3mn cumulated FCF in the period 22-24E, which should bring the Eu1.0mn net cash position in FY21A to Eu4.8mn in FY24E. FCF generation should kick in from 2023, as 2022 should be impacted by the NWC absorption resulting from the substantial increase in top line vs 2021.

Net cash set to expand in the coming years

We expect Eu4.3mn cumulated FCF in 22-24E, which should bring the Eu1.0mn net cash position in FY21A to Eu4.8mn in FY24E



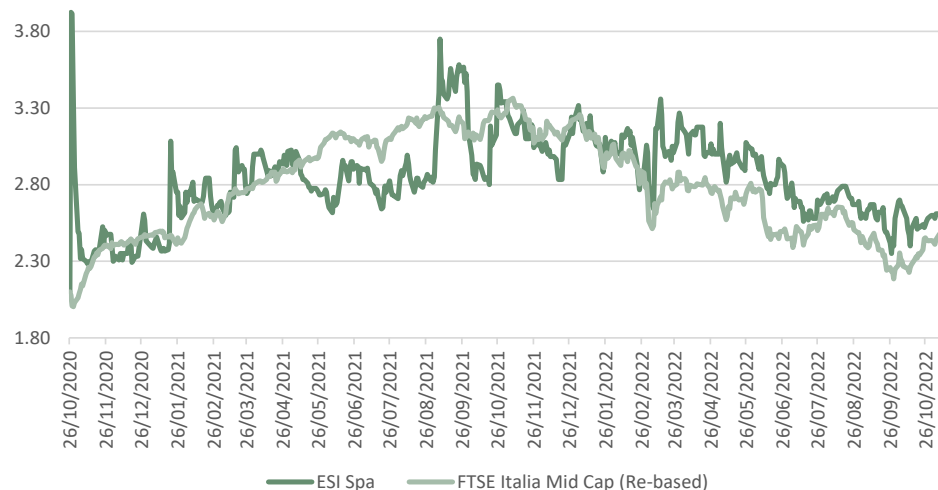
Source: Alantra, ESI

Valuation: TP of Eu3.9/share

ESI has performed well since its IPO on the EGM segment, with an increase of 21% from Eu2.1/share IPO price, to Eu2.5/share (vs a 22% performance of the FTSE Italia Mid Cap index in the same period). ESI is a hybrid solar PV player, operating both in EPC and System integration, and thus it is not an easy task to identify pure listed comparables. However, we believe that few listed Italian PV EPC and development companies (Comal, Renergetica and Altea Green Power) can be a good benchmark, with Comal being the closest peer (pure Solar PV EPC player). We have also selected a second panel of diversified EPC contractors, even though we do not consider it for the purpose of valuation. Our target price of Eu3.9/share is based on the average of Comal's multiples (avg. 22E-23E EV/EBITDA with 15% discount to take into consideration the leading positioning of Comal in Italy as well as its diversification in the production of trackers) and DCF approach. Our DCF assumes 4 years of estimates, with 13.5% WACC and 1.5% terminal growth rate. The high WACC is justified in our view by the intrinsic risks linked to the EPC business and exposure to risky countries outside of Italy. ESI is currently trading at a 22E/23E EV/EBITDA of 7.6x/4.3x or a discount of 45%/56% versus Comal. We believe that consolidation of the track record on delivery (after a good set of 1H22 results) could trigger a reduction of the gap.

Market performance since IPO

ESI has performed in line with the FTSE Italia Mid Cap index since its IPO, at +21% vs +22%



Source: Factset, Alantra

Valuation approach based on multiples of peers

ESI is a hybrid player, operating both in EPC and System integration, and thus it is no easy task to identify pure listed comparables. We have selected two panels of comparable companies:

1. **Italian Solar PV EPC & Development:** these players share both geography (Italy) and target market (large-scale PV Plants) with ESI. We consider 3 players: (i) Comal, a pure PV EPC Italian company, leader in the local market; (ii) Renergetica, a company specialised in the development of PV plant projects, owned by Exacto (current shareholder of ESI with 9.95% of share capital); (iii) Altea Green Power, a company mainly active in the development of renewable energy plants (mainly solar PV plants or wind farms)
2. **Diversified EPC contractors:** we have included few EPC players, despite these not being Solar PV specific (they operate in multiple sectors). We have selected Maire Tecnimont, Tecnicas Reunidas and Elecnor. We do not consider this cluster in our analysis as these companies are more concentrated on traditional sources of energy (low-to-zero exposure to solar PV) and/or other infrastructural works

Peers – Company description

Comal is the closest comparable, a pure-player in the Solar PV EPC Italian market. Diversified EPC contractors have not been considered in our analysis

Company	Country	Mkt Cap (Eu mn)	Company Description
Italian Solar PV EPC & Development			
Comal S.p.A.	ITALY	36	Comal SpA specializes in the construction of large-scale photovoltaic power plants. It operates through the Renewable Energy and Conventional Energy business units. The Renewable Energy business unit engages in engineering, purchase, construction, and management activities of photovoltaic systems; and provides assistance in the operations and maintenance department. The Conventional Energy business unit involves in the ordinary and extraordinary maintenance of conventional power plants. The company was founded by Guido Paolini on May 26, 2001 and is headquartered in Montalto di Castro, Italy.
Renergetica SpA	ITALY	56	Renergetica SpA engages in the design of engineering solutions for the renewable energy sector. It specializes in the development of renewable energy plants, hybrid power generations systems and hybrid grids. The company was founded by Davide Sommariva on July 8, 2008 and is headquartered in Genoa, Italy.
Altea Green Power S.p.A.	ITALY	39	Altea Green Power SpA provides renewable energy installation services. It develops integrated projects in the energy sector and also supplies electricity and gas. The company was founded on June 16, 2000 and is headquartered in Turin, Italy.
Diversified EPC Contractors			
Maire Tecnimont SpA	ITALY	1,038	Maire Tecnimont SpA a company listed on the Milan stock exchange, operates in the transformation of natural resources (plant engineering in downstream oil&gas, with technological and execution competences). Through its subsidiary NextChem it operates in the field of green chemistry and the technologies supporting the energy transition. Maire Tecnimont Group operates worldwide, through a number of operative companies. The company was founded on October 9, 2003 and is headquartered in Milan, Italy.
Técnicas Reunidas SA	SPAIN	445	Técnicas Reunidas SA provides engineering and construction services for industrial plants. It operates through the following segments: It operates through the following segments: Oil and Gas, Power, and Other Industries. The oil and Gas segment provides engineering, procurement and construction services relating to oil and chemicals processing and production operations, and activities relating to the entire natural gas production and extraction value chain. The Power segment offers consulting, engineering, procurement and construction services for a range of electricity generating plants, such as conventional thermal plants, combined cycle power plants, gasification integrated with combined cycle, co-generators, solar plants, fuel cells, solid waste and biomass technology. The Other Industries segment deals with projects in multiple arenas, such as airports, industrial facilities, desalination and water treatment plants, and projects for public authorities and other bodies, such as car parks and municipal sports centres. The company was founded on July 6, 1960 and is headquartered in Madrid, Spain.
Elecnor S.A.	SPAIN	879	Elecnor SA engages in engineering, development, and construction of infrastructure in the fields of energy, the environment, technology and information systems, and space. It operates through the following segments: Infrastructure, Concessions, and Corporate. The Infrastructure segment execute engineering, construction, and services projects, most notably in the electricity, power generation, gas, telecommunications and systems, railways, maintenance, facilities, construction, water, environment, and space sectors. The Concessions segment focuses in the operation of services through investment in energy transportation, wind and solar thermal power. The Corporate segment focuses on other strategic assets. The company was founded on June 6, 1958 and is headquartered in Madrid, Spain.

Source: Factset, Alantra

Based on 22-24E average margins, ESI is in line with Comal, with slightly better profitability. The higher profitability should be a combination of the higher profitability of System Integration projects, and the conservative order intake. We expect this difference to persist and also accentuate going forward. Looking at the expected growth rates, 21-24E CAGRs are not meaningful due to the strong decline in sales in 2021 experienced by ESI. However, when considering 22-24E CAGRs, ESI should grow less in terms of top line vs Comal (21% vs 34%), while exhibiting a stronger expansion of margins (48% and 30% 22-24E EBITDA CAGR, respectively).

Financials – ESI versus selected peers

ESI has slightly higher margins than Comal and should experience a stronger margin expansion in the coming years

Company	Country	Mkt Cap (Eu mn)	FY22E - FY24E average margins					CAGR FY21A - FY24E			
			EBITDA Margin	EBIT Margin	Net Income Margin	Capex / Sales	Dividend Payout	Sales	EBITDA	EBIT	Net profit
ESI S.p.A.	ITALY	18	8.9%	7.9%	5.5%	1.4%	64.8%	105.1%	298.8%	283.9%	202.0%
PEERS	Average		22.3%	19.4%	13.7%	3.3%	22.4%	14.6%	-32.8%	-27.0%	-32.6%
	Median		8.8%	6.5%	3.7%	1.7%	29.9%	12.2%	8.8%	11.2%	10.4%
Comal S.p.A.	ITALY	36	7.6%	5.9%	3.2%	2.2%	na	29.6%	21.6%	29.9%	na
Renergetica SpA	ITALY	56	44.3%	38.7%	32.2%	1.2%	na	12.2%	7.9%	11.2%	26.7%
Altea Green Power S.p.A.	ITALY	39	62.1%	56.9%	39.0%	10.4%	na	na	na	na	na
Italian Solar PV EPC & Development	Average		38.0%	33.9%	24.8%	4.6%	na	20.9%	14.8%	20.5%	26.7%
	Median		44.3%	38.7%	32.2%	2.2%	na	20.9%	14.8%	20.5%	26.7%
MaireTecnimont SpA	ITALY	1,038	5.9%	4.7%	2.8%	0.8%	37.2%	10.2%	8.8%	11.0%	9.0%
Técnicas Reunidas SA	SPAIN	445	3.6%	2.8%	1.0%	0.1%	0.0%	16.8%	-211.9%	-199.0%	-177.7%
Elecnor S.A.	SPAIN	879	10.0%	7.1%	4.1%	5.2%	29.9%	4.0%	9.5%	11.8%	11.8%
Diversified EPC Contractors	Average		6.5%	4.9%	2.6%	2.1%	22.4%	10.3%	-64.5%	-58.7%	-52.3%
	Median		5.9%	4.7%	2.8%	0.8%	29.9%	10.2%	8.8%	11.0%	9.0%

Source: Factset, Alantra

ESI is trading at a 16% / 51% discount vs the median FY22E / FY23E EV/EBITDA of Italian Solar PV EPC & Development players, and at an even larger discount vs Comal, its closest peer (44% / 56% discount).

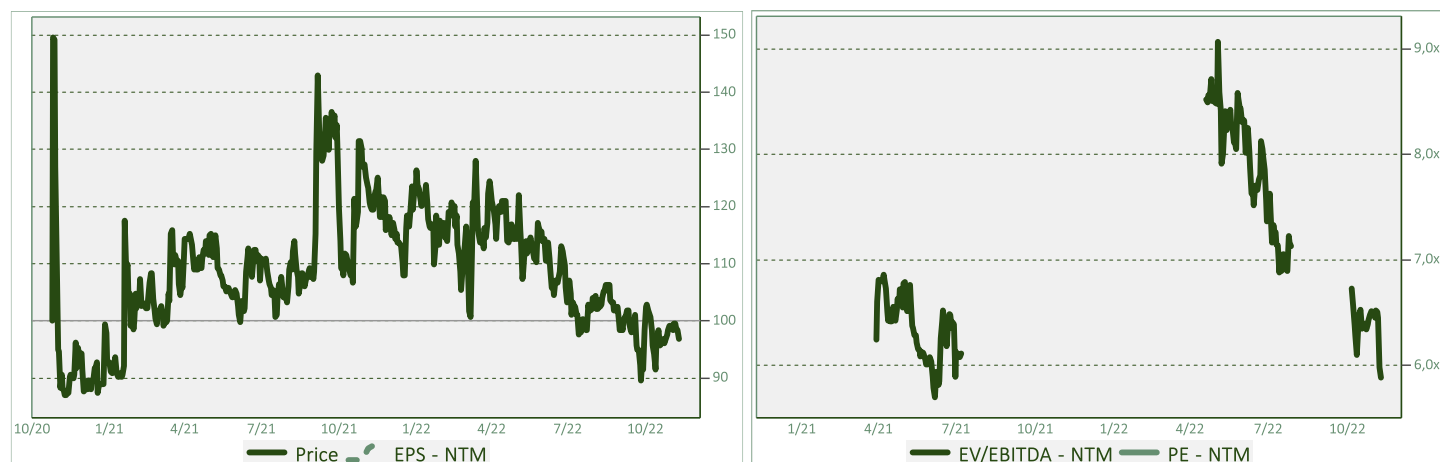
Trading multiples

Company	Country	Mkt Cap (€ mn)	EV/EBITDA			EV/EBIT			PE			EV/Sales		
			FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
ESI S.p.A.	ITALY	18	7.7 x	4.4 x	2.7 x	8.9 x	4.9 x	3.0 x	13.5 x	7.9 x	5.7 x	0.5 x	0.4 x	0.3 x
Premium (discount) to Peers' Median			37%	-4%	-35%	32%	-15%	-45%	27%	-4%	-32%	-30%	-30%	-43%
PEERS														
Average			7.0 x	5.6 x	4.9 x	8.8 x	7.0 x	6.0 x	10.4 x	8.5 x	8.2 x	1.8 x	1.3 x	1.1 x
Median			5.6 x	4.5 x	4.2 x	6.7 x	5.8 x	5.6 x	10.7 x	8.2 x	8.5 x	0.8 x	0.6 x	0.5 x
Comal S.p.A.	ITALY	36	13.7 x	9.9 x	8.1 x	17.6 x	13.0 x	10.3 x	na	na	na	1.1 x	0.7 x	0.6 x
Renergetica SpA	ITALY	56	9.2 x	9.0 x	8.2 x	10.8 x	10.2 x	9.2 x	12.5 x	11.8 x	10.9 x	4.4 x	3.8 x	3.5 x
Altea Green Power S.p.A.	ITALY	39	6.0 x	4.4 x	3.3 x	6.5 x	4.8 x	3.6 x	na	na	na	4.5 x	2.6 x	1.7 x
Italian Solar PV EPC & Development														
Average			9.6 x	7.7 x	6.5 x	11.6 x	9.3 x	7.7 x	12.5 x	11.8 x	10.9 x	3.3 x	2.4 x	1.9 x
Median			9.2 x	9.0 x	8.1 x	10.8 x	10.2 x	9.2 x	12.5 x	11.8 x	10.9 x	4.4 x	2.6 x	1.7 x
Maire Tecnimont SpA	ITALY	1,038	5.3 x	4.7 x	4.4 x	6.8 x	6.1 x	5.5 x	11.0 x	9.9 x	9.7 x	0.3 x	0.3 x	0.3 x
Tecnicas Reunidas SA	SPAIN	445	3.3 x	2.0 x	1.7 x	4.7 x	2.6 x	2.0 x	10.3 x	6.5 x	5.1 x	0.1 x	0.1 x	0.1 x
Elecnor S.A.	SPAIN	879	4.6 x	3.9 x	3.9 x	6.7 x	5.4 x	5.6 x	7.6 x	5.6 x	7.3 x	0.4 x	0.4 x	0.4 x
Diversified EPC Contractors														
Average			4.4 x	3.6 x	3.3 x	6.0 x	4.7 x	4.4 x	9.7 x	7.4 x	7.4 x	0.3 x	0.3 x	0.2 x
Median			4.6 x	3.9 x	3.9 x	6.7 x	5.4 x	5.5 x	10.3 x	6.5 x	7.3 x	0.3 x	0.3 x	0.3 x

Source: Factset, Alantra

Since July 2022, the stock has progressively derated in terms of NTM EV/EBITDA, decreasing from 8x-9x times to 6x more recently.

Recent multiples derating



Source: Factset, Alantra

For the purpose of valuation, we consider 22E-23E EV/EBITDA multiples of Comal (the closest peer) with a 15% discount to account for: 1) the leading positioning of Comal in the Italian PV EPC market; 2) the diversification of Comal in the production of trackers. We do not consider P/E multiples because of the substantially different financial profile of ESI vs Comal, with the first being cash positive and the latter having a sizeable amount of debt.

Valuation (Eu mn), using peers' multiples

We consider 22E-23E EV/EBITDA multiples of Comal (the closest peer) with a 15% discount

Eu mn	Italian Solar PV EPC & Development			Comal		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
EBITDA	2.3	3.6	5.0	2.3	3.6	5.0
EV/EBITDA Peer Group	9.2x	9.0x	8.1x	13.7x	9.9x	8.1x
Premium (Discount)	0%	0%	0%	-15%	-15%	-15%
EV/EBITDA Peer Group after premium (discount)	9.2x	9.0x	8.1x	11.7x	8.4x	6.9x
EV based on multiples	20.7	32.5	40.0	26.3	30.4	34.0
Net Financial Position	0.8	2.3	4.8	0.8	2.3	4.8
Adjustments	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Pre-money Equity Value on EV/EBITDA	21	35	45	27	33	39

Eu mn	FY22E			FY22E		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
EBIT	2.0	3.2	4.4	2.0	3.2	4.4
EV/EBIT Peer Group	10.8x	10.2x	9.2x	17.6x	13.0x	10.3x
Premium (Discount)	0%	0%	0%	-15%	-15%	-15%
EV/EBIT Peer Group after premium (discount)	10.8x	10.2x	9.2x	15.0x	11.0x	8.7x
EV based on multiples	21.0	32.9	40.6	29.2	35.5	38.6
Net Financial Position	0.8	2.3	4.8	0.8	2.3	4.8
Adjustments	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Pre-money Equity Value on EV/EBIT	22	35	45	30	38	43

Source: Alantra, Alantra estimates

Valuation based on DCF approach

We have also used a DCF approach to cross check. We have built detailed estimates for the forecast period, which goes from 2022E to 2025E. We assume a terminal growth rate of 1.5%, coupled with a WACC of 13.5% to reflect the high intrinsic risk of the EPC business, as well as the exposure to risky countries outside Italy. Based on these assumptions, we estimate a valuation of Eu3.3/share. We have made a sensitivity to the terminal growth rate and the cost of capital.

DCF Valuation – Eu mn and Eu/share

(Eu mn)	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E	TV
EBITDA		0.1	2.3	3.6	5.0	6.1	6.2
taxes on EBIT		0.1	(0.5)	(0.9)	(1.2)	(1.5)	(1.6)
Non recurring Cash-out		0.0	0.0	0.0	0.0	0.0	
NWC Change		0.7	(1.0)	(0.7)	(0.6)	(0.6)	
Capex		(0.8)	(0.5)	(0.6)	(0.7)	(0.8)	(0.5)
Capex/Revenues		-72.3%	-1.4%	-1.4%	-1.4%	-1.4%	-1.0%
Free cash flow		0.1	0.2	1.5	2.4	3.3	34.1
Disc. Free Cash Flow		0.1	0.2	1.3	1.9	2.2	20.2

Year 0.1 1.1 2.1 3.1 4.1

Total Disc. FCF	5.6	22%
Terminal value	20.2	78%
Total EV (Eu mn)	25.8	
NFP FY21E	1.0	
Adjustments	(0.0)	
TOTAL Equity Value	26.8	
# of shares (mn)	7.2	
Fair Value per share (Eu)	3.7	

Implied multiples	FY22E	FY23E	FY24E
EV/ Adj. EBITDA	11.6 x	6.8 x	4.5 x
EV/Adj. EBIT	13.4 x	7.7 x	5.0 x
P/Adj. E	20.1 x	11.8 x	8.5 x

Source: Alantra

Valuation with sensitivity based on DCF

		Wacc				
		13.0%	13.3%	13.5%	13.8%	14.0%
Term. Growth	1.00%	27.2	26.5	25.9	25.3	24.8
	1.25%	27.6	27.0	26.4	25.8	25.2
	1.50%	28.2	27.5	26.8	26.2	25.6
	1.75%	28.7	28.0	27.3	26.7	26.1
	2.00%	29.2	28.5	27.8	27.1	26.5

Source: Alantra

Main risks

We believe that the main risks related to ESI's business can be summarised with the following factors:

EPC business intrinsically risky. While in an EPC business the contractor is responsible for the delivery of a plant for a pre-determined amount of money and within a certain time frame, the execution could incur both extra-costs and/or delays, in turn diminishing the contract's profitability to negative and possibly requiring the payment of penalties. We believe that ESI has implemented few preventing actions (NWC management and conservative order intake) to attenuate this risk.

Dependency on few large clients. ESI primarily relies on 2 big clients, Enel Green Power and Edison. However, the company should expand its client base in the coming years, both on the PV EPC side of the business (with the entrance of new utilities in the client portfolio) and on the System Integration side (with more projects in different geographies and commissioned by multiple clients).

Lack of leading competitive positioning in EPC in Italy. Many local players can leverage on a bigger scale than that of ESI in Italy, such as Comal, Prodiel, and Tozzi Green. As a result, it could be challenging to win tenders in Italy when competing with one of these players. However, a proven track record, a substantial backlog, and the recent agreement with Innovatec should trigger strong growth in the coming years.

Increase in competitive pressure from big players in the System integration business. While only few large, international EPC players are active in the mini-grid and off-grid market, the substantial investments at the horizon as well as the higher returns vs the traditional EPC business could trigger the entrance of new competitors. However, lower contract size and political/economic instability in the reference countries should diminish the attractiveness of this sector for large EPC players.

Miss on delivery from the partnership with Innovatec. The partnership with Innovatec seems promising. However, ESI has previously tried to implement a partnership with Exacto, which was supposed to be a strategic partner. The partnership has never materialized and Exacto has recently trimmed its position in ESI. This should not be the case with Innovatec as (i) the group has already set a 2024 target of Eu100mn for its PV business unit (which includes ESI) and (ii) has acquired a substantial part of the share capital of ESI, now being the largest shareholder of the company (strong alignment of interest).

No related party transactions procedure in place at the moment. While ESI should make business with its main shareholder in the future, the group has not yet in place a related party transactions procedure.

Overhang Risk with Exacto. Exacto has a 9.95% share in ESI and has recently reduced its position from 10.68%. With the entrance of Innovatec in the share capital of ESI, a selling pressure on the stock could materialize. However, considering the size of the position, Exacto could favour a block trade over a progressive sell-off.

Inability to generate the expected order intake in the coming years. We assume a substantial order intake in the coming years, which could be challenging to achieve. However, the recent order intake, as well as the new agreement with Innovatec (which should start contributing from 2023), are reassuring factors on the ability of the company to generate substantial order intake.

Dependency on 2 key people. The company primarily relies on the expertise, knowledge and network of the two co-founders (Riccardo di Pietrogiamomo and Stefano Plocco), which have been the most relevant contributors to the growth of the business. However, despite having progressively trimmed their position in the company, they still own 26.2% of the share capital (second biggest shareholder after Innovatec).

Internalization of Solar PV EPC from large utilities. ESI generates its top line principally based on projects commissioned by large utilities and specialised funds. However, considering the substantial demand of PV capacity expected in the coming years, large utilities could begin to internalize EPC functions either by creating dedicated teams, or by acquiring existing players (for example, Shell has recently acquired 100% of Solar Konzept Italia). Diversification of the clients' base and exposure to funds (ongoing at ESI) is a way to protect from this potential threat

Appendix

ESI – Revenue breakdown

Eu mn	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	1H22A
Revenues by Business Line							
EPC	4.1	15.3	3.6	26.5	31.9	37.2	11.0
<i>YoY Growth</i>		270.5%	-76.7%	641.0%	20.4%	16.5%	
<i>% of VoP</i>		96.8%	65.5%	82.0%	80.6%	79.0%	74.1%
Order Intake			32.2	23.3	38.9	44.4	
Backlog			43.4	40.2	47.2	54.4	
System Integration	0.0	0.4	1.3	5.3	7.2	9.4	3.7
<i>YoY Growth</i>			206.0%	313.0%	35.4%	30.9%	
<i>% of VoP</i>		2.7%	23.5%	16.4%	18.1%	19.9%	24.7%
Order Intake			5.3	6.3	9.2	10.8	
Backlog			5.3	6.3	8.3	9.7	
Net Revenues + WIP			4.9	31.8	39.1	46.6	14.7
Total Order Intake			37.5	29.6	48.1	55.2	15.5
Total Backlog			48.7	46.5	55.5	64.1	49.6
<i>yoy Growth</i>				-4.6%	19.4%	15.5%	

Source: ESI, Alantra estimates

ESI – P&L

		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	1H22A
Net revenues		3.8	15.3	1.2	31.8	39.1	46.6	2.3
	YoY Growth		nm	nm	nm	22.9%	19.2%	nm
	Organic		nm	nm	nm	22.9%	19.2%	nm
Change in WIP and Finished goods		0.0	0.1	3.8	nm	nm	nm	12.4
	YoY Growth		nm	nm	nm	nm	nm	nm
Other revenues		0.4	0.5	0.5	0.5	0.5	0.5	0.1
	YoY Growth		25.5%	10.3%	0.0%	0.0%	0.0%	nm
Revenues		4.1	15.8	5.5	32.3	39.6	47.1	14.9
	YoY Growth		nm	nm	nm	22.6%	18.9%	nm
	Organic		nm	nm	nm	22.6%	18.9%	nm
Material Costs		(2.6)	(8.5)	(2.1)	(24.4)	(29.3)	(34.3)	(11.4)
	YoY Growth		nm	nm	nm	20.1%	17.3%	nm
	% total revenues	-62.3%	-54.0%	-38.6%	-75.4%	-73.9%	-72.9%	-76.4%
Services Costs		(0.6)	(3.0)	(2.4)	(3.7)	(4.4)	(5.1)	(1.8)
	YoY Growth		nm	nm	nm	17.3%	16.2%	nm
	% total revenues	-14.8%	-19.2%	-43.8%	-11.6%	-11.1%	-10.8%	-12.1%
Third-party services		(0.0)	(0.4)	(0.2)	(0.4)	(0.4)	(0.5)	(0.2)
	YoY Growth		nm	nm	nm	22.6%	18.9%	nm
	% total revenues	-1.0%	-2.6%	-3.2%	-1.1%	-1.1%	-1.1%	-1.1%
Personnel Costs		(0.3)	(1.9)	(0.6)	(1.4)	(1.7)	(2.0)	(0.7)
	YoY Growth		nm	nm	nm	17.1%	16.1%	nm
	% total revenues	-6.2%	-11.9%	-11.2%	-4.5%	-4.3%	-4.2%	-4.7%
Other Operating Costs		(0.0)	(0.0)	(0.1)	(0.1)	(0.2)	(0.2)	(0.1)
	YoY Growth		-4.7%	nm	nm	22.6%	18.9%	nm
	% total revenues	-0.2%	0.0%	-1.7%	-0.5%	-0.5%	-0.5%	-0.5%
Operating Costs		(3.5)	(13.9)	(5.4)	(30.1)	(36.0)	(42.1)	(14.1)
	YoY Growth		nm	nm	nm	19.7%	17.1%	nm
	% total revenues	-84.5%	-87.9%	-98.6%	-93.0%	-90.8%	-89.5%	-94.7%
EBITDA Adj.		0.6	1.9	0.1	2.3	3.6	5.0	0.8
	YoY Growth		nm	nm	nm	61.2%	36.4%	nm
	on net revenues %	17.0%	12.6%	6.7%	7.1%	9.3%	10.6%	34.4%
	% total revenues	15.5%	12.1%	1.4%	7.0%	9.2%	10.5%	5.3%
EBITDA Adjustments		0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA		0.6	1.9	0.1	2.3	3.6	5.0	0.8
	YoY Growth		nm	nm	nm	61.2%	36.4%	nm
	on net revenues %	17.0%	12.6%	6.7%	7.1%	9.3%	10.6%	34.4%
	% total revenues	15.5%	12.1%	1.4%	7.0%	9.2%	10.5%	5.3%
D&A		(0.0)	(0.3)	0.0	(0.3)	(0.4)	(0.5)	(0.1)
	YoY Growth		nm	nm	nm	35.6%	30.4%	nm
	% total revenues	-0.6%	-1.6%	0.0%	-0.9%	-1.0%	-1.1%	-0.9%
EBIT Adj.		0.6	1.7	0.1	2.0	3.2	4.4	0.6
	YoY Growth		#DIV/0!	170.4%	-95.3%	2396.3%	65.2%	37.2%
	% total revenues	14.9%	10.5%	1.4%	6.0%	8.1%	9.4%	4.3%
EBIT Adjustments		0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT		0.6	1.7	0.1	2.0	3.2	4.4	0.6
	YoY Growth		nm	nm	nm	65.2%	37.2%	nm
	% total revenues	14.9%	10.5%	1.4%	6.0%	8.1%	9.4%	4.3%
Net financial income (costs)		(0.0)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)
	YoY Growth		nm	nm	nm	-48.2%	0.0%	nm
	% total revenues	0.0%	-0.4%	-0.7%	-0.3%	-0.1%	-0.1%	-0.8%
Pre-tax profits		0.6	1.6	0.0	1.9	3.2	4.4	0.5
	YoY Growth		nm	nm	nm	71.3%	37.8%	nm
	% total revenues	14.8%	10.1%	0.7%	5.7%	8.0%	9.3%	3.5%
Taxes		(0.2)	(0.3)	0.1	(0.5)	(0.9)	(1.2)	(0.2)
	tax rate %	-31.1%	-19.0%	191.0%	-28.0%	-28.0%	-28.0%	-34.7%
Minorities			(0.0)					
	Pre-tax profits %	0.0%	-0.6%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Profit		0.4	1.3	0.1	1.3	2.3	3.1	0.3
	YoY Growth		nm	nm	nm	71.3%	37.8%	nm
	% total revenues	10.2%	8.1%	2.1%	4.1%	5.8%	6.7%	2.3%
Restated Net Profit		0.4	1.3	0.1	1.3	2.3	3.1	0.3
	YoY Growth		nm	nm	nm	71.3%	37.8%	nm
	% total revenues	10.2%	8.1%	2.1%	4.1%	5.8%	6.7%	2.3%

Source: ESI, Alantra estimates

ESI – Balance Sheet

(Eu mn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	1H22A
Inventory	0.0	0.1	4.8	2.7	3.3	3.9	17.9
% total revenues	0.0%	0.5%	88.1%	8.2%	8.2%	8.2%	120.6%
DIO	0	2	350	30	30	30	364
Receivables	1.0	3.8	0.9	8.0	9.8	11.6	2.8
% total revenues	23.1%	24.2%	16.8%	24.6%	24.7%	24.7%	18.6%
DSO	91	90	282	90	90	90	410
Payables	(1.0)	(3.4)	(5.6)	(8.5)	(10.2)	(11.9)	(18.8)
% external costs	28.3%	24.8%	89.5%	27.9%	27.9%	28.0%	131.3%
DPO	110	103	356	105	105	105	384
Other current assets	0.0	1.1	0.7	1.8	2.2	2.6	1.0
% total revenues	1.1%	6.8%	13.2%	5.7%	5.7%	5.7%	5.7%
Other current liabilities	(0.5)	(0.9)	(0.2)	(2.3)	(2.8)	(3.3)	(1.3)
% total revenues	-12.5%	-5.6%	-4.2%	-7.0%	-7.0%	-7.0%	-7.0%
Net Working capital	(0.5)	0.7	0.7	1.7	2.3	3.0	1.7
% total revenues	-12.3%	4.2%	12.1%	5.2%	5.9%	6.3%	9.0%
Property, plant and equipment	0.0	0.2	1.0	1.2	1.4	1.6	1.2
Intangible assets	0.2	1.1	0.9	0.8	0.8	0.7	0.8
o/w goodwill	0.2	0.2	0.2	0.2	0.2	0.2	
Financial assets	0.0	0.1	0.4	0.6	0.6	0.6	0.3
Investments in other companies				0.0	0.0	0.0	
Others				0.0	0.0	0.0	
Total fixed assets	0.2	1.4	2.2	2.7	2.8	2.9	2.3
Employee pension benefits	(0.0)	(0.0)	(0.0)	(0.2)	(0.2)	(0.2)	(0.0)
Other liabilities (funds)				0.0	0.0	0.0	
Net Invested Capital	-0.3	2.1	2.9	4.2	4.9	5.6	3.9
Lease Liabilities				0.0	0.0	0.0	
Short Term debts		0.1	0.3	0.7	0.7	0.7	0.7
Long Term debts			1.1	1.9	1.9	1.9	1.9
Short term credits			(0.0)	(0.0)	(0.0)	(0.0)	(0.3)
Cash	(0.8)	(2.5)	(2.4)	(3.3)	(4.9)	(7.3)	(2.4)
Net Debt (Cash)	(0.8)	(2.4)	(1.0)	(0.8)	(2.3)	(4.8)	(0.1)
Share capital	0.2	0.2	0.2	0.2	0.2	0.2	1.0
Reserves		3.0	3.6	3.5	4.8	7.1	2.7
Net result	0.4	1.3	0.1	1.3	2.3	3.1	0.3
Minorities		0.0		0.0	0.0	0.0	
Shareholders Equity	0.6	4.5	3.9	5.0	7.3	10.4	4.0
Source of Funds	-0.3	2.1	2.9	4.2	4.9	5.6	3.9

Source: ESI, Alantra estimates

ESI – Balance Sheet

(Eu mn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	1H22A
Net Profit before minorities	0.4		0.1	1.3	2.3	3.1	0.3
Interests	0.0		0.0	0.1	0.1	0.1	0.1
Taxes	0.2		(0.1)	0.5	0.9	1.2	0.2
Losses (gains) on disposal of fixed assets							
Provisions/Writedowns	0.0		0.0	0.0	0.0	0.0	0.0
D&A	0.0			0.3	0.4	0.5	0.1
Change in net working capital	0.3		0.7	(1.0)	(0.7)	(0.6)	(1.9)
Interests paid	(0.0)		(0.0)	(0.1)	(0.1)	(0.1)	(0.1)
Taxes paid			(0.1)	(0.5)	(0.9)	(1.2)	
Use of funds			(0.0)	0.1	0.0	0.0	(0.0)
Other operating items	(0.0)		0.0				0.0
Cash flow from operating activities	1.0		0.6	0.7	2.1	3.1	(1.3)
Intangibles (CAPEX)			(0.0)	(0.1)	(0.2)	(0.2)	(0.0)
% total revenues	0.0%		-0.3%	-0.4%	-0.4%	-0.4%	0.0%
Tangibles (CAPEX)			(0.8)	(0.3)	(0.4)	(0.5)	(0.2)
% total revenues	0.0%		-15.2%	-1.0%	-1.0%	-1.0%	-1.6%
Intangibles + Tangible	0.0		(0.8)	(0.5)	(0.6)	(0.7)	(0.2)
% total revenues	0.0%		-15.5%	-1.4%	-1.4%	-1.4%	-1.6%
Financials	(0.1)		(0.0)	(0.3)			(0.3)
% total revenues	-2.8%		-0.6%				-1.8%
(Acquisitions) / Disposals			(0.0)				0.0
% total revenues	0.0%		-0.1%				0.3%
Changes in Investments w/Equity Method							
% total revenues	0.0%		0.0%				0.0%
Cash flow from investment activities	(0.1)		(0.9)	(0.7)	(0.6)	(0.7)	(0.5)
	-2.8%		-16.2%	-2.2%	-1.4%	-1.4%	-3.2%
Change in shareholders equity			0.2	0.0			0.0
Dividends			(0.0)	(0.2)			(0.2)
Other items	0.0		(1.3)				1.1
Change in NFP	0.8	1.6	(1.4)	(0.2)	1.5	2.4	(0.9)
NFP at year beginning	0.0	0.8	2.4	1.0	0.8	2.3	1.0
NFP at YE (debt)/cash	0.8	2.4	1.0	0.8	2.3	4.8	0.1

Source: ESI, Alantra estimates

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