

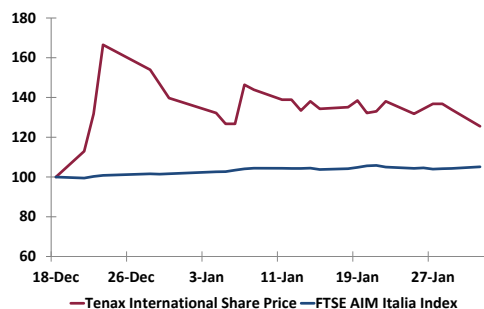


## OUTPERFORM

Current Share Price (€): 3.00

Target Price (€): 3.97

### Tenax International - Performance since IPO



Source: S&P Capital IQ - Note: 18/12/2020=100

### Company data

ISIN number	IT0005428898
Bloomberg code	TNX IM
Reuters code	TNX.IM
Industry	Manufacturing
Stock market	AIM Italia
Share Price (€)	3.00
Date of Price	01/02/2021
Shares Outstanding (m)	3.2
Market Cap (€m)	9.5
Market Float (%)	31.7%
Daily Volume	67,900
Avg Daily Volume YTD	31,833
Target Price (€)	3.97
Upside (%)	32%
Recommendation	OUTPERFORM

### Share price performance

	1M	3M	1Y
Tenax - Absolute (%)	-10%	n.a.	n.a.
FTSE AIM Italia (%)	3%	20%	-3%
1Y Range H/L (€)		3.98	2.39
YTD Change (€) / %		-0.1	-10.2%

Source: S&P Capital IQ

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## Italian frontrunner of full-electric street sweepers

We initiate coverage of Tenax International: **OUTPERFORM** rating, Target Price €3.97 per share.

Tenax International designs and manufactures full electric road sweepers and equipment, targeting rising municipal demand for an environmental sustainable street cleaning on urban areas. Tenax full-electric vehicles are sold in over 40 countries and 80% of revenues are generated internationally. In its five years of activity, the Company has reached customers in Europe, Asia, Americas and Middle East. Sales in 2019 were €8.4m, +6% YoY (2017-19 CAGR: 32%).

### State-of-the-art Zero Emission Vehicles - ZEV with low operating and maintenance costs

Unlike most of its competitors, which have electrified older diesel-based models, Tenax products are designed and engineered from scratch in-house. Therefore, its vehicles were born on a ZEV technology edge and use low voltage systems, offering customers a range of advantages: different battery options, lower weight, simplified mechanics and lower operation and maintenance cost.

### ESG compliance

Tenax commitment to reduce environmental footprint is proven by: emission-free production facility through solar PV installation; environmentally sustainable materials with over 90% of recyclable product components; Tenax full-electric technology avoids huge emissions in urban areas where street cleaning is made with combustion engines, each releasing over 30,000 kg of CO2 per year.

### Feeding sustainability demand of municipalities and public institutions

Most governing bodies have issued progressively stricter guidelines on the automotive industry emissions. New standards lead municipalities to go for e-mobility and thus also to switch to electric street sweepers for their fleets. In addition, the high rate of urbanization and rapid industrialization are likely to boost sales of electric street sweepers in smart cities across the globe.

### Target Price €3.97 per share, OUTPERFORM recommendation

Tenax has been running operations for five years and its performance shows steady revenues growth, profitability level on the high-side and a vast nursery of cities using their machines worldwide. In a quest for leadership in the newly born market of full-electric street sweepers, Tenax is in the growth phase of its lifecycle with an investment plan devoted to expand presence and penetration in additional global markets.

Our valuation indicates a Target Price per share of €3.97, with a potential upside of 32% on the current share price. As a consequence, we initiate the coverage of Tenax International with an OUTPERFORM rating.

### Key financials and estimates

€m	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E
Sales	4.8	7.9	8.4	7.7	9.3	12.1	15.7	18.8	21.7
Total revenues	5.8	8.4	8.9	7.6	9.9	13.1	16.9	20.2	22.3
EBITDA	0.1	1.1	1.0	1.0	1.2	1.7	2.2	2.7	3.0
Margin	1.2%	12.8%	11.6%	12.7%	12.4%	12.8%	13.2%	13.5%	13.5%
Net (Debt) Cash	(1.7)	(3.3)	(3.8)	(1.5)	(0.9)	(0.7)	(0.1)	1.0	2.2
Equity	1.1	1.5	1.7	4.7	4.9	5.5	6.6	7.9	9.4

Source: Company data 2017-19A, EnVent Research 2020-25E

## 1. INVESTMENT CASE

### Company

Tenax International S.p.A. (Tenax), listed on AIM Italia since December 2020, is an Italian producer of high performance full electric road sweepers and washers. Tenax vehicles are designed and engineered from the ground up in-house, rather than electrifying older diesel-based models already available in the market. The internal development process unlocks the full potential of the electric power technology, providing light and efficient vehicles with zero emissions and with modifiable power storage based on customers' needs. Major customers are public administrations and municipalities.

Key figures:

- 2020E Sales €7.7m
- 2019A Sales €8.4m, +6% YoY, 32% sales CAGR 2016-19
- Geographical breakdown: International 80%, Italy 20%
- Over 40 countries covered worldwide
- Over 40 employees

### Revenue drivers

Major trends such as urbanization and growing population are generating growing demand of automated machinery, for efficient and sustainable urban and industrial surfaces cleaning and waste management. Sales are generated by selection and participation to public tenders by municipal organizations, with Tenax supplying cheaper and more efficient cleaning vehicles compared to conventional machines based on diesel engines and heavy powertrains of industrial machines.

### Drivers

#### Industry drivers

**Global continuing and growing demand for mobile machinery.** Mega-trends are gradually shifting the addressable market towards emerging economies. While Europe holds a major share of the global street sweeper market, followed by North America, the market in Asia Pacific is likely to expand significantly, with Chinese and Indian governments investing in smart city projects.

**Electric-based machines at the core of e-mobility innovation.** The fight against climate change and decarbonization of transport is expected to bring huge benefits to cities and communities: an electric vehicle is not only cleaner than an internal combustion vehicle, it is also more efficient, consuming one-third of the energy of fuel-powered cars. The market penetration of electric cars is still low, but their growth is impressive: in 2018, the global number of electric vehicles reached over 5m, +63% YoY (Source: International Energy Agency. *Global EV Outlook 2019*, 2019).

**Feeding sustainability demand in the road sweepers market: wide room for growth of full electric vehicles.** Electric and hybrid street sweepers are gaining increased popularity among municipal organizations for reducing greenhouse gas emissions. Manufacturers are increasing their R&D activity to integrate into the machines high-capacity batteries and to introduce machines that consist of large hoppers and water tanks, resulting in fewer scheduled stops and improving productivity levels.

**European road safety legislation for mobile machinery evolving towards establishing standards for manufacturers.** The European Commission is in the process of harmonizing the requirements for the road circulation of mobile machinery, especially sweepers, across the EU. Industry manufacturers are actively involved in the review of the relevant regulation to determine the more appropriate conformity procedures to industry's needs.

**The mobile machinery industry is a Europe-based world-class industrial cluster.** World-class manufacturers of road sweepers are mainly European companies, with Swiss and Italian manufacturers among the top worldwide operators.

### Company drivers

**Full-electric pioneer in a market segment destined to shift to electric.** Tenax, producing 100% electric street cleaning machines, is in a niche market driven by growing demand for electric vehicles, which meet the ethical obligation for public bodies of leading the way for reducing pollution and energy consumption.

**Development and innovation skills.** R&D, innovation and new product development, are at the core of Tenax business model, addressing customers' service needs. The value chain is directly managed with main focus on value-added phases such as design and engineering.

**Diversified product portfolio.** Tenax product portfolio includes different models of sweepers and a washer, covering different needs as to water tank and waste tank capacity. In addition, the Company's machines are adaptable to different kinds of batteries based on specific customers' needs.

**Global presence.** Tenax has a global presence: one production plant in Italy and a network of dealers supporting sales, marketing and product distribution in 42 countries. Over 80% of Tenax machines are for export markets.

**Ability to design and develop cost-effective cleaning vehicles.** Tenax electric sweepers assure a 30-40% lower weight and lower engine voltage compared to most competitors' products. Electric vehicles eliminate efficiency losses and oil leaks and allow the choice of the most appropriate battery. Electric vehicles have lower operating and maintenance costs, compared to internal combustion vehicles. Electrical systems last longer and break down less often. As such, the life-cycle cost of a full electric vehicle is lower than that of the earlier technology, so that in 18 months, according to management, its higher purchase price compared to a diesel vehicle is repaid.

## Challenges

**High rivalry.** Competition in the industry is based on several factors, including product quality, reliability, innovation and technology, pricing. For the full electric products, the ability to compete in the industry depends also on the cost savings generated along the learning curve.

**Second and fast second movers may populate market and increase competition.** According to Fact.MR, a market intelligence firm, electric vehicles represent around 12% of total street sweepers market, increasing to around 21% in 2027. As mass market and dominant design emerge, Tenax might face traditional trailblazer trials. Growth may lead giants and well-established players to consolidate their electric vehicles share fleet exploiting their existing sales network, manufacturing capabilities and brands.

**Municipal organizations dependency.** Tenax products are sensitive to capital spending policies and availability of public bodies and agencies.

**International markets exposure.** Total revenues coming from foreign operations accounted for more than 80% of 2019 total revenues. International operations are in principle subject to risks, such as political and economic instability, local labor markets, trade relations and variety of regulatory frameworks. In addition, foreign operations outside the Euro-area can impact the financial position due to fluctuations in currency exchange rates.

**Sustainability of operating margins.** Tenax is enjoying sound profitability and operating margins since the beginning of operations, higher than several industry competitors. As operations progress, with capital expenditure aimed at widening the product portfolio, together with the high rivalry in the industry, in the long-term operating margins may be aligned to the industry trends.

**Retention of quality management and people.** Tenax top management has gained a solid industry experience, as such they are critical to operations and marketing. Moreover, technology development and marketing effectiveness in managing the growth program are dependent on the ability to attract and retain qualified staff.

## 2. PROFILE

### Lead the way for full electric vehicles to street cleaning

Tenax International, based in Italy and listed on AIM Italia since December 2020, produces full electric vehicles and equipment for cleaning on public and private roads/areas. Its machinery range encompasses full electric street sweepers, washers and refurbished vehicles. The Company has its assembly facility in Rio Saliceto (RE) in Italy, with current 130 vehicles capacity per year.

Tenax products are sold in over 40 countries, 80% of total revenues come from international operations. Tenax owns active patents and has participated directly to around 20 tenders in Europe in the last three years. The Company was awarded with EUnited PM-test label, a recognized standard in Europe regarding the commitment to fight for clean air. In 2019, Tenax sold over 90 vehicles (73 in 2018).

As of today, Tenax has sold more than 700 street sweepers in over 500 cities around the world.

### History and key developments

The Company took its present shape in 2016, when the current owners acquired the streetsweepers business from Unieco Costruzioni Meccaniche and was then converted into production of electric-only vehicles.

#### Tenax - History milestones

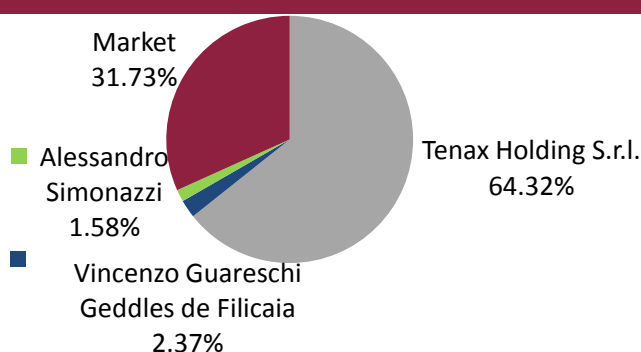
2016	<ul style="list-style-type: none"> <li>Business kick-off</li> <li>Italian and Spanish sales network set-up</li> </ul>	
2016	<ul style="list-style-type: none"> <li>Approved supplier of UGAP (French central purchasing body)</li> </ul>	
2017	<ul style="list-style-type: none"> <li>Flagship product launch: Electra 2.0 Neo</li> <li>Approved sole supplier of Eandis (Belgian central purchasing body)</li> </ul>	
2018	<ul style="list-style-type: none"> <li>Street washer launch: Electra 2.0 Hydro</li> </ul>	
2019	<ul style="list-style-type: none"> <li>First order in China</li> <li>Introduction of Tenax Link: remote data transmission</li> </ul>	
2020	<ul style="list-style-type: none"> <li>First order in United Arab Emirates</li> <li>Approved sole supplier of UGAP</li> <li>Product launch: Electra 2.0 Neos - available in 2021</li> </ul>	
Dec. 2020	<ul style="list-style-type: none"> <li>Listed on AIM Italia</li> </ul>	

Source: Company data

## Key people

Name and role	Background
Vincenzo Guareschi Geddes da Filicaia <b>Chairman and CEO</b>	<ul style="list-style-type: none"> <li>Started his career in the industry with his family acquiring Dulevo in the 90's</li> <li>Developed Dulevo's sales network</li> <li>In 2016 he acquired Unieco's business unit, which then became Tenax International</li> </ul>
Alessandro Simonazzi <b>CFO</b>	<ul style="list-style-type: none"> <li>Formerly a professional in an accounting firm in Parma specialized in corporate transactions</li> <li>In 2016 he took part in the acquisition of Unieco's street sweepers business unit</li> </ul>

## Shareholders



Source: Company data

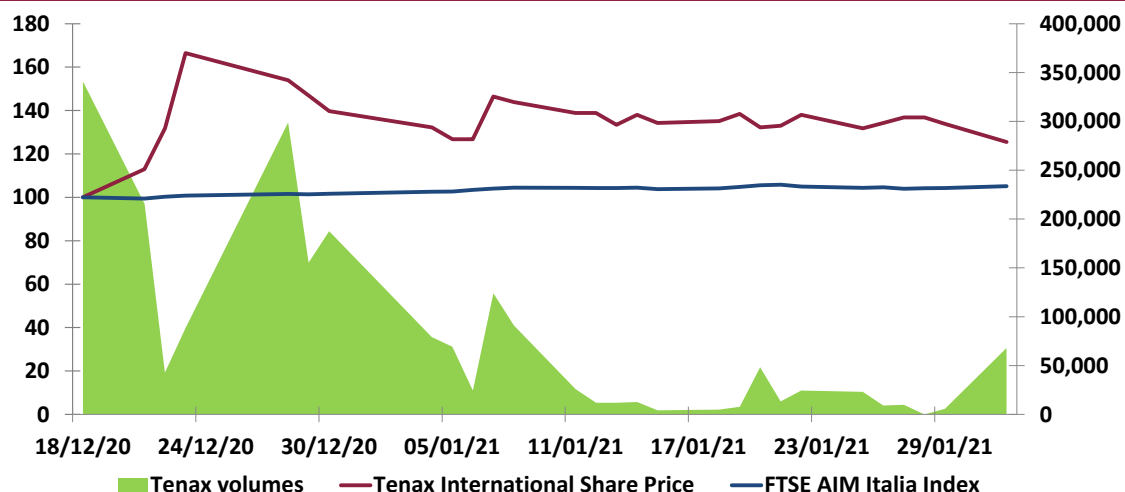
Note: Tenax Holding Srl is owned by Vincenzo Guareschi Geddes de Felicaia (76.92%) and Alessandro Simonazzi (23.08%)

## Tenax International IPO and stock market performance on AIM Italia

Tenax International on AIM Italia	
<b>Stock market</b>	AIM Italia
<b>Bloomberg code</b>	TNX IM
<b>Reuters code</b>	TNX.IM
<b>IPO date</b>	18/12/2020
<b>Offer Price (€)</b>	2.00
<b>Money raised (€m)</b>	2.3
<b>Market Cap at IPO (€m)</b>	6.3
<b>Free float at IPO</b>	31.7%
<b>Ordinary shares - ISIN number</b>	IT0005428898
<b>Shares outstanding</b>	3,152,420
<b>Current Share Price (€)</b>	3.00
<b>Current Market Cap (€m)</b>	9.5
<b>Warrants - ISIN number</b>	IT0005428815
<b>Warrants outstanding</b>	1,124,900
<b>Current Warrant Price (€)</b>	0.33

Source: Company data and S&P Capital IQ, update 01/02/21

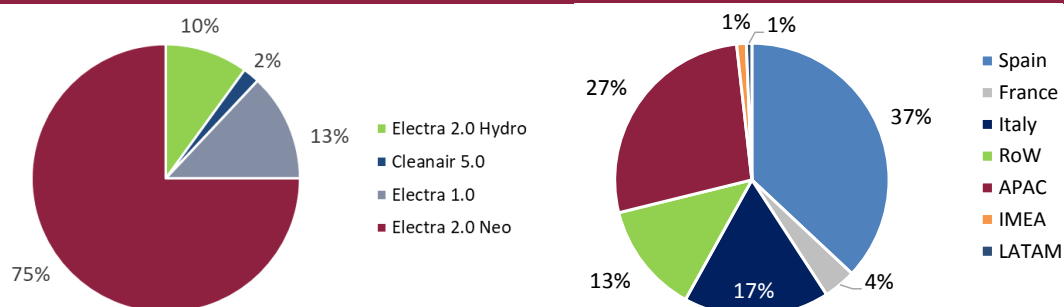
### Share price performance (base 100, sx) and volumes (dx) since IPO



Source: S&P Capital IQ, update 01/02/21

### Revenue breakdown

#### Distribution by products (left) and geography (right), 2019



Source: Company data

Total revenues are spread across a large number of customers (500 cities).

### Core products

Tenax produces full-electric street sweepers, collecting small particles of debris, and street washers, for the washing and sanitizing of roads. These products are used as a solution to clean and maintain urban, metropolitan, commercial and touristic areas, since street cleaning has become a best practice for government agencies, given all the benefits brought, such as air quality, water quality, appearance, safety, roadway maintenance clean up. Besides, street cleaning is indispensable also indoor, in industrial areas and logistic platforms.

The full-electric Tenax technology makes its vehicles work at a lower noise and compatible with the highest standards of non-polluting fuel-efficiency.



### Full-electric compact street sweepers portfolio

All models have autonomy of 8-10h and battery of 48V. Capacity of water and waste ranges from 100-1,550L and 360-2,000L, respectively.



Source: Company data

### Range extension

Tenax dealers in certain countries offer an extended product range, which includes electric pavement sweepers and washers supplied by MPHT, a company based in Padua (Italy), and marketed under Tenax brand.

**Electra 2.0 neo: Four-wheel steering to enter narrow lanes**





### 3. MARKET TRENDS AND OUTLOOK

#### Street sweepers market

The Company's reference market is the street sweepers market, which includes compact sweepers, typically used in urban and metropolitan areas, and chassis-mounted sweepers, used in non-urban areas such as industrial districts or commercial areas. These sweepers are mounted on truck bodies. Tenax operates in the compact street sweepers segment.

#### Market drivers

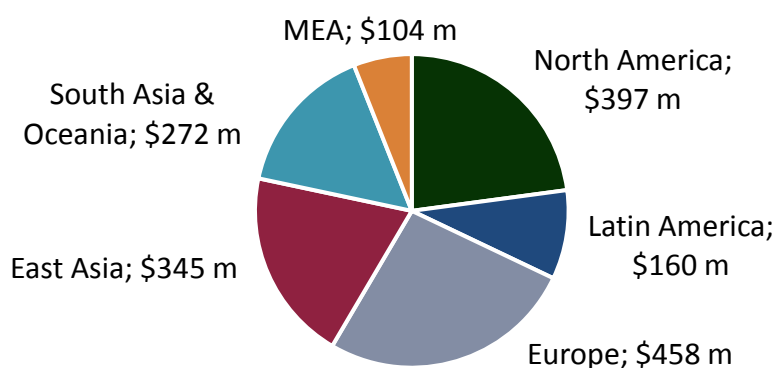
According to the World Bank, around 55% of the world's population resides in urban areas, projected to increase to 68% by 2050 (Source: Revision of World Urbanization Prospects, 2018). Over the past decade, urbanization across emerging nations has grown at a robust rate. The trend is especially evident in developing regions such as South America, Asia Pacific and Middle East. High rate of urbanization and rapid industrialization boost the sale of street sweepers across the globe.

Rising adoption of street sweepers in smart cities for road cleaning to reduce the emission of carbon dioxide and growing governmental eco-friendly regulations across developed and developing economies are expected to further boost the street sweeper market in the near future.

#### A global outlook

According to Fact.MR, a market intelligence firm, the global street sweeper market is expected to record a CAGR of more than 7% between 2019 and 2027 and it is expected to cross \$3bn value by 2027. Europe holds a major share of the street sweeper market, as to volumes, and is expected to continue to dominate the market, followed by North America and Asia Pacific.

**Global street sweepers market by geography, 2019 (\$m)**

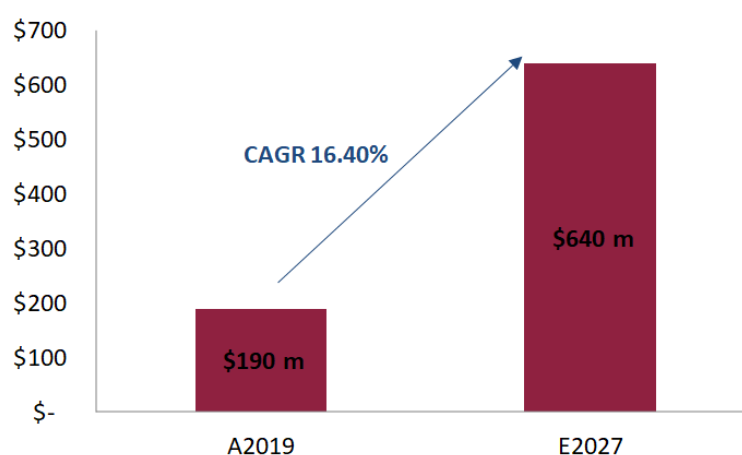


Source: EnVent Research on Fact.MR, *Street Sweeper Market Forecast - Global Market Insights 2019 to 2027*, 2020

## Electric street sweepers

In the global street sweeper market, electric street sweepers are anticipated to grow at a CAGR of 16.4% and are expected to reach \$640m sales by the end of 2027 (Source: Fact.MR). Governments of several countries are setting up updated guidelines for selection of street sweepers in order to encourage municipal corporations to enhance penetration of electric sweepers into their fleet. The use of electric street sweepers is aiding municipalities to reduce their carbon footprint and improve quality of air. As a result, the demand for electric and hybrid street sweepers is projected to increase. Manufacturers are also focusing on developing and introducing electric street sweepers in order to cater to the heavy demand from municipal corporations.

### Global electric street sweeper market growth, 2019-27E (\$m)



Source: EnVent Research on Fact.MR, Street Sweeper Market Forecast - Global Market Insights 2019 to 2027, 2020

## Municipal utilities major industry customers

The awareness by public agencies about waste management and ESG issues is increasingly higher.

In Europe, sales of low emission street sweepers are further pushed up by government policies, most importantly the Green Public Procurement (GPP): as major consumers, European public authorities, by using their purchasing power to choose environmentally friendly goods, services and works, are willingly giving an important contribution to sustainable consumption and production.

## Regional trends

### Europe

Europe is leading the street sweepers market, worth \$458m in 2019 and projected to grow at a 6.5% CAGR between 2019-27 (Source: Fact.MR).

### North America

North America holds more than 22% of the total street sweeper market and its value is expected to reach more than \$650m by 2027 with a CAGR of 6.5% (Source: Fact.MR).

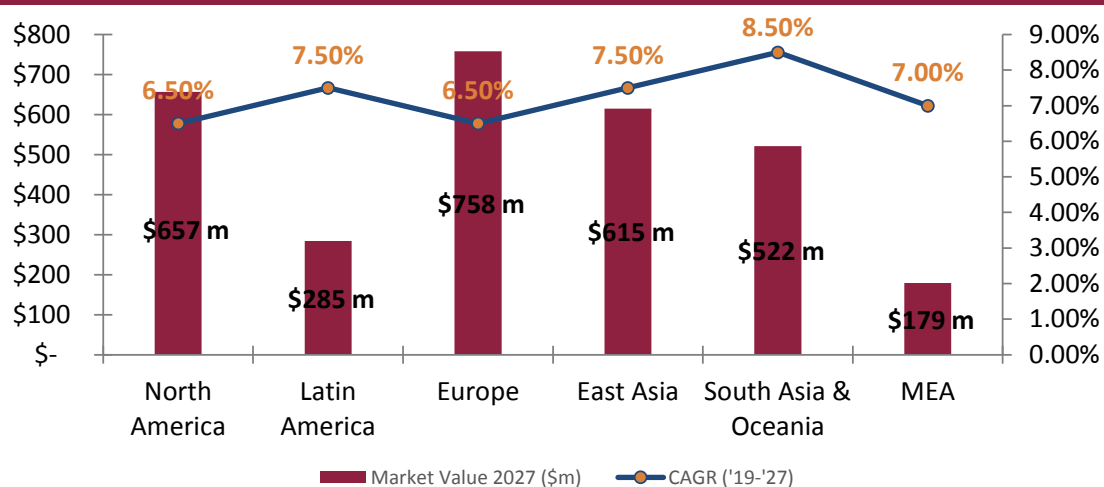
### Asia Pacific

The market in Asia Pacific is likely to expand significantly. Governments of growing economies such as China and India have continued investing in smart city projects, fueling demand for street sweepers in the region. Asia Pacific market is expected to increase by \$520m in 2027 (Source: Fact.MR).

### Middle East & Africa and South America

The street sweeper market in MEA countries and Latin America totals \$264m and it is projected to show steady growth. MEA markets are projected to increase by \$75m, while Latin America by \$125m (Source: Fact.MR).

**Market size and growth rate by geography, 2019-27E (\$m)**



Source: EnVent Research on Fact.MR, *Street Sweeper Market Forecast - Global Market Insights 2019 to 2027, 2020*

## 4. BUSINESS MODEL

### Emission-free street sweepers for smart cities

#### Pioneering a full range of electric-only street sweepers

Tenax has its headquarter and assembly facility in Rio Saliceto (Emilia, Northern Italy). The Company mission is to produce fully electric street sweepers and street washers where hydraulic systems are completely left behind, in contrast to those competitors who are converting machines conceived for combustion engines. All vehicles designed by Tenax are not only powered by electric motors, but also use electric transmission, steering and sweeping mechanisms.

#### Positive externalities delivered by a full electric product range

Product design is aimed to develop high-power electric-only products. As such, the outcome benefits from homogeneous technology externalities which diesel-to-electrified products may lack. Electrified vehicles, such as those of the competition, are cheaper to design since the core technology is derived from the conventional product, yet the end electrified product retains some old features, such as hydraulic systems, and it may incur in shorter lifecycle of most components, typical problem of combustion engines.

All-electric vehicles produce no local air pollution and have lower operating and maintenance costs as compared to internal combustion vehicles. Electrical systems last longer and break down much less often than the conventional systems, thanks to the better use of the electric motor.

#### Electric Vs Electrified

##### Electric Vehicle



- **Efficiency** : weight lower up to 30/40% compared to traditional vehicles; oil leaks eliminated
- **Driver license**: Class C driver license is not required under 3.5t
- **Voltage**: <50V, easier maintenance
- **Battery**: differently priced battery options or delivered without battery
- **Maintenance cost**: saving up to 60% of operating and maintenance costs as compared to internal combustion vehicles

##### Electrified Vehicle



- **Efficiency**: weight similar to traditional vehicles
- **Driver license**: Class C driver license is mandatory
- **Voltage**: 350V on average
- **Battery**: vehicles already equipped with lithium batteries
- **Maintenance cost**: saving up to 40% of operating and maintenance costs as compared to internal combustion vehicles

Source: Company data

## Product development

R&D activity is carried out internally and it is focused on product design. Innovation is driven by client needs and feedback and aims to develop vehicles which meet countries' regulatory standards. Keeping up with technology progress through higher user-safety and product manageability is the rule. As an example of in-house R&D, Tenax has obtained international patents for *steer-by-wire* applications developed on 2 vehicles.

## Low voltage and battery flexibility as competitive advantages

In the realm of electric vehicles, implications related to technology progress and product features might affect end-market. For instance, higher system voltage implies handling impediments, costly specialized maintenance and severe safety measures. By addressing these issues, Tenax products, as fully electric born-from-scratch vehicles, can benefit from a range of battery options (e.g. lithium, lead-acid) to meet customers' needs as to price, maintenance, know-how and battery life. Moreover, the battery interchangeability feature is not embodied in competitors' products, which necessarily require lithium battery. Conversely, competitors' offer includes vehicles equipped with batteries, leaving less room for product customization.

### Lead-acid Vs Lithium-ion battery



#### Lead-acid battery

- **Price:** Average €16,000
- **Heavier** and **bulkier** as compared to lithium
- **Charging time:** longer, up to 3 times as compared to lithium-ion
- Shorter **life cycle** and higher **maintenance cost**



#### Lithium-ion battery

- **Price:** Average €38,000
- Higher power-to-weight ratio; **Lighter** and less voluminous; low **self-discharge** rate
- **Charging time:** a fraction of the time needed for lead-acid
- **Longer life cycle**

Source: EnVent Research and Company data

## Manufacturing

### Continuous manufacturing process innovation

Tenax production activity consists mostly of product design and assembly work of parts supplied mainly by domestic companies. Various components, such as cabins and wirings, are custom-made products provided by specialized suppliers.

The plant is organized in a workshop and assembly department, a testing department and a warehouse, led by department heads. The assembly and warehouse workforce is 18; 5 engineers and designers deal with product design and quality control.

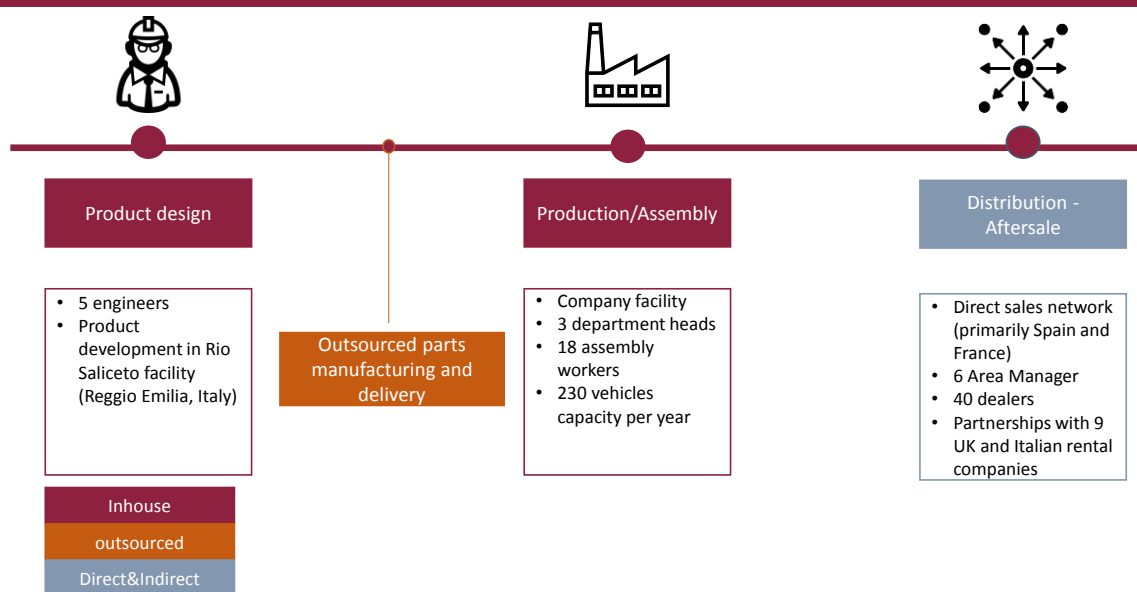
Production processes take place in 8 flexible production islands.

## Sales network and distribution

Tenax sells its products in over 42 countries through public procurements and directly relying on an established network of dealers which are specialized in electric vehicles and provide around 70% of total revenues. There are currently 6 Area Managers operating in Italy, France, China and APAC area, US, India and Northern Europe. New Tenax vehicles deliveries out of domestic borders range consistently between 80-90%.

The sales stage is preceded by a test phase by the clients. Product trials lead to a permanent investment on in-house stock and significant deliveries to the dealers of machines on consignment.

### Value Chain



Source: Company data

## Side services and refurbished vehicles

The Company provides post-sale assistance and maintenance services, which are delivered for the most part in Italy. Besides, Tenax has agreements with several rental companies.

The Company also regenerates end-life vehicles and remarkets them. As of now, the refurbished vehicles market has not significant size, but it is expected to grow in parallel with Tenax business. For the most part, reconditioning a standard vehicle fueled by internal combustion is onerous given that internal components and hydraulic systems tend to wear out. Renewing an electric vehicle, since it is mainly made up by magnets, is more economically feasible.

## Tenax products fulfilling sustainability demand

The issues related to sustainability are becoming increasingly critical by government agencies and play a major role in delineating public procurement standards. Green Public Procurement (GPP) is “a process whereby public authorities seek to procure goods, services and works with a reduced environmental impact throughout their life-cycle when compared to goods, services and works with the same primary function that would otherwise be procured”. The GPP is adopted by most of the European members and its level of uptake varies and depends on the regulatory standards

that countries decide to implement. For instance, the UGAP (French central purchasing body) embodies almost totally the GPP principles, so that it only purchases electric street washers and its supply was awarded solely to Tenax. Given the nature of its vehicles, the Company's offer is capable of satisfying the regulatory standards for environmentally responsible products, indeed Tenax takes part in many public procurements directly and as a supplier of public contractors.

### **ESG compliance**

Tenax zero-impact technology, applied to 100% electric road sweepers and street washers, eliminates polluting emissions and also drastically reduces those linked to the production process through a solar PV installation. Besides, 90% of vehicles components are recyclable and full-electric technology contrasts huge emissions in urban areas where street cleaning is made with combustion engine machines, each releasing over 30,000 kg of CO<sub>2</sub> per year.

## **Strategy: long-term leverage on product appeal and competitive advantages for organic growth**

### **Strategy pillars**

Tenax first target is to deliver improvements in key financial metrics and create an easy world for its stakeholders. The outlook scenario suggests further growth and profitability improvement expectations. We consider as key strategy pillars:

- Maintain leadership in the electric segment, focusing on developing new products and improving existing ones in response to customer requirements
- Open new markets and increase geographic coverage
- Achieve economies of scale and specialization driven by size growth
- Pursue acquisition opportunities to enrich product and customer portfolio



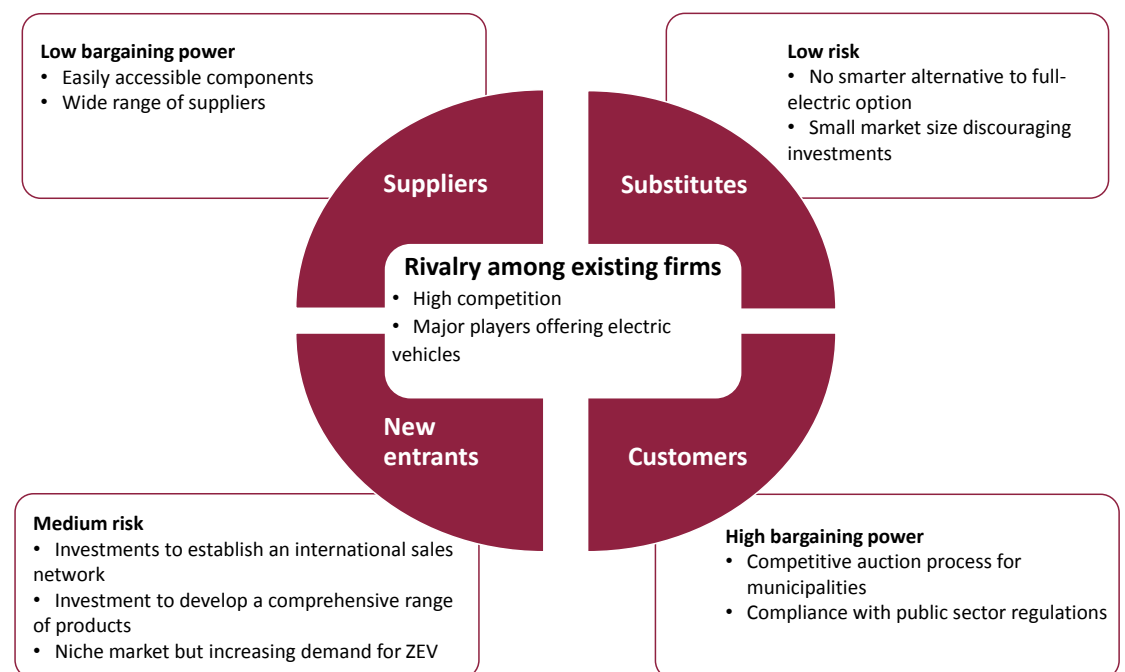
## 5. COMPETITION

### Italian frontrunner of electric street sweepers in a world of soon-to-disappear diesel vehicles

#### Competition drivers

The main competitive factors in the road sweepers industry are product performance and service capability, sustainability, purchase price and maintenance frequency and cost. The ability of meeting tenders purchasing criteria, differentiated and comprehensive product and service ranges may also be competitive advantages.

#### Competitive forces



Source: EnVent Research

#### Fast seconds may be a challenge

Entry barriers are medium, given investments into manufacturing facilities and R&D, engineering experience, consolidated relationships with industry customers and distributors. However, major players might face low barriers once they move to the electric street sweepers market through their high capital expenditure capacity.

### Competition overview and performance indicators

#### Key competitors and their segmentation

The competitive arena is highly fragmented and populated by many Italian and European companies. Swiss giants (Aebi Schmidt, Bucher, Boschung) are predominant. Certain industry operators are largely focused on road sweepers business and municipality

products, whereas other are more differentiated in the broader cleaning technology and implement carrier segments.

The picture is of similar business models and end-user markets with high comparability.

We have identified two clusters in the market arena:

- **Street sweeping and cleaning technology specialists**
- **Segments of conglomerates**

## Clusters

Company	Country	Revenue '19 (€m)	Core products	% of group revenues
<b>Street sweeping and cleaning technology specialists</b>				
Bucher Municipalities (Bucher Industries)	Switzerland	499	road sweepers, implement carriers, sewers, construction equipment	17%
Hako	Germany	248	road sweepers, scrubbing machines, implement carriers, cleaning devices and services	100%
Comac	Italy	99	road sweepers, scrubbing machines and cleaning devices	100%
Dulevo	Italy	99	road sweepers, commercial and industrial sweepers, scrubbing machines	100%
Ravo (Fayat Group)	Netherlands	94	compact road sweepers	100%
Scarab Sweepers (Fayat Group)	UK	39	compact road sweepers, truck mounted road sweepers, scrubber dryers and compact washers	100%
ING. O. FIORENTINI	Italy	32	sweepers, scrubber dryers, vacuum cleaners, industrial cleaning machines	100%
Lange Christian	Belgium	18	electric street vacuum cleaner and street sweeper	100%
ISAL	Italy	17	industrial sweepers and road sweepers	100%
Tenax	Italy	8	electric road sweepers and washers	100%
Global Environmental Products	US	5	road sweepers, truck mounted road sweepers	100%
Macroclean	Italy	4	compact road sweepers	100%
Piquersa Maquinaria	Spain	4	compact and mechanical road sweeper, implement carriers	100%
<b>Segment of conglomerates</b>				
Federal Signal - Environmental solution	US	884	street sweeper vehicles, sewer cleaner, vacuum loader and safe-digging trucks	81%
Alamo Group - Industrial division	US	684	special-purpose vehicles, road sweepers, vehicle equipment	69%
Aebi Schmidt	Switzerland	534	special-purpose vehicles, road sweepers, vehicle equipment	n.a.
Bucher Municipalities (Bucher Industries)	Switzerland	499	road sweepers, implement carriers, sewers, construction equipment	17%
Nilfisk - Outdoor equipment	Denmark	24	road sweepers, cleaning machines	2%
Boschung	Switzerland	n.a.	special-purpose vehicles, road sweepers, vehicle equipment	n.a.

Source: EnVent Research on S&P Capital IQ, Aida and Orbis

Tenax is directly compared with a cluster of Italian and European specialists with similar business and type of markets served. To run a more complete analysis based on financial indicators, we have also considered business units of major players of global scale. Their range of products and markets covered are wider compared to the first group. However, companies such as Bucher Industries, Aebi Schmidt and Boschung have a strong presence in the street sweepers market and municipality products, therefore we consider them as direct competitors. The second cluster also takes in consideration Alamo Group, Nilfisk and Federal Signal, which own business units including a broader range of products than Swiss peers.

## Profiles of street sweeping and cleaning technology specialists

**Hako (Germany).** Designs, manufactures and supplies industrial cleaning devices including road sweepers for urban cleaning, scrubber-driers, implement carriers. Founded in 1948.  
2018 Revenue: €247.8m; 2018 Employees: 2000

**Comac (Italy).** Designs, manufactures and distributes through a network of dealers road sweepers, scrubbing machines, commercial vacuum cleaners and cleaning products. Founded in 1974 and based in Zevio, Verona.  
2019 Revenue: €99m; 2019 Employees: 487

**Dulevo (Italy)** manufactures industrial cleaning machinery and equipment for street cleaning. The Company's offer includes road sweepers, also electric models, industrial sweepers, small commercial sweepers and scrubber dryers. Founded in 1976 and based in Fontanellato, Parma.  
2019 Revenue: €99m; 2019 Employees: 246

**Ravo - Fayat Group (Netherlands)** supplies street-sweeping machines for municipalities and contractors in the Netherlands and internationally through a network of dealers. Ravo operates as a subsidiary of Fayat. Founded in 1964.  
2019 Revenue: €94m; 2019 Employees: 244

**Scarab Sweepers - Fayat Group (United Kingdom)** supplies road sweepers for municipal, urban, or heavy-duty contracting work through distributors in the United Kingdom and internationally. Product range includes compact road sweepers and truck-mounted road sweepers, scrubber dryers and high-powered compact washers. The ultimate parent of the company is Fayat. Founded in 1979.  
2019 Revenue: €39m; 2019 Employees: 250

**ING. O. FIORENTINI (Italy)** is a supplier of industrial cleaning machines. Its offer includes road sweepers, scrubbers, floor machines polishing, vacuum cleaners and high-pressure washers. Founded in 2010 and based in Firenzuola, Firenze.  
2019 Revenue: €32m; 2019 Employees: 145

**Lange Christian (Belgium)** manufactures full-electric street vacuum cleaners and sweepers. Founded in 1988.  
2019 Revenue: €18m; 2019 Employees: 75

**ISAL (Italy)** manufactures and markets industrial sweeping machines through a network of distributors, including traction road sweepers and vacuum sweepers for urban cleaning. Founded in 1973 and based in Correggio, Reggio Emilia. ISAL operates as a subsidiary of Kaercher.  
2019 Revenue: €17m; 2019 Employees: 69

**Global Environmental Products (California)** supplies mechanical and alternative fuel street sweeper manufacturing services. Founded in 2011.

2019 Revenue: €5m; 2019 Employees: 20

**Macroclean's (Italy)** offer includes road sweepers for municipalities and industrial works. Founded in 2014 and based in Formigine, Modena. Macroclean operates as a subsidiary of RCM S.p.A.

2019 Revenue: €4m; 2019 Employees: 15

RCM 2019 Revenue: €17m; RCM 2019 Employees: 126

**Piquersa Maquinaria (Spain)** manufactures and markets compact and mechanical road sweepers and implement carriers. Founded in 1998 and based in Spain.

2019 Revenue: €4m; 2019 Employees: 26

### Profiles of segments of conglomerates

**Aebi Schmidt (Switzerland)** develops and manufactures special-purpose vehicles and attachments, distributed through its own sales subsidiaries in Europe and authorized dealers worldwide. It also supplies diesel, full-electric road sweepers and municipality products. Founded in 1883.

2019 Group Revenue: €534m

**Boschung** develops and manufactures special-purpose vehicles and equipment. It also provides diesel, full electric road sweepers and municipality products. Boschung is based in Switzerland.

2019 Group Revenue: n.a.

Source: EnVent Research on S&P Capital IQ, Aida and Orbis



**Product positioning: electric/hybrid vs. diesel**

	Electric/Hybrid sweepers	Diesel sweepers
<b>Specialist</b>		
	✓	✓
		✓
		✓
	✓	✓
	✓	✓
		✓
		✓
	✓	
		✓
	✓	
	✓	✓
<b>MACRO•CLEAN</b>		✓
		✓
<b>Segments of conglomerates</b>		
	✓	✓
		✓
	✓	✓
	✓	✓
		✓
	✓	✓

Source: EnVent Research

**Benchmark on financial data**

**Typical industry performance**

**Higher margin and small debt for mature players**

For Italy-based competitors, revenues are under €100m range, while comparable revenues of business units of conglomerates are in the wider range €500m-€1bn.

Consistent EBITDA - Operating profits range between 6 and 14%, with a significant concentration in the 9-12% region. Higher performances might be read as depending on size and synergies of an extended product portfolio and presence in more end-market segments. Financial debt consistently on the low side - The industry has a low level of financial debt and many players have cash. High TWC compared to sales for emerging players.

## Financial performance

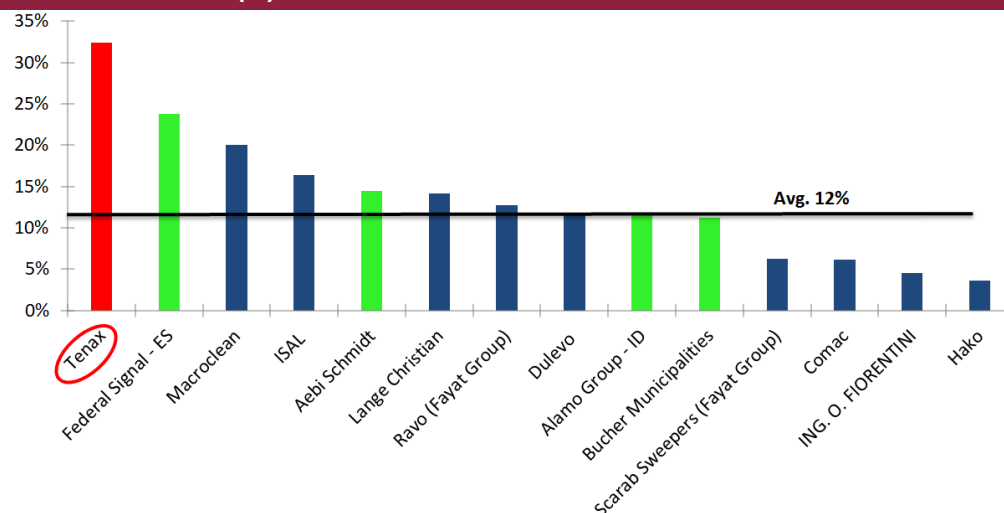
Company	Revenues 2019 (€m)	% of group revenues	YoY '18 on '19	CAGR '16-19	EBITDA % 2019	EBITDA % Avg. 4Y	EBITDA % Min 4Y	EBITDA % Max 4Y
<b>Street sweeping and cleaning technology specialists</b>								
Bucher Municipalities (Bucher Industries)	499	17%	4%	11%	10%	9%	6%	11%
Hako	248	100%	6%	4%	10%	11%	10%	11%
Comac	99	100%	6%	6%	14%	14%	11%	17%
Dulevo	99	100%	23%	12%	11%	10%	8%	12%
Ravo (Fayat Group)	94	100%	9%	13%	10%	12%	10%	13%
Scarab Sweepers (Fayat Group)	39	100%	19%	6%	8%	4%	1%	8%
ING. O. FIORENTINI	32	100%	8%	5%	12%	13%	12%	14%
Lange Christian	18	100%	0%	14%	1%	11%	1%	15%
ISAL	17	100%	18%	16%	-4%	2%	-4%	7%
Tenax	8	100%	6%	32%	12%	6%	-4%	13%
<b>Global Environmental Products</b>								
Macroclean	4	100%	22%	20%	10%	5%	-1%	10%
Piquersa Maquinaria	4	100%	14%	-3%	7%	11%	7%	17%
Mean		94%	10%	10%	8%	8%	4%	11%
Median		100%	8%	11%	10%	10%	6%	12%
<b>Segment of conglomerates</b>								
Federal Signal - Environmental solution	884	81%	17%	24%	18%	18%	17%	18%
Alamo Group - Industrial division	684	69%	23%	12%	n.a.	n.a.	n.a.	n.a.
Aebi Schmidt	534	n.a.	27%	14%	n.a.	n.a.	n.a.	n.a.
Bucher Municipalities (Bucher Industries)	499	17%	4%	11%	10%	9%	6%	11%
Nilfisk - Outdoor equipment	24	2%	-26%	n.a.	n.a.	n.a.	n.a.	n.a.
Boschung	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mean		42%	9%	15%	14%	13%	12%	15%
Median		43%	17%	13%	14%	13%	12%	15%

Source: EnVent Research on S&P Capital IQ, Aida and Orbis

Note: Hako's figures refer to last available financial statements; Nilfisk's figures refer to period before 2019, year in which the Company divested the outdoor division.

Color legend: red for Tenax; green for segment of conglomerates; blue for others

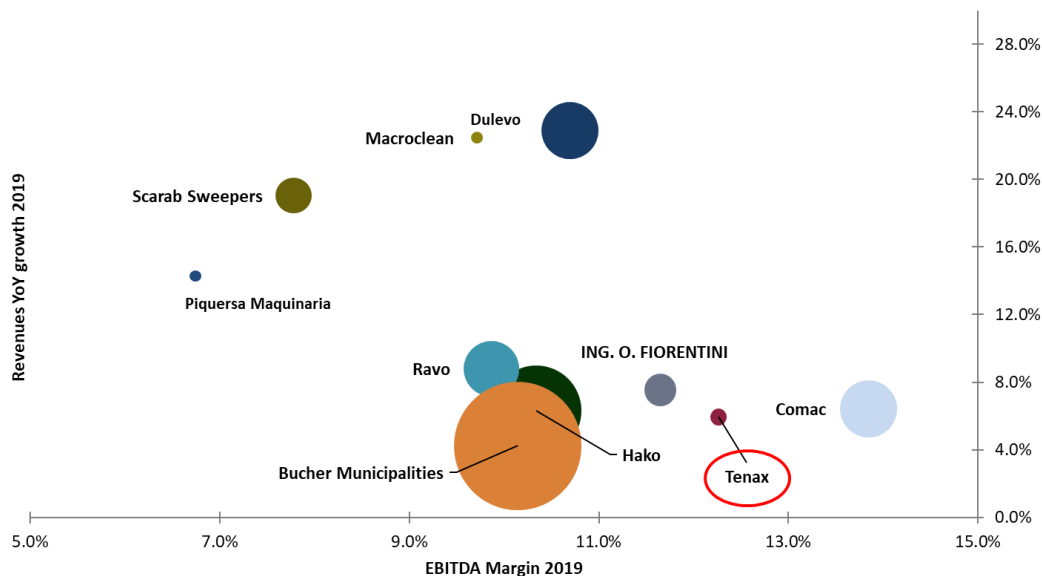
## Revenue CAGR 2016-19 (%)



Source: EnVent Research on S&P Capital IQ, Aida and Orbis data

Around 10% EBITDA margin and between 5% and 10% YoY revenue growth

### Positioning based on Revenues YoY growth and EBITDA margin 2019

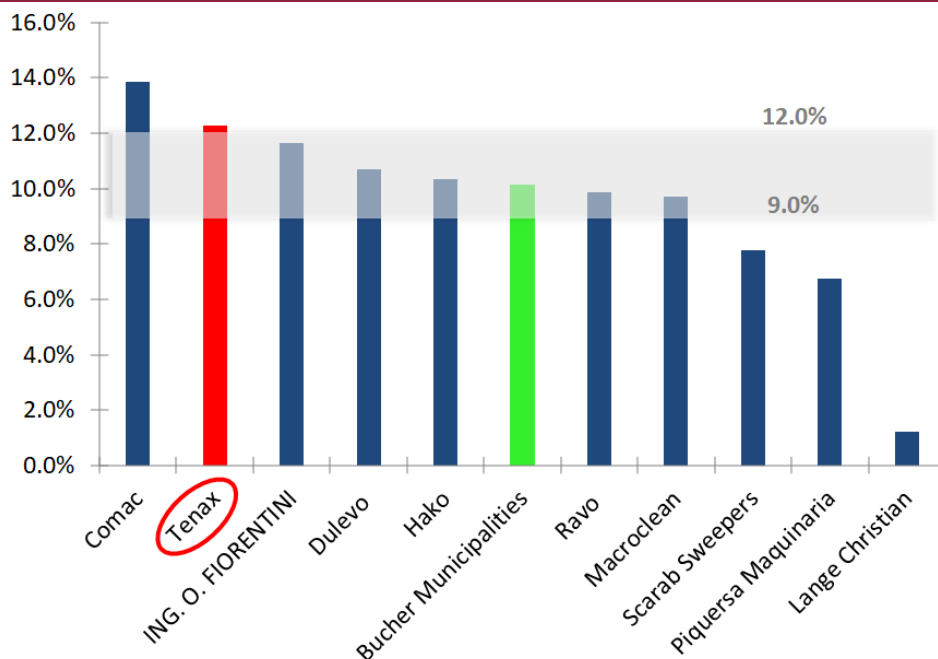


Source: EnVent Research on S&P Capital IQ, Aida and Orbis  
Note: Bubbles size reflect 2019 sales

Most of the companies are in the 9.0-12.0% EBITDA Margin range

Tenax EBITDA margin in 2019 was 12.3%, above the average of competitors

### EBITDA Margin 2019



Source: EnVent Research on S&P Capital IQ, Aida and Orbis

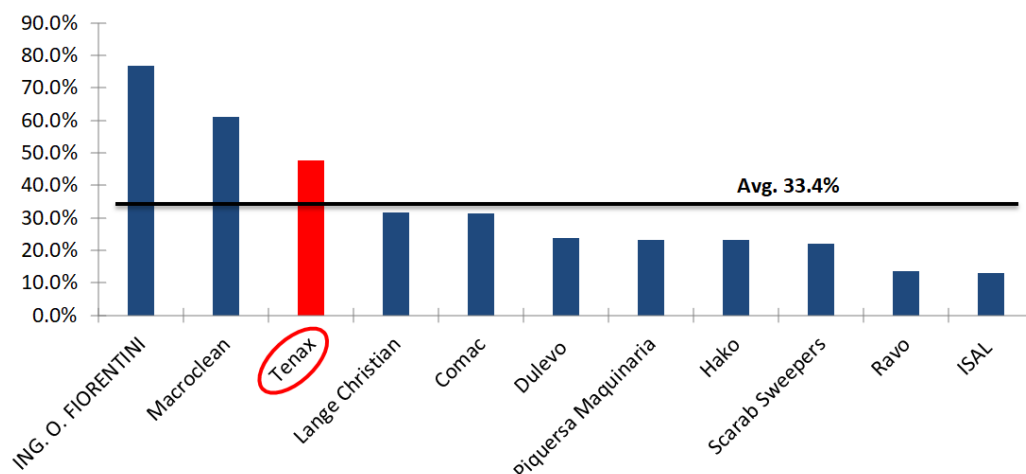
For the following ratios, we take into consideration additional financial indicators and we narrow the analysis by including only street sweeping and cleaning technology specialists.



Companies in the industry operate with a high trade working capital on sales ratio.

Tenax is above the average with 47.7% TWC/Sales

### TWC/Sales 2019

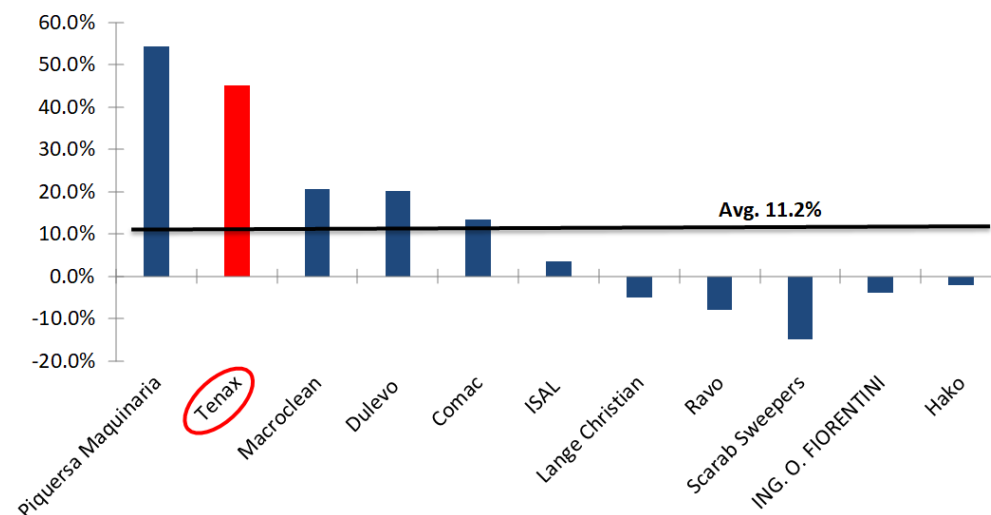


Source: EnVent Research on S&P Capital IQ, Aida and Orbis

Most of competitors in safe harbor, several players in cash

Tenax net debt on revenues ratio is higher compared to competitors

### Net Debt/Revenues 2019

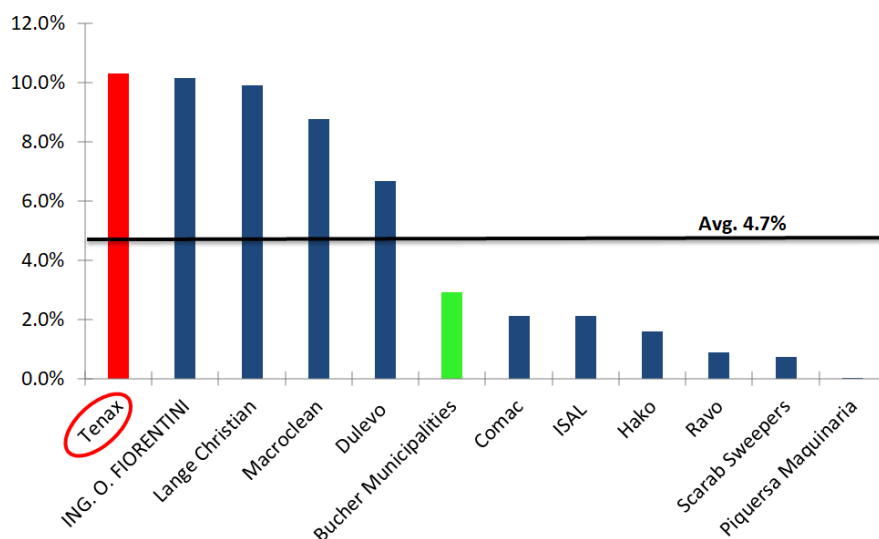


Source: EnVent Research on S&P Capital IQ, Aida and Orbis

Tenax capex on revenue ratio is the highest in the group

Capex investments represent a small percentage of revenues for well-established players

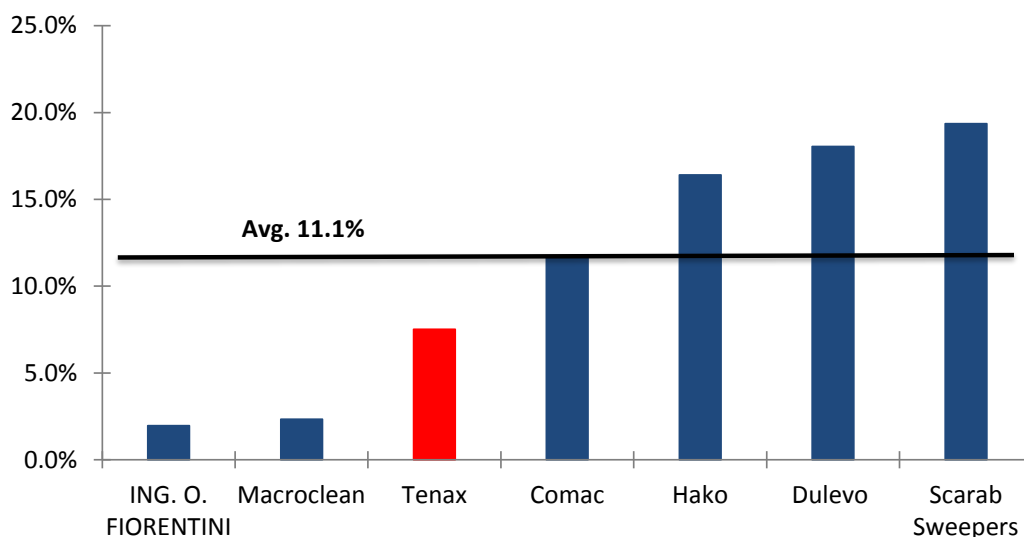
### Capex/Revenues 2019



Source: EnVent Research on S&P Capital IQ, Aida and Orbis data

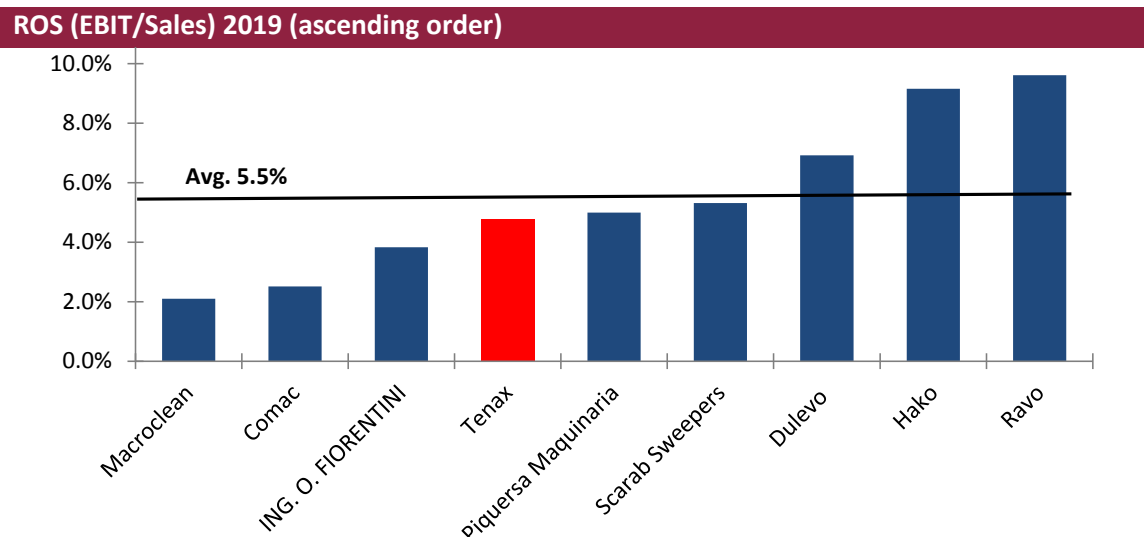
Note: acquisition goodwill is not included in Tenax capex

### ROE 2019 (ascending order)



Source: EnVent Research on S&P Capital IQ, Aida and Orbis data

Profit margin in the industry is higher for well-established and more differentiated players



Source: EnVent Research on S&P Capital IQ, Aida and Orbis data

### Competitive playground and summary positioning

Above average profitability, debt on the high side to finance R&D on proprietary full-electric technology

The picture is that of a fragmented industry, with a few private Swiss well-positioned players and several smaller ones. There is a predominance of European operators, consistent with a leading European market share of the street sweepers industry. The competitive forces are performance and service, rather than brand or brand loyalty.

The historical financial analysis shows that established and diversified players report higher profitability than the average, which may be given by operating and marketing synergies. Tenax, as an early-stage company, is among the smallest in the competitive arena. Company's financials evidence an above average operating profitability, financial debt on the high side to sustain R&D investments, relatively heavier than for larger companies.

## 6. MARKET METRICS

### Market value of comparable companies

#### Selection criteria of comparable listed companies

Key selection factors:

- Manufacturing of road sweepers
- End-clients: public institutions, municipalities, companies
- Geographical scope: worldwide

#### Industry players segmentation

We have reviewed the listed companies whose characteristics match the above factors. The industry of road cleaning vehicles includes large and highly diversified corporations with multi-division business and independent companies producing and marketing road sweepers. Most of them, however, are private companies. Among listed companies in Europe, we found one large corporation that has a division comparable with Tenax activity (Bucher Industries) and one independent professional cleaning indoor machines producer named Nilfisk which has divested its division of outdoor cleaning and street sweepers in 2018. To deliver a more complete screening analysis we also included three US producers of road cleaning vehicles and professional cleaning products, whose multiples are consistent with the overall group metrics.

- **Large corporation with road sweeper division:** Bucher Industries (Bucher Municipal division)
- **Independent professional cleaning and road sweeper producers** – Nilfisk Holding, Tennant Company, Federal Signal Corporation and Alamo Group

#### Comparability of selected peers

The selected peers are the closer choice that we envisage, given the lack of listed pure players.

Key takeaways:

- Lack of listed pure players with core business in road sweepers
- Most of the listed players in Europe are large companies and conglomerates, whose businesses are diversified among activities, industries and applications

#### Profiles

##### Large multi-division corporation with road sweeper division

###### **Bucher Industries (Bucher Municipal division, Switzerland)**

Develops and manufactures machinery, vehicles, and systems for use in harvesting, food producing and packaging, roads and public spaces cleaning.

Segments: Kuhn, Municipal, Hydraulics, Emhart Glass, Specials

The Municipal division is a global supplier of vehicles and equipment for cleaning operations on public and private roads and other traffic areas. Its machinery range encompasses

sweepers and sewer cleaning, winter maintenance and refuse collection vehicles and equipment. The division has production facilities in Switzerland, Germany, the UK, Italy, Denmark, Latvia, Russia, the USA, Australia, South Korea and China.

**Key facts:** Bucher Municipal acquired 100% of Zynkon, a Chinese manufacturer of sewer cleaning vehicles. This, according to management, allowed the division to strengthen its presence in Asia. Bucher Municipal announced it would acquire its former distributor Eurovoirie to sell its entire portfolio of municipal vehicles directly to French customers.

2019 Employees division: 2,370

2019 Revenues division: €507m, 17% of Group revenues

### **Independent professional cleaning and road sweepers' producer**

#### **Tennant Company (USA)**

Founded in 1870, designs, produces and markets floor cleaning equipment worldwide. Products include floor maintenance and outdoor cleaning equipment, detergent-free and other sustainable cleaning technologies, aftermarket parts and consumables, equipment maintenance and repair services. The company markets its products to contract cleaners and businesses through direct sales and service organization, as well as through a network of authorized distributors.

**Key facts:** In 2018, EMEA sales increased by 22% YoY mainly impacted by 2Q17 acquisition of 100% of IPC Group, a designer and manufacturer of professional cleaning equipment, favoring growth in France and Germany, but partially offset by challenging performance in Italy. The IPC Group was sold by Ambianta SGR, an Italian private equity fund, at a purchase price of \$354m; implied EV/Revenues 1.7x, EV/EBITDA 11.8x.

2019 Employees: 4,400

2019 Revenues: €965m, of which 64% USA, 27% EMEA, 9% Asia

#### **Nilfisk Holding (Denmark)**

Supplier of professional cleaning equipment in both industrial and consumer markets. The company's businesses are the supply of industrial and commercial cleaning machines and professional high-pressure cleaning equipment with focus on indoor cleaning machines. Historically, the company had an Outdoor business division of road sweepers, which was divested since 2019. Aebi Schmidt acquired rights on two road sweepers, City Ranger 3500 and City Ranger 3570, from Nilfisk outdoor division divestment.

**Key facts:** In 2017 the share-price trend fluctuated, due in part to speculation surrounding a possible merger with Tennant Company.

2018 Revenues of Outdoor division: €53m

2019 Employees: 4,900

2019 Revenues: €967m

#### **Federal Signal Corporation (USA)**

Designs, manufactures and supplies a suite of products and integrated solutions for municipal, governmental, industrial and commercial customers in the United States, Canada, Europe and internationally.

Segments: Environmental Solutions, Safety and Security Systems

The Environmental Solutions segment offers a range of street sweepers, sewer cleaners,

vacuum loaders and safe-digging trucks.

2019 Employees: 3,600

2019 Revenues: €1bn, of which around 78% USA, 22% RoW

### Alamo Group (USA)

Manufacturer of agricultural and infrastructure equipment for governmental and industrial use worldwide. The company offers hydraulically powered and tractor-mounted mowers, truck-mounted air vacuum, mechanical brooms, regenerative air sweepers, ice control products and street sweepers. Founded in 1955, the Company operates across 30 plants in North America, Europe, Australia and Brazil.

2019 Employees: 4,270

2019 Revenues: €947m

## Market multiples

Company	EV/REVENUES				EV/EBITDA				EV/EBIT				P/E			
	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E
Bucher Industries	1.1x	1.6x	1.4x	1.4x	9.1x	15.2x	12.3x	11.1x	11.9x	21.6x	16.7x	14.8x	15.5x	29.1x	21.3x	19.1x
Nilfisk	1.0x	1.1x	1.0x	1.0x	13.6x	9.3x	8.1x	7.4x	18.1x	29.4x	20.0x	16.7x	60.8x	n.a.	19.0x	15.0x
Tennant	1.5x	1.5x	1.4x	1.3x	12.5x	12.4x	11.3x	10.3x	20.6x	21.6x	19.1x	15.9x	31.1x	23.3x	19.8x	n.a.
Federal Signal Corp.	1.8x	2.0x	1.8x	1.7x	11.4x	12.1x	10.9x	10.1x	14.6x	16.6x	14.2x	13.1x	18.0x	19.9x	17.8x	16.2x
Alamo Group	1.7x	1.7x	1.6x	1.5x	14.6x	13.3x	11.4x	10.5x	19.0x	19.3x	15.5x	13.7x	23.6x	24.3x	19.0x	17.0x
Mean	1.4x	1.6x	1.4x	1.4x	12.3x	12.5x	10.8x	9.9x	16.8x	21.7x	17.1x	14.9x	29.8x	24.1x	19.4x	16.8x
Median	1.5x	1.6x	1.4x	1.4x	12.5x	12.4x	11.3x	10.3x	18.1x	21.6x	16.7x	14.8x	23.6x	23.8x	19.0x	16.6x

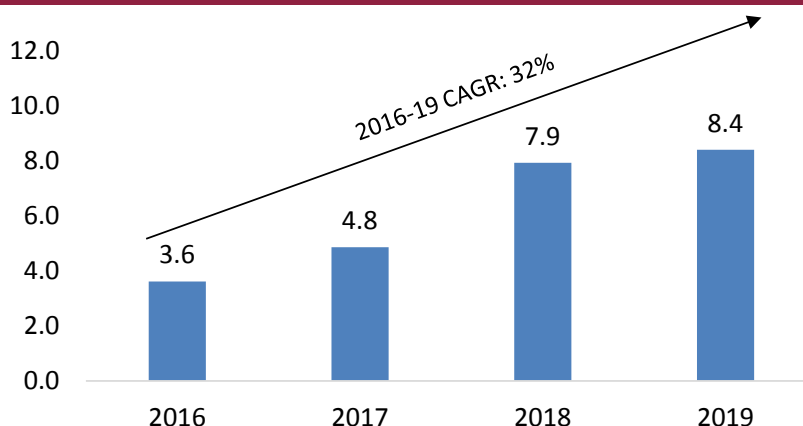
Source: EnVent Research on S&P Capital IQ; update: February 2021

## 7. FINANCIAL ANALYSIS AND PROJECTIONS

### Signs of organic and profitable growth

Over the last four years, Tenax sales grew at a double-digit rate, except for 2019. Doubling of sales has been achieved since 2016, while headcount increased by 23%. Net debt rose consistently in the last years reaching a Net debt/EBITDA ratio of 3.7x in response to high cash needs from trade working capital, which accounted for around 50% of sales in 2018-19.

**Tenax International - 4Y Historical sales performance (€m)**



Source: Company data

**Sound P&L metrics,  
with profitability on  
the high side of  
industry peers**

Tenax reported sales of €8.4m in 2019, +6% YoY. Total revenues were €8.9m, including change in work in progress and other income. International sales accounted for more than 80% of total sales, with Spain and APAC regions representing 37% and 27% respectively.

Materials cost rose by 5% YoY, while services decreased by 4% YoY. Personnel increased by 20% YoY, with number of employees rising from 28 to 32. Per-capita sales were in the region of €270k over the last two years.

EBITDA was €1m (12% margin), from €1.1m in 2018 (13% margin). EBIT was €0.4m (4% margin), after €0.6m D&A. Net Income was €0.1m, vs. €0.4m of previous year.

**Permanent  
investment in  
requisite maintenance  
and demo stocks**

On the balance sheet side, trade receivables were €2.7m, with accounts payable of €2.6m. Inventory was €3.9m, in the region of 45% of sales. We note that spare parts must be a permanent investment to make possible long-term assistance on the entire population of machines sold and that finished products would include also demo units on consignment for dealers.

Trade Working Capital was €4.0m, 48% of sales, in line with FY18. Non-current assets were mainly made of intangibles for €1.5m (of which €0.2m goodwill), for the Tenax business acquisition from the previous parent company Unieco Holding Ambiente in March 2019, and PP&E for €0.5m.

**Substantial bank debt  
to face high level of  
TWC**

At year-end 2019 net debt was €3.8m, from €3.3m as of December 2018, mainly due to capital expenditure.

Net debt to EBITDA ratio was 3.7x, compared to 3.1x in 2018. Equity was €1.7m, with 8% ROE, decreased compared to 26% of prior year.



### EBITDA conversion into cash flow before WC and capex 118%

Cash flow from P&L operations was 114% of EBITDA in 2019. Trade Working Capital absorbed cash for €0.2m, vs. €2.9m in 2018. Capital expenditure was €1.1m in 2019 (13% of sales), excluding €0.2m of goodwill allocation from the business acquisition. Previous year capex was €0.2m (2% of sales). Operating cash flow after working capital and capex was €(0.1)m.

### H1 2020 results

### Business on track despite lower capital expenditure due to Covid-19

In H1 2020 sales were €3.2m, with exports exceeding 85% of total sales. Total revenues, including work in progress and other income, were €4.2m. EBITDA was €0.3m leading to 7.4% margin, lower than full-year operating profitability due to sales concentration in the second half of the year. EBIT was €0.1m, leading to period net result at breakeven.

### Concentration of sales at year-end requires high inventory at H1

Inventory increased from FY19 by 19% to €4.6m as of June 2020, while trade receivables decreased from €3m in FY19 to €1.6m, for cash-ins from International clients. Trade payables were €1.8m compared to €2.6m in FY19. The high level of inventory is influenced by the historical concentration of sales to public administrations in the second half of the year, for budget management reasons. This implies trial activity concentrated in the middle of the year. Net financial debt, including €0.7m Shareholders' debt, was €4m, from €3.8m as of year-end 2019, and equity was €1.7m.

Cash flow from P&L operations was over 100% of EBITDA in H1 2020. Trade Working Capital absorbed €0.3m cash, mainly driven by inventory.

Profit and Loss					
€m	2016	2017	2018	2019	H1 2020
Sales	3.6	4.8	7.9	8.4	3.2
Change in work in progress	0.8	0.9	0.4	0.4	0.7
Other income	0.0	0.0	0.1	0.1	0.2
<b>Total Revenues</b>	<b>4.5</b>	<b>5.8</b>	<b>8.4</b>	<b>8.9</b>	<b>4.2</b>
YoY %	-	29.0%	44.4%	6.4%	-
Materials	(2.7)	(3.4)	(4.1)	(4.3)	(2.3)
Services	(1.1)	(1.1)	(1.7)	(1.6)	(0.6)
Personnel	(0.8)	(1.2)	(1.4)	(1.7)	(0.8)
Other operating costs	(0.0)	(0.1)	(0.1)	(0.2)	(0.1)
<b>Operating charges</b>	<b>(4.6)</b>	<b>(5.7)</b>	<b>(7.3)</b>	<b>(7.9)</b>	<b>(3.9)</b>
<b>EBITDA</b>	<b>(0.1)</b>	<b>0.1</b>	<b>1.1</b>	<b>1.0</b>	<b>0.3</b>
Margin	-3.0%	1.2%	12.8%	11.6%	7.4%
D&A	(0.1)	(0.2)	(0.5)	(0.6)	(0.3)
<b>EBIT</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>0.6</b>	<b>0.4</b>	<b>0.1</b>
Margin	-4.9%	-2.5%	7.3%	4.4%	1.2%
Interest	(0.0)	(0.1)	(0.158)	(0.145)	(0.1)
<b>EBT</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>0.4</b>	<b>0.2</b>	<b>(0.0)</b>
Margin	-5.5%	-3.9%	5.4%	2.8%	-0.4%
Income taxes	0.0	0.0	(0.0)	(0.1)	0.0
<b>Net Income (Loss)</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>0.4</b>	<b>0.1</b>	<b>(0.0)</b>
Margin	-5.5%	-3.9%	4.8%	1.4%	-0.4%

Source: Company data

### Balance Sheet

€m	2016	2017	2018	2019	H1 2020
Inventory	1.9	2.5	3.1	3.9	4.6
Trade receivables	1.2	1.1	3.0	2.7	1.6
Trade payables	(2.4)	(2.8)	(2.3)	(2.6)	(1.8)
Trade Working Capital	0.6	0.9	3.8	4.0	4.4
Other assets (liabilities)	0.3	0.4	(0.1)	(0.2)	(0.3)
<b>Net Working Capital</b>	<b>0.9</b>	<b>1.3</b>	<b>3.6</b>	<b>3.8</b>	<b>4.1</b>
Intangible assets	0.7	1.2	0.9	1.5	1.5
Property, plant and equipment	0.5	0.4	0.3	0.5	0.4
<b>Non-current assets</b>	<b>1.2</b>	<b>1.6</b>	<b>1.3</b>	<b>2.0</b>	<b>2.0</b>
<b>Provisions</b>	<b>(0.0)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>(0.4)</b>
<b>Net Invested Capital</b>	<b>2.1</b>	<b>2.8</b>	<b>4.8</b>	<b>5.4</b>	<b>5.7</b>
Bank debt	0.9	1.4	2.5	3.5	4.4
Other financial debt	0.8	0.8	1.0	0.7	0.7
Cash and equivalents	(0.3)	(0.5)	(0.1)	(0.4)	(1.0)
<b>Net Debt (Cash)</b>	<b>1.4</b>	<b>1.7</b>	<b>3.3</b>	<b>3.8</b>	<b>4.0</b>
Shareholders' Equity	0.8	1.1	1.5	1.7	1.7
<b>Equity</b>	<b>0.8</b>	<b>1.1</b>	<b>1.5</b>	<b>1.7</b>	<b>1.7</b>
<b>Sources</b>	<b>2.1</b>	<b>2.8</b>	<b>4.8</b>	<b>5.4</b>	<b>5.7</b>

Source: Company data

### Cash Flow

€m	2017	2018	2019	H1 2020
<b>EBIT</b>	<b>(0.1)</b>	<b>0.6</b>	<b>0.4</b>	<b>0.1</b>
Current taxes	0.0	(0.0)	(0.1)	0.0
D&A	0.2	0.5	0.6	0.3
Provisions	0.0	0.0	0.3	0.0
<b>Cash flow from P&amp;L operations</b>	<b>0.1</b>	<b>1.1</b>	<b>1.2</b>	<b>0.3</b>
Trade Working Capital	(0.3)	(2.9)	(0.2)	(0.5)
Other assets and liabilities	(0.1)	0.5	0.0	0.1
Capex	(0.6)	(0.2)	(1.1)	0.0
<b>Operating cash flow after working capital and capex</b>	<b>(0.8)</b>	<b>(1.4)</b>	<b>(0.1)</b>	<b>0.0</b>
Interest	(0.1)	(0.2)	(0.1)	(0.1)
Equity investments and financial assets	0.0	(0.0)	(0.0)	(0.0)
Goodwill allocation	0.0	0.0	(0.2)	(0.2)
Equity adjustment	0.0	0.0	(0.0)	0.0
<b>Net cash flow</b>	<b>(0.3)</b>	<b>(1.6)</b>	<b>(0.5)</b>	<b>(0.3)</b>
Net (Debt) Cash - Beginning	(1.4)	(1.7)	(3.3)	(3.8)
Net (Debt) Cash - End	(1.7)	(3.3)	(3.8)	(4.0)
<b>Change in Net (Debt) Cash</b>	<b>(0.3)</b>	<b>(1.6)</b>	<b>(0.5)</b>	<b>(0.3)</b>

Source: Company data

### Ratio analysis

KPIs	2016	2017	2018	2019	H1 2020
ROE	neg.	neg.	26%	8%	neg.
ROS (EBIT/Sales)	neg.	neg.	8%	5%	2%
ROIC (NOPAT/Invested Capital)	neg.	neg.	9%	5%	1%
DOI	157	160	136	160	210
DSO	78	59	108	93	60
DPO	192	182	120	127	86
TWC/Sales	17%	18%	48%	48%	69%
Net Debt / EBITDA	neg.	24.1x	3.1x	3.7x	6.5x
Net Debt / Equity	1.8x	1.5x	2.1x	2.3x	2.4x
Net Debt / (Net Debt+Equity)	0.6x	0.6x	0.7x	0.7x	0.7x
Cash flow from P&L operations / EBITDA	n.a.	138%	99%	114%	104%
FCF / EBITDA	n.a.	neg.	neg.	neg.	6%
Per-capita revenues (€k)	-	231	283	262	78
Per-capita cost (€k)	-	55	52	54	21

Source: Company data

### Business update

In late December 2020 Tenax announced:

- Sales of vehicles for a Spanish service provider, which will serve the Murcia area (Spain).
- Sales of Tenax new e-vehicles Electra Neo 2.0 (launch date on spring 2021) to a service provider for the Westminster area (London).

**First international  
order for the  
upcoming model**

### International exposure to ZEV growth trend

#### Market trend assumptions

Market trends, industry and competition analyses tell that most growth expectation indicators fall within the 6-8% range and that end markets are moderately cyclical. However, studies mentioned above show that the electric segment of street sweepers is expected to experience a growth trend with CAGR 19-27 of 16.4%.

#### Key growth drivers

- High performance and efficiency in the street sweepers industry, whose growth is accelerating thanks to the electric and emission-free trends
- International presence in Europe, with over 80% of sales outside Italy, room for further growth into new regions worldwide
- Flexible and customizable vehicles range. Low voltage engines make easier to use different batteries and to deliver custom solutions for multiple uses, also lowering maintenance cost.

## Our estimates

Our market analysis and Tenax performance through the years lead to growth assumptions for 2020-25E. A substantial portion of sales over the years comes consistently from recurring major customers and specialized distributors. The same consistency is visible on the operating costs, together with indicators such as working capital dynamics, cash flow generation and use, operations financing needs.

### Assumptions

<b>Sales</b>	- 2020E: -8% YoY, in line with management estimates; 2021E: +20%; 2022-23E: +30% YoY; 2024E: +20%; 2025E: +15%. CAGR 19-25: 17%, factor in new orders and in line with market trend
<b>Operating charges</b>	- Direct costs stable in the range of 50% of sales, historical level - Services 2021-25E: 20% of sales at historical level - Personnel: +10% in 2021E; +20% YoY in 2022E; +15% YoY in 2023-24E; +7% in 2025E - Other operating costs stable at average 4% of sales
<b>Income taxes</b>	- Corporate tax (IRES): 24% - Regional tax (IRAP): 3.90%
<b>Working Capital</b>	- Trade working capital: - DOI: 168 in 2020E, 160 in 2021E, 150 in 2022E, 140 in 2023-24E, 130 in 2025E - DSO 98 in 2020E, 80 in 2021E, 75 in 2022E, 70 in 2023-25E - DPO 125 in 2020E, 120 in 2021-25E - Other assets (liabilities) consistent with 2019 level
<b>Capex</b>	- Capital expenditure €0.7m in line with historical level - 6% of sales on average for 2020-25E, mainly for Property, plant and equipment and R&D - In 2020 one-off capex for €0.6m IPO costs (tax relief not factored in)
<b>Financial debt</b>	- Repayment of long-term debt according to schedules - Conversion of shareholders' debt into equity
<b>Equity</b>	- Paid-in capital from the IPO €2.3m (€1.6m net of expenses) - No dividend distribution

Source: EnVent Research

## Projections

### Profit and Loss

€m	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E
Sales	4.8	7.9	8.4	7.7	9.3	12.1	15.7	18.8	21.7
Change in inventory	0.9	0.4	0.4	(0.3)	0.5	0.9	1.1	1.2	0.5
Other income	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
<b>Total Revenues</b>	<b>5.8</b>	<b>8.4</b>	<b>8.9</b>	<b>7.6</b>	<b>9.9</b>	<b>13.1</b>	<b>16.9</b>	<b>20.2</b>	<b>22.3</b>
YoY %	-	44.4%	6.4%	-15.0%	31.1%	32.0%	29.0%	19.5%	10.5%
Materials	(3.4)	(4.1)	(4.3)	(3.5)	(4.6)	(6.0)	(8.0)	(9.6)	(11.1)
Services	(1.1)	(1.7)	(1.6)	(1.2)	(1.9)	(2.4)	(3.1)	(3.8)	(4.3)
Personnel	(1.2)	(1.4)	(1.7)	(1.7)	(1.9)	(2.3)	(2.6)	(3.0)	(3.2)
Other operating costs	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)	(0.7)	(0.9)	(1.0)	(0.7)
<b>Operating charges</b>	<b>(5.7)</b>	<b>(7.3)</b>	<b>(7.9)</b>	<b>(6.6)</b>	<b>(8.7)</b>	<b>(11.4)</b>	<b>(14.6)</b>	<b>(17.4)</b>	<b>(19.3)</b>
<b>EBITDA</b>	<b>0.1</b>	<b>1.1</b>	<b>1.0</b>	<b>1.0</b>	<b>1.2</b>	<b>1.7</b>	<b>2.2</b>	<b>2.7</b>	<b>3.0</b>
Margin	1.2%	12.8%	11.6%	12.7%	12.4%	12.8%	13.2%	13.5%	13.5%
D&A	(0.2)	(0.5)	(0.6)	(0.6)	(0.7)	(0.6)	(0.5)	(0.6)	(0.7)
<b>EBIT</b>	<b>(0.1)</b>	<b>0.6</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>1.1</b>	<b>1.7</b>	<b>2.2</b>	<b>2.3</b>
Margin	-2.5%	7.3%	4.4%	5.0%	5.4%	8.3%	10.3%	10.7%	10.4%
Interest	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
<b>EBT</b>	<b>(0.2)</b>	<b>0.4</b>	<b>0.2</b>	<b>0.2</b>	<b>0.4</b>	<b>0.9</b>	<b>1.6</b>	<b>2.0</b>	<b>2.2</b>
Margin	-3.9%	5.4%	2.8%	3.0%	3.8%	7.1%	9.4%	10.0%	9.7%
Income taxes	0.0	(0.0)	(0.1)	(0.1)	(0.1)	(0.3)	(0.4)	(0.6)	(0.6)
<b>Net Income (Loss)</b>	<b>(0.2)</b>	<b>0.4</b>	<b>0.1</b>	<b>0.2</b>	<b>0.3</b>	<b>0.7</b>	<b>1.1</b>	<b>1.4</b>	<b>1.5</b>
Margin	-3.9%	4.8%	1.4%	2.1%	2.7%	5.1%	6.8%	7.2%	6.9%

Source: Company data 2017-19; EnVent Research 2020-25E

### Balance Sheet

€m	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E
Inventory	2.5	3.1	3.9	3.6	4.1	5.0	6.0	7.2	7.7
Trade receivables	1.1	3.0	2.7	2.5	2.5	3.0	3.7	4.4	5.1
Trade payables	(2.8)	(2.3)	(2.6)	(2.0)	(2.7)	(3.7)	(4.8)	(5.8)	(6.4)
Trade Working Capital	0.9	3.8	4.0	4.1	3.8	4.3	4.9	5.9	6.4
Other assets (liabilities)	0.4	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)	(0.5)
<b>Net Working Capital</b>	<b>1.3</b>	<b>3.6</b>	<b>3.8</b>	<b>3.9</b>	<b>3.6</b>	<b>4.1</b>	<b>4.5</b>	<b>5.4</b>	<b>5.9</b>
Intangible assets	1.2	0.9	1.5	1.5	1.2	1.0	1.0	0.9	0.9
Property, plant and equipment	0.4	0.3	0.5	1.1	1.4	1.6	1.7	1.7	1.7
<b>Non-current assets</b>	<b>1.6</b>	<b>1.3</b>	<b>2.0</b>	<b>2.6</b>	<b>2.5</b>	<b>2.5</b>	<b>2.7</b>	<b>2.7</b>	<b>2.6</b>
<b>Provisions</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>(0.4)</b>	<b>(0.4)</b>	<b>(0.4)</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(0.6)</b>
<b>Net Invested Capital</b>	<b>2.8</b>	<b>4.8</b>	<b>5.4</b>	<b>6.2</b>	<b>5.8</b>	<b>6.2</b>	<b>6.7</b>	<b>7.6</b>	<b>7.9</b>
<b>Net Debt (Cash)</b>	<b>1.7</b>	<b>3.3</b>	<b>3.8</b>	<b>1.5</b>	<b>0.9</b>	<b>0.7</b>	<b>0.1</b>	<b>(0.3)</b>	<b>(1.5)</b>
<b>Equity</b>	<b>1.1</b>	<b>1.5</b>	<b>1.7</b>	<b>4.7</b>	<b>4.9</b>	<b>5.5</b>	<b>6.6</b>	<b>7.9</b>	<b>9.4</b>
<b>Sources</b>	<b>2.8</b>	<b>4.8</b>	<b>5.4</b>	<b>6.2</b>	<b>5.8</b>	<b>6.2</b>	<b>6.7</b>	<b>7.6</b>	<b>7.9</b>

Source: Company data 2017-19; EnVent Research 2020-25E

Net income margin  
more than doubled in  
2020-25

### Normalized cash flow of over €1m

Cash Flow								
€m	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E
<b>EBIT</b>	<b>0.6</b>	<b>0.4</b>	<b>0.3</b>	<b>0.4</b>	<b>1.0</b>	<b>1.6</b>	<b>2.1</b>	<b>2.2</b>
Current taxes	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	(0.4)	(0.5)	(0.6)
D&A	0.5	0.6	0.6	0.8	0.7	0.6	0.7	0.8
Provisions	0.0	0.3	0.0	0.0	0.0	0.0	0.1	0.0
<b>Cash flow from P&amp;L operations</b>	<b>1.1</b>	<b>1.2</b>	<b>0.9</b>	<b>1.2</b>	<b>1.5</b>	<b>1.9</b>	<b>2.2</b>	<b>2.5</b>
Trade Working Capital	(2.9)	(0.2)	(0.1)	0.2	(0.5)	(0.5)	(1.0)	(0.5)
Other assets and liabilities	0.5	0.0	(0.0)	0.0	0.1	0.1	0.1	0.0
Capex	(0.2)	(1.1)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Capex - IPO cost	0.0	0.0	(0.6)	0.0	0.0	0.0	0.0	0.0
<b>Operating cash flow after working capital and capex</b>	<b>(1.4)</b>	<b>(0.1)</b>	<b>(0.5)</b>	<b>0.7</b>	<b>0.4</b>	<b>0.7</b>	<b>0.6</b>	<b>1.3</b>
Interest	(0.2)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Goodwill allocation	0.0	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0
Conversion of shareholders' debt into equity	0.0	0.0	2.9	0.0	0.0	0.0	0.0	0.0
<b>Net cash flow</b>	<b>(1.6)</b>	<b>(0.5)</b>	<b>2.3</b>	<b>0.6</b>	<b>0.2</b>	<b>0.5</b>	<b>0.5</b>	<b>1.1</b>
Net Debt (Beginning)	(1.7)	(3.3)	(3.8)	(1.5)	(0.9)	(0.7)	(0.1)	0.3
Net Debt (End)	(3.3)	(3.8)	(1.5)	(0.9)	(0.7)	(0.1)	0.3	1.5
<b>Change in Net Debt (Cash)</b>	<b>(1.6)</b>	<b>(0.5)</b>	<b>2.3</b>	<b>0.6</b>	<b>0.2</b>	<b>0.5</b>	<b>0.5</b>	<b>1.1</b>

Source: Company data 2018-19; EnVent Research 2020-25E

### Consistency of ratios

Ratio analysis									
KPIs	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E
ROE	-20%	26%	8%	3%	4%	11%	16%	17%	16%
ROS (EBIT/Sales)	-3%	8%	5%	4%	5%	8%	10%	11%	10%
ROIC (NOPAT/Invested Capital)	n.a.	9%	5%	4%	5%	11%	18%	20%	20%
DOI	191	143	168	168	160	150	140	140	130
DSO	70	114	98	98	80	75	70	70	70
DPO	182	120	127	125	120	120	120	120	120
TWC/Sales	18%	48%	48%	52%	41%	36%	31%	31%	29%
Net Debt / EBITDA	24.1x	3.1x	3.7x	1.5x	0.7x	0.4x	0.1x	-0.1x	-0.5x
Net Debt / Equity	1.5x	2.1x	2.3x	0.3x	0.2x	0.1x	0.0x	0.0x	-0.2x
Net Debt / (Net Debt+Equity)	0.6x	0.7x	0.7x	0.2x	0.2x	0.1x	0.0x	0.0x	-0.2x
Cash flow from P&L operations / EBITDA	n.a.	99%	114%	94%	95%	89%	83%	82%	82%
FCF / EBITDA	n.a.	-135%	-12%	-50%	60%	22%	31%	23%	43%
Per-capita revenues (€k)	231	283	262	231	252	273	309	322	346
Per-capita cost (€k)	55	52	54	52	52	52	52	52	52
Earnings per Share (€)	n.a.	n.a.	n.a.	0.04	0.06	0.19	0.34	0.43	0.47

Source: Company data 2017-19; EnVent Research 2020-25E

## 8. VALUATION

### An outsider whose competitive advantages are paying back

#### Value drivers

##### High industry growth rates

- Our market, industry and competition analysis suggests a growth expectation for sweepers within the 6-8% range and that end-markets are inherently not cyclical, being based on necessary substitution of permanently operating fleets which are geographically growing. According to FACT.MR, the electric street sweepers market is expected to grow at a triple rate, CAGR 19-27 of 16.4%.
- The recent historical performance of Tenax, which shows steady growth in revenues and a market-like profitability level, is consistent with the healthy average of industry market multiples. However, the presence of several competitors could represent a challenge by investing into electric models and intensifying competition. The current Tenax positioning requires recurring investments to maintain such competitive offer.
- Revenue visibility from specialized distributors

#### Use of market data

##### Industry benchmarks

Some cleaning vehicles manufacturers are diversified corporations with multi-division business rather than independent companies. To deliver a more complete screening analysis we included listed US producers of road cleaning vehicles and professional cleaning products, whose multiples show consistency with those of listed competitors. The largest companies have a diversified product portfolio strong international presence and growth strategy pursued mainly by acquisitions. They show a consistent operating profitability.

### Valuation

#### Discounted Cash Flows

Main metrics and assumptions:

- Risk free rate: 1.6% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, February 2021)
- Market return: 12.8% (3Y average. Source: Bloomberg, February 2021)
- Market risk premium: 11.2%
- Beta: 1 (in line with core business peers. Source: Bloomberg, February 2021)
- Cost of equity: 12.8%
- Cost of debt: 3.5%
- Tax rate: 24% IRES
- 40% debt/(debt + equity) as target capital structure
- WACC calculated at 8.8%, according to above data
- Perpetual growth rate after explicit projections: 2.5% based on industry long-term trend
- Terminal Value assumes an EBITDA margin of 11%



### DCF Valuation

€m	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	Perpetuity
<b>Revenues</b>	<b>8.4</b>	<b>8.9</b>	<b>7.6</b>	<b>9.9</b>	<b>13.1</b>	<b>16.9</b>	<b>20.2</b>	<b>22.3</b>	<b>22.8</b>
<b>EBITDA</b>	<b>1.1</b>	<b>1.0</b>	<b>1.0</b>	<b>1.2</b>	<b>1.7</b>	<b>2.2</b>	<b>2.7</b>	<b>3.0</b>	<b>2.5</b>
<i>Margin</i>	12.8%	11.6%	12.7%	12.4%	12.8%	13.2%	13.5%	13.5%	11.0%
<b>EBIT</b>	<b>0.6</b>	<b>0.4</b>	<b>0.3</b>	<b>0.4</b>	<b>1.0</b>	<b>1.6</b>	<b>2.1</b>	<b>2.2</b>	<b>2.0</b>
<i>Margin</i>	7.3%	4.4%	4.3%	4.3%	7.5%	9.7%	10.2%	9.9%	8.8%
Taxes	(0.2)	(0.1)	(0.1)	(0.1)	(0.3)	(0.5)	(0.6)	(0.6)	(0.6)
<b>NOPAT</b>	<b>0.4</b>	<b>0.3</b>	<b>0.2</b>	<b>0.3</b>	<b>0.7</b>	<b>1.2</b>	<b>1.5</b>	<b>1.6</b>	<b>1.4</b>
D&A	0.5	0.6	0.6	0.8	0.7	0.6	0.7	0.8	0.5
Provisions	0.0	0.3	0.0	0.0	0.0	0.0	0.1	0.0	0.0
<b>Cash flow from operations</b>	<b>0.9</b>	<b>1.2</b>	<b>0.9</b>	<b>1.1</b>	<b>1.5</b>	<b>1.8</b>	<b>2.2</b>	<b>2.4</b>	<b>2.0</b>
Trade Working Capital	(2.9)	(0.2)	(0.1)	0.2	(0.5)	(0.5)	(1.0)	(0.5)	(0.3)
Other assets and liabilities	0.5	0.0	(0.0)	0.0	0.1	0.1	0.1	0.0	0.0
Capex	(0.2)	(1.1)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.5)
Capex - IPO costs	0.0	0.0	(0.6)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Unlevered free cash flow</b>	<b>(1.6)</b>	<b>(0.1)</b>	<b>(0.5)</b>	<b>0.7</b>	<b>0.3</b>	<b>0.7</b>	<b>0.6</b>	<b>1.3</b>	<b>1.1</b>
WACC	8.8%								
Long-term growth (G)	2.5%								
<b>Discounted Cash Flows</b>			(0.5)	0.6	0.3	0.5	0.4	0.8	
Sum of Discounted Cash Flows H2 2020 adjustment	2.4								
<b>Terminal Value</b>									<b>18.6</b>
Discounted TV	12.2								
<b>Enterprise Value</b>	<b>14.7</b>								
Net Debt as of 30/06/20	(4.0)								
Net IPO proceeds	1.6								
<b>Equity Value</b>	<b>12.5</b>								

<b>DCF - Implied multiples</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
EV/Revenues	1.8x	1.6x	1.9x	1.5x	1.1x
EV/EBITDA	13.7x	14.3x	15.3x	11.9x	8.8x
EV/EBIT	24.2x	37.5x	45.5x	34.2x	15.0x
P/E	31.0x	100.7x	103.6x	65.4x	21.3x

<b>Current market price - Implied multiples</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
EV/Revenues	1.1x	1.1x	1.3x	1.0x	0.7x
EV/EBITDA	8.9x	9.2x	9.9x	7.7x	5.6x
EV/EBIT	15.6x	24.2x	29.4x	22.0x	9.7x
P/E	23.5x	76.1x	78.4x	49.5x	16.1x
<b>Premium/Discount</b>	<b>-35.5%</b>				

Source: EnVent Research

### Valuation based on market multiples

Market multiple metrics are applied to a short-term projection period, using data which derive from 2Y analyst consensus. In Tenax case we note that:

- The peer group includes diversified companies with discrepancies on size, market capitalization and degrees of specialization, but with sound profitability in the range 10-15%. Despite that, metrics range for 2020E is quite narrow with EV/Revenues of 1.0-2.0x, highly concentrated on the 1.5x, and EBITDA margin in the range of 10-15% with concentration on the bottom side.
- Some of the peers analyzed show higher multiples, typical of multi-division-business corporations. Companies with core business similar to Tenax are placed in the middle of the profitability range. As such, we deem the so-calculated market multiples a suitable method to provide a value indication for Tenax. Major reasons are the sector-like operational practices and business model, cost control, continuity of relationships with municipalities, operating profitability and the international presence and

perspective.

- Our analysis on street sweepers industry metrics shows consistency, indicating that industry data represent a reliable base to identify correlations within the industry. Fundamentals show cyclical historical growth rates and operating profits in the wider region of 8-15% EBITDA margin for most companies.

Among other measures and multiples, discounted cash flows, EV/Revenues and EV/EBITDA have the advantage of being less influenced by investment or accounting policies and cycles, sector profitability standards or temporarily abnormal profitability levels.

Industry investments are mainly in acquisitions, PPE and products development. This makes EBITDA margins quite well comparable across companies. As such, we look at EV/Revenues and EV/EBITDA as more reliable indicators of the value of embedded know.

### Application of market multiples

€m						
Tenax		Multiple	EV	Net Debt H2 adjustment	IPO proceeds	Equity Value
2020E Sales	7.7	1.6x	12.8	(4.3)	1.6	10.1
2021E Sales	9.3	1.5x	14.2	(4.3)	1.6	11.5
<b>Mean</b>						<b>10.8</b>
2020E EBITDA	1.0	13.2x	12.7	(4.3)	1.6	10.0
2021E EBITDA	1.2	12.1x	14.9	(4.3)	1.6	12.3
<b>Mean</b>						<b>11.1</b>

Source: EnVent Research and S&P Capital IQ

Note: Multiples are calculated as median value of market metrics

### Rationale of valuation metrics

The valuation through DCF and multiples serves a multipurpose signaling presumption:

- The DCF represents the present standpoint in the value building path. EV/Revenues values are deemed to express the value embedded in the present and mid-term perspective of operational profitability and has the advantage of not being influenced by investment or accounting policies and cycles, sector profitability standards or temporarily abnormal profitability levels
- We deem peripheral the EV/EBITDA multiple, likely to be influenced by the global automotive transition to zero/low emission vehicles

## Valuation summary and Target price

We deem appropriate to rely more on the DCF model than on market multiples because of Tenax early-stage investment cycle and expectation of continuing its growth path, while most peers, equipped with a traditional technology, may have a less appealing outlook.

The DCF model applied to our estimates indicates a Target Price per share of €3.97, with a potential upside of 32% on the current share price. We initiate the coverage of Tenax International with an OUTPERFORM rating.

Please refer to important disclosures at the end of this report.

	€
<b>Target Price</b>	3.97
Current Share Price (01/02/2021)	3.00
<b>Premium (Discount)</b>	<b>32%</b>

## Annex

### Peer Group - Market Multiples

Company	EV/REVENUES				EV/EBITDA				EV/EBIT				P/E			
	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E
<b>Tenax International</b>	n.a.	1.3x	1.0x	0.8x	n.a.	10.5x	8.2x	6.0x	n.a.	26.9x	18.9x	9.3x	n.a.	63.6x	37.8x	15.2x
<b>Bucher Industries</b>	1.1x	1.6x	1.4x	1.4x	9.1x	15.2x	12.3x	11.1x	11.9x	21.6x	16.7x	14.8x	15.5x	29.1x	21.3x	19.1x
<b>Nilfisk</b>	1.0x	1.1x	1.0x	1.0x	13.6x	9.3x	8.1x	7.4x	18.1x	29.4x	20.0x	16.7x	60.8x	n.a.	19.0x	15.0x
<b>Tennant</b>	1.5x	1.5x	1.4x	1.3x	12.5x	12.4x	11.3x	10.3x	20.6x	21.6x	19.1x	15.9x	31.1x	23.3x	19.8x	n.a.
<b>Federal Signal Corp.</b>	1.8x	2.0x	1.8x	1.7x	11.4x	12.1x	10.9x	10.1x	14.6x	16.6x	14.2x	13.1x	18.0x	19.9x	17.8x	16.2x
<b>Alamo Group</b>	1.7x	1.7x	1.6x	1.5x	14.6x	13.3x	11.4x	10.5x	19.0x	19.3x	15.5x	13.7x	23.6x	24.3x	19.0x	17.0x
<b>Mean</b>	1.4x	1.6x	1.4x	1.4x	12.3x	12.5x	10.8x	9.9x	16.8x	21.7x	17.1x	14.9x	29.8x	24.1x	19.4x	16.8x
<b>Median</b>	1.5x	1.6x	1.4x	1.4x	12.5x	12.4x	11.3x	10.3x	18.1x	21.6x	16.7x	14.8x	23.6x	23.8x	19.0x	16.6x

Source: EnVent Research and S&P Capital IQ, February 2021

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### Tenax International

Date	Recommendation	Target Price (€)	Share Price (€)
01/02/2021	OUTPERFORM	3.97	3.00

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