

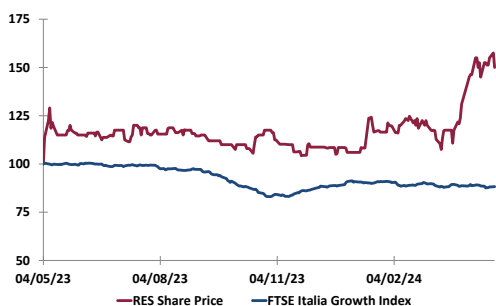


OUTPERFORM

Current Share Price (€): 6.00

Target Price (€): 8.00

RES - Performance since IPO



Source: S&P Capital IQ - Note: 04/05/2023 (IPO offer price)=100

Company data

ISIN number	IT0005543613
Bloomberg code	RES IM
Reuters code	RES.MI
Industry	Environment
Stock market	Euronext Growth Milan
Share Price (€)	6.00
Date of Price	23/04/2024
Shares Outstanding (m)	10.7
Market Cap (€m)	64.2
Market Float (%)	25.2%
Daily Volume	860
Avg Daily Volume since IPO	2,456
Target Price (€)	8.00
Upside (%)	33%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	6M	IPO
RES - Absolute (%)	28%	29%	28%	50%
FTSE Italia Growth Index (%)	-1%	-3%	6%	-12%
IPO Range H/L (€)			6.30	4.00
IPO Change (€) / %			2.00	50%

Source: S&P Capital IQ

Note: Shares Outstanding net of price adjustment shares (PAS)

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Chemical recycling frontrunner in view of exceptional market size

Trading update: +50% since IPO

Since the IPO in May 2023, RES share price has surged by 50%, outperforming the Italia Growth Index, which declined by 12%. During this period, RES reached a peak of €6.30 and consistently traded above its IPO offer price of €4.00.

FY23 revenues up 15% YoY, EBITDA margin 24.5%

Revenues were €20.7m, +15% vs FY22 pro-forma. EBITDA adjusted was €5.1m vs €3.3m in FY22 pro-forma, with margin over 24%. Net income was €2.0m vs €1.4m in FY22 pro-forma. Net debt was €1.6m, vs 2.9 FY22 pro-forma.

Guidelines: targets for 2026, management confident in €11m EBITDA in 2024

Q1-24 consonant with FY management goal of revenues at €28m and €11m EBITDA. RES provided guidance for 2026: revenues €37-40m, factored in our estimates, and EBITDA margin in the region of 40%.

Plastic hub update: new selection plant active, washing plant ready by Q2

Operations start in January for selection plant, in Q2 for the washing and granulation. Also in Q2 selection of tech partner and preliminary work for the pyrolysis plant, co-financed by M2C1 PNRR plan with commitment to begin operations in 2026.

Industry trend: uncontrollable plastics, uncontrollable waste, huge investments in chemical recycling within 2030.

Plastics doubling globally by 2040 and booming demand for recycled materials call for giant investments in plastic waste treatment, forecasted at over \$40 billion by 2030 for chemical recycling only. The urge for recovery of the increasing global circularity gap requires an accelerated quantum leap in waste management industry investment, payback and value. We deem RES value increasingly consisting in its integrated infrastructures set-up to organize circularity projects, in a framework of unlimited demand of recycling innovation and supply.

Target Price €8.00 per share, from €5.60, and OUTPERFORM rating confirmed

We factored in 2023 actual figures and updated our estimates with more conservative 2024-26 targets. Our view of RES value mid-time perspective is going to be also based on its intangible and tangible assets as know-how, R&D, diversified and integrated facilities, with decreasing volatility of income/cash flow fluctuations and a low risk profile. The updated valuation confirms our OUTPERFORM rating with target price at €8.00 per share, 33% upside on current share price, implying 2024E 10.2x EV/EBIT, whereas RES is currently trading at 8.0x compared to 11.9x of peers.

KEY FINANCIALS AND ESTIMATES - €m

	2021PF	2022PF	2023A	2024E	2025E	2026E	2027E
Revenues	16.1	17.9	20.7	29.6	32.3	40.5	47.8
YoY %	-	11.1%	15.4%	43.2%	9.1%	25.6%	17.8%
EBITDA	3.1	2.9	4.4	11.1	12.3	15.7	18.7
Margin	19.5%	16.0%	21.1%	37.5%	38.2%	38.7%	39.1%
EBIT	2.2	1.7	3.1	8.3	8.7	11.9	14.7
Net Income	1.5	1.4	2.0	5.7	6.0	8.3	10.3
Net (Debt) Cash	(2.5)	(2.9)	(1.6)	(1.1)	1.6	10.7	21.0

KEY RATIOS

ROE	72%	82%	25%	34%	27%	28%	26%
ROS (EBIT/Revenues)	14%	10%	15%	28%	27%	29%	31%
ROIC (NOPAT/Invested Capital)	42%	31%	14%	29%	27%	37%	46%

Source: Company data 2022PF-23, EnVent Research 2024-27E

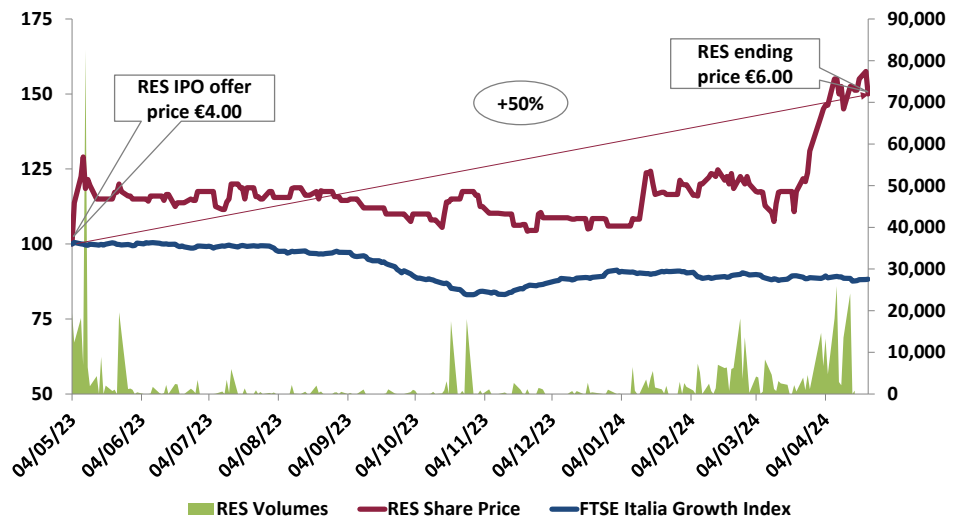
Notes: 2021-22PF showing effect of Collection BU spin-off since year begin; 2022PF also assumes the consolidation of some subsidiaries since beginning of the year

Market update

Trading price range
€4.00-6.30 per share

+50% for RES,
overperforming the
Italia Growth Index

RES - Share price performance and trading volumes since IPO



Source: EnVent Research on S&P Capital IQ – Note: 04/05/2023 (IPO offer price)=100

Investment case

RES - Recupero Etico Sostenibile, listed on Euronext Growth Milan, is a provider of comprehensive waste management environmental services, operating in the special non-hazardous and municipal waste segments, from separation and treatment to recycling, including landfilling. Waste comes mainly from the Italian regions Molise and Abruzzo. RES owns and operates two facility hubs, where waste materials are processed and then transferred to other operators specialized in different treatments or to the proprietary landfill.

Main operations/services:

- Separation
- Treatment
- Recycling
- Composting
- Landfilling
- Energy production

Mission

Full-cycle waste management operator recovering valuable resources and transforming waste in new eco-friendly products.

Opportunity

Italian waste infrastructure coverage is uneven, causing inefficient management of waste generated in the country. Several territories need to transfer waste. New sites and higher capacity are urgent to fill the gap.

Value proposition

Contribute to circular economy goals investing in R&D and avant-garde technologies for the benefit of communities, stakeholders, and shareholders.

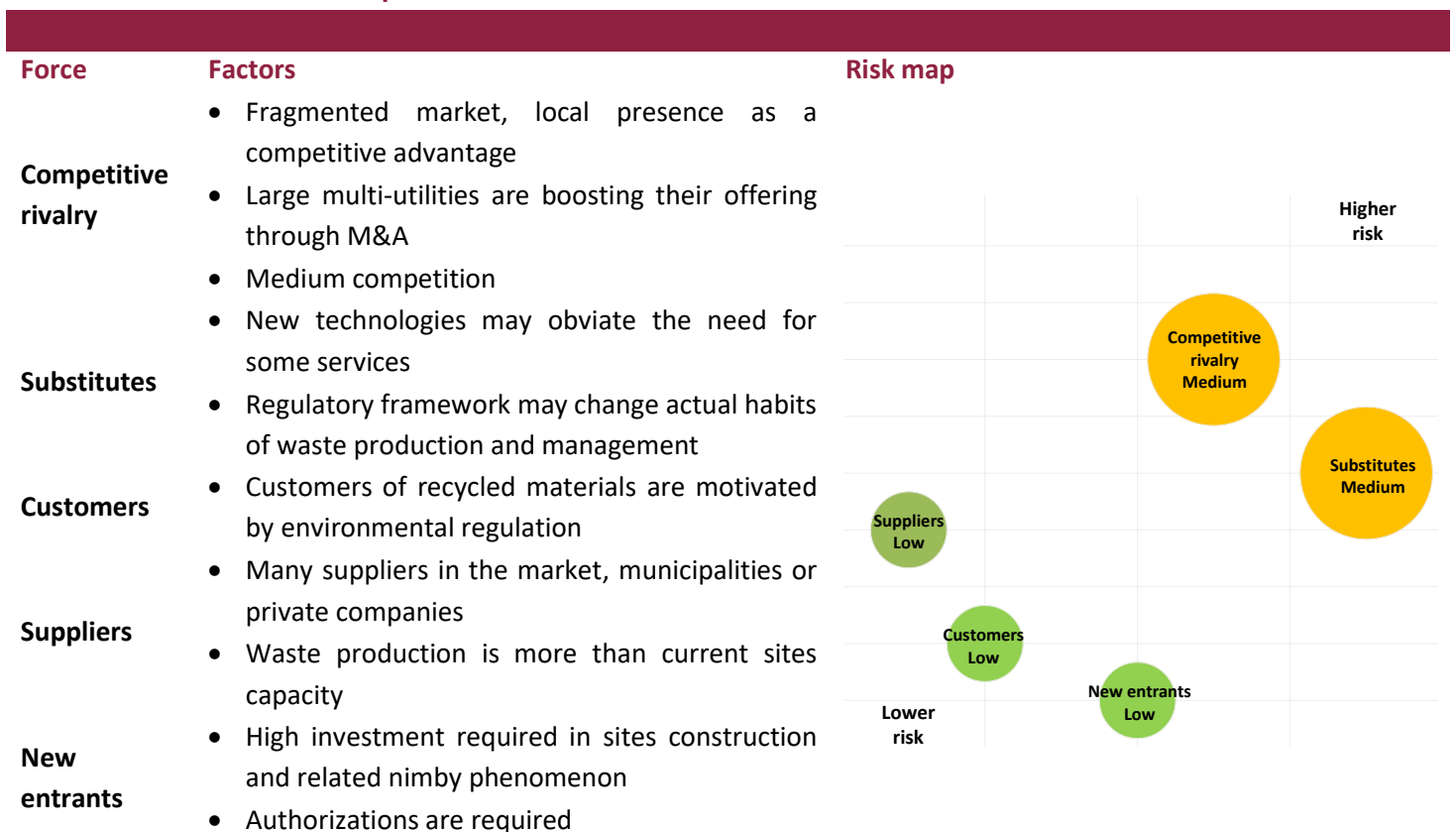
Industry and Company drivers

- Italian waste management industry currently suffering from undercapacity.
- Facilities gap in southern Italy
- Waste materials trade constraints
- High barriers to entry
- Plants and sites capacity optimization
- Full coverage of the waste handling and treatment stages as competitive advantage
- Expected revenue and cost high visibility
- Continuity ensured by regulation
- Pyrolysis plant looking at substantial unsatisfied market demand
- Huge international industry investments in circular plastic value chain within 2030

Challenges

- Highly regulated industry
- Capital-intensive industry
- Permanent industry transformations in the medium/long run
- Bounds to organic growth, need for innovation and diversification
- Pyrolysis site authorization and timing

Risk profile



Source: EnVent Research

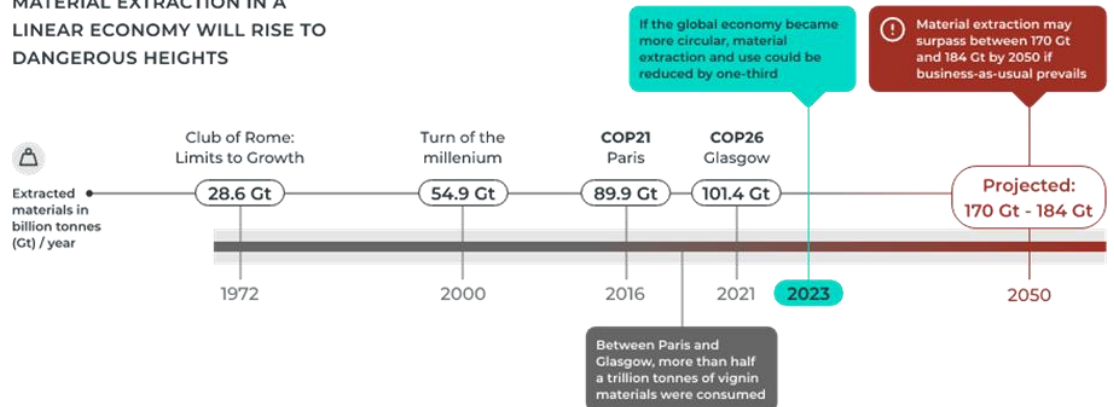
Industry outlook

Increasing Global Economy Circularity Gap calls for action

According to 2023 Circularity Gap Report, global economy circularity has been declining from 9% in 2018 to the present 7%, because recycling progress has been slower than the growth trend of materials extracted and used, estimated at 100bn tons, nearly doubling the year 2000 figure.

Material extraction timeline

MATERIAL EXTRACTION IN A LINEAR ECONOMY WILL RISE TO DANGEROUS HEIGHTS



Source: CGRI, Circularity gap report 2023

Mobility, housing, nutrition and land use are the major producers of global emissions (70%), while communications and other services account for the rest. Cities are responsible for 60% of resource consumption, 70% of global waste and 70% of global emissions. In this framework, nations, business and local authorities are called to action, as the key game players which must provide enabling conditions.

Italy among negative balances

The Global Circularity Gap reports global countries classification criteria (GCG website): Italy, like all EU countries, is defined as a “Shift” country, those with a negative balance, they consume 30% of resources and generate over 40% of emissions. Reversing this trend is a priority for all affluent economies over-consuming planet’s resources.

Increasing plastic demand

The demand for circular polymers is rapidly increasing. According to McKinsey, more than 80 global consumer packaged goods, packaging, and retail companies have committed to reach recycled content in their packaging between 15-50% by 2025, but current facilities revamping plans are not on pace with demand growth. Advanced technologies are directed to the expansion of types of recyclable plastics and to the development of tailored materials for high-value applications. These solutions will pave the path for a substantial reduction in landfilling and incineration activities and production of high-quality reusable recycled products.

Many companies are developing advanced technologies, but projects are in early stage with advanced-recycled plastics production lower than 20kton per year. As companies adopt these

technologies, economies of scale are needed to avoid high capital cost per unit (Source: McKinsey, Advanced recycling: Opportunities for growth, 2022).

EU Packaging directive impact on plastic recycling

The overall EU target is to reduce packaging waste at about 15% per capita in each country by 2040, ban single-use packaging and provide a compulsory use of recycled plastic in the production. By 2028 EU countries would be required to adopt a new deposit system for packaging (source: Il Sole 24 Ore, Italy EU Auto, packaging, case green, March 2023). According to Althesys, the concern is that new measures may compromise the actual recycling supply chain because of new equipment needed, hard-to-change consumer habits and the need to define an appropriate compensation for the services (source: Althesys, WAS Report, 2022).

Industry trends: investments and acquisitions

In 2022 waste management companies showed high investments to expand the range of services provided (source: Althesys, WAS Report, 2022). Supply chain coverage consolidation and widening is accomplished also through acquisitions, many companies operating only with municipalities entered in the special waste market. These signals suggest an industry consolidation trend, which we see inherent in the high fragmentation of the industry, in presence of fast technological development and increasing room for growth.

Period facts

- Jun. 2023 - €5m grant by Molise region for the development of a green hydrogen power plant (RES-H2)
- Oct. 2023 - €1.2m grant for the development of a green hydrogen refuelling station
- Nov. 2023 - €8m loan by Banco BPM for the financing of the new plastic hub
- Dec. 2023 - Simplified group structure, Valerio Servizi and Energia Isernia were incorporated by Valerio Energie
- Mar. 2024 - Management proposed dividend of ca. €0.8m

Business update

Financials

In 2023 RES has achieved a 15% YoY revenue growth, mostly driven by increased revenues from waste mechanical treatment and selection sites, respectively +18% and +14%. Composting +7%, landfill in line with 2022, sale of recovered raw materials +5%, sale of energy from gas and PV plant -33% (€0.1m).

Q1 2024 KPIs:

- Revenues €6.5m, vs €4.7m in Q1 2023, +40%
- EBITDA adjusted €2.3, vs €1m in Q1 2023, +120%

Guidelines 2026:
Revenues €37-40m
EBITDA margin ~40%

Management is confident to achieve its 2024 target of €11m EBITDA. Additionally, guidance has been provided for 2026, with revenues ranging between €37-40m and adjusted EBITDA margin well over 2024 performance.

selection site active

Plastic hub

In January 2024 the new plastic selection plant commenced operations with a capacity of 40k-tons-per-year.

washing and granulation plant ready by the end of April

Beginning of Q2: the washing and granulation plant will be ready and operating, with a capacity of 8k-tons-per-year; selection of pyrolysis plant technology partner and start of preliminary works on the site, with commitment to start operations in 2026, as per M2C1|1.2 PNRR investment plan.

Green hydrogen production

RES-H2

Advancement of green hydrogen project, which will be generated by a PV plant located on Pettoranello site rooftop. The plant will be fully operational in 2025 with a capacity of 75ton-per-year of hydrogen.

RES - Energia in Comune

In March 2024 RES announced the start of an initiative for the development of a 1.1 MW PV plant, half of the electricity produced will be dedicated to the sorted waste recovery facility, the other half will be distributed through the establishment of an energy community, involving residential users and public administrations, providing social benefits to the local community.

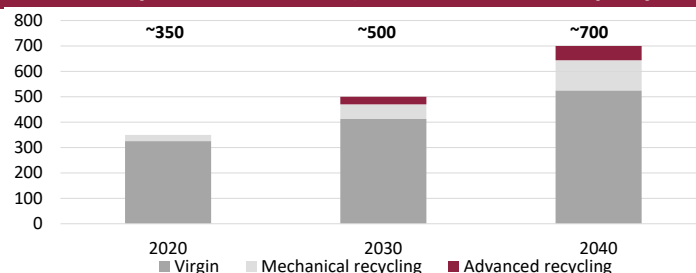
Plastic recycling outlook

Global polymer demand doubling by 2040

The demand for plastics is projected to double by 2040 worldwide, increasing from approximately 350m metric-tons-per-year to about 700m. As the demand for plastics would rise, so too would the volume of plastic waste generated, highlighting the necessity for circular waste management systems. There is a growing demand for both mechanical and chemical recycling of plastics, estimated to weight on 2040 total demand around 13-20% and 6-10%, respectively. Investments exceeding \$40 billion will be required for chemical recycling by 2030, with figures surpassing \$90 billion by 2040.

Source: McKinsey, *Advanced recycling: Opportunities for growth*, 2022

Global polymer demand by source 2020-40 (million metric tons per year)



Source: McKinsey, *Advanced recycling: Opportunities for growth*, 2022

Plastic recycling value chain, according to McKinsey, is deemed to generate up to \$50bn investment, based on rising demand of circular plastic and assuming to achieve 20 to 30 percent of recycled content of plastic packaging by 2030. The estimate includes the entire chain, from collection to both mechanical and advanced recycling technologies, as well as pyrolysis oil and upstream investments (source: McKinsey, *A unique moment in time: Scaling plastics circularity*, 2023).

RES outlook

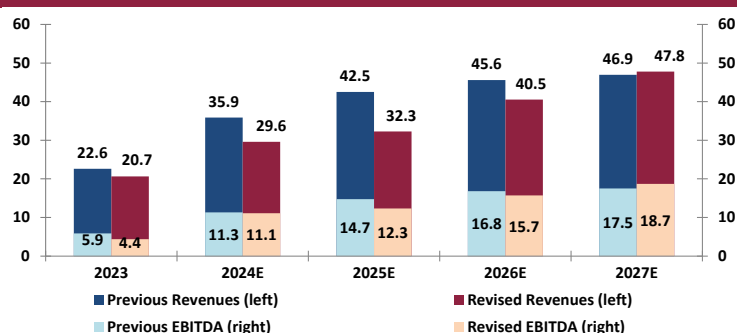
RES future appears to evolve mainly as a critical recycling industry infrastructure developer and owner, enhancing and expanding its profile of waste management and circularity operator. We deem RES value mid-time perspective as based essentially on its intangible and tangible assets as know-how, R&D, diversified and integrated facilities, with decreasing volatility of income/cash flow fluctuations and a low risk profile.

Estimates revision according to guidance

Based on the advancement of investment projects, such as the progressive start of operations of the plastics chemical recycling plant in the mid-term and the washing and granulation plant in the short-term, we reprise our view of sizable growth momentum, regardless of fluctuation of current operations or possible delays during the investment program. We also recall current and expected double digit profitability differently than several industry players engaged in investment programs. Accordingly, we have recognized RES 2023 revenues and management guidance on the following years of the investments plan as suggestions for a conservative phase shifting.

Change in estimates

Previous vs. Revised Revenues and EBITDA estimates (€m)



€m	Revised					Previous					Change %				
	2023	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023	2024E	2025E	2026E	2027E
Revenues	20.7	29.6	32.3	40.5	47.8	22.6	35.9	42.5	45.6	46.9	-9%	-18%	-24%	-11%	2%
EBITDA	4.4	11.1	12.3	15.7	18.7	5.9	11.3	14.7	16.8	17.5	-26%	-2%	-16%	-7%	7%
<i>Margin</i>	21%	38%	38%	39%	39%	26%	32%	35%	37%	37%					
EBIT	3.1	8.3	8.7	11.9	14.7	4.0	8.5	11.1	13.0	13.5	-22%	-3%	-22%	-9%	9%
<i>Margin</i>	15%	28%	27%	29%	31%	18%	24%	26%	28%	29%					
Net Income (Loss)	2.0	5.7	6.0	8.3	10.3	2.6	5.9	7.8	9.1	9.5	-22%	-3%	-22%	-9%	9%
Net (Debt) Cash	(1.6)	(1.1)	1.6	10.7	21.0	3.2	2.6	6.0	17.3	28.6					

Source: EnVent Research

Financial projections

Profit and Loss							
€m	2021PF	2022PF	2023A	2024E	2025E	2026E	2027E
Sales	15.4	17.2	19.2	28.4	31.0	38.4	45.6
<i>Current waste operations</i>	15.1	17.0	19.0	24.2	24.6	24.9	25.0
<i>PV Plants</i>	0.3	0.2	0.1	0.2	0.2	0.2	0.2
<i>Plastic New BU Operations</i>	0.0	0.0	0.0	4.0	6.2	13.3	20.5
Change in inventory	0.1	(0.0)	0.3	0.0	0.0	0.0	0.0
Grants and other income	0.6	0.7	1.2	1.2	1.3	2.2	2.2
Total Revenues	16.1	17.9	20.7	29.6	32.3	40.5	47.8
YoY %	<i>n.a.</i>	11.1%	15.4%	43.2%	9.1%	25.6%	17.8%
Materials	(1.1)	(1.3)	(1.0)	(2.3)	(3.1)	(6.4)	(10.2)
Personnel	(2.0)	(2.1)	(2.1)	(2.8)	(3.0)	(3.5)	(3.7)
Services	(8.0)	(10.6)	(11.8)	(11.7)	(12.1)	(12.9)	(13.2)
Other operating costs	(1.8)	(1.0)	(1.4)	(1.6)	(1.8)	(2.0)	(2.0)
Operating costs	(13.0)	(15.0)	(16.3)	(18.5)	(20.0)	(24.8)	(29.1)
EBITDA	3.1	2.9	4.4	11.1	12.3	15.7	18.7
Margin	19.5%	16.0%	21.1%	37.5%	38.2%	38.7%	39.1%
D&A	(0.9)	(1.1)	(1.3)	(2.8)	(3.6)	(3.8)	(4.0)
EBIT	2.2	1.7	3.1	8.3	8.7	11.9	14.7
Margin	13.9%	9.7%	15.0%	27.9%	27.0%	29.2%	30.7%
Interest and change in fin. assets	(0.2)	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
EBT	2.1	1.7	2.9	7.9	8.4	11.5	14.3
Margin	12.8%	9.3%	13.8%	26.8%	25.9%	28.4%	30.0%
Income taxes	(0.6)	(0.2)	(0.8)	(2.2)	(2.3)	(3.2)	(4.0)
Net Income	1.5	1.4	2.0	5.7	6.0	8.3	10.3
Margin	9.4%	8.0%	9.8%	19.3%	18.7%	20.5%	21.6%

Source: EnVent Research on Company data 2021PF-23 - EnVent Research 2024-27E

Notes: 2022 RES consolidated figures including Collection BU until September; 2021-22PF showing effect of Collection BU spin-off since each year begin

Plastic New BU capex for almost €30m. Provision increase - related to landfill remediation - consistent with operations.

Balance Sheet							
€m	2021PF	2022	2023A	2024E	2025E	2026E	2027E
Inventory	0.5	0.4	0.7	0.7	0.7	0.7	0.7
Trade receivables	5.2	4.8	5.7	8.9	9.7	12.2	14.4
Trade payables	(4.6)	(4.9)	(7.8)	(4.9)	(4.2)	(4.5)	(4.6)
Trade Working Capital	1.1	0.3	(1.4)	4.6	6.2	8.4	10.4
Other assets (liabilities)	1.0	1.8	2.5	(5.6)	(7.5)	(7.5)	(6.5)
Net Working Capital	2.1	2.1	1.0	(1.0)	(1.3)	0.9	3.9
Intangible assets	2.5	2.9	3.7	3.6	3.5	3.5	3.4
Goodwill	1.0	1.0	0.9	0.8	0.7	0.6	0.5
Fixed assets	12.5	13.7	25.3	32.6	36.9	34.7	32.4
Equity investments and financial assets	1.1	0.4	0.4	0.4	0.4	0.4	0.4
Non-current assets	17.1	17.9	30.2	37.4	41.5	39.1	36.6
Provisions	(15.1)	(15.3)	(15.2)	(15.8)	(16.3)	(16.9)	(17.4)
Net Invested Capital	4.1	4.8	16.1	20.6	23.9	23.1	23.1
Net Debt (Cash)	2.5	2.9	1.6	1.1	(1.6)	(10.7)	(21.0)
Equity	1.6	1.9	14.5	19.5	25.5	33.8	44.1
Sources	4.1	4.8	16.1	20.6	23.9	23.1	23.1

Source: EnVent Research on Company data 2021PF-23 - EnVent Research 2024-27E

Notes: 2021PF showing effect of Collection BU spin-off since year begin; 2022 RES consolidated figures

Cash Flow

€m	2021PF	2022	2023A	2024E	2025E	2026E	2027E
EBIT	2.2	1.7	3.1	8.3	8.7	11.9	14.7
Current taxes	(0.6)	(0.2)	(0.8)	(2.2)	(2.3)	(3.2)	(4.0)
D&A	0.9	1.1	1.3	2.8	3.6	3.8	4.0
Provisions	(0.1)	0.2	(0.1)	0.6	0.5	0.6	0.5
Cash flow from operations	2.4	2.8	3.4	9.5	10.5	13.1	15.2
Trade Working Capital	1.1	0.7	1.8	(6.1)	(1.6)	(2.2)	(2.1)
Capex	(2.2)	(2.7)	(13.6)	(10.0)	(7.7)	(1.5)	(1.5)
Other assets and liabilities	(0.2)	(0.8)	(0.7)	8.1	1.8	0.0	(1.0)
Free cash flow	1.1	0.1	(9.1)	1.5	3.1	9.4	10.7
Interest	(0.2)	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Equity investments and financial assets	1.8	0.7	0.0	0.0	0.0	0.0	0.0
IPO Proceeds	0.0	0.0	10.7	0.0	0.0	0.0	0.0
Dividends and other equity changes	(2.3)	(1.1)	(0.1)	(0.8)	0.0	0.0	0.0
Net cash flow	0.4	(0.4)	1.3	0.4	2.8	9.1	10.3
Net (Debt) Cash - Beginning	(2.8)	(2.5)	(2.9)	(1.6)	(1.1)	1.6	10.7
Net (Debt) Cash - End	(2.5)	(2.9)	(1.6)	(1.1)	1.6	10.7	21.0
Change in Net (Debt) Cash	0.4	(0.4)	1.3	0.4	2.8	9.1	10.3

Source: EnVent Research on Company data 2021PF-23 - EnVent Research 2024-27E

Notes: 2021PF showing effect of Collection BU spin-off since year begin; 2022 RES consolidated figures

Ratio analysis

KPIs	2021PF	2022PF	2023A	2024E	2025E	2026E	2027E
ROE	72%	82%	25%	34%	27%	28%	26%
ROS (EBIT/Revenues)	14%	10%	15%	28%	27%	29%	31%
DSO	100	90	90	90	90	90	90
DPO	140	149	130	110	90	90	90
DOI	11	10	10	10	10	10	10
TWC/Revenues	7%	2%	-7%	16%	19%	21%	22%
NWC/Revenues	13%	12%	5%	-3%	-4%	2%	8%
Net Debt/EBITDA	0.8x	1.0x	0.4x	0.1x	net cash	net cash	net cash
Net Debt/Equity	1.6x	1.5x	0.1x	0.1x	net cash	net cash	net cash
Net Debt/(Net Debt+Equity)	0.6x	0.6x	0.1x	0.1x	net cash	net cash	net cash
Cash flow from operations/EBITDA	78%	98%	79%	86%	85%	83%	81%
FCF/EBITDA	36%	2%	-208%	14%	25%	60%	57%

Source: EnVent Research on Company data 2021PF-23 - EnVent Research 2024-27E

Notes: 2021-22PF showing effect of Collection BU spin-off since each year begin

Valuation

Valuation rationale

We appreciate RES forward-looking commitment to invest in chemical plastic recycling and other advanced infrastructures like the green hydrogen plant, which are expected to further improve size and profitability of the operations. We note that RES value would increasingly consist in its infrastructures, based on market and industry trends:

- Huge global market demand expected for recycled plastics and especially by chemical recycling
- Acceleration of massive investments in research, machinery and facilities worldwide for recycling of the diverse types of plastic and production of secondary raw materials
- RES a pioneer in Italy and one of a few in Europe with an authorized chemical recycling plant for plastics with production of pyrolysis oil, whose market demand is largely unsatisfied
- Our market analysis shows mostly chemical recycling companies engaged in an early investment cycle, those listed exhibiting large multiples on revenues while far from breakeven
- RES investment plan financing by light debt structure, sustainable through high operating income, with a short-mid term perspective of a nearly debt free company
- Several financial market indicators of substantial upside over values based on fundamentals

The valuation of RES has been performed through:

- Discounted Cash Flows applied to our 2024-27E financial projections
- Market multiples

Discounted Cash Flows

Main metrics and assumptions:

- Risk free rate: 3.3% (Italian 10-year government bonds interest rate – last 30 days average. Source: Bloomberg, April 2024)
- Market return: 11.9% (last 30 days average. Source: Bloomberg, April 2024)
- Market risk premium: 8.6%
- Beta: 0.8 (on the back of peer market data)
- Cost of equity: 10.2%
- Cost of debt: 5.0%
- Tax rate: 24% IRES
- 35% debt/(debt + equity) as target capital structure
- WACC calculated at 7.9%, according to above data
- Perpetual growth rate after explicit projections (G): 3.0%
- Terminal Value assumes a 20% EBITDA margin and a 6% Capex/Revenues
- Surplus liability for landfill site remediation: 2022 provision cash-out in 30 years after landfill site reaching full capacity.

DCF Valuation

€m	2021PF	2022PF	2023A	2024E	2025E	2026E	2027E	Perpetuity
Revenues	16.1	17.9	20.7	29.6	32.3	40.5	47.8	49.2
EBITDA	3.1	2.9	4.4	11.1	12.3	15.7	18.7	9.8
Margin	19.5%	16.0%	21.1%	37.5%	38.2%	38.7%	39.1%	20.0%
EBIT	2.2	1.7	3.1	8.3	8.7	11.9	14.7	6.9
Margin	13.9%	9.7%	15.0%	27.9%	27.0%	29.2%	30.7%	14.0%
Taxes	(0.6)	(0.5)	(0.9)	(2.3)	(2.4)	(3.3)	(4.1)	(1.9)
NOPAT	1.6	1.3	2.2	6.0	6.3	8.5	10.6	5.0
D&A		1.1	1.3	2.8	3.6	3.8	4.0	3.0
Provisions		0.2	(0.1)	0.6	0.5	0.6	0.5	0.0
Cash flow from operations		2.6	3.4	9.4	10.4	13.0	15.1	7.9
Trade Working Capital		0.7	1.8	(6.1)	(1.6)	(2.2)	(2.1)	(0.5)
Capex		(2.7)	(13.6)	(10.0)	(7.7)	(1.5)	(1.5)	(3.0)
Other assets and liabilities		(0.8)	(0.7)	8.1	1.8	0.0	(1.0)	0.0
Unlevered free cash flow		(0.2)	(9.1)	1.4	3.0	9.3	10.6	4.5
WACC	7.9%							
Long-term growth (G)	3.0%							
Discounted Cash Flows				1.3	2.6	7.4	7.8	
Sum of Discounted Cash Flows	19.1							
Terminal Value								90.8
Discounted TV	66.9							
Enterprise Value	86.0							
Net Debt as of 31/12/23	(1.6)							
IPO Proceeds	0.0							
NPV of landfill site remediation cost	(3.0)							
Equity Value	81.5							
Equity Value per Share (€)	7.6							

DCF - Implied multiples	2021PF	2022PF	2023A	2024E	2025E	2026E	2027E
EV/Revenues	5.3x	4.8x	4.2x	2.9x	2.7x	2.1x	1.8x
EV/EBITDA	27.4x	30.1x	19.7x	7.7x	7.0x	5.5x	4.6x
EV/EBIT	38.3x	49.5x	27.7x	10.4x	9.9x	7.3x	5.9x
P/E	53.8x	56.6x	40.1x	14.3x	13.5x	9.8x	7.9x

Source: EnVent Research

DCF sensitivity (€m)

WACC	Terminal - G		
	2.5%	3.0%	3.5%
7.4%	82.7	90.7	100.8
7.9%	75.0	81.5	89.4
8.4%	68.6	73.9	80.3

Source: EnVent Research

Valuation based on market multiples

Based on waste management as core business and by waste material treated as municipal and special waste, we have segmented the listed and comparable waste management operators into the following clusters:

1. Municipal and Special waste management – International
2. Chemical recycling
3. Special waste management- International
4. Italian multi-utilities operating in waste management industry
5. Transaction based values

Market multiples

Segments and companies	EV/REVENUES			EV/EBITDA			EV/EBIT			P/E		
	2023	2024E	2025E	2023	2024E	2025E	2023	2024E	2025E	2023	2024E	2025E
Municipal & other waste management												
Derichebourg	0.4x	0.4x	0.4x	5.8x	4.5x	4.1x	8.4x	8.6x	7.2x	5.9x	5.7x	4.3x
Renewi	0.7x	0.7x	0.7x	6.1x	5.2x	4.9x	9.6x	11.6x	10.0x	9.4x	10.7x	8.4x
Lassila & Tikanoja	0.7x	0.6x	0.6x	7.4x	5.2x	4.9x	13.9x	12.2x	10.7x	12.4x	11.5x	9.7x
Séché Environnement	1.4x	1.3x	1.2x	8.7x	6.5x	6.0x	15.0x	13.9x	12.5x	18.0x	15.4x	13.4x
Pizzorno	n.a.	1.1x	1.1x	3.7x	5.1x	5.0x	10.2x	13.2x	12.6x	n.a.	n.a.	n.a.
Greenthesi	1.3x	1.6x	1.6x	5.4x	7.2x	6.9x	8.5x	11.4x	11.2x	9.2x	19.7x	14.9x
Mean	0.9x	0.9x	0.9x	6.2x	5.6x	5.3x	10.9x	11.8x	10.7x	11.0x	12.6x	10.1x
Median	0.7x	0.9x	0.9x	6.0x	5.2x	4.9x	9.9x	11.9x	10.9x	9.4x	11.5x	9.7x
Plastic recycling												
Enviro Systems	89.0x	42.4x	n.a.	neg	neg	n.a.	neg	neg	n.a.	neg	neg	n.a.
Agilyx	13.7x	5.6x	2.4x	neg	neg	134.4x	neg	neg	neg	neg	neg	neg
WPU	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aquaflil	0.7x	0.7x	0.6x	9.0x	5.4x	4.8x	neg	18.6x	13.8x	neg	25.2x	10.8x
Mean	nm	16.2x	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Median	na	na	na	na	na	na	na	na	na	na	na	na
Special waste management												
Befesa	n.a.	1.5x	1.4x	n.a.	8.3x	7.2x	n.a.	12.9x	10.5x	24.3x	14.3x	10.9x
Aurea	n.a.	0.3x	0.3x	7.1x	5.8x	4.8x	nm	neg	124.9x	neg	neg	n.a.
Innovatec	0.5x	0.5x	0.5x	4.2x	4.2x	3.6x	9.2x	7.5x	6.2x	16.4x	8.2x	7.4x
Mo-BRUK	5.1x	4.0x	3.3x	10.6x	8.6x	6.9x	11.9x	9.8x	7.9x	15.1x	12.7x	10.5x
Mean	2.8x	1.6x	1.4x	7.3x	6.7x	5.6x	10.6x	10.1x	37.4x	18.6x	11.7x	9.6x
Median	2.8x	1.0x	0.9x	7.1x	7.1x	5.9x	10.6x	9.8x	9.2x	16.4x	12.7x	10.5x
Utilities												
A2A	0.8x	0.7x	0.8x	6.3x	5.3x	5.5x	11.4x	10.3x	11.5x	8.8x	9.4x	11.1x
Hera	0.5x	0.6x	0.6x	6.4x	5.8x	5.7x	9.8x	10.9x	10.9x	9.7x	11.3x	11.3x
Iren	1.1x	1.2x	1.0x	6.8x	5.7x	5.4x	15.6x	13.0x	12.5x	9.9x	8.7x	8.0x
ACEA	1.9x	2.1x	2.1x	7.7x	6.4x	6.1x	17.0x	14.3x	13.8x	10.0x	11.5x	11.3x
Mean	1.1x	1.1x	1.1x	6.8x	5.8x	5.7x	13.5x	12.1x	12.2x	9.6x	10.2x	10.4x
Median	0.9x	0.9x	0.9x	6.6x	5.7x	5.6x	13.5x	11.9x	12.0x	9.8x	10.3x	11.2x
RES - Current price and Consensus Estimates	2.3x	2.2x	2.0x	11.1x	5.9x	5.3x	15.5x	8.0x	7.6x	22.3x	11.8x	11.2x
RES - EnVent Research TP and estimates	2.3x	2.8x	2.6x	11.1x	7.6x	6.8x	15.5x	10.2x	9.7x	22.3x	15.0x	14.2x

Source: EnVent Research on S&P Capital IQ, 23/04/2024

Key takeaways

- Low comparability with most peers
- Plastic recycling cluster at early stage of investment life cycle enjoy high market cap regardless of losses
- Special waste: focus on profitability
- Multi-utilities: incumbents in the domestic value chain
- Greenthesi: delisting offer premium doubling prior trading values LTM

We have applied the 2024-25E EBITDA, EBIT and P/E multiples of Municipal cluster and Greenthesi stand-alone as an example of transaction-based valuation of a fairly comparable company.

Multiples application

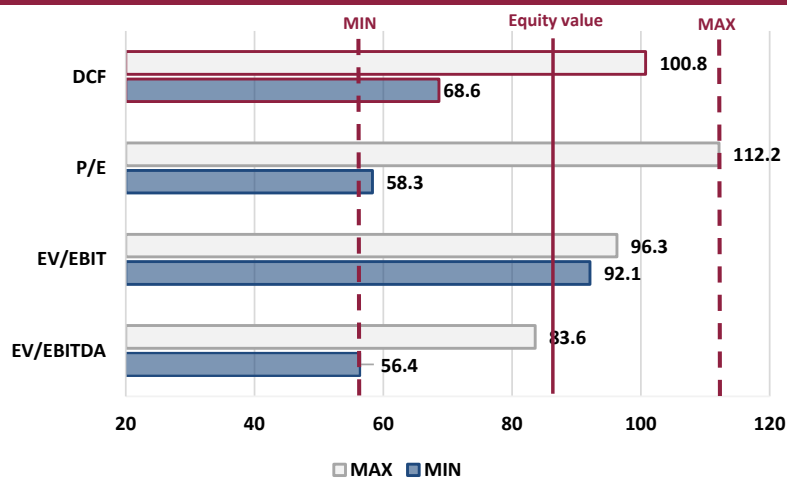
€m

RES Valuation - Multiples			Combined Multiple	EV (€m)	Net Debt (€m)	Equity Value (€m)
2024E EBITDA	11.1	Median	5.2x	58.0	(1.6)	56.4
2025E EBITDA	12.3	Median	4.9x	60.9	(1.6)	59.3
2024E EBIT	8.3	Median	11.9x	97.9	(1.6)	96.3
2025E EBIT	8.7	Median	10.9x	95.1	(1.6)	93.6
2024E P/E	5.7	Median	11.5x			65.6
2025E P/E	6.0	Median	9.7x			58.3
2024E EBITDA	11.1	Greenthesi	7.2x	79.6	(1.6)	78.0
2025E EBITDA	12.3	Greenthesi	6.9x	85.2	(1.6)	83.6
2024E EBIT	8.3	Greenthesi	11.4x	93.7	(1.6)	92.1
2025E EBIT	8.7	Greenthesi	11.2x	97.1	(1.6)	95.6
2024E P/E	5.7	Greenthesi	19.7x			112.2
2025E P/E	6.0	Greenthesi	14.9x			89.5

Source: EnVent Research on S&P Capital IQ

The outcome is a wide range between lower and higher values, the latter related to the mentioned delisting transaction. Our view is that variability reflects low comparability, and that the size of transaction market premium on performing companies together with investment flows towards recycling tech newco's witness an upside potential beyond fundamentals.

Equity values (€m)



Source: EnVent Research

Value assessment

To update our value assessment of RES we notice certain key points:

- caution on multiples compared to the DCF, which is more reliable including timing of tech plants financing and returns
- financial debt expected at end projection would be of a minor size
- when chemical recycling plant and other plant investments will be ready to operate with long-term visibility, there will be a quantum leap in shareholders' value, in a virtually debt free company
- undisputable indications from markets transactions and investments of premium on infrastructure over fundamentals

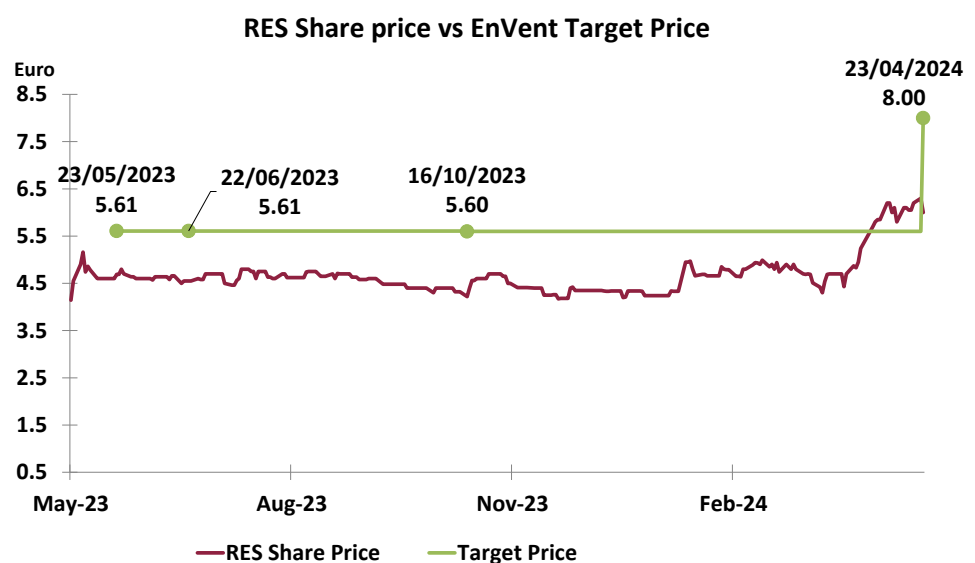
Target Price

We updated our valuation through the DCF method and by analysing industry evolution and market available information. The wide resulting range of values reflects both comparability issues and the expected effect on prices of a rising investment flow. We continue to envisage a progressive value increase in the near future while completing infrastructure projects. Hence, we update our valuation close to the DCF outcome within the market values range, with a target price of €8.00, from our previous €5.60, indicating a 27% upside potential from RES's current share price, and thus maintain an OUTPERFORM rating on the stock.

Please refer to important disclosures at the end of this report

RES Price per share	€
Target Price	8.00
Current Share Price (23/04/2024)	6.00
Premium (Discount)	33%

Source: EnVent Research



Source: EnVent Research on S&P Capital IQ, 23/04/2024

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Rating system and rationale (12-month time horizon):

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NEUTRAL: stocks are expected to have a performance between -10% and +10% consistent with market or industry trend and appear less attractive than Outperform rated stocks;

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Date and time of Production: 23/04/2024 h. 6.00pm

Date and time of Distribution: 23/04/2024 h. 6.40pm

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Date	Recommendation	Target Price (€)	Share Price (€)
23/05/2023	OUTPERFORM	5.61	4.60
22/06/2023	OUTPERFORM	5.61	4.55
16/10/2023	OUTPERFORM	5.60	4.32
23/04/2024	OUTPERFORM	8.00	6.00

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