

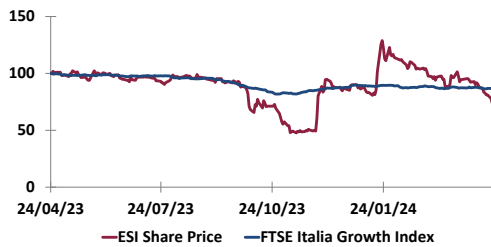


OUTPERFORM

Current Share Price (€): 1.58

Target Price (€): 2.50

ESI – 1Y Performance



Source: S&P Capital IQ - Note: 24/04/2023=100

Company data

ISIN number	IT0005421885
Bloomberg code	ESIGM IM
Reuters code	ESI.MI
Industry	Renewables
Stock market	Euronext Growth Milan
Share Price (€)	1.58
Date of Price	23/04/2024
Shares Outstanding (m)	7.5
Market Cap (€m)	11.9
Market Float (%)	25.7%
Daily Volume	129,600
Avg Daily Volume YTD	38,085
Target Price (€)	2.50
Upside (%)	58%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	6M	1Y
ESI - Absolute (%)	-24%	-40%	1%	-27%
FTSE Italia Growth (%)	-1%	-3%	6%	-12%
Range H/L (€) since IPO			2.77	1.03
YTD Change (€) / %			-0.36	-18%

Source: S&P Capital IQ

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Unveiling ESI's growth potential: beyond backlog, riding solar surge through diversification

We initiate coverage of ESI: OUTPERFORM rating, Target Price €2.50 per share

ESI S.p.A. (Energy System Integrator), founded in 2018 and listed on the Euronext Growth Milan exchange in 2020, operates in the renewable energy market as an EPC contractor and system integrator. ESI specializes in a comprehensive suite of renewable energy solutions, including photovoltaic systems, wind farms, and mini-grid, off-grid, hybrid, and storage systems. ESI's expertise spans the entire project lifecycle, from initial engineering design through final construction, including the revamping of existing large-scale traditional photovoltaic plants. In 2022, ESI becomes part of Innovatec Group.

Beyond sustainability, photovoltaics drive energy independence and cost savings. A surge in Italy's photovoltaic market is driven by a powerful confluence of trends. Governments' commitment to a clean energy future, aligned with Europe's ambitious Green Deal, positions photovoltaics as a critical tool for decarbonization. Plummeting solar panel costs enhance accessibility for both individuals and businesses. This affordability boost coincides perfectly with Italy's rising electricity demand fueled by the electrification of transportation and other sectors. Self-consumption options empower individuals and businesses to reduce energy bills and achieve greater energy independence, further bolstered by supportive government policies. Innovation in agrivoltaics and architectural integration unlocks new possibilities for the industry, solidifying its robust future prospects.

Business plan sets bold growth course with business diversification. ESI's business plan aims to a cumulative revenue over €170m in 2024-2026 period, assuming a CAGR of 23% (22A-26E), grounded on EPC core business and new D&C (development and construction) and B2B business lines. Cumulative period EBITDA is forecasted at ca. €14m, pointing to high single-digit margin by 2026, while net debt position is expected at €3.5m in 2026.

Estimates 2024-2026: growth trajectory takes shape. In drawing up our estimates, while duly taking into account the Company's business plan, we remain cautious for 2024 relying solely on the visibility provided by the backlog of about 60m, shifting by one year the expected development of new business lines (i.e. D&C and B2B), assuming delays in the authorization processes. We expect a CAGR of more than 18.5% (22A-26E), and we project an EBITDA margin in the range of 6-8% over the period. Debt financial position is expected higher, consistently with increasing operations, while Net Debt/EBITDA ratio should point to 1x by 2026.

Target Price €2.50 per share, OUTPERFORM rating

We back ESI's investment case based on the promising forecasts for the industry, supported by the high visibility provided by current backlog, which covers the entire 2024 estimate and more than 70% of 2025. We have performed the valuation process through a weighted average approach of our DCF model and peers' market multiples. We initiate coverage of ESI assigning a target price of €2.50 per share, which implies a potential upside of 58% from current stock price, supporting our OUTPERFORM rating.

KEY FINANCIALS AND ESTIMATES

€m	2020	2021	2022	2023	2024E	2025E	2026E
Revenues	2.6	5.5	30.5	17.1	29.3	40.4	60.1
YoY %	-38.3%	113.8%	458.7%	-43.9%	71.4%	37.6%	48.7%
EBITDA	0.6	0.1	1.2	(1.6)	2.0	2.9	4.6
Margin	23.9%	1.4%	4.0%	-9.3%	6.7%	7.1%	7.6%
EBIT	0.4	0.1	0.7	(2.0)	1.6	2.5	4.1
Net Income (Loss)	0.4	0.1	(0.2)	(1.7)	1.0	1.6	2.8
Net (Debt) Cash	1.0	1.0	(2.3)	(0.8)	(2.8)	(3.5)	(4.5)

Source: Company data FY2021-23, EnVent Research FY2024-27E

1. INVESTMENT CASE

Company

ESI S.p.A., listed on Euronext Growth Milan since 2020, is engaged in the renewables market as EPC and system integrator. ESI develops photovoltaic, wind power plants and mini-grid, off-grid, hybrid and storage systems, covering all stages of the development from the engineering to the construction.

BU:

- EPC
- System integrator

Key figures (FY23):

- Revenues €17m
- EBITDA €(1.6)m
- Net Debt €0.8m

Drivers

Industry drivers

Globally seeking net zero emissions. The regulatory framework is constantly updating to promote renewables, in Europe the REPowerEU plan speeded-up the process by increasing the 2030 EU target to 45% renewables in EU mix, up from the previous 40%, with an additional 169 GW to the Fitfor55 2030 target of 1067 GW. In Italy, the National Integrated Energy and Climate Plan (PNIEC) has set 2030 targets, with renewables capacity at 30% of total energy consumption and 55% of electricity generation.

Need to increase PV and wind power plants capacity. According to Terna and SNAM, to reach the PNIEC target in Italy will be needed almost 102 GW capacity from PV and wind plants by 2030, of which ca. 53GW by utility-scale PV plants (source: Terna & SNAM, *Documento di Descrizione degli Scenari*, 2022)

Oil and gas industry transitioning toward renewables. Oil and gas companies are facing pressure to adapt their traditional business model as the world shifts towards lower-carbon energy systems. Investing in sustainable power solutions should give to these companies an opportunity to diversify and to thrive in this changing landscape playing a leading role in the transition (source: McKinsey, *How oil and gas companies can be successful in renewable power*, 2023).

Advancements in renewable energy technology drive cost reductions and solar supremacy. In the last decade, technology in renewable energy has made significant strides, leading to a steep decline in cost for clean energy production. In 2022, recently deployed utility-scale renewable energy plants generated electricity at a lower cost compared to the average cost from fossil sources, new solar installations resulted in the least expensive source for electricity production in many markets (source: EY, *If every energy transition is different, which course will accelerate yours?*, 2023).

Company drivers

Completed and integrated services portfolio. ESI supports its customers in the project development from the design to the installation and commissioning of the plant, including ancillary services as monitoring and maintenance.

High-profile customers. The customer base includes prestigious utilities as Enel Green Power and Edison, these companies continuously invest in large scale renewable plants, the stable relationship with these customers led to multi-year and recurring agreements.

A focused portfolio. ESI retains a valuable flexibility in shifting focus among diverse customers and investors as well as own investment, depending on demand. This kind of portfolio minimizes risk and working capital investment while size of backlog gives mid-term visibility.

Over 15 years track record and part of Innovatec group. ESI and its management possess extensive experience in the renewable energy sector as EPC and system integrator. Since 2022, Innovatec has been the main shareholder and industrial partner, providing ESI business opportunities, as enabling the expansion of EPC operations to encompass larger-scale industrial PV plants.

Balanced financial structure is crucial. EPC activity undertakes a set of risks such as delays or fluctuation in materials prices that can erode margins or lead to net working capital imbalances. ESI, through tender selection and prudent cash management, has historically shown a cash financial position, instilling trust in its customers.

Challenges

Increasing competition could trigger margin pressure. The fragmented competitive arena, with low entry barriers, is a permanent feeder of competition from Italian and international players that could generate pressure on margins.

Regulatory risk. Incentive system for photovoltaics in Italy is complex and fragmented, with varying regulations and procedures at national and regional levels. This can hinder market development, especially for smaller operators.

Lengthy authorization procedures. The authorization procedures for installing photovoltaic systems can be lengthy and complex, with significant administrative burdens. This can slow down project initiation and increase costs.

2. PROFILE

Specialist in renewables power plant and electrification systems

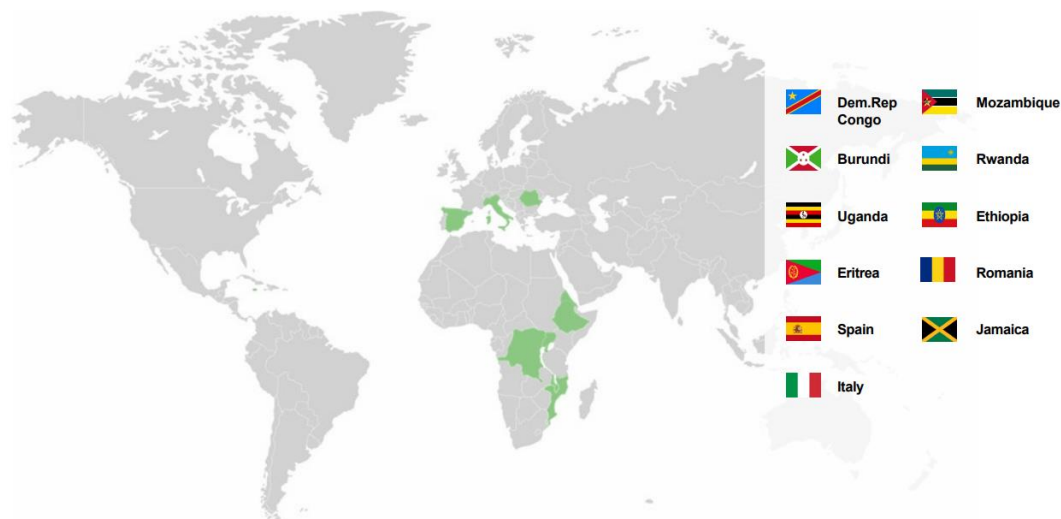
ESI with over 15 years' experience is specialized in the design and construction of photovoltaic (PV) and wind power plants and electrification systems, leveraging on engineering skill ESI offers a complete and integrated portfolio of services to cover all stages in the project development.

History and key developments

Key milestones	
2002	<ul style="list-style-type: none"> Establishment of Work System, operative in buildings construction
2009	<ul style="list-style-type: none"> Start of PV plant operations as a contractor
2015	<ul style="list-style-type: none"> First projects abroad in Romania and Eritrea
2016	<ul style="list-style-type: none"> Award of the first EPC project
2017	<ul style="list-style-type: none"> Operations as System Integrator
2018	<ul style="list-style-type: none"> Establishment of Work System Integrator (WSI) spin-off of the renewable business
2020	<ul style="list-style-type: none"> WSI becomes Energy System Integrator (ESI) Listed on Euronext Growth Milan, IPO proceeds €3m
2022	<ul style="list-style-type: none"> In July ESI joined Innovatec Group

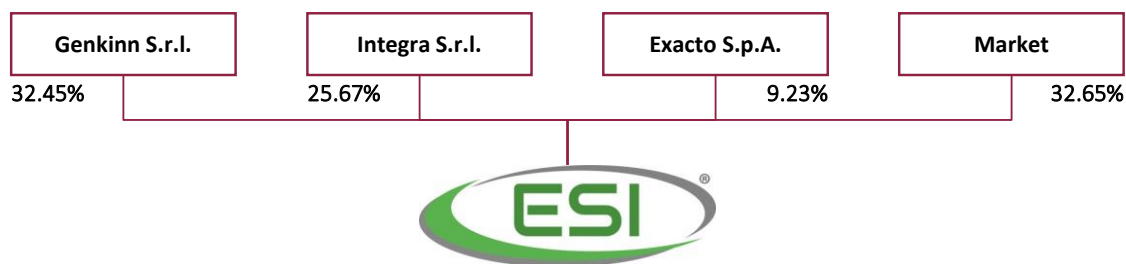
Source: Company data

Geographical presence



Source: Company data

Shareholders



Source: Company data

Key people

Name and role	Background
Riccardo Di Pietrogiacono Founder and CEO	<ul style="list-style-type: none"> • Founder and CEO of Work System – now ESI • Over 20 years experience in construction and renewables
Stefano Plocco Founder and board member	<ul style="list-style-type: none"> • Joined Work System in 2016 as CEO, then founded ESI • Previous experience in Enertronica and Innovatec
Angelo Trementozzi CFO	<ul style="list-style-type: none"> • In ESI since 2022 as CFO • Chartered Financial Analyst

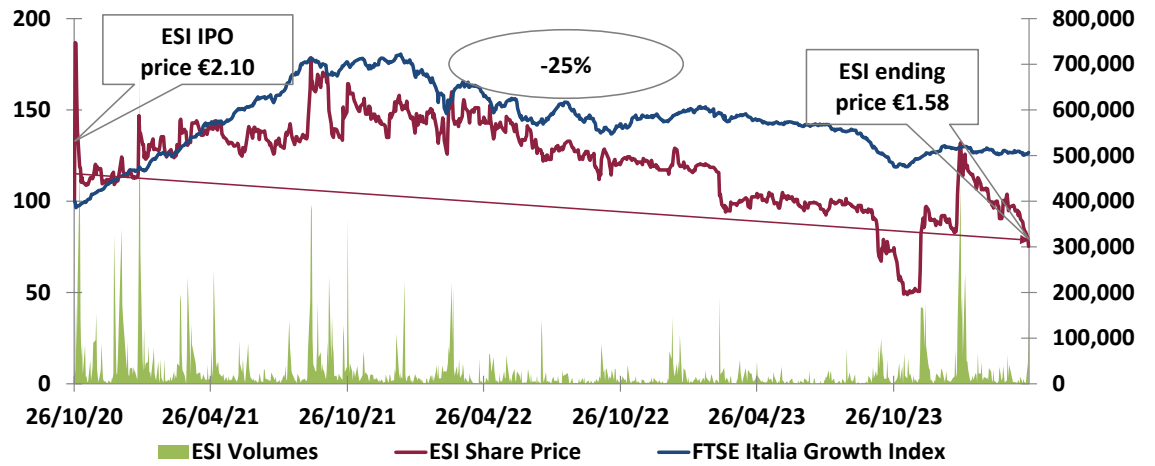
Source: Company data

IPO and stock market performance on Euronext Growth Milan

ESI on Euronext Growth Milan	
Stock market	Euronext Growth Milan
Bloomberg code	ESIGM IM
Reuters code	ESI.MI
IPO date	26/10/2020
Offer price (€)	2.10
Money raised (€m)	3.0
Market cap at IPO (€m)	13.1
Free float at IPO	20.90%
Ordinary shares - ISIN number	IT0005421885
Shares outstanding	7,527,365
Current Share price (€)	1.58
Current Market cap (€m)	11.9

Source: Company data and S&P Capital IQ, update 23/04/2024

Share price performance and volumes since IPO



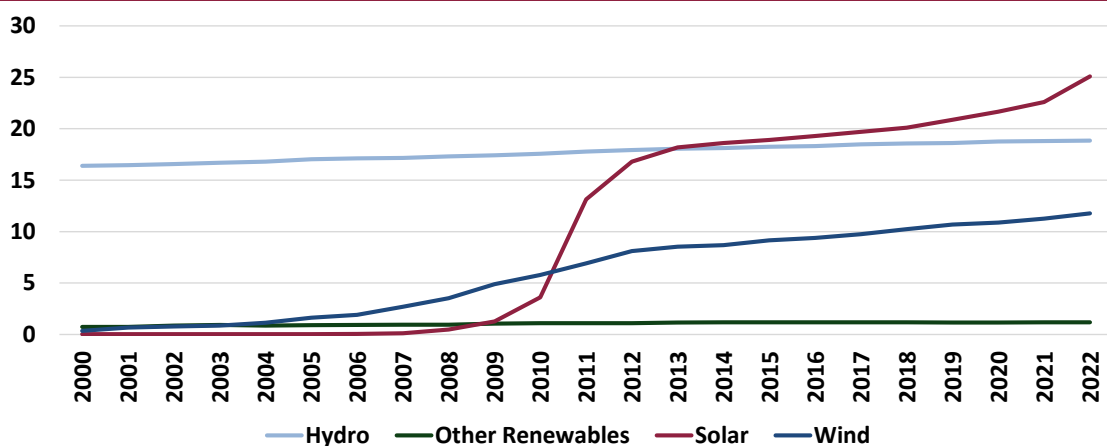
Source: S&P Capital IQ - Note: 26/10/2020 (IPO offer price)=100

3. INDUSTRY INSIGHTS, MARKET TRENDS AND OUTLOOK

Solar energy in Italy

The turn of the millennium marked a tipping point for renewable energy development. In Italy, the early 2000s witnessed a surge in photovoltaics driven by the introduction of incentives like Conto Energia. This momentum was further fueled by the European Directive 2009/28/EC, which established initial targets for renewable energy production and consumption. Between 2010 and 2013 alone, installed capacity skyrocketed from less than 4,000 megawatts to over 17,000 megawatts, with an average annual growth rate exceeding 60%. Significantly aiding this sector was the reduction in production costs, which has ultimately led to the achievement of grid parity in recent years, whereby the producing cost of electricity with solar panels equals the cost of purchasing energy from traditional fossil fuels (source: Enel Green Power website, *Quanta energia solare si produce in Italia e dove*).

Italy renewables installed capacity by source (GW)



Source: Ember, *Electricity Data Explorer*, ember-climate.org

Globally seeking net zero emissions

In recent years there has been a significant interest in renewable energy sources. This trend reflects a growing recognition of the urgent need to shift away from fossil fuels towards sustainable alternatives. Governments and businesses are increasingly prioritizing the development and adoption of renewable energy technologies as solar, wind, hydroelectric and geothermal power. The International Energy Agency (IEA) charted a course for the global energy sector to achieve net zero emissions by 2050. Currently, power generation stands out as the biggest source of CO₂ emissions globally, but it is also leading the charge in the transition by ramping up renewable energy production. (source: IEA, *Electricity - Analysis and forecast to 2026, 2024*).

Regulatory framework

REPowerEU calls for massive investments

In 2022 the European Commission presented its response plan to the global energy market disruption caused by Russia-Ukraine conflict, REPowerEU Plan, to take action to drive Europe path towards independence from Russian fossil fuels meanwhile fighting the climate crisis.

The measures include:

- Energy savings
- Diversification of energy supplies
- Accelerated roll-out of renewable energy

The accelerated roll-out of renewable energy measures concerns the rapid expansion of current renewable energy power generation capacity. In this context, achieving the EU target of at least 45% renewable energy by 2030 necessitates significant expansion in solar photovoltaic and wind power capacities. By 2025, over 320 GW of solar photovoltaic capacity and almost 600 GW by 2030 will be required. Additionally, over 500 GW of wind installed capacity is needed, more than doubling 200 GW capacity in 2022. The cumulative target for the EU during this decade is to install approximately 50 GW of solar and 37 GW of wind capacity per year (source: European Commission, *EU Solar Energy Strategy, 2022 - European Wind Power Action Plan, 2023*).

Italian framework

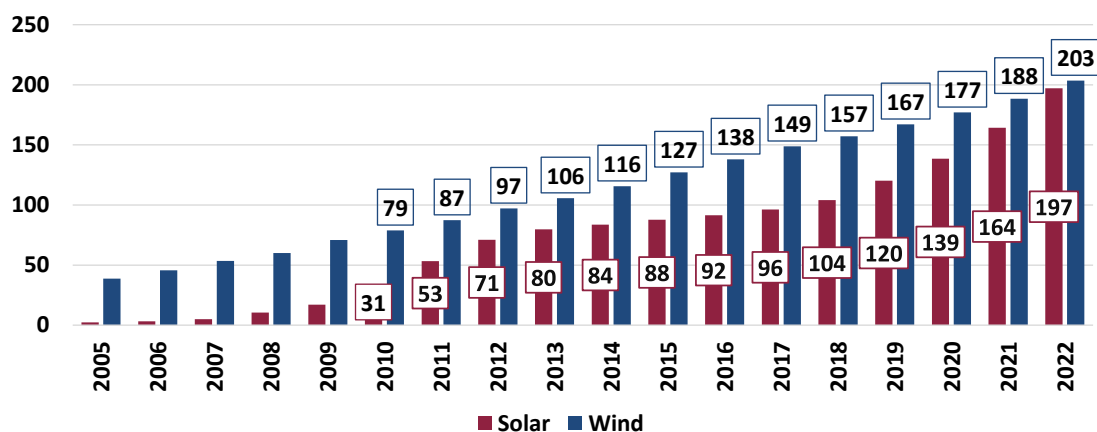
The Italian PNIEC (Piano Nazionale Integrato Energia e Clima) is a plan designed to outline Italy's path towards a sustainable energy future. It focuses on reducing greenhouse gas emissions, increasing energy efficiency, and promoting renewable energy sources. The plan sets ambitious targets for 2030, including:

- 33% reduction in emissions compared to 2005 levels
- 55% share of renewable energy in gross final consumption

The plan underscores the need to ramp up decarbonization efforts across various sectors, like transportation and buildings, by implementing innovative policies and channeling investments. This aligns with the European Union's targets and commitments enshrined in the Paris Agreement (source: MISE & Ministero dell'Ambiente & MIT, *Energia Clima 2030*). According to Terna and SNAM, to reach the target will be needed almost 102 GW capacity from PV and wind plants by 2030, of which ca. 53GW by utility-scale PV plants (source: Terna & SNAM, *Documento di Descrizione degli Scenari, 2022*).

Installed capacity

EU solar and wind installed capacity (GW)

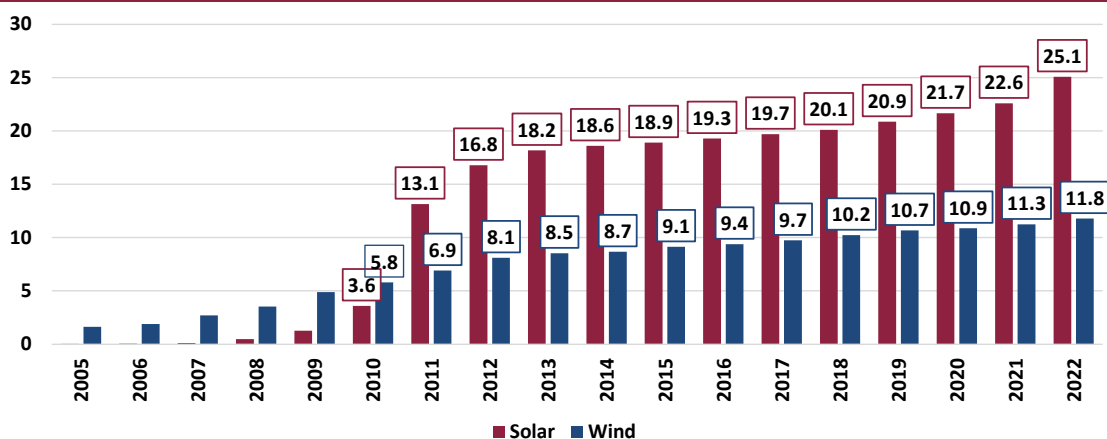


Source: Ember, *Electricity Data Explorer*, ember-climate.org

In recent years, Europe has experienced significant growth in the installation of renewable energy systems, particularly in solar and wind power. In 2000, the capacity of wind power plants was approximately 12 GW, but by 2022, it had exceeded 200 GW, with an average annual growth rate of 14%. Meanwhile, in the solar sector, installed capacity showed even more substantial growth, rising from 10 GW in 2008 to nearly 200 GW by 2022, with an average annual growth rate of 41% between 2000 and 2022.

During the same timeframe, Italy growth in installed solar capacity, particularly over the last decade, escalated from 3.6 GW in 2010 to 25.1 GW by 2022, with an average annual growth rate of approximately 40%.

Italy solar and wind installed capacity (GW)



Source: Ember, *Electricity Data Explorer*, ember-climate.org

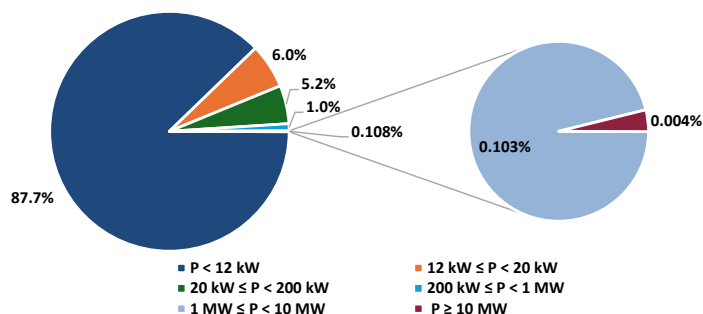
Focus on PV plants in Italy - mostly of small size

PV plants connected by range of power, 2023

Number of plants

Range of power	Plants connected	Avg. Power (kW)
P < 12 kW	1,399,198	4.94
12 kW ≤ P < 20 kW	96,185	17.04
20 kW ≤ P < 200 kW	82,531	70.54
200 kW ≤ P < 1 MW	15,344	607.7
1 MW ≤ P < 10 MW	1,649	2,840
P ≥ 10 MW	67	28,295
Total	1,594,974	

Share by range of power



Source: Italia Solare, Report fotovoltaico Q4 2023, 2024

It should be noted that PV installations are predominantly small; utility-scale plants are a minority, only 0.1% of total PV plants are capable of producing more than 1 MW.

This trend may be attributed to various reasons such as: tax incentives supporting energy efficiency and building renovation projects, which have encouraged investments in installing photovoltaics in buildings; challenges and lengthiness of authorization processes for developing higher-capacity installations.

In Italy the authorization process includes:

- **Administrative authorization**, requires the submission of technical documentation and assessments regarding environmental and safety impacts
- **Landscape authorization**, which involves evaluating the visual impact of the installation on the surrounding landscape
- **Connection to the electrical grid authorization**, necessary for the operation of the facility and access to the incentives provided

According to Osservatorio Regioni 2030, the average time to complete the authorization process is 22 months for a PV plant and 43 months for a wind power plant, and only 16% and 8% of the projects respectively obtain the authorization (source: Alma Laboris, *L'iter autorizzativo per le energie rinnovabili in Italia è troppo lungo e complesso*, 2023).

Industry is evolving, solar ready to take the lead

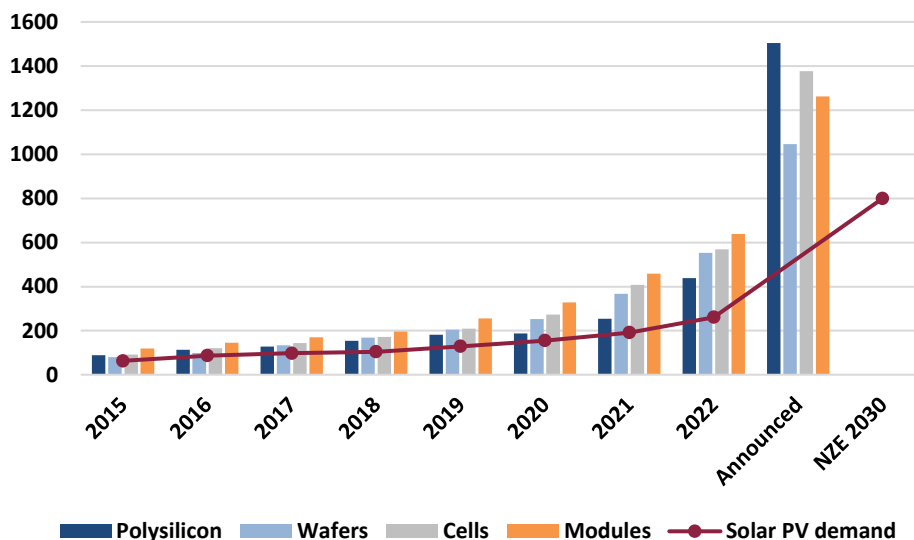
The PV market technology is predominantly led by crystalline silicon, production process include:

1. high-purity polysilicon production
2. crystallization into ingots and slicing into thin wafers
3. PV cells production
4. assembly of PV modules

In 2022, global solar PV manufacturing capacity soared by over 70%, reaching 450 GW for polysilicon and up to 640 GW for modules. Despite investment commitments and industrial policies in regions like the US, India, and the EU, projections suggest that China is poised to maintain a dominant share between 80-95% in solar PV manufacturing capacity over the next

five years. Although anticipated manufacturing capacity by 2030 is expected to exceed demand, particularly in a Net Zero Scenario (source: IEA, *Solar PV manufacturing capacity according to announced projects and in the Net Zero Scenario 2015-2030*, 2023).

Solar PV manufacturing capacity 2015-22 and according to announced projects and NZS

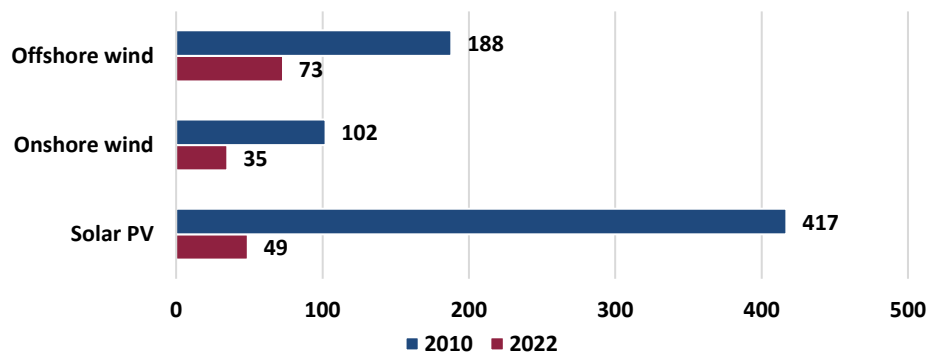


Source: IEA, *Solar PV manufacturing capacity according to announced projects and in the Net Zero Scenario 2015-2030*, 2023

LCOE dropped, solar as cheapest source of electricity

Since 2010, the levelized cost of electricity (LCOE) for solar PV has decreased by 88%, while for onshore wind, it's down by 66%, and for offshore wind, it's down by 61%. Technological advancements in renewables have rapidly approached economic tipping points, offering affordable and scalable clean energy solutions that enhance supply security. In 2022, 86% of newly commissioned utility-scale renewable power generation produced electricity at lower costs than fossil fuels. Solar energy has become the cheapest source of electricity in many markets, with its LCOE 29% lower than the most economical fossil fuel alternative (source: EY, *If every energy transition is different, which course will accelerate yours?*, 2023).

Renewable power generation cost 2010-22 (\$/MWh)



Source: EY, *If every energy transition is different, which course will accelerate yours?*, 2023

Outlook

Electricity production by renewable sources

In 2023 globally the renewable power production grew of a 5%, slightly below the 8% in 2022 and the 6.5% average along 2016-2022. The production suffered a low in the hydropower output related to droughts in various regions (source: Ember, *Yearly Electricity Data, 2023* and IEA, *Electricity - Analysis and forecast to 2026, 2024*).

World electricity generation by source 2022, TWh

Fossil			Clean						TOT
Coal	Gas	Other Fossil	Bioenergy	Hydro	Nuclear	Other Renewables	Solar	Wind	
10,221	6,411	901	677	4,295	2,628	97	1,310	2,097	
35.7%	22.4%	3.1%	2.4%	15.0%	9.2%	0.3%	4.6%	7.3%	100%
17,532			11,103						28,635

Source: Ember, Yearly Electricity Data, 2023

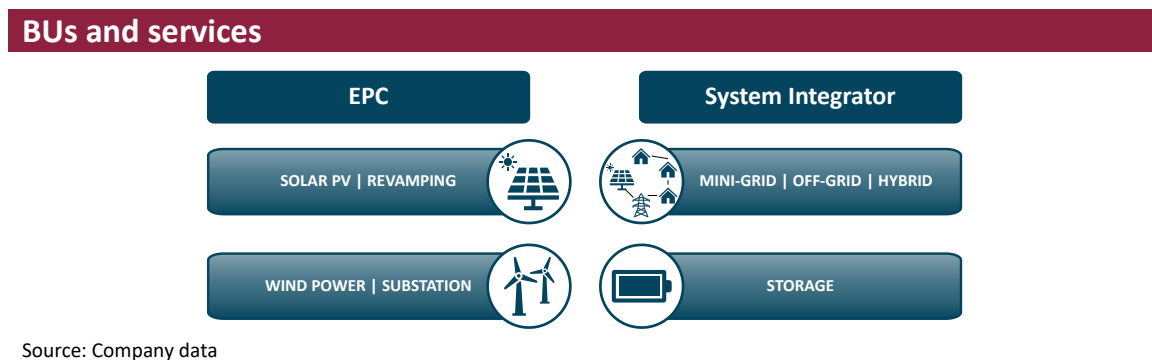
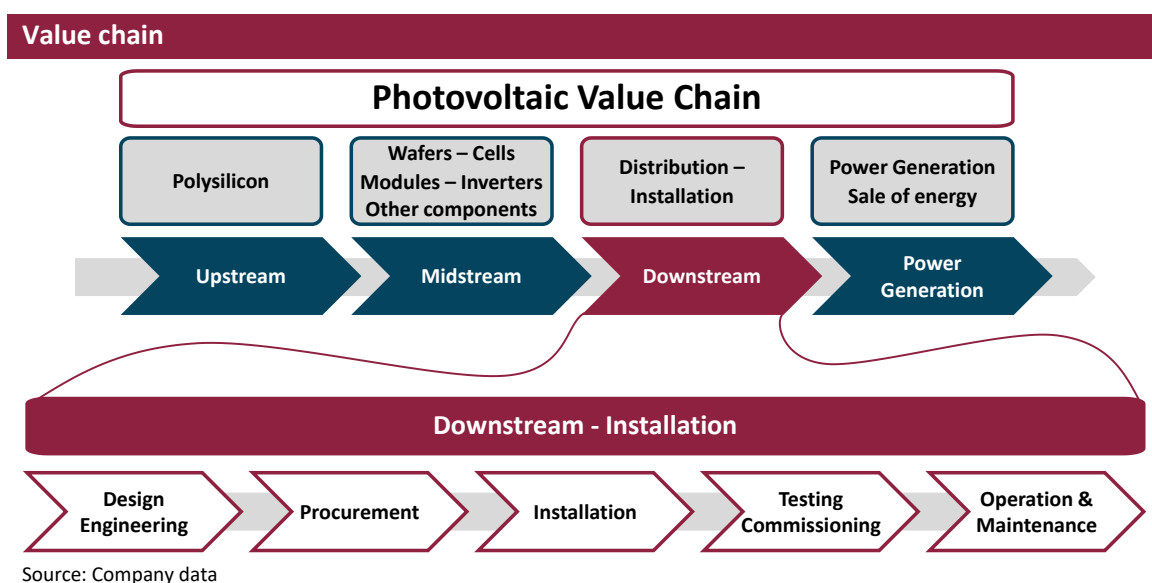
According to the IEA, under normal weather conditions in 2024, renewable energy production is expected to increase by 14%, followed by annual rises of around 9% in 2025-26. By early 2025, renewables are projected to account for over one-third of total global electricity generation, surpassing coal. The share of renewables in electricity generation is anticipated to climb from 30% in 2023 to 37% in 2026, primarily driven by the expanding availability of increasingly affordable solar PV. Throughout this period, renewables are poised to surpass demand growth in advanced economies such as the United States and the European Union, displacing fossil fuel-based energy sources (source: IEA, *Electricity - Analysis and forecast to 2026, 2024*).

4. BUSINESS MODEL AND STRATEGY

PV and electrification specialist

PV value chain and ESI positioning

ESI business is positioned in the photovoltaic energy value chain, with a track record as EPC for the design and development of utility-scale PV plants and as system integrator for the construction of Off-Grid, Mini-Grid and energy storage systems for the electrification of remote areas.



Project origination

ESI operations are based on building up a backlog of projects as EPC or system integrator, its track record encompasses diverse customers profiles, each requiring a specific approach to contract acquisition. Offers are extended to entities such as investment funds or non-profit organizations (NPOs), while competitive tenders typically involve public companies and multinational corporations, which includes utilities that represent the key customers in the sector.

Main activities

BU Engineering, Procurement and Construction

ESI overwatches the market to identify tenders for EPC projects, then each tender is analyzed based on technical requirements and expected profitability. EPC activities include:

- **Design | Engineering**
 - project feasibility
 - plant design and identification of components needed
 - preparation of a Bill of Materials (BOM)
- **Procurement**
 - supplier identification
 - purchasing of components
- **Installation**
 - ESI covers all steps from civil works, PV components assembling and final ancillary works
- **Testing | Commissioning**
 - technical verifications to ensure the proper functioning of the plant
 - testing plant connection to the national grid
 - delivery to the customer
- **Operation & Maintenance**
 - maintenance of the plant
 - monitoring through supervision and video-surveillance systems
 - revamping and repowering, through replacement of outdated components

The project timeline spans an average of 12 months, with approximately five-sixths of this duration allocated to the physical construction phase. Contracts incorporate payments upon the successful achievement of predetermined milestones.

BU System Integration

ESI's experience as a system integrator is built upon a successful track record, which includes the implementation of 11 mini-grid and off-grid projects across various regions of Africa, commissioned by renowned non-profit organizations. The projects are developed in remote areas characterized by the absence or unreliability of electrical infrastructure. Among the installations carried out are Solar PV and hybrid mini-grids, respectively powered by solar energy and combining solar energy with diesel generators.

The development process of these systems is similar to the activities of the EPC Business Unit, albeit with some significant peculiarities:

- key importance of partnership with battery and control system suppliers
- greater project complexity requiring more thorough evaluation and development, as well as a more intricate procurement management.

Strategy

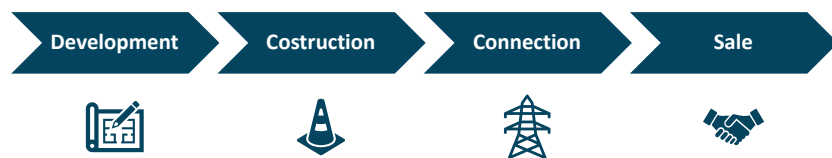
Moving forward reshaping the portfolio of services

ESI is looking to new opportunities in the renewables market, the first step will be the start of a new business line, Development and Construction, involving in-house development of photovoltaic plants that would be sold to main customers already connected to the grid and in operation.

Key advantages:

- flexibility in construction timelines
- absence of contractual constraints
- cost efficiencies
- higher profitability

Development and Construction business line



Source: Company data

5. COMPETITION

Competitive scenario

In utility-scale PV plants it is possible to identify various types of companies operating in different phases of the development, construction, and management processes of such plants.

Main types of companies involved in the market:

- **Development companies** - these companies identify suitable sites, manage permits, and liaise with authorities and landowners
- **EPC (Engineering, Procurement, and Construction) companies** - responsible for the design and construction of plants, they oversee the entire project lifecycle
- **Photovoltaic Module and Component Manufacturers** - they supply materials like modules, inverters, and solar trackers for plant construction
- **Management and Maintenance companies** - they handle operational management, maintenance, and monitoring of plants once in operation
- **Finance and Investment Companies** - they provide funding and financing solutions to support plant construction
- **Utilities** - major players in the development, financing, and grid integration of large-scale photovoltaic plants.

Competition drivers

EPC competition is intense, major factors include:

- track record and reliability
- technical expertise
- project execution capabilities
- cost efficiency

EPC competitors

A very populated arena

Worldwide market spotlights large international players as Quanta Services and SOLV Energy, installing yearly over 1 GW of capacity in utility-scale plants. The Italian industry marks a few players operating as EPC for medium-large size solar power plants. In order to understand ESI performance, we selected a set of Italian EPCs with comparable activities.

EPC competitors profiles

Tozzi Green - FY22 Revenues €109.3m

EPC for renewable power plants and owner of a portfolio of plants. Operates in Italy and abroad. Cumulative power capacity developed: wind over 460 MW; solar over 180 MW, hydropower over 90 MW, biogas over 30 MW.

Comal - FY22 Revenues €77.8m

EPC for utility-scale PV plants. Track record of more than 45 plants built for a cumulative power output above 750 MW.

ESPE - FY22 Revenues €19.2m

System integrator in electrification and EPC for PV plants roof-mounted, over 0.5 MW, and ground-based with power ranging 1-30 MW. Track record of more than 180 ground-based and 520 roof-mounted plants built for a cumulative power output of 560 MW.

STE energy - FY22 Revenues €31.7m

EPC for solar and hydropower plants. Track record of more than 450 plants built for a cumulative power output above 1.7 GW.

PLC System - FY22 Revenues €19.2m

EPC for solar and wind power plants. Track record of more than 250 plants built for a cumulative power output of 205 MW by wind plants and 30 MW by solar plants.

Altea Green Power - FY22 Revenues €16.7m

Independent power producer and EPC for the realization and management of renewable power plants.

Source: EnVent research on Credisafe

Competitors offering

Company	R&D	Engineering	Procurement	Construction	Commissioning	Monitoring and maintenance
Comal	●	●	●	●	●	●
Tozzi Green	●	●	●	●	●	●
STE energy	●	●	●	●	●	●
Altea Green Power	●	●	●	●	●	●
ESPE	●	●	●	●	●	●
PLC System	●	●	●	●	●	●
ESI	●	●	●	●	●	●

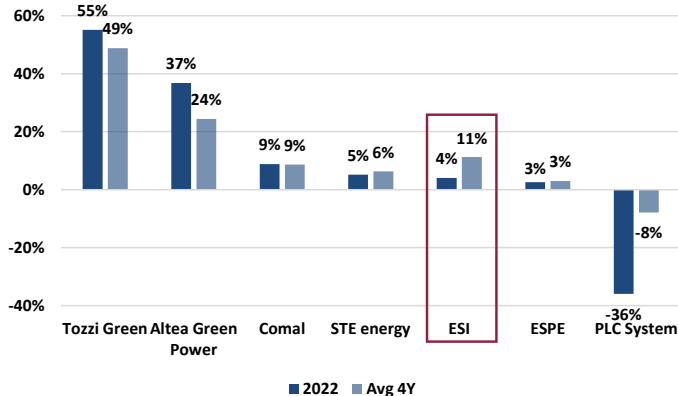
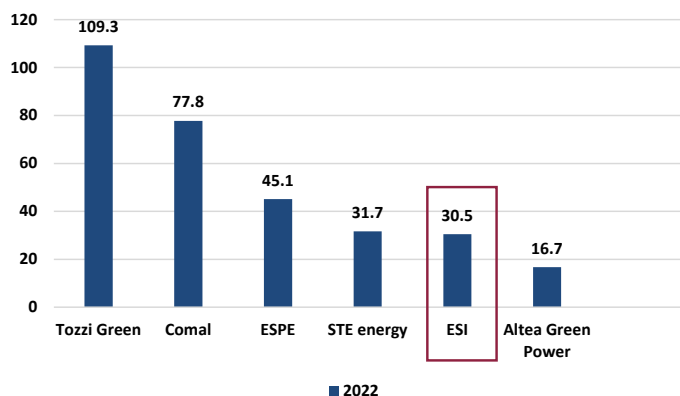
Source: EnVent research on companies websites

Financial performance

Company	Status	Revenues			EBITDA %		Net Debt (Cash)	
		2022 (€m)	YoY 22 on 21	CAGR 2019-22	2022	Avg. 4Y	2022 (€m)	Avg. 4Y
Tozzi Green	Public	109.3	48%	-11%	55%	49%	363.0	342.0
Comal	Public	77.8	85%	39%	9%	9%	19.2	6.6
ESPE	Public	45.1	137%	68%	3%	3%	4.5	4.4
STE energy	Private	31.7	54%	27%	5%	6%	3.0	2.3
ESI	Public	30.5	459%	95%	4%	11%	2.3	-0.1
PLC System	Subsidiary of a public company	19.2	-34%	7%	-36%	-8%	-0.4	1.1
Altea Green Power	Public	16.7	169%	59%	37%	24%	-0.9	0.2
Mean					4%	8%	4.6	2.4
Median					5%	7%	2.7	1.7

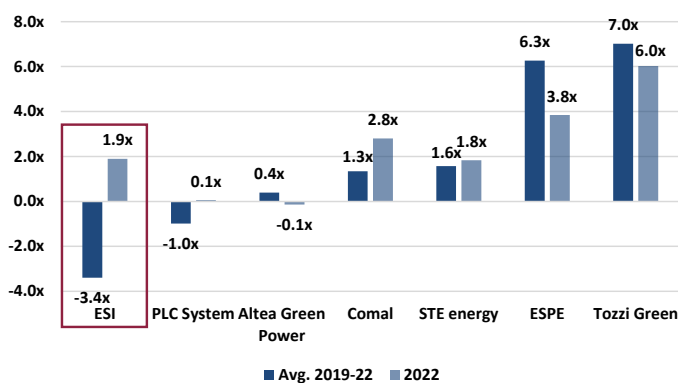
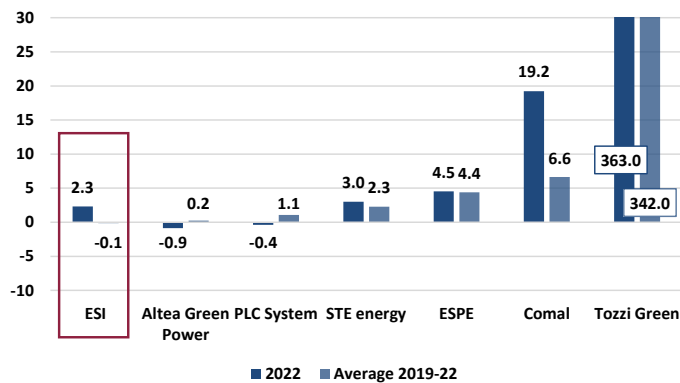
Note: For STE energy avg. 3Y – mean and median without Tozzi Green - source: EnVent research on Credisafe

Revenues 2022 (€m) **EBITDA margin 2022 and avg. last 4Y (%)**



Note: For STE energy avg. 3Y
Source: EnVent research on Credisafe

Net Debt 2022 and avg. last 4Y (€m) **Net Debt/EBITDA 2022 and avg. last 4Y**



Note: For STE energy avg. 3Y
Source: EnVent research on Credisafe

Key takeaways

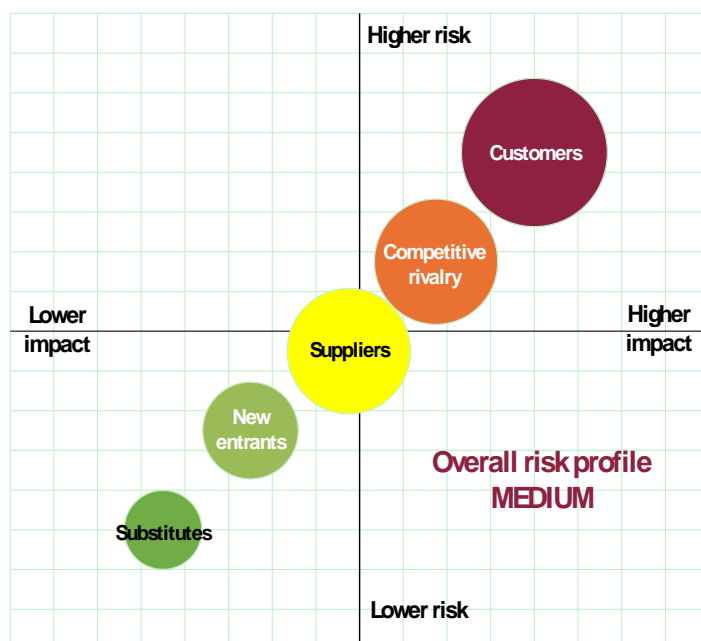
- Independent power producers and asset-holders show significantly higher profitability, with EBITDA margin historically above 20%. High debt leverage for own plants.
- Majority of competitors show a debt financial position in the last 4 years
- ESI revenues CAGR 2019-22 above competitors mean and median

Competitive forces

Forces	Factors
Customers	<ul style="list-style-type: none"> • Bargaining power
Competitive rivalry	<ul style="list-style-type: none"> • High rivalry among existing firms • International competitors • Solar modules and other raw materials are available from multiple sources
Suppliers	<ul style="list-style-type: none"> • Specific requirements and know-how • Critical components manufacturing capacity constantly upgrading • Entry barriers: technical expertise, long-term relationship with customers, being qualified by the customer
New entrants	<ul style="list-style-type: none"> • Customers may integrate vertically • No substitute products, solar primary cost-effective source for renewable energy
Substitutes	<ul style="list-style-type: none"> • Production process innovation risk low

Source: EnVent Research

Risk map



6. MARKET METRICS

Market value of comparable companies

Selection criteria of comparable listed companies

Key selection factors:

- EPC
- Renewables power plants developer
- Geographical scope: Worldwide

We've selected Italian and international companies comparable to ESI business model. Noting that many developers of PV plants are independent power producers (IPP) too we segmented the selected companies in two clusters:

- Renewable power plants developers
- Developers and IPPs

Industry players segmentation and comparability

Renewable power plants developers

OX2 AB (Sweden) - FY22 Revenues €686m - Comparability: Medium

EPC for utility-scale wind and PV power plants. In 2023 OX2 sold 4.4 GW of capacity.

Comal (Italy) - FY22 Revenues €78m - Comparability: High

EPC for utility-scale PV plants. Track record of more than 45 plants built for a cumulative power output above 750 MW.

PLC (Italy) - FY22 Revenues €60m - Comparability: Medium

Operates through its subsidiaries in the development, management, EPC, monitoring and dispatching and maintenance of PV and wind power plants.

Emeren (USA) - FY22 Revenues €57m - Comparability: Medium

PV plants developer, owner and operator. Pipeline of projects and IPP assets totals over 3 GW, with around 240 MW capacity under management. IPP activity started in 2022.

ESPE (Italy) - FY22 Revenues €45m - Comparability: Medium-High

EPC and system integrator with track record of more than 700 plants built for a cumulative power output above 560 MW.

Developers and IPPs

Ecosuntek (Italy) - FY22 Revenues €896m - Comparability: Low

Independent power producer and EPC for various size PV plants, with an installed capacity of 32 MW of which 17 MW are from proprietary plants used for power generation.

Grenergy (Italy) - FY22 Revenues €293m - Comparability: Medium-Low

Grenergy designs, develops and operates large-scale renewable energy plants, through three business lines: D&C; Energy as independent power producer, Services ie. O&M and asset management. Track record of more than 70 plants built for a cumulative power output of 900 MW.

Alerion (Italy) - FY22 Revenues €271m - Comparability: Low

Produces electricity from renewable sources, mostly from wind and solar. Alerion is a developer and asset holder with installed gross capacity above 950 MW.

Ecoener (Spain) - FY22 Revenues €73m - Comparability: Low

Ecoener builds and operates hydroelectric, wind and PV plants. Owned plants have a capacity of 341 MW of which 50% installed in Spain and the remainder mostly in Central and South America.

Iniziativa Bresciane (Italy) - FY22 Revenues €19m - Comparability: Medium-Low

Independent power producer and developer of small and medium-sized free-flowing and run-of-the-river hydroelectric plants.

Altea Green Power (Italy) - FY22 Revenues €17m - Comparability: Medium-Low

Independent power producer and EPC for the realization and management of renewable power plants.

Key data comparison

Company	Revenues 2022 (€m)	YoY '22 on '21	CAGR '18-22	EBIT %		Net income (Loss) 2022 (€m)	Net Debt (Cash) 2022 (€m)	Market cap current (€m)
				2022	Avg. 5Y			
Renewable power plants developers								
OX2 AB	686	42%	14%	15%	10%	98	-298	961
Comal	78	85%	40%	8%	6%	3	19	40
PLC	60	-5%	6%	-14%	-1%	-16	3	41
Emeren	57	-18%	-9%	-4%	5%	-4	-45	86
ESPE	45	137%	na	1%	na	0.2	5	37
Mean		48.0%	12.7%	1.4%	5.1%			
Median		41.6%	10.2%	1.1%	5.7%			
Developers and IPPs								
Ecosuntek	896	374%	91%	2%	2%	5	-4	31
Grenergy	293	33%	70%	12%	15%	10	394	824
Alerion	271	82%	48%	66%	44%	71	462	942
Ecoener	73	83%	24%	42%	34%	17	197	219
Iniziativa Bresciane	19	-28%	1%	11%	29%	-1	105	71
Altea Green Power	17	169%	58%	36%	na	4	-1	130
Mean		108.8%	46.9%	26.5%	24.8%			
Median		82.2%	48.4%	12.3%	28.5%			
ESI	30.5	454.5%	-11.3%	4.0%	12.7%	-0.2	0.6	13.0

Source: EnVent Research on publicly available information and S&P Capital IQ, 23/04/2024

Key takeaways:

- High growth rates in the renewable market overall
- Most companies have financial debt
- Renewable power plants developers clusters show a good comparability as to business mix and size of operations, with the exception of OX2 AB
- In the first cluster, higher-performing companies exhibit in the last 5 years an average profitability of around 10%
- Developers and IPPs cluster has low comparability given the higher profitability driven by electricity sale business

Market multiples

Company	EV/EBITDA				EV/EBIT				P/E			
	2023	2024E	2025E	2026E	2023	2024E	2025E	2026E	2023	2024E	2025E	2026E
Renewable power plants developers												
OX2 AB	10.5x	6.8x	4.1x	3.1x	18.0x	7.0x	4.2x	3.1x	14.5x	10.2x	6.1x	4.8x
Comal	7.0x	5.7x	4.0x	3.1x	6.1x	6.8x	4.8x	3.6x	9.6x	8.5x	5.4x	3.8x
PLC	55.3x	9.7x	na	na	neg	26.9x	na	na	neg	50.2x	na	na
Emeren	neg	3.2x	2.4x	na	neg	5.0x	3.4x	na	neg	4.2x	2.5x	na
ESPE	0.4x	na	na	na	1.2x	na	na	na	neg	na	na	na
Mean	18.3x	6.3x	3.5x	3.1x	8.4x	11.4x	4.1x	3.4x	12.0x	18.3x	4.7x	4.3x
Median	8.8x	6.2x	4.0x	3.1x	6.1x	6.9x	4.2x	3.4x	12.0x	9.3x	5.4x	4.3x
Developers and IPPs												
Ecosuntek	2.5x	2.3x	1.9x	1.7x	2.2x	3.0x	2.5x	2.2x	4.9x	3.3x	2.8x	2.4x
Grenergy	16.2x	10.3x	6.3x	4.9x	14.2x	12.6x	7.8x	6.5x	20.1x	10.8x	6.7x	7.7x
Alerion	19.5x	6.5x	5.8x	5.2x	36.8x	8.5x	8.9x	8.2x	21.4x	7.7x	6.5x	6.2x
Ecoener	17.6x	9.7x	6.6x	4.9x	24.8x	15.3x	9.7x	6.8x	21.9x	12.5x	8.4x	5.5x
Iniziativa Bresciane	10.8x	8.5x	8.0x	7.9x	24.8x	17.3x	16.0x	16.1x	20.5x	15.2x	12.8x	11.5x
Altea Green Power	14.9x	7.1x	4.7x	3.9x	4.5x	7.2x	4.8x	4.0x	23.1x	10.5x	6.9x	5.8x
Mean	13.6x	7.4x	5.5x	4.8x	17.9x	10.6x	8.3x	7.3x	18.7x	10.0x	7.4x	6.5x
Median	15.5x	7.8x	6.0x	4.9x	19.5x	10.5x	8.3x	6.7x	21.0x	10.7x	6.8x	6.0x
	neg	6.4x	4.4x	2.8x	neg	7.8x	5.1x	3.1x	neg	neg	neg	neg

Source: S&P Capital IQ

7. FINANCIAL ANALYSIS AND PROJECTIONS

Financial overview: 2019 - 2023

2019 - 2020: from Italy expanding abroad

- In 2019, ESI commenced its operations by securing a contract for the revamping of 24 MW photovoltaic plant in Canino (VT), the first large-scale plant modernization in Italy. In the year the Company totaled revenues of €4.1m, coming from this contract. EBITDA generated was €0.6m, with a margin of 15.5%, resulting in a net profit of €0.4m. The net financial position (cash positive) was €0.8m.
- In 2020, revenues totaled €15.7m, with the EPC BU contributing 97.3% and the System Integrator BU 2.7%. Most of these revenues were generated from operations abroad, with the Company operating in Spain, through the ex-subsidiary WSI Spain, and directly in Congo, Mozambique, and Burundi. EBITDA stood at €1.9m, with a margin of 12.2%, and the net profit was €1.3m. The net financial position was cash positive for €2.4m, thanks to IPO proceeds of €3m.

2021 - 2023: facing macro headwinds in a growing market

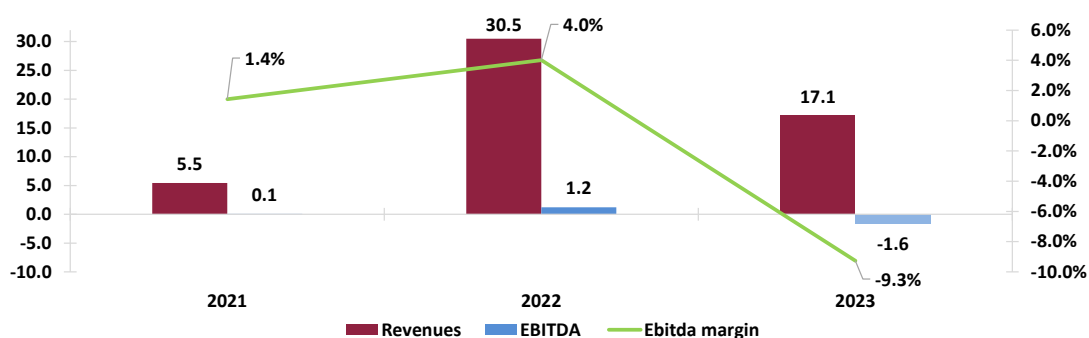
In 2021, ESI opted also to report non-consolidated financial statements for the year due to the sale of 100% of the share capital of the subsidiary WSI Spain in October 2021.

- On a like-for-like basis, in 2021 ESI's revenues surged to €5.5m, marking a notable increase from €2.6m in FY20 (i.e. +113.8%), thanks to operations carried out mainly in Italy with the EPC BU, but also abroad with the System Integrator BU which operated in several African countries, such as Congo, Mozambique, and Burundi, focusing on the construction of smart-grid plants. EPC business unit, with €3.7m, weighted 67.2% on top-line, while System Integrator BU generated €1.3m, representing 23.4% of revenues, compared to 16.4% in FY 2020. The rest was other income. EBITDA decreased to €0.08m, down significantly from €0.6m in the previous year, resulting in a drop in the margin from 23.9% in FY20 to 1.4% in FY 2021, mainly related to the slowdown and delays in obtaining construction permits for plants, which delayed the start of worksites and, consequently, the invoicing of contracts scheduled for completion in the first half of the year. The delay also led to the failure to absorb overheads. Benefiting from the option provided by the "Milleproroghe" decree (Legislative Decree 15/2022), management chose to defer D&As totaling about €0.25m, postponing them to subsequent years through available profits and specially set aside capital reserves. In fact, BoD proposed to the Shareholders' Meeting provisions to allocate almost all of the profit for the year to the "unavailable reserve for depreciation and amortization suspension", adding approximately €0.14m of available reserves already recognized in the financial statements. Net income consequently amounted to €0.1m, from €0.4 in FY 2020. Net financial position remained cash positive at €1m, in line YoY.
- In FY 2022, ESI's revenues were €30.5m from €5.5m in FY 2021, EBITDA was €1.2m compared to €0.1m in FY 2021, and the margin was 4%, up by 260 basis point from

previous year. In first half of the year, ESI reported revenues of €14.9m, up from €1.9m in H1 2021, with an EBITDA margin of 5.3%. The Company recorded a substantial backlog of €49.6m as of June 2022. In H2 the Company reported €15.6m revenues, up from €3.5m in H2 2021, and EBITDA stood at €0.4m compared to -€0.1m in H2 2021, with an EBITDA margin of 2.8%. Adjustments at the EBIT level include the write-off of €0.5m receivable from the former Spanish subsidiary. Additionally, the ESI exercised the option to suspend D&As, in the amount of €0.3m. Adjusted net profit for H2 2022 was €0.2m (compared to €0.1m in 2H21) and €0.5m for FY 2022. Taking into account not only the adjustment of €0.5m mentioned above, but also an additional write-off of a financial receivable of €0.38m, net profit at the end of the year was -€0.2m. Net debt at the end of 2022 was €2.3m (restated from €2m cash) compared to €1m cash in FY 21, also backed by factoring of receivables.

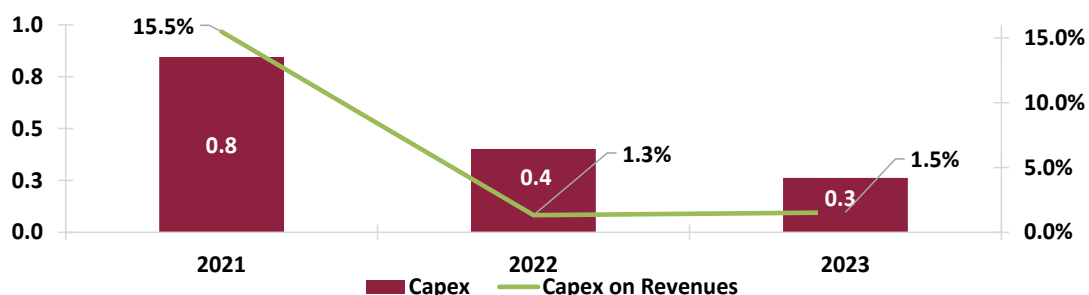
- In FY 2023, ESI's revenues were €17.0m from €30.5m in FY 2022: H1 €9.9m, from €14.9m in H1 2022, and €7.1m in H2, from €15.6m in H2 2022. FY 2023 EBITDA was -€1.6m compared to €1.2m in FY 2022, with a margin of -9%, from +4% in FY 2022. Management attributed this drop to lower volumes, raw material inflation, increased costs for PV systems due to shortages of parts, and extra costs paid to subcontractors. In 2023 ESI completed 9 EPC contracts for €32.1m, sales were €32.5m from €2.4m in FY 2022, changes in WIP were -€15.7m, from €27.8m in FY 2022, due to the closure of some construction sites for €24.5m and increases in works on existing projects for €8.8m, of which 20% related to System Integrator business unit. EBIT was negative for ca. €2.0m, compared to positive €0.8m in FY 2022, and the bottom line was negative of €1.7m compared to -€0.2m in FY 2022. Net debt amounted to €0.8m improving from €2.3m at the end of 2022, benefiting from €1.2m capital increase and debt repayment to factoring institutions of €2.3m. The Company reported a substantial backlog of ca. €52m as of end of March 2024.

Revenues & EBITDA (€m, left), EBITDA margin (% , right) - FY 2021-23



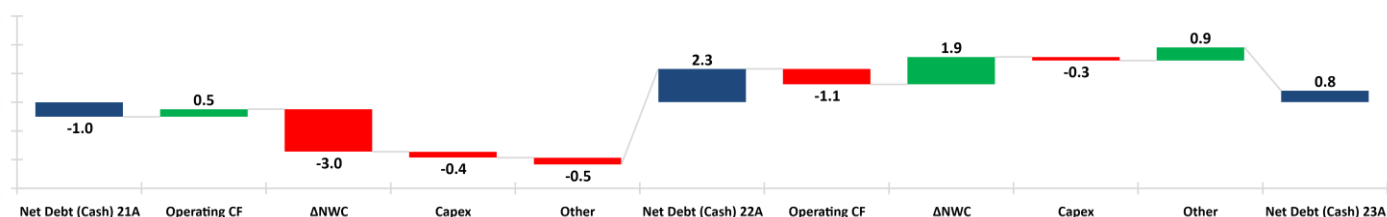
Source: Company data

Total Capex (€m, left) and Capex on Revenues (% , right) - FY 2021-23



Source: Company data

Net Debt, Capex and Operating cash flow – FY 2021-23 (€m)



Source: Company data

Historical evolution orders intake

ESI achieved its strongest year for order intake in 2021, securing €37.5m in new contracts. While 2022's total new orders reached €23.3m, with approximately 90% stemming from the Edison framework agreement for six photovoltaic plants. 2023 and 2024 (year-to-date) maintained positive momentum, achieving €25.6m and €29.1m, respectively.

Announcement	Project	BU	Contract value (€m)	Capacity (MW)	Energy Storage (kWh)	
					Installation	Revamping
Nov-20	Off-Grid PV Plant Burundi	System Integration	0.3	0.05	Installation	100
Nov-20	Off-Grid PV Plant Mozambico	System Integration	0.5	0.12	Installation	300
Dec-20	Mini-Grid PV/Hydro Plant Congo	System Integration	0.6	0.10	Installation	130
2020			1.4	0.3		
Apr-21	Revamping of 18 PV Plants Italy	EPC	3.2	23.0	Installation	-
Aug-21	Hybrid PV Plant Stromboli Island	System Integration	1.0	0.2	Installation	1,000
Aug-21	2 PV Plants Perugia	EPC	1.3	2.0	Installation	-
Sep-21	2 High-Voltage Energy Sub-Stations	EPC	1.3	-	Installation	-
Oct-21	Framework Agreement Edison (1° and 2° Plants)	EPC	12.0	16.0	Installation	-
Nov-21	3 Off-Grid PV Hybrid Plants Mozambico	System Integration	4.3	0.4	Installation	2,305
Dec-21	Framework Agreement ENEL	EPC	14.4	27.0	Installation	-
2021			37.5	68.6		
Mar-22	Framework Agreement Edison (3° Plant)	EPC	7.3	10.0	Installation	-
May-22	Framework Agreement Edison (4° Plant)	EPC	5.0	6.2	Installation	-
May-22	2 PV Plants Italy	EPC	2.3	4.8	Installation	-
Jul-22	Framework Agreement Edison (5° Plant)	EPC	4.0	4.7	Installation	-
Aug-22	Framework Agreement Edison (6° Plant)	EPC	4.2	4.8	Installation	-
Oct-22	Revamping of 1 PV Plant Alessandria	EPC	0.5	2.0	Revamping	-
2022			23.3	32.5		
Jul-23	PV Plants Lazio	EPC	12.3	52.0	Installation	-
Aug-23	2 PV Plants Sicilia	EPC	2.1	4.5	Installation	-
Sep-23	PV Plants Molise	EPC	2.6	3.4	Installation	-
Nov-23	PV Plants Puglia	EPC	8.6	9.8	Installation	-
Nov-23	PV Plants Piemonte	EPC	5.7	10.0	Installation	-
2023			31.3	79.7		
Jan-24	Revamping Italy	EPC	23.4	60.0	Revamping	-
2024			23.4	60.0		

Total	116.9	241.0
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Source: Company data

Business Plan 2024-26 unveiled, diversification beyond EPC

ESI's business plan has set new targets driven by diversification from core EPC business unit, integrating the Development & Construction and B2B divisions, bearing in mind that the latter imply higher working capital absorption:

- Management is projecting to generate cumulative revenues of €172.3m in the period (expected CAGR 22A-26E of 23%) and planning to reach €69m in FY26E, therefore implying €103.3m in 24-2025E.
- Average contribution margin in the period of 13.5%.
- Cumulative EBITDA projected of €13.8m, assuming €6m in FY26E with 8.7% margin, thus implying €7.8m in 24-2025E.
- Net financial position expected to be cash negative for €3.5mn in 2026, also considering financial debt raised to develop the D&C business unit.

Main BUs' drivers:

- Construction of total 164 MW (under full EPC assumption), with EPC's average annual backlog acquired in 23-2026E period projected at €38.5m.
- EPC division estimated production of 119MW in the 24-2026E period, generating sales of €106.7mn (i.e ca. €0.90m/MWh).
- Development & Construction division, focused on production and sale of PV plants for total projects of 45 MW (10 MWp in 2024, 15 MWp in 2025 and 20 MWp in 2026), expected to generate €33.8m in sales (i.e. ca. € 0.75m/MWh), sales target in 2026E of €15m.
- Sales of €31.9m planned for the B2B division in 24-2026E period, with focus on customers aiming to improve energy efficiency for their facilities.

Estimates 2024-2026

Use of market data

- LCOE (levelized cost of electricity) of utility-scale PV installations reduced globally by 88% from 2010 to 2021, 70% of added solar PV capacity had a lower cost than fossil fuel alternative.
- According to Terna and SNAM research (August 2022), targets set by the National integrated Plan for Energy and Climate (PNIEC) imply ca. 75 GW of installed Solar PV capacity by 2030, i.e 14% 21-2030 CAGR.
- Italian utility-scale solar PV capacity reached ca. 13 GW in 2021, aiming for 53 GW by 2030 (avg. annual additions of ca. 4.5 GW), while small-scale solar PV stood at ca. 10 GW in 2021, targeting 22 GW by 2030 (avg. annual additions of ca. 1.3 GW).
- ESMAP and The World Bank forecasted that the mini-grid market will attract investments totaling between \$62b and \$98b from 2021 to 2030, with a CAGR ranging from 13.5% to 17.8%.

Source: European Commission, *EU Solar Energy Strategy, 2022 - European Wind Power Action Plan, 2023*; MISE & Ministero dell'Ambiente & MIT, *Energia Clima 2030*; Terna & SNAM, *Documento di Descrizione degli Scenari, 2022*; EY, *If every energy transition is different, which course will accelerate yours?*, 2023

Basic assumptions for the formulation of estimates

Setting methodological starting assumptions, estimates for the period under review were drawn up:

- Assuming supply chain stability and inflation trends aligned with CB's projections.
- Factoring in ESI strategy and our analysis of the industry.
- Excluding possible M&A scenarios.
- Projecting the business evolution on EPC, D&C and B2B divisions.
- Flawless backlog execution and optimized working capital.

FY 24-2026 estimates

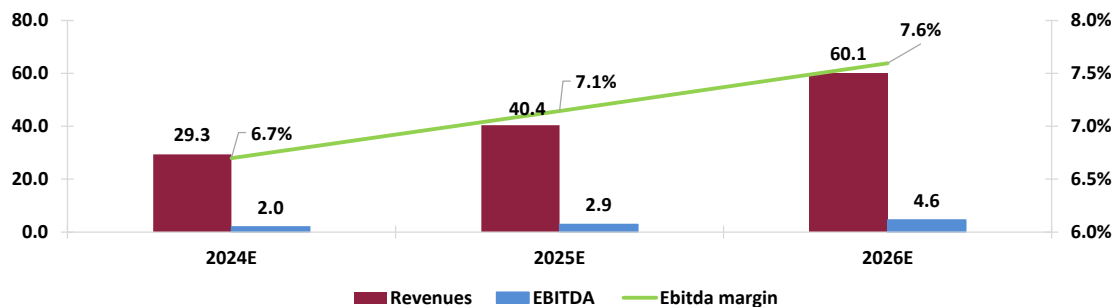
- Order intakes and backlog are expected around €50m and over €30m on average, the Book to Bill ratio is projected below 1x.
- Revenues expected to increase with 18.5% CAGR.
- COGS and operating costs on revenues expected stable over 90%
- EBITDA is expected to grow gradually, with margin sequentially improving from mid to high-single digit.
- Net financial expenses consistent with changing debt structure.
- Net profit margin in the range of 3-5% over the period.
- Cumulative capex plan around 1% of revenues in the period.
- Cash flow from P&L operations/EBITDA around 80% on average.
- The net debt position over 2024-2026E period is expected around €3.5m on average, with the Net Debt/EBITDA ratio improving from 1.4x in 2024E to 1.0x in 2026E.

Assumptions

Backlog	Backlog of €58m at the end of January 2024. Expected order and milestone completion: 55% in 2024, completely covering our revenue forecast for the year.
Revenues	Revenues: 2022A-26E +18.5% CAGR, assuming contribution of D&C and B2B business line to ESI operations in line with business plan but starting from 2025 instead of 2024.
Operating charges	COGS and operating costs on revenues above 90%, in line with the average historical trend, specifically: <ul style="list-style-type: none"> - Raw materials around 55% - Services around 25% - Personnel around 10% - Other operating costs around 3% on average
Income taxes	<ul style="list-style-type: none"> - Corporate tax (IRES): 24% - Regional tax (IRAP): 3.9%
Capex	Capex around 1% of revenues on average over the period

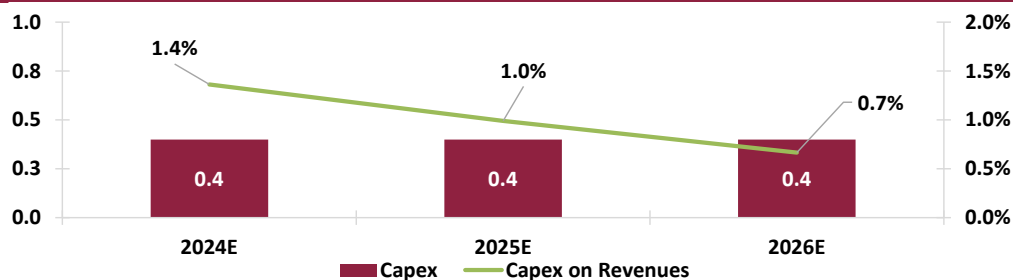
Source: EnVent Research

Revenues & EBITDA (€m, left), EBITDA margin (% , right) – FY 2024-26E



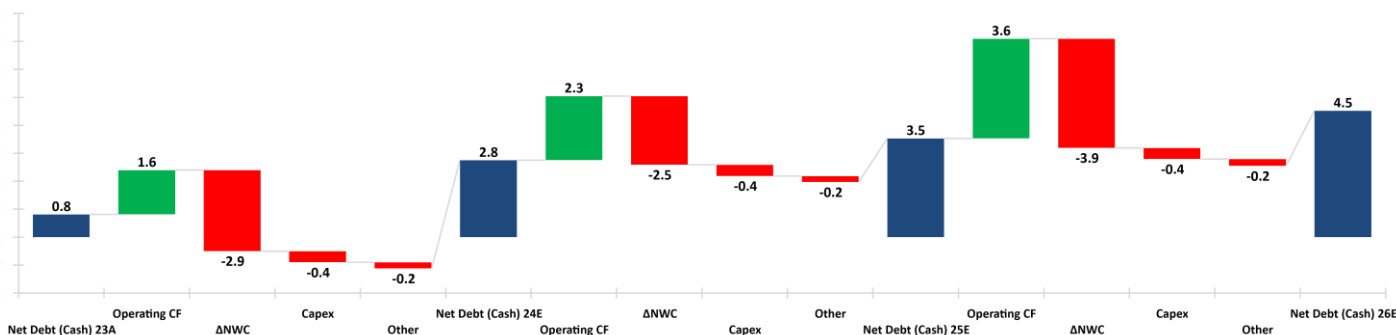
Source: EnVent Research 2024-26E

Total Capex (€m, left) and Capex on Revenues (% , right) – FY 2024-26E



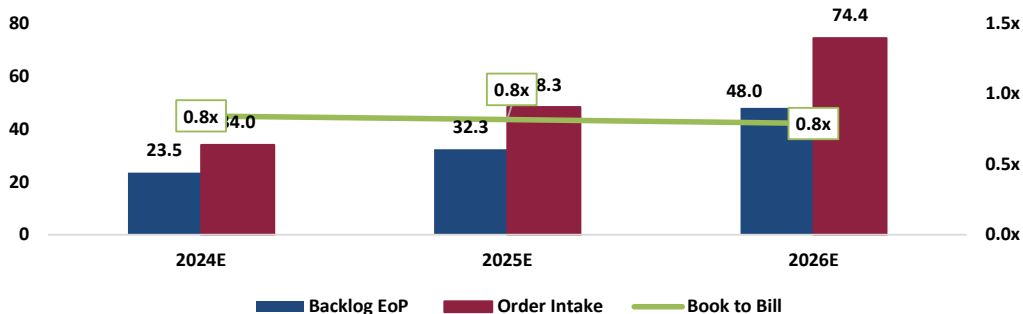
Source: EnVent Research 2024-26E

Net Debt, Capex and Operating cash flow – FY 2024-26E (€m)



Source: EnVent Research 2024-26E

Backlog & Order Intake (€m, left), Book to bill (x, right) – FY 2024-26E



Source: EnVent Research 2024-26E

Financial projections

Profit and Loss

€m	2020	2021	2022	2023	2024E	2025E	2026E
Revenues	2.6	5.5	30.5	17.1	29.3	40.4	60.1
YoY %	-38.3%	113.8%	458.7%	-43.9%	71.4%	37.6%	48.7%
COGS	(0.3)	(2.1)	(22.2)	(9.5)	(16.1)	(22.2)	(33.0)
Services	(0.9)	(2.4)	(4.4)	(5.5)	(7.3)	(10.1)	(15.0)
Personnel	(0.5)	(0.6)	(1.9)	(2.6)	(2.9)	(4.0)	(6.0)
Other operating costs	(0.1)	(0.3)	(0.8)	(1.0)	(1.0)	(1.2)	(1.5)
Operating costs	(1.6)	(3.3)	(7.1)	(9.1)	(11.3)	(15.3)	(22.5)
EBITDA	0.6	0.1	1.2	(1.6)	2.0	2.9	4.6
Margin on Revenues	23.9%	1.4%	4.0%	-9.3%	6.7%	7.1%	7.6%
D&A	(0.2)	0.0	(0.5)	(0.4)	(0.4)	(0.4)	(0.5)
EBIT	0.4	0.1	0.7	(2.0)	1.6	2.5	4.1
Margin on Revenues	15.5%	1.4%	2.4%	-11.5%	5.5%	6.1%	6.8%
Interest	(0.0)	(0.0)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)
Write-down of equity investments and receivables	0.0	0.0	(0.4)	0.0	0.0	0.0	0.0
EBT	0.4	0.0	0.0	(2.2)	1.4	2.3	3.9
Margin on Revenues	15.4%	0.7%	0.0%	-12.8%	4.7%	5.6%	6.4%
Income taxes	(0.0)	0.1	(0.2)	0.5	(0.4)	(0.6)	(1.1)
Net Income (Loss)	0.4	0.1	(0.2)	(1.7)	1.0	1.6	2.8
Margin on Revenues	15.3%	2.1%	-0.7%	-10.1%	3.4%	4.0%	4.6%

Source: Company data 2021-23, EnVent Research 2024-26E

Balance Sheet

€m	2020	2021	2022	2023	2024E	2025E	2026E
Inventory	0.0	4.8	32.8	16.4	27.5	38.4	57.7
Trade receivables	0.4	0.9	3.5	1.6	2.9	4.0	5.9
Trade payables	(0.3)	(5.6)	(34.7)	(17.6)	(27.0)	(36.9)	(54.4)
Trade Working Capital	0.1	0.2	1.6	0.4	3.4	5.4	9.1
Other assets (liabilities)	1.1	0.4	2.0	1.3	1.2	1.6	1.8
Net Working Capital	1.1	0.6	3.6	1.7	4.6	7.0	10.9
Intangible assets	0.9	0.9	0.9	0.8	0.6	0.4	0.2
Property, plant and equipment	0.2	1.0	1.4	1.4	1.6	1.8	2.0
Equity investments and financial assets	0.4	0.4	0.0	0.0	0.0	0.0	0.0
Non-current assets	1.4	2.3	2.3	2.2	2.2	2.2	2.1
Provisions	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	(0.3)
Net Invested Capital	2.5	2.9	5.8	3.7	6.6	9.0	12.8
Net Debt (Cash)	(1.0)	(1.0)	2.3	0.8	2.8	3.5	4.5
Equity	3.6	3.9	3.5	2.9	3.9	5.5	8.3
Sources	2.5	2.9	5.8	3.7	6.6	9.0	12.8

Source: Company data 2021-23, EnVent Research 2024-26E

Cash Flow

€m	2020	2021	2022	2023	2024E	2025E	2026E
EBIT	0.4	0.1	0.7	(2.0)	1.6	2.5	4.1
Current taxes	(0.0)	0.1	(0.2)	0.5	(0.4)	(0.6)	(1.1)
D&A	0.2	0.0	0.0	0.4	0.4	0.4	0.5
Provisions	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Cash flow from P&L operations	0.6	0.2	0.5	(1.1)	1.6	2.3	3.6
Trade Working Capital	(0.1)	(0.1)	(1.4)	1.2	(3.0)	(2.0)	(3.7)
Other assets and liabilities	(1.5)	0.6	(1.6)	0.8	0.1	(0.4)	(0.2)
Capex	(1.0)	(0.8)	(0.4)	(0.3)	(0.4)	(0.4)	(0.4)
Operating cash flow after WC and capex	(2.0)	(0.1)	(2.8)	0.6	(1.7)	(0.6)	(0.7)
Interest	(0.0)	(0.0)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)
Write-down of equity investments and receivables	0.0	0.0	(0.4)	0.0	0.0	0.0	0.0
Equity investments and financial assets	(0.4)	(0.0)	0.4	0.0	0.0	0.0	0.0
Changes in equity and adjustments	2.6	0.2	0.0	1.2	0.0	0.0	0.0
Net cash flow	0.2	(0.0)	(3.3)	1.5	(1.9)	(0.8)	(1.0)
Net Debt (Beginning)	0.8	1.0	1.0	(2.3)	(0.8)	(2.8)	(3.5)
Net Debt (End)	1.0	1.0	(2.3)	(0.8)	(2.8)	(3.5)	(4.5)
Change in Net Debt (Cash)	0.2	(0.0)	(3.3)	1.5	(1.9)	(0.8)	(1.0)

Source: Company data 2021-23, EnVent Research 2024-26E

Ratio analysis

KPIs	2020	2021	2022	2023	2024E	2025E	2026E
ROE	11%	3%	-6%	-60%	26%	29%	34%
ROS	15%	1%	2%	-11%	5%	6%	7%
ROIC	16%	3%	12%	-53%	24%	27%	32%
DOI	3	355	397	358	350	355	360
DSO	55	56	35	29	30	30	30
DPO	68	349	385	329	330	330	330
TWC/Sales	3%	3%	5%	2%	12%	13%	15%
NWC/Sales	45%	11%	12%	10%	16%	17%	18%
Capex/Sales	39%	15%	1%	2%	1%	1%	1%
Net Debt/EBITDA	-1.7x	-13.0x	1.9x	-0.5x	1.4x	1.2x	1.0x
Net Debt/Equity	-0.3x	-0.3x	0.7x	0.3x	0.7x	0.6x	0.5x
Cash flow from P&L operations/EBITDA	na	223%	44%	68%	81%	80%	78%
FCF/EBITDA	na	neg	neg	neg	neg	neg	neg

Source: Company data 2021-23, EnVent Research 2024-26E

8. VALUATION

Strategic path to value creation

Value drivers

- Energy transition and decarbonization commitments
- PV cost reduction
- Increasing energy demand
- PV, self-consumption and energy independence
- Development of innovative technologies
- Sustainability and environmental awareness
- Tax incentives

Valuation metrics

Our valuation metrics include discounted cash flows and market multiples:

- The DCF scenarios are intended to represent the present standpoint in the value building path.
- The Revenues, EBITDA based values are deemed to represent the current value of ESI grounding on its top-line and on industry operating profitability.

Discounted Cash Flows

Metrics and assumptions:

- Risk free rate: 3.2% (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: 1.0 (judgmental)
- Cost of equity: 11.9%
- Cost of debt: 6.5%
- Tax rate: 24% IRES
- 35% debt/(debt + equity) as target capital structure
- WACC calculated at 9.4%, according to above data
- Perpetual growth rate after explicit projections (G): 3%
- Terminal Value assumes a 8.0% EBITDA margin

DCF model

€m	2023	2024E	2025E	2026E	Perpetuity
Revenues	17.1	29.3	40.4	60.1	61.9
EBITDA	(1.6)	2.0	2.9	4.6	4.9
<i>Margin on Sales</i>	-9.3%	6.7%	7.1%	7.6%	8.0%
EBIT	(2.0)	1.6	2.5	4.1	4.5
<i>Margin on Sales</i>	-11.5%	5.5%	6.1%	6.8%	7.4%
Taxes	0.5	(0.5)	(0.7)	(1.1)	(1.3)
NOPAT	(1.4)	1.2	1.8	3.0	3.3
D&A	0.4	0.4	0.4	0.5	0.4
Provisions	0.0	0.0	0.0	0.1	0.0
Cash flow from operations	(1.0)	1.5	2.2	3.5	3.7
Trade Working Capital	1.2	(3.0)	(2.0)	(3.7)	(0.6)
Other assets and liabilities	0.8	0.1	(0.4)	(0.2)	0.0
Capex	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
Unlevered free cash flow	0.7	(1.8)	(0.6)	(0.8)	2.6
WACC	9.4%				
Long-term growth (G)	3.0%				
Discounted Cash Flows		(1.6)	(0.5)	(0.6)	
Sum of Discounted Cash Flows	(2.7)				
Terminal Value					41.0
Discounted TV	31.3				
Enterprise Value	28.5				
Net cash (debt) as of 31/12/23	(0.8)				
Equity Value	27.7				

Source: Company data 2021-23, EnVent Research 2024-26E

DCF - Implied multiples	2024E	2025E	2026E
EV/Revenues	1.0x	0.7x	0.5x
EV/EBITDA	14.5x	9.9x	6.3x
EV/EBIT	17.7x	11.5x	6.9x
P/E	27.9x	17.1x	10.0x

Source: Company data 2021-23, EnVent Research 2024-26E

WACC sensitivity

		WACC				
		11.4%	10.4%	9.4%	8.4%	7.4%
Terminal - G	4.0%	21.6	26.2	32.6	41.9	56.8
	3.5%	20.3	24.4	29.9	37.8	49.7
	3.0%	19.1	22.8	27.7	34.4	44.3
	2.5%	18.1	21.4	25.8	31.6	39.9
	2.0%	17.2	20.2	24.1	29.3	36.4

Source: EnVent Research 2024-26E

Market multiples valuation

While EV/Revenue and P/E ratios offer a convenient initial starting point for industry comparisons, their usefulness can be lessened by macroeconomic headwinds such as inflation and consequent rising financing costs that particularly burden highly leveraged companies.

Therefore, we focus on EBITDA and EBIT multiples for 2024-2025, recognizing that we exclude the potential growth implied by ESI's business plan, which we have included in our projections from 2025, relying for 2024 only on the visibility provided by the backlog.

Market multiples application

ESI Valuation (€m)			Combined Multiples	Enterprise Value	Net Cash (Debt) as of 31/12/2023	Equity Value
2024E EBITDA	2.0	<i>Median</i>	6.2x	12.2	(0.8)	11.4
2025E EBITDA	2.9	<i>Median</i>	4.0x	11.4	(0.8)	10.6
<i>Mean 2024E-25E</i>				11.8		11.0
2024E EBIT	1.6	<i>Median</i>	6.9x	11.1	(0.8)	10.3
2025E EBIT	2.5	<i>Median</i>	4.2x	10.4	(0.8)	9.6
<i>Mean 2024E-25E</i>				10.8		9.9
ESI Equity Value						10.5

Source: EnVent Research 2024-25E

To complete our analysis, we also apply the market multiples of Comal, the most relevant comparable company we identified. Notably, these multiples are largely consistent with the median of the broader peer group. Following some key characteristics of Comal:

- Leadership in the Italian photovoltaic (PV) EPC market
- Vertically integrated business model, with in-house production of metal structures and trackers
- Higher financial leverage than ESI

Comal multiples application

ESI Valuation (€m)			Comal's Multiples	Enterprise Value	Net Cash (Debt) as of 31/12/2023	Equity Value
2024E EBITDA	2.0	<i>Median</i>	5.7x	11.2	(0.8)	10.4
2025E EBITDA	2.9	<i>Median</i>	4.0x	11.4	(0.8)	10.6
<i>Mean 2024E-25E</i>				11.3		10.5
2024E EBIT	1.6	<i>Median</i>	6.8x	11.0	(0.8)	10.2
2025E EBIT	2.5	<i>Median</i>	4.8x	11.8	(0.8)	11.0
<i>Mean 2024E-25E</i>				11.4		10.6
ESI Equity Value						10.5

Source: EnVent Research 2024-25E

Valuation summary and Target price

Based on our estimates, appropriately considering the Company's business plan, we assume ESI to achieve a CAGR of more than 18.5% from 2022A to 2026E, cautiously assuming D&C and B2B business lines contribution from 2025 onward. For the current year, we project business growth relying only on the visibility provided by the current backlog. We expect the EBITDA margin to stabilize in the range of 6-8% in the period 2024E-2026E, narrowing the gap with major competitors. Debt financial position is projected to increase as the plan unfolds, followed by a gradual decline achieving a Net Debt/EBITDA ratio of 1x by 2026.

In order to set a target price, we have applied a weighted average approach, equating the two methodologies exhibited. This incorporates the €28m equity value derived from the discounted cash flow analysis and the conservative average value of approximately €11m obtained by applying market multiples. Through our process, we obtain an average equity value of €19m.

Based on our analysis, we are initiating coverage of ESI with a target price of €2.50 per share. This target price implies a potential upside of 58% from the current stock price, which justifies an OUTPERFORM rating.

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

ESI Price per Share	€
Target Price	2.50
Current Share Price (23/04/2024)	1.58
Premium (Discount)	58%

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The “OUTPERFORM”, “NEUTRAL”, AND “UNDERPERFORM” recommendations are based on the expectations within a 12-month period from the date of rating indicated in the front page of this publication.

Equity ratings and valuations are issued in absolute terms, not relative to market performance.

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

OUTPERFORM: stocks are expected to have a total return above 10%;

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. 7.00pm

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Date	Recommendation	Target Price (€)	Share Price (€)
24/04/2024	OUTPERFORM	2.50	1.58

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