



FLASH NOTE

OUTPERFORM

Current Share Price (€): 1.41

Target Price (€): 2.50

ESI - 1Y Performance



Source: S&P Capital IQ - Note: 07/08/2023=100

Company data

ISIN number	IT0005421885
Bloomberg code	ESIGM IM
Reuters code	ESI.MI
Industry	Renewables
Stock market	Euronext Growth Milan
Share Price (€)	1.41
Date of Price	06/08/2024
Shares Outstanding (m)	7.5
Market Cap (€m)	10.6
Market Float (%)	32.7%
Daily Volume	112,500
Avg Daily Volume YTD	15,038
Target Price (€)	2.50
Upside (%)	77%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	6M	1Y
ESI - Absolute (%)	-6%	-19%	-41%	-32%
FTSE Italia Growth (%)	-4%	-5%	-4%	-12%
1Y Range H/L (€)			2.77	1.03
YTD Change (€) / %			-0.53	-27%

Source: S&P Capital IQ

Analysts

Silvestro Bonora sbonora@envent.it
Alberto Bacciga abacciga@envent.it

EnVent Italia SIM S.p.A.

Via degli Omenoni, 2 - 20121 Milano (Italy)
Phone +39 02 22175979

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H1 2024 preliminary figures: higher margin projects improve profitability, solid backlog extends visibility

H1 2024 operating figures, backlog and management change

- Revenues €12.1m, +22% on H1 2023
- EBITDA €1.4m, €(1.1)m in H1 2023
- EBITDA margin 11.3%
- EBIT €1.2m, €(1.3)m in H1 2023
- Net debt at €0.7m, from €0.8m as of year-end 2023
- Backlog €44.4m as of 30th June 2024

Announced a new agreement worth €6.5m for the revamping of PV plants in Italy, to be executed in 2024-25.

Appointed Mr. Plocco as co-CEO, Mr. Vanni as Investor Relator and Ms. Verdecchia as CFO.

Outlook: EU power sector solar & wind overtake fossil fuels

In H1 2024, wind and solar power surpassed fossil fuels in EU electricity generation for the first time, according to Ember, independent energy think tank, renewables provided 30% of the EU's electricity, outstripping the 27% from fossil fuels. Ember predicts a 2-3% rise in EU electricity demand for 2024, with solar and wind power expected to grow by 29% and 9%, respectively.

Target price €2.50 per share and OUTPERFORM rating confirmed

ESI's preliminary first-half results reaffirm our bullish stance on the stock. Although revenue fell short of our full-year run-rate projections that exceed €29m, the Company's robust backlog of over €44m comfortably bridges the gap for 2024 and provides visibility into roughly 70% of our 2025 revenue forecast, setting a solid foundation for near-term operations. Profitability metrics were strong, primarily due to the acquisition of higher-margin projects, as highlighted by Management. Margins expansion of around 460-430 bps vs our 2024 estimates accounts for more than 70% of our full-year EBITDA/EBIT projections, bringing ESI closer to the profitability levels of industry. Moreover, net debt of €0.7m was slightly better than both FY23 and our FY24 forecast of €2.8m, translating to a Net Debt/EBITDA ratio of 0.5x (vs our FY24E estimate of 1.4x). We anticipate a higher debt position as the Company ramps up its new business units D&C and B2B. Pending the release of the full half-year report due on September 25th, we maintain our €2.50 target price and Outperform rating, implying a potential upside of 77% from the current share price.

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 2020-23A, EnVent Research 2024-26E

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

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UNDERPERFORM: stocks expected to have a downside within the reference market or industry, with a target price more than 10% below the current market price;

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DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
24/04/2024	OUTPERFORM	2.50	1.58
07/08/2024	OUTPERFORM	2.50	1.41

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