

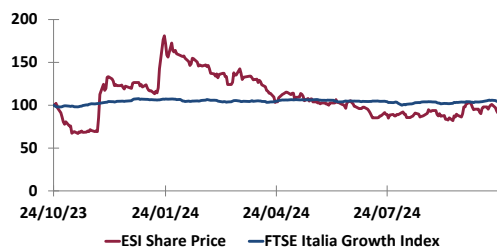


OUTPERFORM

Current Share Price (€): 1.39

Target Price (€): 2.50

ESI - 1Y Performance



Source: S&P Capital IQ - Note: 24/10/2023=100

Company data

ISIN number	IT0005421885
Bloomberg code	ESIGM IM
Reuters code	ESI.MI
Industry	Renewables
Stock market	Euronext Growth Milan
Share Price (€)	1.39
Date of Price	23/10/2024
Shares Outstanding (m)	7.5
Market Cap (€m)	10.5
Market Float (%)	32.7%
Daily Volume	16,200
Avg Daily Volume YTD	22,885
Target Price (€)	2.50
Upside (%)	80%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	6M	1Y
ESI - Absolute (%)	5%	7%	-17%	-9%
FTSE Italia Growth (%)	1%	1%	-1%	5%
1Y Range H/L (€)			2.77	1.03
YTD Change (€) / %			-0.55	-28%

Source: S&P Capital IQ

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H1 2024 results: higher projects' profitability has paid off, EBITDA covers 70% of full-year expectation, backlog extends visibility into 2025

H1 2024's EBITDA margin +465bps vs our FY24E, backlog covers two-thirds of 2025E top-line

- Revenues €12.1m, +22% on H1 2023 (3 EPC projects, 1 revamping and WIP changes)
- EBITDA €1.4m, €(1.1)m in H1 2023, margin 11.4%
- EBIT €1.2m, €(1.3)m in H1 2023, margin 9.8%
- Net income €0.8m, €(1.1)m in H1 2023
- Net debt of €0.7m (factoring €1.3m), €0.8m as of year-end 2023.
- Net debt/EBITDA ratio of 0.5x (our FY24E estimate of 1.4x)
- Backlog €44.4m as of 30th June 2024

ESI's business plan vs EnVent estimates: cautious approach grounded on backlog

ESI's targets calls for cumulative revenue of more than €170m over the period 2024-26, cumulative EBITDA of about €14m, with a high single-digit margin by 2026, and net debt of €3.5m in 2026. As for our estimates, we remain cautious for 2024, relying solely on the visibility provided by the backlog (i.e. €44.4m as of H1 2024) and shifting the expected contribution of new business lines by one year (i.e. D&C and B2B), assuming delays in authorization processes. We expect cumulative revenue of €130m in the period 2024-2026 (CAGR 22A-26E of 18.5% compared to 23% projected in the business plan), with an EBITDA margin in the range of 6-8%. Finally, we project a higher Net Debt/EBITDA ratio than Company's business plan (i.e. 0.6x) of by 1x by 2026.

Target price €2.50 per share and OUTPERFORM rating confirmed

We confirm our positive stance on ESI's investment case, based on promising outlook for the industry, supported by the current backlog that comfortably covers our FY24E estimates, extending visibility to about two-thirds of our 2025 top-line forecast. We confirm our target price of €2.50 and OUTPERFORM rating, implying a potential upside of 80% from the current share price.

KEY FINANCIALS AND ESTIMATES (€m)	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Revenues	2.6	5.5	30.5	17.1	29.3	40.4	60.1	70.4
YoY %	-38.3%	113.8%	458.7%	-43.9%	71.4%	37.6%	48.7%	17.2%
EBITDA	0.6	0.1	1.2	(1.6)	2.0	2.9	4.6	5.7
Margin	23.9%	1.4%	4.0%	-9.3%	6.7%	7.1%	7.6%	8.1%
EBIT	0.4	0.1	0.7	(2.0)	1.6	2.5	4.1	5.2
Net Income (Loss)	0.4	0.1	(0.2)	(1.7)	1.0	1.6	2.8	3.6
Net (Debt) Cash	1.0	1.0	(2.3)	(0.8)	(2.8)	(3.5)	(4.5)	(3.5)
Equity	3.6	3.9	3.5	2.9	3.9	5.5	8.3	11.8

KEY RATIOS

ROE	11%	3%	-6%	-60%	26%	29%	34%	30%
TWC/Sales	3%	3%	5%	2%	12%	13%	15%	16%
NWC/Sales	45%	11%	12%	10%	16%	17%	18%	19%
Net Debt/EBITDA	-171%	-1301%	190%	-51%	140%	123%	99%	61%
Net Debt/Equity	-29%	-26%	67%	28%	71%	64%	55%	29%

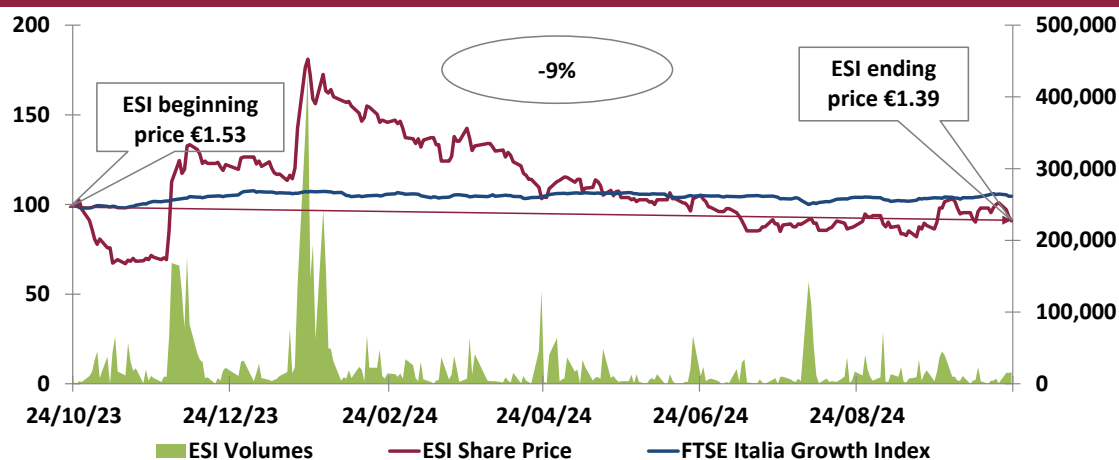
Source: Company data 2020-23A, EnVent Research 2024-26E

Market update

ESI - 1Y Share price performance and trading volumes

Trading price range
€1.03-2.77 per share

-9% for ESI, vs +5 of
Italia Growth Index



Source: EnVent Research on S&P Capital IQ – Note: 24/10/2023=100

Investment case

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.

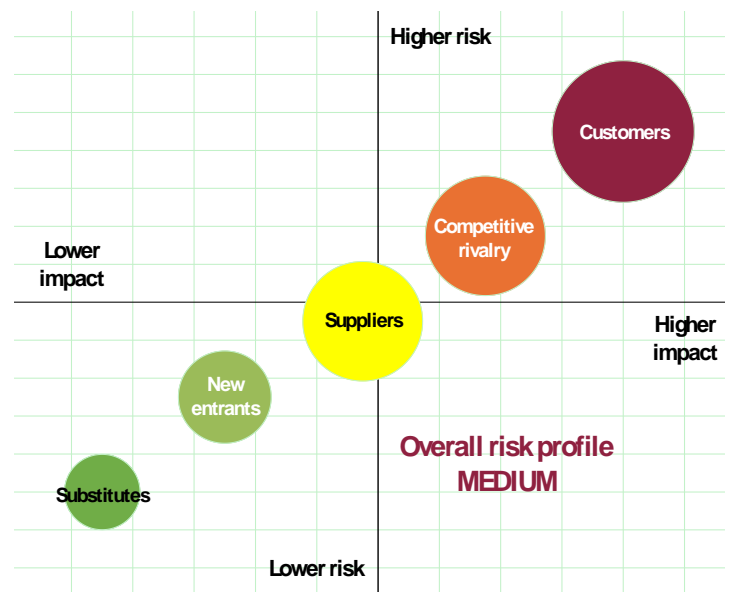
Regulatory risk. Incentive system for photovoltaics in Italy is complex and fragmented, with varying regulations and procedures at national and regional levels. This can hinder market development, especially for smaller operators.

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.

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

Risk map



Source: EnVent Research

Historical evolution orders intake

Announcement	Project	BU	Contract value (€m)	Capacity (MW)	Installation	Energy
					Revamping	Storage (kWh)
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	0.1	Installation	130
2020			1.4	0.27		
Apr-21	Revamping of 18 PV Plants Italy	EPC	3.2	23	Installation	-
Aug-21	Hybrid PV Plant Stromboli Island	System Integration	1	0.2	Installation	1000
Aug-21	2 PV Plants Perugia	EPC	1.3	2	Installation	-
Sep-21	2 High-Voltage Energy Sub-Stations	EPC	1.3	-	Installation	-
Oct-21	Framework Agreement Edison (1° and 2° Plants)	EPC	12	16	Installation	-
Nov-21	3 Off-Grid PV Hybrid Plants Mozambico	System Integration	4.3	0.4	Installation	2305
Dec-21	Framework Agreement ENEL	EPC	14.4	27	Installation	-
2021			37.5	68.6		
Mar-22	Framework Agreement Edison (3° Plant)	EPC	7.3	10	Installation	-
May-22	Framework Agreement Edison (4° Plant)	EPC	5	6.2	Installation	-
May-22	2 PV Plants Italy	EPC	2.3	4.8	Installation	-
Jul-22	Framework Agreement Edison (5° Plant)	EPC	4	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	Revamping	-
2022			23.3	32.5		
Jul-23	PV Plants Lazio	EPC	12.3	52	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	-
2023			25.6	69.7		
Jan-24	PV Plants Piemonte	EPC	5.7	10	Installation	-
Jan-24	Revamping Italy	EPC	23.4	60	Revamping	-
Jun-24	PV Plants Piemonte	EPC	4.2	5	Installation	-
Aug-24	Revamping Italy	EPC	6.5	15	Revamping	-
2024			39.8	90		

Total	127.6	261.07
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H1 2024 results

- Revenues €12.1m, +22% on H1 2023
- EBITDA €1.4m, €(1.1)m in H1 2023, EBITDA margin 11.4%
- 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

Profit and Loss

€m	H1 2023	H1 2024
Revenues	9.9	12.1
YoY %	-33.2%	22.2%
COGS	(5.9)	(5.7)
Services	(3.2)	(3.4)
Personnel	(1.4)	(1.3)
Other operating costs	(0.5)	(0.4)
Operating costs	(5.1)	(5.0)
EBITDA	(1.1)	1.4
Margin on Revenues	-10.9%	11.4%
D&A	(0.2)	(0.2)
EBIT	(1.3)	1.2
Margin on Revenues	-12.7%	9.8%
Interest	(0.1)	(0.1)
EBT	(1.4)	1.1
Margin on Revenues	-14.0%	9.1%
Income taxes	0.3	(0.3)
Net Income (Loss)	(1.1)	0.8
Margin on Sales	-10.9%	6.5%

Source: Company data

Balance Sheet

€m	H1 2023	2023	H1 2024
Inventory	29.7	16.4	17.9
Trade receivables	3.6	1.6	2.1
Trade payables	(31.4)	(17.6)	(18.3)
Trade Working Capital	1.9	0.4	1.7
Other assets (liabilities)	0.7	1.3	0.7
Net Working Capital	2.7	1.7	2.5
Intangible assets	0.9	0.8	0.7
Property, plant and equipment	1.4	1.4	1.4
Non-current assets	2.3	2.2	2.1
Provisions	(0.1)	(0.1)	(0.1)
Net Invested Capital	4.9	3.7	4.4
Net Debt (Cash)	1.4	0.8	0.7
Equity	3.5	2.9	3.7
Sources	4.9	3.7	4.4

Cash Flow

€m	H1 2023	H1 2024
EBIT	(1.3)	1.2
Current taxes	0.3	(0.3)
D&A	0.2	0.2
Provisions	0.0	0.0
Cash flow from P&L operations	(0.8)	1.1
Trade Working Capital	(0.4)	(1.3)
Other assets and liabilities	1.3	0.5
Capex	(0.2)	(0.1)
Operating cash flow after WC and capex	(0.1)	0.2
Interest	(0.1)	(0.1)
Write-down of equity investments and receivables	0.0	0.0
Equity investments and financial assets	0.0	0.0
Changes in equity and adjustments	1.2	0.0
Net cash flow	1.0	0.1
Net (Debt) Cash - Beginning	(2.3)	(0.8)
Net (Debt) Cash - End	(1.4)	(0.7)
Change in Net (Debt) Cash	1.0	0.1

Source: Company data

Ratio analysis

KPIs	H1 2023	H1 2024
ROE	neg	43%
ROS	neg	12%
ROIC	neg	54%
DOI	542	269
DSO	55	26
DPO	480	284
TWC/Sales	15%	17%
NWC/Sales	21%	24%
Capex/Sales	2%	1%
Net Debt/EBITDA	-0.6x	0.3x
Net Debt/Equity	0.4x	0.2x
Cash flow from P&L operations/EBITDA	70%	77%
FCF/EBITDA	6%	13%

Business update

The H1 2024 results reflect the impact of ESI's strategic decisions to focus on higher profitability projects, which has consequently slowed the development of its backlog in 2023. The latest figures indicate an improved EBITDA margin of 11.4% for the six months, highlighting the success of this approach in improving operational efficiency. As of June 30, the backlog amounts to €44 million. In August ESI announced a new revamping project worth €6.5m, with revenues recognition in 2024-25.

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

Valuation

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: 3.0% (last 30 days average. Source: Bloomberg, October 2024)
- Market return: 11.0% (last 30 days average. Source: Bloomberg, October 2024)
- Market risk premium: 8.0%
- Beta: 1.0 (judgmental)
- Cost of equity: 11.0%
- Cost of debt: 6.5%
- Tax rate: 24% IRES
- 30% debt/(debt + equity) as target capital structure
- WACC calculated at 9.2%, according to above data
- Perpetual growth rate after explicit projections (G): 3%
- Terminal Value assumes a 8.0% EBITDA margin

DCF model

€m	2024E	2025E	2026E	Perpetuity
Revenues	29.3	40.4	60.1	61.9
EBITDA	2.0	2.9	4.6	4.9
<i>Margin on Sales</i>	<i>6.7%</i>	<i>7.1%</i>	<i>7.6%</i>	<i>8.0%</i>
EBIT	1.6	2.5	4.1	4.5
<i>Margin on Sales</i>	<i>5.5%</i>	<i>6.1%</i>	<i>6.8%</i>	<i>7.4%</i>
Taxes	(0.5)	(0.7)	(1.1)	(1.3)
NOPAT	1.2	1.8	3.0	3.3
D&A	0.4	0.4	0.5	0.4
Provisions	0.0	0.0	0.1	0.0
Cash flow from operations	1.5	2.2	3.5	3.7
Trade Working Capital	(3.0)	(2.0)	(3.7)	(0.6)
Other assets and liabilities	0.1	(0.4)	(0.2)	0.0
Capex	(0.4)	(0.4)	(0.4)	(0.4)
Yearly Unlevered free cash flow	(1.8)	(0.6)	(0.8)	2.6
- H1 Unlevered Free Cash Flows	(0.4)			
Unlevered free cash flow	(2.1)	(0.6)	(0.8)	
WACC	9.2%			
Long-term growth (G)	3.0%			
Discounted Cash Flows		(2.0)	(0.5)	(0.6)
Sum of Discounted Cash Flows	(3.2)			
Terminal Value				42.7
Discounted TV	34.3			
Enterprise Value	31.0			
Net cash (debt) as of 30/06/24	0.7			
Equity Value	31.7			

Source: EnVent Research

DCF - Implied multiples	2024E	2025E	2026E
EV/Revenues	1.1x	0.8x	0.5x
EV/EBITDA	15.8x	10.8x	6.8x
EV/EBIT	19.2x	12.5x	7.6x
P/E	31.9x	19.5x	11.4x

Source: EnVent Research

WACC sensitivity

		WACC				
		11.3%	10.3%	9.3%	8.3%	7.3%
Terminal - G	4.0%	24.5	29.5	36.4	46.5	62.8
	3.5%	23.1	27.5	33.4	41.9	54.9
	3.0%	21.8	25.8	31.0	38.2	48.8
	2.5%	20.7	24.3	28.9	35.1	44.0
	2.0%	19.7	22.9	27.0	32.5	40.0

Source: EnVent Research 2024-26E

Market multiples

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

Company	EV/EBITDA			EV/EBIT			P/E		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Renewable power plants developers									
OX2 AB	13.7x	6.1x	4.0x	14.4x	6.4x	4.4x	20.4x	9.4x	6.5x
Comal	7.4x	5.2x	4.0x	8.9x	6.2x	4.7x	10.7x	6.8x	4.8x
PLC	8.6x	5.6x	na	15.4x	7.8x	na	28.4x	10.5x	na
Emeren	5.6x	3.9x	3.2x	7.1x	5.4x	5.1x	7.7x	4.8x	4.0x
ESPE	5.2x	3.4x	2.6x	7.3x	4.3x	3.1x	9.2x	5.4x	3.9x
Mean	8.1x	4.8x	3.4x	10.6x	6.0x	4.3x	15.3x	7.4x	4.8x
Median	7.4x	5.2x	3.6x	8.9x	6.2x	4.5x	10.7x	6.8x	4.4x
Developers and IPPs									
Ecosuntek	3.1x	2.6x	2.3x	4.1x	3.5x	3.0x	3.0x	2.5x	2.1x
Grenergy	15.1x	7.8x	6.2x	19.3x	9.4x	8.1x	20.5x	8.4x	8.9x
Alerion	6.3x	5.6x	5.0x	8.2x	8.6x	7.9x	6.6x	5.6x	5.3x
Ecoener	14.2x	8.4x	6.0x	22.7x	12.1x	8.3x	21.7x	10.0x	6.3x
Iniziative Bresciane	8.6x	8.1x	8.1x	17.6x	16.3x	16.4x	15.6x	13.1x	11.8x
Altea Green Power	6.7x	4.5x	3.7x	6.8x	4.5x	3.8x	10.2x	6.8x	5.7x
Mean	9.0x	6.2x	5.2x	13.1x	9.1x	7.9x	12.9x	7.7x	6.7x
Median	7.7x	6.7x	5.5x	12.9x	9.0x	8.0x	12.9x	7.6x	6.0x
ESI	5.7x	3.9x	2.4x	6.9x	4.5x	2.7x	10.5x	6.4x	3.8x

Source: EnVent Research on S&P Capital IQ, 23/10/2024

EV/Revenue and P/E ratios offer a convenient initial starting point for industry comparisons, but 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 30/06/2024	Equity Value
2024E EBITDA	2.0	<i>Median</i>	7.4x	14.5	0.7	15.2
2025E EBITDA	2.9	<i>Median</i>	5.2x	14.9	0.7	15.6
<i>Mean 2024E-25E</i>				14.7		15.4
2024E EBIT	1.6	<i>Median</i>	8.9x	14.3	0.7	15.0
2025E EBIT	2.5	<i>Median</i>	6.2x	15.4	0.7	16.1
<i>Mean 2024E-25E</i>				14.9		15.6
ESI Equity Value						15.5

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 30/06/2024	Equity Value
2024E EBITDA	2.0	<i>Median</i>	7.4x	14.5	0.7	15.2
2025E EBITDA	2.9	<i>Median</i>	5.2x	14.9	0.7	15.6
<i>Mean 2024E-25E</i>				14.7		15.4
2024E EBIT	1.6	<i>Median</i>	8.9x	14.3	0.7	15.0
2025E EBIT	2.5	<i>Median</i>	6.2x	15.4	0.7	16.1
<i>Mean 2024E-25E</i>				14.9		15.6
ESI Equity Value						15.5

Source: EnVent Research 2024-25E

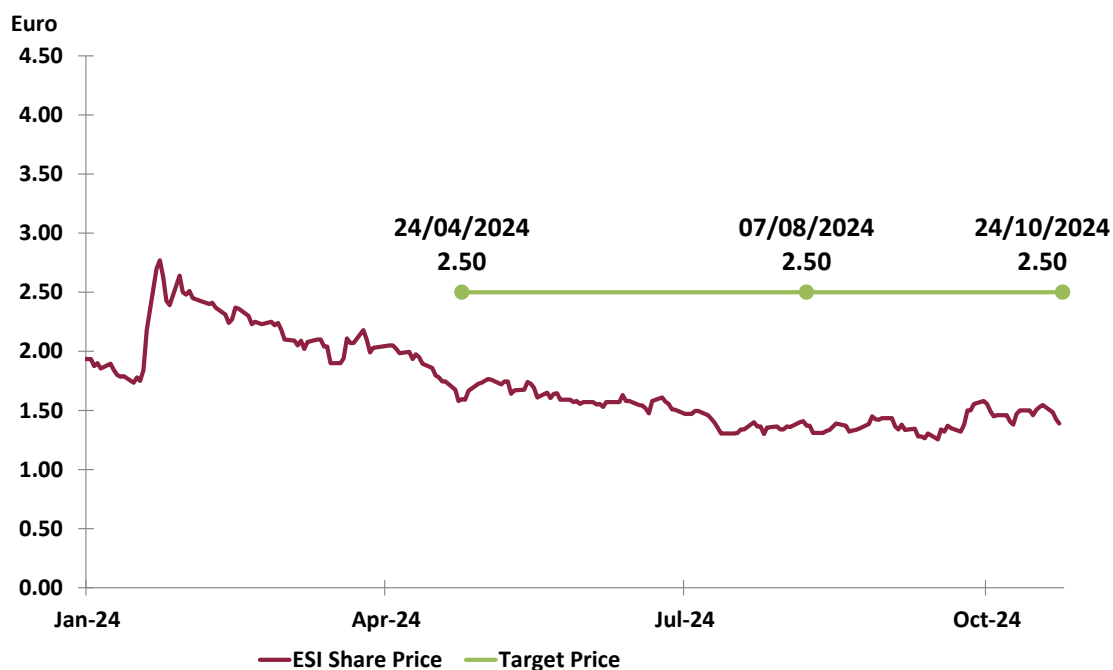
Valuation summary and Target price

Our updated valuation, incorporating the discounted cash flow analysis and the conservative values obtained by applying market multiples, points to an equity value of €19m. We confirm the OUTPERFORM rating and the target price of €2.50 per share, indicating a potential upside of 80% from the current stock price.

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

ESI Price per Share	€
Target Price	2.50
Current Share Price (23/10/2024)	1.39
Premium (Discount)	80%

ESI Share Price vs EnVent Target Price



Source: EnVent Research

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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;

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;

UNDER REVIEW: target price under review, waiting for updated financial data, or other key information such as material transactions involving share capital or financing;

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The stock price indicated in the report is the last closing price on the day of Production.

Date and time of Production: 23/10/2024 h. 7.00pm

Date and time of Distribution: 24/10/2024 h. 6.35pm

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
24/10/2024	OUTPERFORM	2.50	1.39

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