

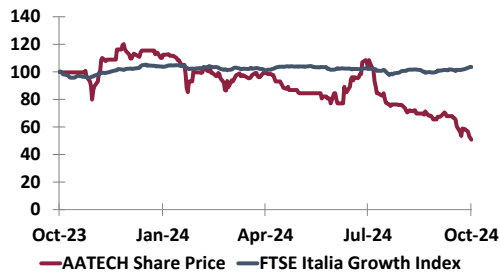


## NEUTRAL

Current Share Price (€): 0.66

Target Price (€): 0.68

### AATech - 1Y Performance



Source: S&P Capital IQ - Note: 17/10/2023 =100

### Company data

ISIN number	IT0005548521
Bloomberg code	AAT IM
Reuters code	AAT.IM
Industry	Software
Stock market	Euronext Growth Milan
Share Price (€)	0.66
Date of Price	17/10/2024
Shares Outstanding (m)	2.3
Market Cap (€m)	1.5
Market Float (%)	38.9%
Daily Volume	6,000
Avg Daily Volume YTD	14,477
Target Price (€)	0.68
Upside (%)	5%
Recommendation	NEUTRAL

### Share price performance

	1M	3M	6M	1Y
AATech - Absolute (%)	-25%	-52%	-48%	-49%
FTSE Italia Growth (%)	3%	1%	2%	4%
1Y Range H/L (€)			1.55	0.66
YTD Change (€) / %			-0.84	-56%

Source: S&P Capital IQ

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## Ending investment cycle, time-to-market priority

We initiate coverage of AATech: **NEUTRAL** rating, **Target Price €0.68** per share. AATech SpA Benefit Company is an Italian tech builder focused on the finance and sustainability industry. Founded in 2019, AATech looks for innovative solutions to meet reference markets needs, with potential to set up dedicated companies; target is to grow its vertical subsidiaries portfolio, supporting their development with financial resources and skills, on a future value realization perspective. AATech also offers consultancy services to its portfolio companies and corporate clients. Current portfolio consists of 5 platforms, 2 subsidiaries and 4 non-controlling interests.

### FY24: turnaround year, marketing platform portfolio to reach operating leverage.

AATech reported consolidated value of production in 2023 has been €1.7m, of which €0.6m for consulting services to related parties where AATech has minority interests or other partnerships. The remainder revenues come from €0.5m capitalization of internal cost for R&D and €0.6m from a debt settlement and tax assets. In H1 2024 reported consolidated value of production has been €1.5m, with €0.45m sales, €0.2m capitalization of internal cost for R&D and €0.8m as capital gain. The latter arises from the contribution in kind of Wealth.Tech platform to Aion Tech, so increasing its shareholding to 40% after the coverage of over €0.5m of Aion 2023 losses. While revenues and profitability are expected to benefit from the high leverage of business model focused on tech platforms, the debt stock size requires strict cash discipline during the expected timing of sales growth and cash flow generation, to sustain current level of services, personnel and administrative costs.

**Outlook.** AATech will continue to invest in platforms development, new products/features and marketing initiatives that should drive significant revenues and operating profitability over time. The Company's value is highly correlated with the operating leverage potential, depending on sales volumes of its tech platforms.

### Target Price €0.68 per share, rating NEUTRAL

We appreciate that AATech is achieving its investment program and is leveraging its platform portfolio and partners network to penetrate the corporate market with its vertical solutions. The value range estimated through our analytical model applied to the revenue scenarios, overall consistent with the present and recent market share price trend, must be appreciated together with the underlying condition of realization of the progress on sales as described in our assumptions. We assume an intermediate value of €0.68 per share as target price, versus the market price of €0.66. As a consequence, we assign a NEUTRAL rating on the stock.

### KEY FINANCIALS AND ESTIMATES

€m	2023	2024E	2025E	2026E	2027E
<b>Revenues</b>	<b>1.1</b>	<b>1.6</b>	<b>2.3</b>	<b>3.3</b>	<b>4.2</b>
YoY %	-30.8%	45.2%	39.2%	42.4%	28.5%
<b>EBITDA</b>	<b>(0.7)</b>	<b>(0.3)</b>	<b>0.1</b>	<b>0.7</b>	<b>1.1</b>
Margin	-63.9%	-18.2%	5.7%	20.6%	27.4%
<b>Net Income</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>(0.5)</b>	<b>(0.2)</b>	<b>0.1</b>
<b>Net (Debt) / Cash</b>	<b>(3.7)</b>	<b>(5.1)</b>	<b>(5.8)</b>	<b>(6.2)</b>	<b>(6.0)</b>
<b>Equity</b>	<b>4.9</b>	<b>5.5</b>	<b>5.0</b>	<b>4.9</b>	<b>5.0</b>

Source: Company data 2023, EnVent Research 2024-27E

## 1. INVESTMENT CASE

AAtech SpA Benefit Company is an Italian tech builder established in 2019, experienced in the finance and sustainability industries, sourcing new solutions, business models and process innovation designed to meet reference markets needs. The current portfolio consists of 5 platforms, 2 subsidiaries and 4 non-controlling interests.

The value proposition of AAtech relies on experience, competencies and networking skills of its top management. Company strategy is to develop innovative ideas and set new companies to be developed and supported in the long term. The same business development skills applied to its portfolio companies are also offered through the Operational services business line as consultancy services to corporate clients.

### **Mission**

AAtech group mission is to develop innovative solution and technologies for financial and sustainability industries, supporting clients through their lifecycle with consultancy services and hi-tech platforms.

### **Vision**

AAtech Group vision is to be an innovator and its offer as a Tech Builder is designed to be a scalable revenue generator: vertical platforms for applications that most companies need to implement in their digitalization efforts, to simplify learning and performance of certain critical administrative activities or to support their core business activities and marketing.

## **Drivers**

### **Industry drivers**

**Coping with the digital ecosystem.** Major trends such as accelerated globalization and digitalization are generating growing demand for digital and marketing competencies and major companies in most industries and segments have to cope with emerging tasks, such as ESG compliance or effective energy efficiency policies, together with other administrative complexities which deserve dedicated support, and are continuously seeking partners that can provide appropriate digital solutions, among which vertical platforms offering simple products at competitive prices.

**Vertical platforms as ready-to-use digitalization opportunity.** The demand of a vertical platform may be qualified as a “must have”, or a “nice to have”, depending on a various array of needs and on the business purpose of users. AAtech is focusing on matters that are expected to suddenly rise, such ESG compliance, or that deserve to be analysed and processed in a more efficient manner through the support of dedicated technology tools. While the market opportunity appears appealing, the legitimate challenge will be time to build, communicate and penetrate the various target markets and timing of payback.

**Sustainability is a must-have.** Preserving resources and environmental concerns are more than ever crucial factors in the analysis of real estate projects. Climate change is in the spotlight and ESG is now secured as a long-term priority for investors and tenants. Industry players are called to contribute to reducing the climate impact and mitigating environmental risks.

**Italian real estate properties obsolete and poorly energy efficient: need for refurbishment.** In Italy more than 40% of properties were built before 1976 and 18% before 1945 (Source: ENEA, *Rapporto Annuale Efficienza Energetica*, 2021). In addition, as to energy, most buildings show the lower energy efficiency classes. Consequently, the potential market for refurbishment and energy retrofiting is huge.

### **Company drivers**

**Improvement accompanied by savings.** As a digital enabler, tech solutions for the digitalization of steps of the value chain offer to customers savings of resources and time, while the development of a similar platform internally would be a significant organizational burden, as to skills and resources needed, timing and quality of output.

**Fast development and marketing of new products.** The features of the platforms and the possibility of collecting data based on market trends and consumer preferences grant a better understanding of the commercial potential of new products. Once these opportunities have been identified, the development and marketing of a product requires a relatively short time, of around 3 to 6 months. This ensures greater flexibility in deciding a commercial offer, including in response to specific events.

**Scalability and opportunities for business expansion.** The flexibility and adaptability of the platforms allow products to be brought to market through relatively minimal promotion efforts. The modular nature of the platforms helps to diversify the offer by different kinds of partnership upon customers' request.

**Experienced management team leveraging its industry know-how.** Management and shareholders expertise enables the Company to navigate industry challenges, capitalize on market opportunities, and maintain a competitive edge.

### **Challenges**

**Keeping up with global and powerful competitors.** AATech presently has a small size than other players, meanwhile the changes in the industry may be attractive to new companies.

**Dependence on technology providers.** Most of the workforce dedicated to the technological infrastructure is currently in outsourcing.

**Increasing competition push on prices for consultancy services.** The budget reductions may also cause competitors to lower fees in order to maintain their market share.

**Market uncertainty on technology investments.** International macro-economic trends are not suggesting a clear path forward, which is relevant especially for the high risk associated with portfolio holdings.

## 2. PROFILE

### Tech builder and Business Advisory

AATech SpA Benefit Company is an Italian tech builder focused on the finance and sustainability industry. Founded in 2019, AATech looks for innovative solutions, identifying new business models and process innovation, which meet reference market needs and have potential to set up dedicated companies; main target is to grow its spin off portfolio, supporting their development with financial resources and skills, on a future value realization perspective.

AATech is managing a diversified portfolio of high-tech companies, focusing on finance and sustainability industries with a long-term investment horizon. Current portfolio consists of 5 platforms, 2 subsidiaries and 4 non-controlling interests.

Furthermore, through the Operational services business line AATech offers as consultancy services to corporate clients the same business development skills and capabilities applied to its portfolio companies. AATech has a staff of 19 people.

### History and key developments

Key milestones	
<b>2019</b>	<ul style="list-style-type: none"> <li>Establishment of AATech to run the tech builder activity</li> <li>Contribution in kind of Oryn and Termostore Srl into AATech</li> </ul>
<b>2020</b>	<ul style="list-style-type: none"> <li>€16m capital increase of Termo SpA (rebranding of Termostore) led by Fondo Italiano di Investimento, AATech diluted stake was ca. 16%</li> <li>EcoTech platform sales to Termo SpA for €1.4m</li> </ul>
<b>2021</b>	<ul style="list-style-type: none"> <li>Sales of Oryn stake to Banca Valsabbina for €1.8m</li> <li>€3.0m new investment cycle</li> </ul>
<b>2023</b>	<ul style="list-style-type: none"> <li>Listing on Euronext Growth Milan, IPO proceeds €1.6m</li> </ul>

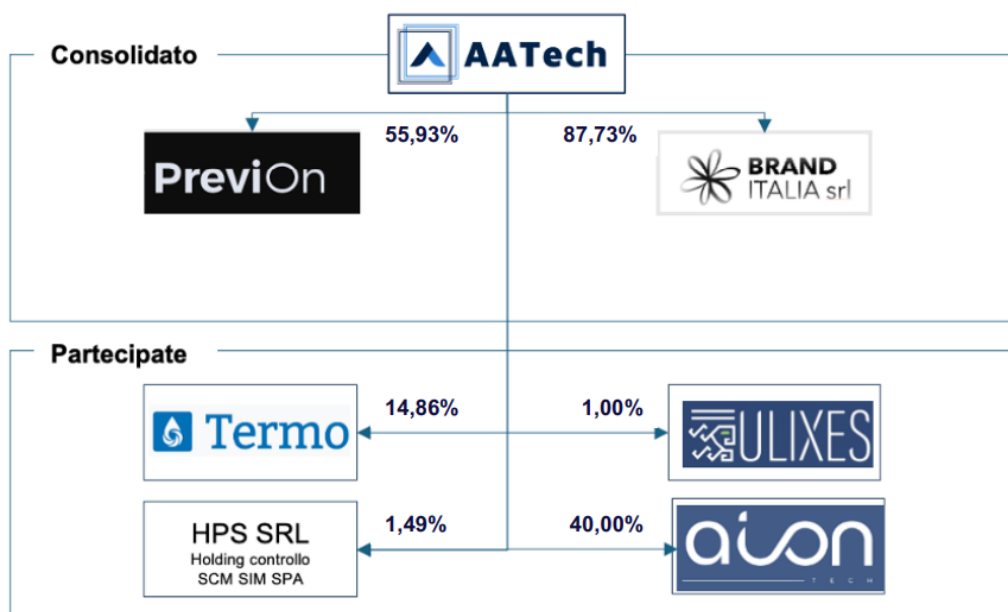
Source: Company data

### Shareholders



Source: Company data

**Group companies**



Source: Company data

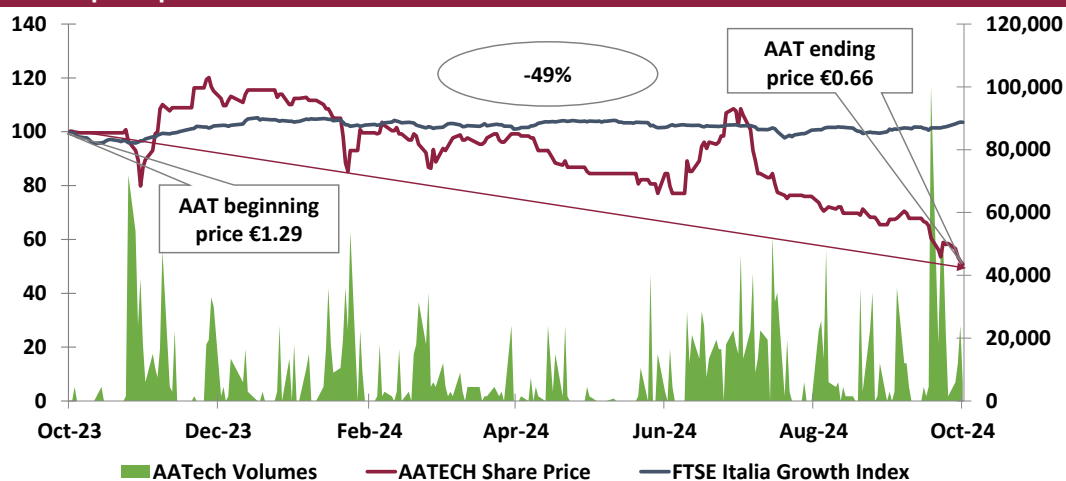
- **PreviOn**: fintech founded in 2022, offering an Open banking platform (formerly known as Wealth.Tech, developed by AATech) to financial institution for compulsory and supplementary social security management
- **Brand Italia**: real estate company, managing Group's properties and offering end-to-end real estate services through its tech platform (day-by-day operations, tax credit and project management)
- **Termo**: company operating in the Italian HVAC (Heating, Ventilation and Air Conditioning) market, offering full service for HVAC systems, support to banks and companies through the EcoTech platform (developed by AATech) and acting as General Contractor for energy requalification projects
- **Ulixes SGR**: investment company established in 2019, managing two EuVECA funds focused on ESG and Impact investing
- **HPS**: holding of **SCM SIM**, investment advisory company listed on Euronext Growth Milan
- **AiOn Tech**: software developer offering technological solutions and plug&play services for IT system integration. Main services are: API management platform and connectors, digital ecosystems for client's IT integrations, cybersecurity services, e-learning and skill mapping

Key people	
Name and role	Background
<b>Alessandro Andreozzi</b> CEO	<ul style="list-style-type: none"> <li>• Co-founder of Opyn and Termo SpA</li> <li>• Formerly Accenture Strategy &amp; Business Integration partner</li> </ul>
<b>Andrea Bonino</b> CFO	<ul style="list-style-type: none"> <li>• Previously CFO at Termostore Srl (now Termo SpA), CEO of Servizi Conciliativi Srl and Investment manager of Ulixes SGR</li> </ul>

Source: Company data

## Stock market performance on Euronext Growth Milan

### 1Y Share price performance and volumes



Source: Company data and S&P Capital IQ - Note: 17/10/2023=100

### AATech on Euronext Growth Milan

Stock market	EGM
Bloomberg code	AAT IM
Reuters code	AAT.IM
IPO date	03/07/2023
Offer Price (€)	1.00
Money raised (€m)	1.6
Market Cap at IPO (€m)	5.5
Free float at IPO	43.1%
Ordinary shares - ISIN number	IT0005548521
Ordinary shares outstanding	5,504,800
Multiple voting shares	1,344,000
Current Share Price (€)	0.66
Current Market Cap (€m)	4.5
Warrants - ISIN number	IT0005550501
Warrants outstanding	2,935,500
Current Warrant Price (€)	0.03

Source: Company data and S&P Capital IQ, update: 17/10/2024

### 3. REFERENCE MARKETS

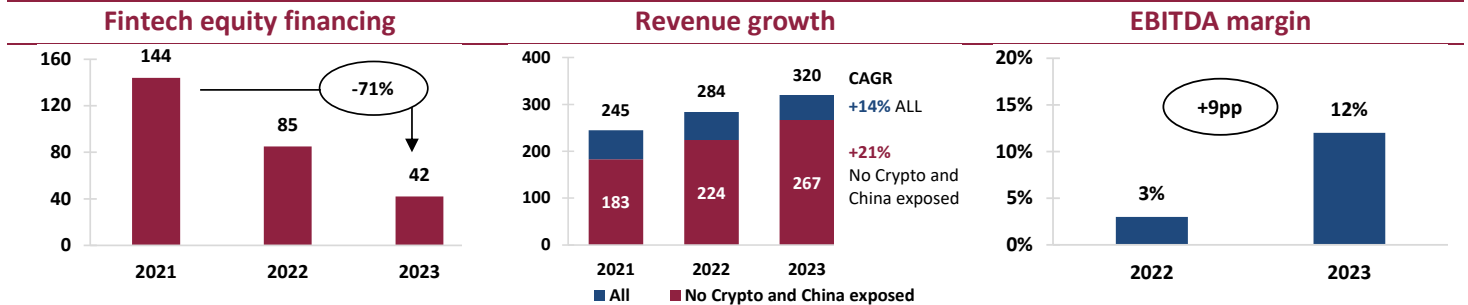
#### The industry in which to be

##### Fintech: a stop to restart

During this decade, fintechs have profoundly reshaped financial services, with publicly traded fintechs reaching \$550bn market capitalization as of July 2023, 2x 2019 level. The fintech industry raised record capital inflow in recent years: according to a report from consulting company McKinsey, venture capital funding reached \$33.3bn in 2020 from \$19.4bn in 2015, a 17% YoY increase, with deal activity increasing 1.2x in tandem over the period. On the back of the pandemic-triggered digitization acceleration and with a liquidity flooded financial system, in 2021 funding increased by 177% YoY to \$92.3bn, as well as the number of deals grew by 19%.

In 2022 this furious grow ended: as deteriorating macroeconomic conditions and geopolitical shocks destabilized the business environment, fintech valuations plummeted for both private and public firms; fintech funding went 40% down YoY to \$55bn. However, according to a report from consulting company BCG, these challenges are a short-term correction, as global fintech revenues have continued to grow (+14% over the past two years, +21% excluding crypto and China-exposed fintechs). Furthermore, the industry is now shifting toward profitability, with EBITDA margins improving by 9% on average.

#### Fintech industry global trend



Source: BCG, *Prudence, Profits and Growth*, June 2024

Despite these sobering last years in funding and valuation terms and in this new challenging funding environment, fintechs can no longer sprint as before: to remain competitive, they must run at a slower and steadier grow pace. According to McKinsey, fintech revenues are expected to grow ca. 3x faster than the traditional banking sector (15% vs 6% 2022-28 CAGR); BCG expects fintechs to reach \$1.5 trillion revenue by 2030, 5x current level, fuelled by game-changing technologies (i.e. GenAI) to employed to reach the billions of still unbanked and underbanked individuals worldwide.

(Sources:

McKinsey, *Fintechs: A new paradigm of growth*, October 2023

BCG, *Prudence, Profits and Growth*, June 2024).

### **The Italian fintech market**

According to a report by Bank of Italy (Bank of Italy, *Indagine Fintech nel Sistema finanziario Italiano*, 2024), fintech investments in Italy have been around €600m in 2021-22 and are estimated at €901m in 2023-24, 3.8x 2017-18 expenses; additional €380m is expected in 2025 to support current project lineup. If money flow substantially grew over the years, new project number is slowing down, from 75% to 63%, even if resources allocated grew from 47% to 56%. Most attractive investment areas were financial intermediation (44% of total investments, mostly for Digital Lending and Buy now/Pay later service) and payments (39.4%). To date investments have generated revenues for €340m in 2021-22 and €709m in 2023-24, with over €1.1bn expected to be generated in 2025.

### **Public reforms pushing energy transition**

Sustainability industry growth has been fueled by EU decision to set the ambitious target of cutting by 55% 2030 carbon emission compared to 1990 level and to be net carbon emission free by 2050; furthermore, new European regulation is expected to impose a minimum energy efficiency standard for buildings, thus boosting energy transition industry. To achieve these goals, \$12.7bn investments are expected to be employed (source: H1 2024 AATech Financial report).

This new landscape will require to move from a centralized energy distribution model to a decentralized energy generation model, with a network of small renewables energy powered plants demanding new tech solutions to be managed.

### **Insights on renewable energies**

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 channelling investments, according to European Union's targets and commitments enshrined in the Paris Agreement. According to Terna and SNAM, almost 102 GW capacity from PV and wind plants will be needed by 2030 to reach the target.

(Source:

MISE & Ministero dell'Ambiente & MIT, *Energia Clima 2030*

Terna & SNAM, *Documento di Descrizione degli Scenari*, 2022)

## 4. BUSINESS MODEL

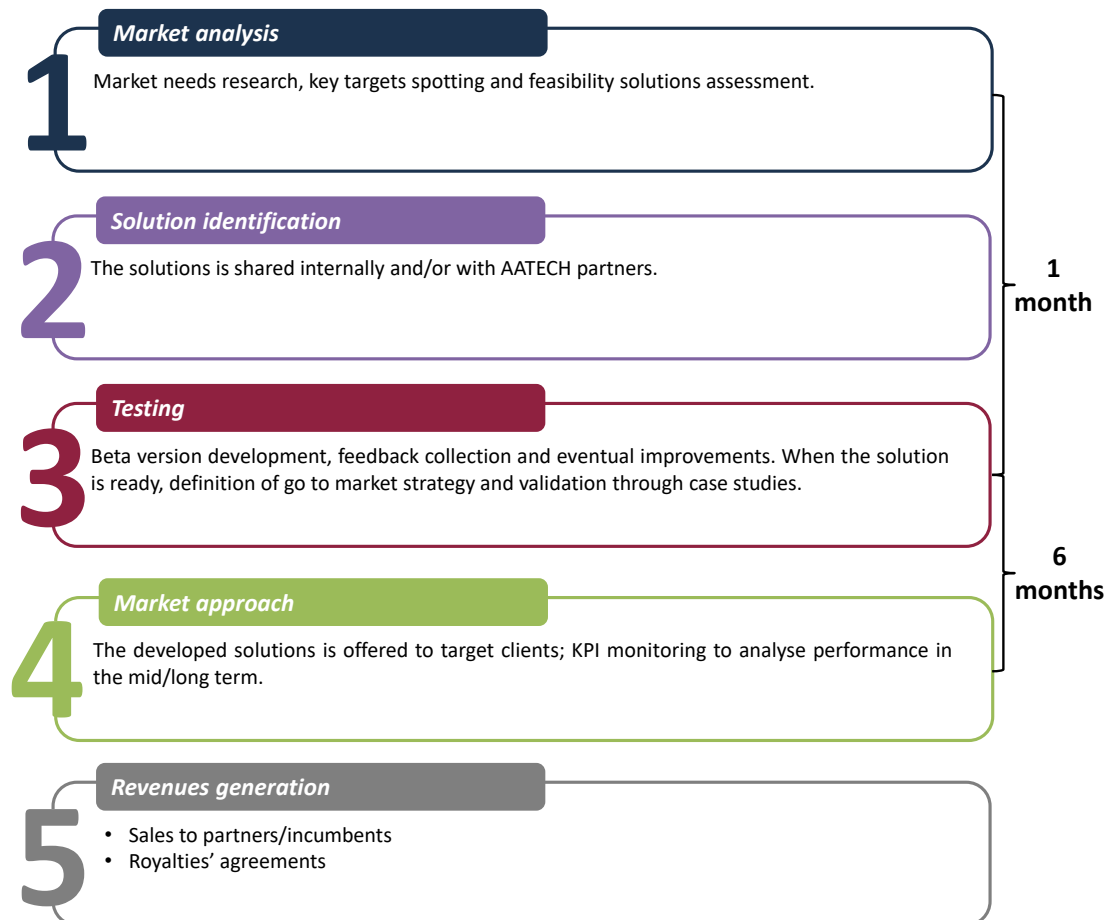
### A springboard for new technologies

AAtech operates through a joint business model: Tech Builder activities are core, but the same business development skills and capabilities applied to its portfolio companies are also offered as consultancy services to third party clients through the Operational services business line.

#### Tech builder

AAtech is looking for new technologies and solutions to be developed in house to fulfil reference market players' needs. AAtech plays a long-term strategy: main target is to spin off highest potential technologies and business innovations, bring them to the markets quickly and effectively, establishing autonomous companies in partnership with other industry players to which the developed solutions are entrusted and support its subsidiaries' portfolio growth in order to generate revenues and receive dividends. AAtech management and personnel are deeply involved in portfolio companies' development, providing additional skills to deal with day-by-day and partnerships or add-on deals.

#### Tech builder value chain



Source: EnVent on Company data

R&D serves an essential role in AATech value chain, in both the development steps as well as in the further continuous improvement after the solution is in the market. AATech invested €1.4m between 2020 and 2022, creating a qualified internal team. Besides its know-how and expertise, AATech leverages on its network of partners and distributors through development steps (from inception to market entry) to foster tech ideas and solutions headway and on its relationships with various investors - PE and VC - to raise additional funding if required.

AATech is currently developing and marketing a suite of tech solutions that could be fully integrated in customers' IT platforms, with a plug & play approach.

## Current Platforms Portfolio



### Renevo

End-to-end digital solution to manage renewable energy projects. Developed since 2022 as Greentransition.tech, Renevo offers a centralized platform whose integrated functions deal with day-by-day workflow and project reporting, financial and accounting management, administrative steps (from call for proposals to daily paperwork) and compliance to environmental standards, that could also be open to third parties involved in projects. Target customers are energy companies, asset managers and developers which have to manage and run renewable energy projects as general contractor.



### PreviOn

Solution for accountants and labor consultants, banks, insurance companies and other financial institutions to improve compulsory and supplementary social security management experience for their clients. PreviOn platform aims to offer a completely digital end-to-end solution, constantly updated and customizable, with three levels of complexity: from the simplest Pension Check-Up to the more advanced Individual Pension Plan, to Consulting and Social Security Assistance for clients with ad hoc needs. PreviOn is held by PreviOn subsidiary.



### EcoTech

Integrated in Termo SpA services offer in 2020 (when AATech sold the platform for €1.4m), EcoTech is a platform for banks, financial institutions and developers to handle sustainability related tax bonuses, easing cooperation technicians such as engineers, advisors and tax consultants.



### Truezero

Formerly known as Sustainability.tech, Truezero proprietary platform is a plug & play system of tools and procedures for ESG management, providing rating and reports (sustainability reporting and other report in compliance with current regulations) on companies or end clients' projects sustainability impact. The platform is a turnkey solution and could be distributed as a white label and/or heavily customized according to clients' needs, from data collection to metrics and KPIs to be analyzed. Main functions are ESG self-assessment, sustainable supply chain and market benchmark, with a digital co-working space to exchange data and interact with advisor or other parties involved in the project. The platform has been distributed to end customers through AATech's subsidiary Aion Tech.



### CobolMigrai

AI platform to ease the migration from COBOL or other legacy system back-end infrastructure used by financial institutions to up to date technologies. CobolMigrai aims to offer a low code solution, with API integration and collaboration tools for a quick object-oriented migration.

CobolMigrai is currently under development since 2023, with three main modules: Plug-in for Eclipse and VisualCode, Project Overview and Database Overview.

## Platform outside AATech Group

### Planizen



Formerly named Wealth.tech, Planizen aims to support private bankers, wealth managers and financial advisors, offering them an end-to-end platform to handle and analyze clients' information, from portfolio allocation to cash flow and risk management, inheritance choices and tax planning, providing KPIs and reports to pursue and monitor a goal-based investing strategy. The platform could be integrated into other open banking solutions in white label through API. Planizen is now held by Aion Tech subsidiary.

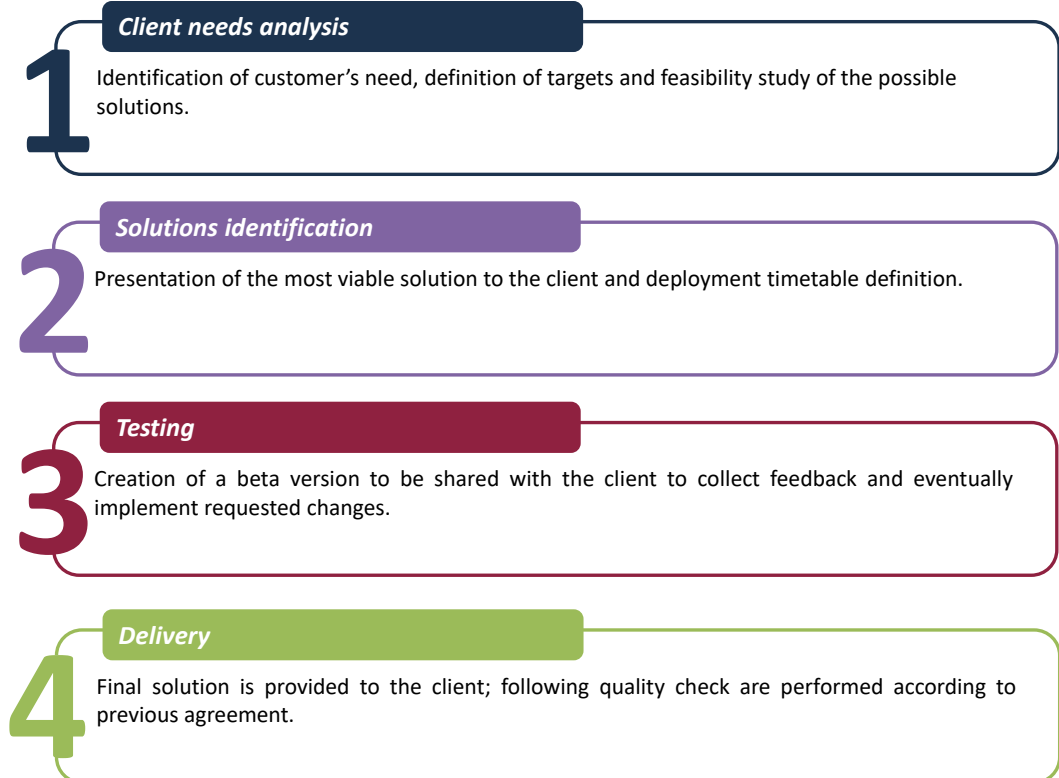
Source: EnVent on Company data

### Skills for everyone

Alongside the tech builder business line, AATech offers the same services through which it aims to enhance and support subsidiaries growth also to external clients through consulting agreements or supporting them in ad hoc projects for specific needs. To date, the range of services consists of:

- **Business Process Outsourcing:** AATech develops management activities to be integrated into internal operating models, aimed at improving efficiency;
- **IT Delivery & Support:** through its up-to-date IT resources and infrastructure, AATech supports clients in improving their internal IT infrastructure;
- **Corporate and Subsidised Finance:** corporate finance and funding advisory services to support growth phases;
- **Temporary Management:** AATech directly handles and supports clients' critical phase, such as corporate crisis or a strong and fast expansion;
- **Marketing Support:** advisory services to improve clients' brand awareness and strategic communication.

## Value chain



Source: EnVent on Company data

## Revenue model

### Tech Builder

AATech subsidiaries reach end users both directly through their sales channel and indirectly through B2B2C distribution agreements. Typically, AATech requires an up-front fee at solution set-up, followed by a pay per use fee and/or royalties if the solution is licensed. Monetisation could also be exploited selling the technology solution (or the newco created with the spin off) to partner or incumbent.

### Operational services

For the other business line, AATech relies only on direct sales channels to reach both subsidiaries and external customers. Usually, revenue generation envisages an up-front fee to cover the first steps; depending on complexity, volume and scope of services be provided, contractual terms agreed upon could implies mere recurring fees as well as additional fees or more structured payment terms for ad hoc projects.

## 5. FINANCIAL ANALYSIS AND PROJECTIONS

### Investment phase as a startup company

Established in 2019, AATech has been so far and still is in its investment phase, developing its tech platforms and a network of subsidiaries, partner companies and other business partners. Balance sheet and cash flow show the predominance of capex in technology as well as the need of funding able to cover its yearly cash use. Consistently, 2023 IPO proceeds of €1.6m and July 2024 warrant exercise for over €800k have been an unquestionable contribution to finance operations.

### Transitional Income statement

Reported consolidated value of production in 2023 has been €1.7m, of which €624k appear predominantly made by consulting services to related parties such as network companies where AATech has minority interests or other partnerships. The remainder revenues come from €511k capitalization of internal cost for R&D and €622k from a debt settlement and tax assets. Operating costs were in the region of €1.9m. Therefore, cash generating sales look overall worth 35% of cash using costs. Another consideration is the one-off nature of most revenues, which implies a query about size and timing of the expected progression of revenues from third party customers. Another consequence of the revenue build-up is that the operating breakeven accounting masks a cash flow from operations substantial imbalance, which ends to roughly €1m ongoing cash use, in turn implying need of a serious boost on sales. Net loss was around €350k, before potential deferred tax assets.

### H1 2024

In H1 2024 reported consolidated value of production was €1.5m, with €451k sales, €217k capitalization of internal cost for R&D and €789k as capital gain. The latter arises from the contribution in kind of the platform Wealth.Tech to Aion Tech, so increasing its shareholding in Aion Tech to 40% of the capital stock after the coverage of over €0.5m of Aion 2023 losses. The appraisal value of Wealth.Tech was €1.1m. Sales include €342k charges to non-controlling interests, namely the related company Brand, €328k for royalties and chairman compensation, and Aion Tech, €14k for consulting services. Consequently, since revenues in the last 18 months coming from services to customers outside the AATech related businesses have been in the region of €110k, operations of the analyzed period are to be considered as a protraction of the Group investment cycle.

### Weighty Balance Sheet

At 2023 year-end AATech B/S reported ca €8.3m of fixed assets and investments: €3.1m intangibles; €2m real estate; €3.2m non-controlling shareholdings in related parties and other business partners. Net financial debt at the same time was €3.7m. As of June 30<sup>th</sup>, 2024 total of those assets had risen to €9.3m, while net debt reached €4.3m. Working capital shows a reasonable balance of receivables and payables, although the substantial amount of trade and tax payables might be to a certain extent overdue.

## H1 2024 figures

### Consolidated Profit and Loss

€m	H1 2023	H1 2024
Revenues	0.3	0.5
Capitalization of R&D costs	0.1	0.2
Other income	0.2	0.0
<b>Total Revenues</b>	<b>0.6</b>	<b>0.7</b>
YoY %	-	10.7%
Services	(0.9)	(0.4)
Personnel	(0.4)	(0.5)
Other operating costs	(0.1)	(0.1)
Operating costs	(1.4)	(1.0)
<b>EBITDA</b>	<b>(0.8)</b>	<b>(0.3)</b>
Margin	-131.8%	-47.7%
D&A	(0.0)	(0.4)
<b>EBIT</b>	<b>(0.8)</b>	<b>(0.7)</b>
Margin	-135.8%	-99.0%
Non recurring items	0.0	0.8
Interest	(0.1)	(0.1)
<b>EBT</b>	<b>(1.0)</b>	<b>(0.0)</b>
Margin	-155.4%	-6.5%
Income taxes	0.2	0.1
<b>Net Income (Loss)</b>	<b>(0.8)</b>	<b>0.0</b>
Margin	-126.9%	1.6%

### Consolidated Cash Flow

€m	H1 2024
<b>EBIT</b>	<b>(0.7)</b>
Current taxes	0.1
D&A	0.4
Provisions	0.0
<b>Cash flow from P&amp;L operations</b>	<b>(0.2)</b>
Trade Working Capital	0.1
Other assets and liabilities	0.2
Capex	(0.4)
<b>Operating cash flow after wc and capex</b>	<b>(0.4)</b>
Non recurring items	0.0
Net Equity Investments	(0.2)
Interest	(0.1)
Paid-in Capital	0.1
Changes in Equity	0.0
<b>Net cash flow</b>	<b>(0.6)</b>
Net (Debt) Cash - Beginning	(3.7)
Net (Debt) Cash - End	(4.3)
<b>Change in Net (Debt) Cash</b>	<b>(0.6)</b>

Source: Company data

### Consolidated Balance Sheet

€m	2023	H1 2024
Trade receivables	0.1	0.1
Trade payables	(0.3)	(0.4)
Trade Working Capital	(0.2)	(0.3)
Other assets (liabilities)	0.8	0.6
<b>Net Working Capital</b>	<b>0.5</b>	<b>0.3</b>
Intangible assets	3.1	2.8
Property, plant and equipment	2.0	2.1
Equity investments and financial assets	3.2	4.5
<b>Non-current assets</b>	<b>8.3</b>	<b>9.3</b>
<b>Provisions</b>	<b>(0.3)</b>	<b>(0.3)</b>
<b>Net Invested Capital</b>	<b>8.6</b>	<b>9.3</b>
Bank debt	3.6	3.7
Other financial debt	0.6	0.6
Cash and equivalents	(0.4)	(0.0)
<b>Net Debt (Cash)</b>	<b>3.7</b>	<b>4.3</b>
<b>Equity</b>	<b>4.9</b>	<b>5.0</b>
<b>Sources</b>	<b>8.6</b>	<b>9.3</b>

### Ratio analysis

	H1 2024
ROE	0%
ROS	-150%
ROIC	-7%
DSO	28
DPO	130
DOI	0
TWC/Revenues	-68%
NWC/Revenues	57%
Net Debt / EBITDA	-13.1x
Net Debt / Equity	0.9x
Net Debt / (Net Debt+Equity)	0.5x
Cash flow from P&L operations / EBITDA	73%
FCF / EBITDA	117%

**High subjectivity of projections**

### **Financial discipline**

The picture resulting from the above data and analysis sees an advanced stage of completion of the technology development program and of the portfolio of service offer, while the revenue flow from sales within the group companies so far is at its beginning. In such a context, the assumption of a revenue growth path implies high subjectivity. However, looking at the present recurring cost of operations and cash generated by core business sales as reported in H1 2024, the present yearly cash use budget would require sales over €1m to reach cash breakeven, while service of financial debt and other investments would ask for fast sales increase in the next years. A realistic estimate of the suitable timing suggests taking into consideration possible cash needs to sustain the market penetration efforts. The book value of assets looks substantial, but mostly illiquid: Intangible assets are to be recovered by sales; non-controlling interests in network companies are by nature negotiable in corporate deals, not predictable in timing and value; Real Estate assets could have a realizable market value, anyway with timing issues. Moreover, the recent performance and outlook of the two major minority interests Termo and Aion Tech does not support a sound fair value assessment. Our conclusion is that financial discipline is essential.

### **Our estimates**

#### **Estimates construction**

Our 2024-27E estimates cover a 3Y period after IPO, to consider a first lifecycle for a Company that is about to start a growth phase. So far AATech sales have been made almost entirely to subsidiaries and non-controlling interests, so there are no sufficient historical records about sales to corporate customers and related trends. Consequently, our projections would not be qualified as estimates, these normally leveraging an experience as starting point, but as hypothetical assumptions, which are to be considered with much higher degree of uncertainty.

We have built our projections based on a development plan which envisages core business sales to reach gradually within 2027 a level sufficient to cover recurring cash needs and to generate a surplus cash to service financial debt progressive reduction. The targets designed may be challenging to reach in the short-term, as such we assume also as possible sources of finance disposals of fixed assets, financial investment and additional paid in capital.

#### **Classification of revenues**

Non-cash one-off items, accounted within Company's value of production, are herewith classified as capital gains within non-recurring items.

**Hypothetical assumptions as to cover cash needs, which require a substantial jump of sales to corporate customers**

### Assumptions

<b>Revenues</b>	Assumption to cover cash needs: - Revenues over 50% CAGR 2023-27E - Capitalization of R&D costs €0.6m per year
<b>Operating charges</b>	- Personnel over 8% CAGR 2023-27E - Services decreasing from 50% to 40% of revenues - Other operating costs below 8% of revenues
<b>Working capital</b>	- Working capital - DSO: 40 days - DPO: historical, decreasing from 100 to 90 days - Other assets (liabilities): historical
<b>Capex</b>	- €0.7 per year in tangible and intangibles assets
<b>Income taxes</b>	- Corporate tax (IRES): 24% - Regional tax (IRAP): 3.90%
<b>Equity</b>	- All earnings retained in projections - No dividend distribution

Source: EnVent Research

### Financial projections

#### Consolidated Profit and Loss

€m	2023	2024E	2025E	2026E	2027E
Revenues	0.6	1.0	1.7	2.6	3.6
Capitalization of R&D costs	0.5	0.6	0.6	0.6	0.6
Other income	0.0	0.0	0.0	0.0	0.0
<b>Total Revenues</b>	<b>1.1</b>	<b>1.6</b>	<b>2.3</b>	<b>3.3</b>	<b>4.2</b>
YoY %	-30.8%	45.2%	39.2%	42.4%	28.5%
Services	(0.8)	(0.8)	(1.0)	(1.3)	(1.7)
Personnel	(0.9)	(1.0)	(1.0)	(1.1)	(1.2)
Other operating costs	(0.2)	(0.1)	(0.1)	(0.2)	(0.2)
Operating costs	(1.9)	(1.9)	(2.2)	(2.6)	(3.0)
<b>EBITDA</b>	<b>(0.7)</b>	<b>(0.3)</b>	<b>0.1</b>	<b>0.7</b>	<b>1.1</b>
Margin	-63.9%	-18.2%	5.7%	20.6%	27.4%
D&A	(0.2)	(0.4)	(0.6)	(0.7)	(0.8)
<b>EBIT</b>	<b>(0.9)</b>	<b>(0.7)</b>	<b>(0.4)</b>	<b>(0.0)</b>	<b>0.3</b>
Margin	-80.6%	-44.0%	-18.3%	-0.1%	8.3%
Non-recurring items	0.6	0.8	0.0	0.0	0.0
Interest	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
<b>EBT</b>	<b>(0.4)</b>	<b>(0.2)</b>	<b>(0.6)</b>	<b>(0.2)</b>	<b>0.1</b>
Margin	-32.2%	-9.6%	-27.3%	-6.5%	3.4%
Income taxes	0.1	0.1	0.2	0.1	(0.0)
<b>Net Income (Loss)</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>(0.5)</b>	<b>(0.2)</b>	<b>0.1</b>
Margin	-20.0%	-5.6%	-20.0%	-4.9%	2.2%

One-off revenue as  
non-recurring items

Source: Company data 2023A, EnVent Research 2024-27E

### Consolidated Balance Sheet

€m	2023	2024E	2025E	2026E	2027E
Trade receivables	0.1	0.2	0.3	0.4	0.6
Trade payables	(0.3)	(0.3)	(0.4)	(0.5)	(0.6)
Trade Working Capital	(0.2)	(0.1)	(0.1)	(0.0)	0.0
Other assets (liabilities)	0.8	1.1	1.1	1.3	1.3
<b>Net Working Capital</b>	<b>0.5</b>	<b>1.0</b>	<b>1.1</b>	<b>1.3</b>	<b>1.3</b>
Intangible assets	3.1	3.3	3.4	3.4	3.3
Property, plant and equipment	2.0	2.1	2.1	2.1	2.2
Equity investments and financial assets	3.2	4.5	4.5	4.5	4.5
<b>Non-current assets</b>	<b>8.3</b>	<b>9.8</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>
<b>Provisions</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.3)</b>
<b>Net Invested Capital</b>	<b>8.6</b>	<b>10.6</b>	<b>10.9</b>	<b>11.0</b>	<b>10.9</b>
<b>Net Debt (Cash)</b>	<b>3.7</b>	<b>5.1</b>	<b>5.8</b>	<b>6.2</b>	<b>6.0</b>
<b>Equity</b>	<b>4.9</b>	<b>5.5</b>	<b>5.0</b>	<b>4.9</b>	<b>5.0</b>
<b>Sources</b>	<b>8.6</b>	<b>10.6</b>	<b>10.9</b>	<b>11.0</b>	<b>10.9</b>

Source: Company data 2023A, EnVent Research 2024-27E

### Consolidated Cash Flow

€m	2023	2024E	2025E	2026E	2027E
<b>EBIT</b>	<b>(0.9)</b>	<b>(0.7)</b>	<b>(0.4)</b>	<b>(0.0)</b>	<b>0.3</b>
Current taxes	0.1	0.1	0.2	0.1	(0.0)
D&A	0.2	0.4	0.6	0.7	0.8
Provisions	0.2	0.0	0.0	0.0	0.0
<b>Cash flow from P&amp;L operations</b>	<b>(0.4)</b>	<b>(0.2)</b>	<b>0.3</b>	<b>0.7</b>	<b>1.1</b>
Trade Working Capital	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)
Other assets and liabilities	(0.2)	(0.3)	(0.1)	(0.2)	0.0
Capex	(2.6)	(0.7)	(0.7)	(0.7)	(0.7)
<b>Operating cash flow after WC and capex</b>	<b>(3.4)</b>	<b>(1.4)</b>	<b>(0.6)</b>	<b>(0.1)</b>	<b>0.4</b>
Non-recurring items	0.6	0.0	0.0	0.0	0.0
Net equity Investments	(0.1)	(0.5)	0.0	0.0	0.0
Interest	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Paid-in capital	1.6	0.8	0.0	0.0	0.0
Change in equity	0.2	(0.2)	0.0	0.0	0.0
<b>Net cash flow</b>	<b>(1.1)</b>	<b>(1.4)</b>	<b>(0.8)</b>	<b>(0.3)</b>	<b>0.2</b>
Net Debt (Beginning)	(2.6)	(3.7)	(5.1)	(5.8)	(6.2)
Net Debt (End)	(3.7)	(5.1)	(5.8)	(6.2)	(6.0)
<b>Change in Net Debt (Cash)</b>	<b>(1.1)</b>	<b>(1.4)</b>	<b>(0.8)</b>	<b>(0.3)</b>	<b>0.2</b>

Source: Company data 2023A, EnVent Research 2024-27E

### Ratio analysis

KPIs	2023	2024E	2025E	2026E	2027E
ROE	-5%	-2%	-9%	-3%	2%
ROS (EBIT/Revenues)	-81%	-44%	-18%	0%	8%
DSO	27	40	40	40	40
DPO	98	100	95	95	90
TWC/Revenues	-20%	-6%	-3%	-1%	0%
NWC/Revenues	48%	59%	47%	39%	30%
Net Debt/EBITDA	neg	neg	44.4x	9.2x	5.2x
Net Debt/Equity	0.8x	0.9x	1.2x	1.3x	1.2x
Net Debt/(Net Debt+Equity)	0.4x	0.5x	0.5x	0.6x	0.5x
Cash flow from P&L operations/EBITDA	59%	75%	227%	108%	96%
FCF/EBITDA	nm	neg	neg	neg	33%

Source: Company data 2023A, EnVent Research 2024-27E

## 6. VALUATION

### Key valuation topics and metrics

#### Valuation rationale

AATech value expectation counts on its mission to develop high potential business ideas to be spin-offed and advised through their lifecycle. Having completed the development of basic functionalities of its platforms, AATech will continue to invest in technology and dedicate marketing resources that are expected to spread awareness about them among target customers.

#### Valuation issues

According to our financial analysis on FY23 financial statements of AATech, its subsidiaries and minority shares in other related companies such as Termo and Aion Tech, we understand certain issues which are relevant in terms of the degree of subjectivity of the hypotheses and assumptions on which we base our estimates and related financial projections and in turn the ground on which the Company's valuation would be based:

- FY23 transactions of AATech with its related parties Prevlon, Brand, Aion Tech, Ulixes, SCM SIM include revenues for ca. €750k, trade receivables for over €160k, financial receivables for over €460k
- AATech 2023 revenues are made of core business sales to related parties for ca. 37% and one-off items for ca. 37% of reported value of production. In H1 2024 one-off revenues account for €0.8m and sales to third party customers account for €0.1m.
- One-off revenues resulting from corporate deals such as in-kind transfers of technology remunerated through a share capital increase of the acquiror, a debt settlement with a supplier under insolvency procedure, or other deals involving sales to related parties. All these revenues did not imply any cash inflow.
- According to 2023 annual reports of the investment portfolio companies, nearly all of them are in a loss position, and, given their early stage of development and the inherent high-risk scenario, for their valuation there would be a high degree of subjectivity, while the chance of cashing dividends or of other kind of exit makes cash realizations questionable and at least remote. As a consequence, minority interests would be unlikely worth substantial cash flows in the short-term.
- Capitalization of AATech personnel cost as R&D: €0.5m in 2023 and €0.2m in H1 2024.
- As of June 30<sup>th</sup>, 2024, Intangible assets reached €2.8m and book value of minority shares in other companies increased to €4.2m. These amounts are subject to amortization and impairment in future accounting periods. Given their size and nature of assets whose monetization is expected by future revenues and the size of their conversion in cash, in the short-term they are to be considered as illiquid assets worth €9m versus liquid financial debt worth €3.5m.
- Fixed assets are principally made by real estate, whose book value is overall €2m and whose possible disposal would take a reasonable time to be finalized

As a consequence, we consider advisable to envisage different scenarios: one assuming AATech reaching rapidly its development targets by a core business sales growth, generating enough cash in the short term to discharge major overdue liabilities and be able to fuel current operations; a more conservative scenario which would imply additional cash needs.

## Valuation metrics

The valuation of AATech has been performed through the Discounted Cash Flows applied to 2024-27E financial projections, a time horizon justified by the opportunity to look at the Company in another complete investment cycle.

We consider that the DCF properly factors the Company's expected growth over the next four years, however, we stress an inevitable strong emphasis on terminal value.

The financial debt load generated during the investing phase implies a high financial risk and makes impracticable comparisons with other listed digital companies, weakening the assessment of Company's value through market multiples. Thus, we rely on the analytical DCF method, which we believe may capture better than other techniques the medium-term impact of AATech wished path.

## Discounted Cash Flows

Metrics and assumptions:

- Risk free rate: 3.1% (last 30 days average. Source: Bloomberg, October 2024)
- Market return: 12.7% (last 30 days average. Source: Bloomberg, October 2024)
- Market risk premium: 9.5%
- Beta: 1.2 (judgmental)
- Cost of equity: 14.6%
- Cost of debt: 5.5%
- Tax rate: 24% IRES
- 40% debt/(debt + equity) as target capital structure
- WACC calculated at 10.4%, according to above data
- Perpetual growth rate after explicit projections (G): 4%
- Terminal Value assumes a 30% EBITDA margin

### DCF valuation

€m	2024E	2025E	2026E	2027E	Perpetuity
<b>Revenues</b>	<b>1.6</b>	<b>2.3</b>	<b>3.3</b>	<b>4.2</b>	<b>4.4</b>
<b>EBITDA</b>	<b>(0.3)</b>	<b>0.1</b>	<b>0.7</b>	<b>1.1</b>	<b>1.3</b>
<i>Margin</i>	-18.2%	5.7%	20.6%	27.4%	30.0%
<b>EBIT</b>	<b>(0.7)</b>	<b>(0.4)</b>	<b>(0.0)</b>	<b>0.3</b>	<b>1.1</b>
<i>Margin</i>	-44.0%	-18.3%	-0.1%	8.3%	25.0%
Taxes	0.1	0.2	0.1	(0.0)	(0.3)
<b>NOPAT</b>	<b>(0.7)</b>	<b>(0.3)</b>	<b>0.0</b>	<b>0.3</b>	<b>0.8</b>
D&A	0.4	0.6	0.7	0.8	0.2
<b>Cash flow from operations</b>	<b>(0.2)</b>	<b>0.3</b>	<b>0.7</b>	<b>1.1</b>	<b>1.0</b>
Trade Working Capital	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)
Other assets and liabilities	(0.3)	(0.1)	(0.2)	0.0	0.0
Capex	(0.7)	(0.7)	(0.7)	(0.7)	(0.2)
<b>Unlevered free cash flow</b>	<b>(1.4)</b>	<b>(0.6)</b>	<b>(0.1)</b>	<b>0.4</b>	<b>0.8</b>
- H1 Free cash flow	0.4				
<b>Free cash flow to be discounted</b>	<b>(1.0)</b>	<b>(0.6)</b>	<b>(0.1)</b>	<b>0.4</b>	<b>0.8</b>
WACC	10.4%				
Long-term growth (G)	4.0%				
<b>Discounted Cash Flows</b>	<b>(1.0)</b>	<b>(0.5)</b>	<b>(0.1)</b>	<b>0.3</b>	
Sum of Discounted Cash Flows	(1.3)				
<b>Terminal Value</b>					<b>13.3</b>
Discounted TV	9.4				
<b>Enterprise Value</b>					<b>8.1</b>
Net Debt as of 30/06/24	(4.3)				
Warrants exercise proceeds	0.8				
<b>Equity Value</b>					<b>4.7</b>

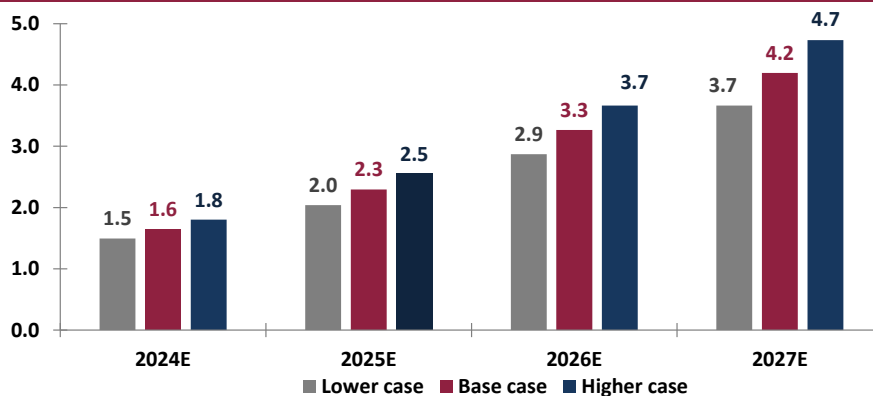
DCF - Implied multiples	2024E	2025E	2026E	2027E
EV/Revenues	7.9x	4.8x	3.1x	2.3x

Source: EnVent Research

### DCF sensitivity to revenues

We have included a sensitivity on revenue growth along 2024-27E, with a higher case at +15% and lower case at -15% on our base assumptions. We observe that, even leaving unchanged the general assumptions on operating costs, TWC and capital expenditure, less revenues in the lower case would result in a cash breakeven shift and increasing financial debt in the short/mid-term. The picture below summarizes the revenue yearly trend in the three cases.

#### AATech - 2024-27E Revenues (€m) sensitivity analysis



Source: EnVent Research

As such, we estimated our equity value range by adding lower and higher cases.

DCF - Equity Value Sensitivity Analysis (€m)		
DCF Equity Value according to revenue scenario		
Lower	Base	Higher
2.5	4.7	6.9

Source: EnVent Research

## Multiples

During or after an investment cycle, when operating profit is a loss position or under its normal potential, EBITDA multiples are likely to become unreasonably high. AATech during its investment cycle has reached operating profits by accounting of Value of Production comprising R&D expense as a portion of internal costs and gains on assets contribution in kind. Consequently, in the short-term operating margins on sales have not been so far able, and are not expected, to reach a normal level, as long as sales do not reach at least a level sufficient to cover operating costs. As usual in these cases, we would rely on EV/Revenue multiples, then adjusting the value outcome by a factor representing expected losses in the projections. Given the lack of listed companies with a scope of practice comparable to AATech, a market multiples analysis has not been considered sufficiently reliable.

## Valuation summary and Target price

We recall that, given the present recurring cost of operations and cash generated by core business sales as reported in H1 2024, a correctly dimensioned yearly cash use budget would require sales well over €1m to reach cash breakeven, while service of financial debt and other investments would ask for fast sales increase in the next years. Given certain indicators such as the level of cash use and the weight of financial debt over fundamentals, our sensitivities signal that the revenue gap to breakeven is substantial in any instance. As a consequence, in case of insufficient sales growth perspective in H2 2024 and H1 2025, a finance raising plan would be expected.

We consider the range of values comprising the higher case and lower case of the DCF valuation and sensitivity appropriate for an early-stage business and we identify an intermediate €4.7m target equity value as suitable reference for AATech investment case. As a consequence, we initiate the coverage of AATech with a NEUTRAL rating, based on a Target Price per share\* of €0.68, a potential upside of 5% on current share price at €0.66.

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

<b>AATech Price per Share (All shares)</b>	<b>€</b>
<b>Target Price</b>	<b>0.68</b>
Current Share Price (17/10/2024)	0.66
<b>Premium (Discount)</b>	<b>5%</b>

\*Note: including multiple-voting shares

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## VALUATION METHODOLOGIES

EnVent Research & Analysis Division calculates range of values and fair values for the companies under coverage using professional valuation methodologies, such as the discounted cash flows method (DCF), dividend discount model (DDM) and multiple-based models (e.g. EV/Revenues, EV/EBITDA, EV/EBIT, P/E, P/BV). Alternative valuation methodologies may be used, according to circumstances or judgement of non-adequacy of most used methods. The target price could be also influenced by market conditions or events and corporate or share peculiarities.

## STOCK RATINGS

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;

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;

SUSPENDED: no rating/target price assigned, due to material uncertainties or other issues that seriously impair our previous investment ratings, price targets and earnings estimates;

NOT RATED: no rating or target price assigned.

Some flexibility on the limits of the total return rating ranges is permitted, especially during high market volatility cycles.

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

Date and time of Production: 17/10/2024 h. 6.30pm

Date and time of Distribution: 17/10/2024 h. 6.55pm

## DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
17/10/2024	NEUTRAL	0.68	0.66

## ENVENT RECOMMENDATION DISTRIBUTION (September 30<sup>th</sup>, 2024)

Number of companies covered:	26	OUTPERFORM	NEUTRAL	UNDERPERFORM	SUSPENDED	UNDER REVIEW	NOT RATED
Total Equity Research Coverage %		88%	12%	0%	0%	0%	0%
of which EnVent clients % *		73%	33%	na	na	na	na

\* Note: Companies to which corporate and capital markets services were supplied in the last 12 months.

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