

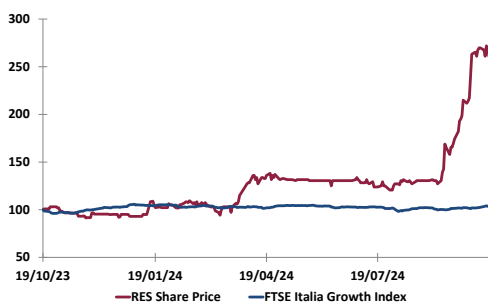


OUTPERFORM

Current Share Price (€): 11.90

Target Price (€): 15.00

RES – 1Y Performance



Source: S&P Capital IQ - Note: 19/10/2023 (IPO offer price)=100

Company data

ISIN number	IT0005543613
Bloomberg code	RES IM
Reuters code	RES.MI
Industry	Environment
Stock market	Euronext Growth Milan
Share Price (€)	11.90
Date of Price	18/10/2024
Shares Outstanding (m)	10.7
Market Cap (€m)	127.3
Market Float (%)	16.4%
Daily Volume	1,130
Avg Daily Volume YTD	3,881
Target Price (€)	15.00
Upside (%)	26%
Recommendation	OUTPERFORM
Shares Outstanding including PAS (m)	12.7
Target Price 2025 with PAS conversion dilution (€)	12.6

Share price performance

	1M	3M	6M	1Y
RES - Absolute (%)	58%	111%	92%	161%
FTSE Italia Growth Index (%)	3%	1%	2%	4%
1Y Range H/L (€)			12.40	4.17
YTD Change (€) / %			7.66	181%

Source: S&P Capital IQ

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

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Market momentum and H1 2024 performance drive price surge

Trading update: market enthusiasm, +160%

RES's share price has surged by over 160% in the last months, significantly outperforming the Italia Growth Index. Since our last update, RES traded within a range of €5.50-€6.25 until early September. In the lead-up to the H1 2024 results, market anticipation had already driven the stock upward, and following the results disclosure the stock price rose again peaking at €12.40 in recent days.

H1 2024 revenues +52% YoY, improved profitability

Revenues were €15.1m, +52% vs H1 2023. EBITDA adjusted was €5.5m vs €2.4m in H1 2023, with margin rising at 36%. Net income was €2.8m vs €0.9m in H1 2023. Net debt was €8m, vs 1.6 in FY23.

Plastic hub update: selection plant and washing plant ready, sales agreements in evaluation

Operations at the selection plant began in January, with the washing and granulation plant becoming operational in May. BlueAlp has been selected as the technology partner for the pyrolysis plant. Management expects sales agreements for secondary raw materials and pyrolysis oil by the end of the year.

Target Price €15.00 per share, from €8.00, and OUTPERFORM rating continued

We factored in H1-24 figures, which appear consistent with our year-end estimates and management guidelines. H1 2024 EBITDA fit with FY24 target of €11m, which will determine the conversion of 2,000,000 Price Adjustment Shares (PAS) into ordinary shares. As RES advances its investment plan and the market outlook becomes increasingly promising, on the wave of giant investments in course and expected for chemical recycling the overall picture is gaining clarity, leading us to revise upward substantially our long-term assumptions. The updated valuation reestablishes our OUTPERFORM rating with a target price at €15.00 per share, 26% upside on current share price.

KEY FINANCIALS AND ESTIMATES - €m

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

KEY RATIOS

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

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

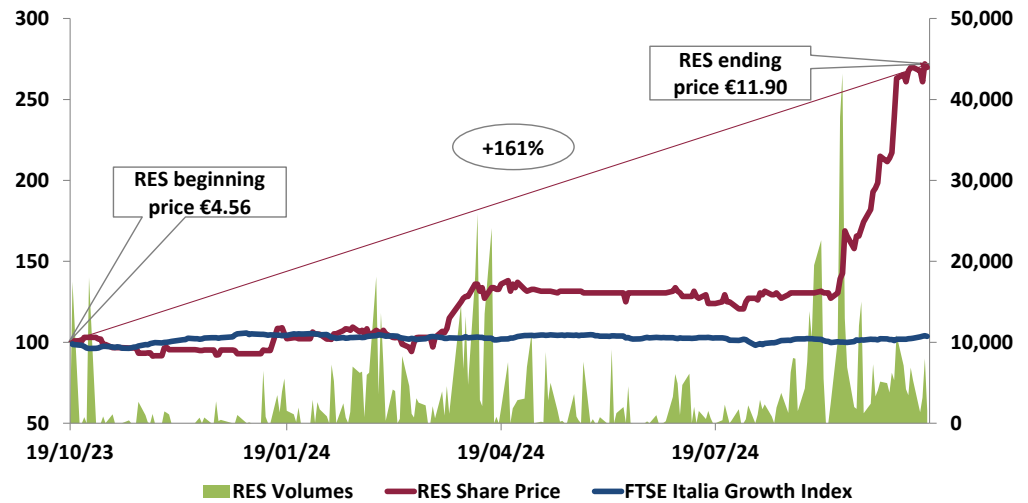
Notes: 2021-22PF showing effect of Collection BU spin-off since year begin; 2022PF also assumes the consolidation of some subsidiaries since beginning of the year

Market update

Trading price range
€4.17-12.40 per share

+161% for RES,
overperforming the
Italia Growth Index

RES – 1Y Share price performance and trading volumes



Source: EnVent Research on S&P Capital IQ – Note: 19/10/2023=100

Investment case

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

Main operations/services:

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

Mission

Full-cycle waste management operator recovering valuable resources and transforming waste into high-quality secondary raw materials for use in eco-friendly products.

Opportunity

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

Value proposition

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

Industry drivers

- Huge international industry investments in circular plastic value chain within 2030
- Italian waste management industry currently suffering from undercapacity
- Facilities gap in southern Italy
- Waste materials trade constraints
- High barriers to entry

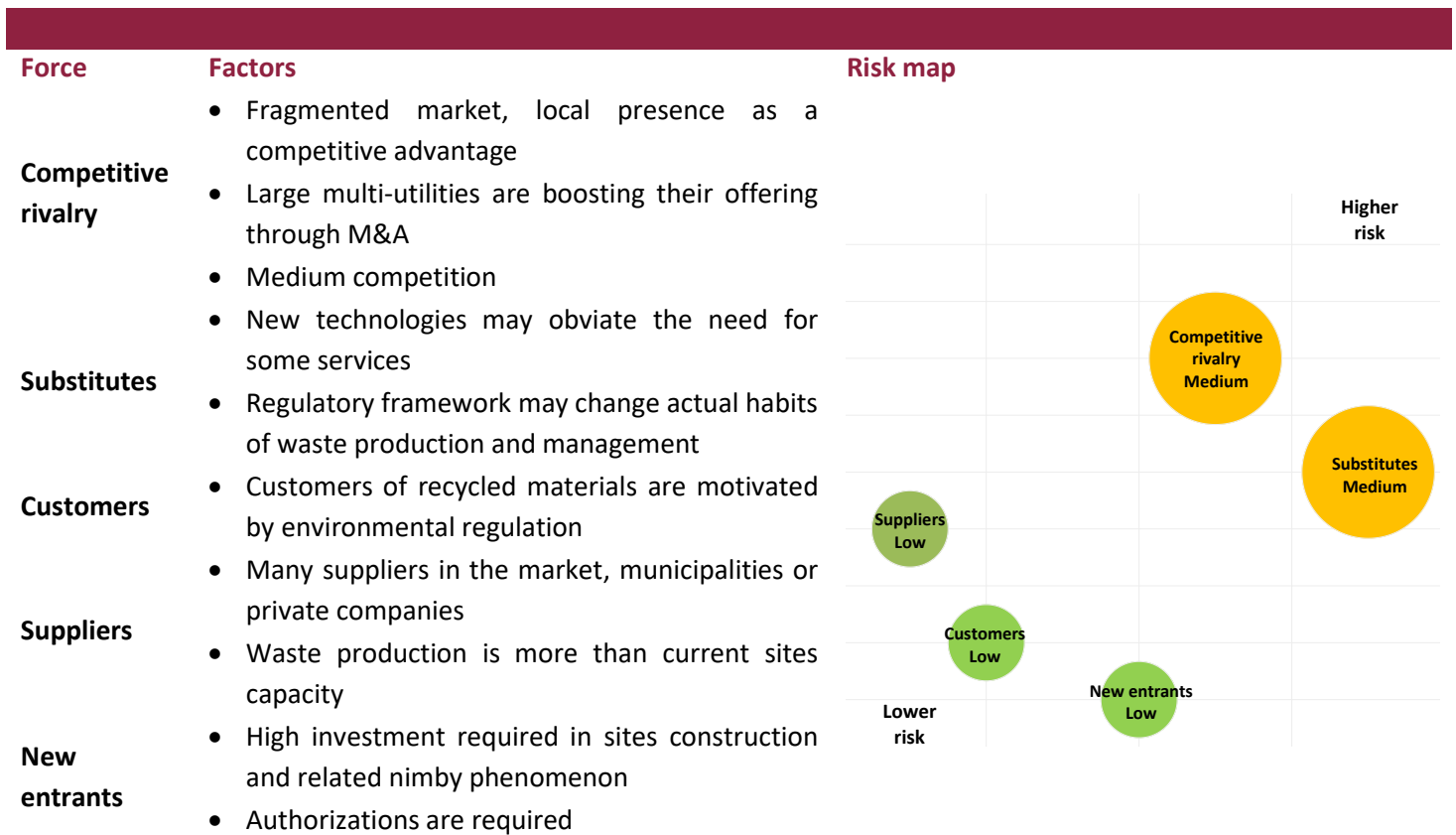
Company drivers

- Pioneer in chemical recycling
- Pyrolysis plant looking at substantial unsatisfied market demand Plants and sites capacity optimization
- Full coverage of the waste handling and treatment stages as competitive advantage
- Expected revenue and cost high visibility
- Continuity ensured by regulation

Challenges

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

Risk profile



Source: EnVent Research

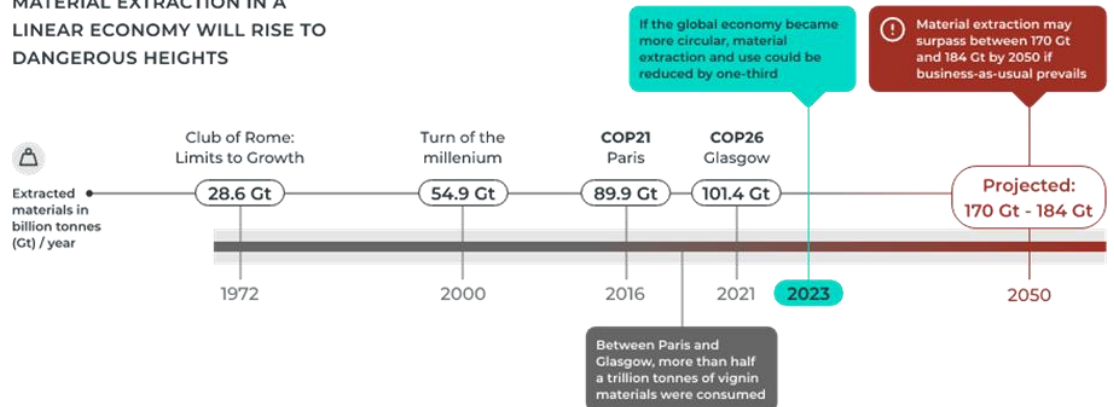
Industry outlook

Increasing Global Economy Circularity Gap calls for action

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

Material extraction timeline

MATERIAL EXTRACTION IN A LINEAR ECONOMY WILL RISE TO DANGEROUS HEIGHTS



Source: CGRI, Circularity gap report 2023

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

Italy among negative balances

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

Increasing plastic demand

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

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

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

EU Packaging directive impact on plastic recycling

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

Industry trends: investments and acquisitions

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

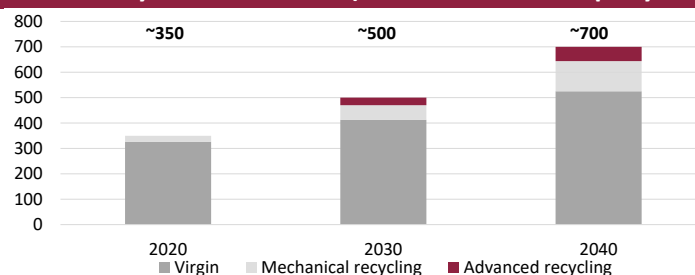
Plastic recycling outlook

Global polymer demand doubling calls for massive recycling

The global demand for plastics is expected to double by 2040, rising from 350m to 700m metric tons per year, which will also increase plastic waste. This underscores the need for circular waste management systems. Mechanical and chemical recycling are projected to account for 13-20% and 6-10% of the total plastic demand by 2040, respectively. Investments in chemical recycling are forecasted to exceed \$40bn by 2030 and move toward \$90bn by 2040.

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

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



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

Again, according to McKinsey, the plastic recycling value chain could attract most of such investment by 2030, driven by increasing demand for circular plastics and the goal of achieving 20-30% recycled content in plastic packaging. This estimate covers the full chain, including collection, mechanical and advanced recycling technologies, pyrolysis oil, and upstream investments (source: McKinsey, *A unique moment in time: Scaling plastics circularity*, 2023).

H1 2024 results

Solid figures despite the heavy investment cycle

- Revenues €15.1m, vs €10m in H1 2023, +52%
- EBITDA adjusted €5.5, vs €2.4m in H1 2023, +131%
- EBITDA margin adjusted 36.2%, 23.8% in H1 2023
- Net income €2.8m, €0.9m in H1 2023, +212%
- Capex €5.9m
- Net debt €8m, from €1.6m in FY23

Profit and Loss

€m	H1 2023	H1 2024
Sales	9.4	13.8
Grants and other income	0.5	0.8
Total Revenues	10.0	15.1
YoY %	13.0%	51.5%
Materials	(0.5)	(0.6)
Personnel	(1.1)	(1.4)
as a %age of revenues	10.9%	9.4%
Services	(5.8)	(7.3)
Other operating costs	(0.5)	(0.6)
Operating costs	(7.9)	(10.0)
EBITDA	2.0	5.1
Margin	20.6%	34.1%
D&A	(0.6)	(0.8)
EBIT	1.5	4.3
Margin	14.7%	28.7%
Interest and change in fin. assets	(0.1)	(0.3)
EBT	1.4	4.0
Margin	13.8%	26.8%
Income taxes	(0.5)	(1.2)
Net Income (Loss)	0.9	2.8
Margin	9.0%	18.6%

Balance Sheet

€m	H1 2023	2023	H1 2024
Inventory	0.4	0.7	1.1
Trade receivables	5.1	5.7	7.9
Trade payables	(4.4)	(7.8)	(7.0)
Trade Working Capital	1.1	(1.4)	2.1
Other assets (liabilities)	1.3	2.5	2.3
Net Working Capital	2.3	1.0	4.3
Intangible assets	3.8	3.7	3.7
Goodwill	1.0	0.9	0.9
Property, plant and equipment	14.7	25.3	30.4
Equity investments and financial assets	0.4	0.4	0.4
Non-current assets	19.9	30.2	35.3
Provisions	(15.3)	(15.2)	(15.1)
Net Invested Capital	6.9	16.1	24.5
Net Debt (Cash)	(6.6)	1.6	8.0
Shareholders' Equity	13.5	14.5	16.6
Equity	13.5	14.5	16.6
Sources	6.9	16.1	24.5

Cash Flow

€m	H1 2023	H1 2024
EBIT	1.5	4.3
Current taxes	(0.5)	(1.2)
D&A	0.6	0.8
Provisions	0.1	(0.1)
Cash flow from operations	1.6	3.8
Trade Working Capital	(0.7)	(3.5)
Capex	(2.5)	(5.9)
Other assets and liabilities	0.5	0.2
Free cash flow	(1.1)	(5.3)
Interest	(0.1)	(0.3)
Financial investments	(0.1)	0.0
Paid-in Capital	10.7	0.0
Dividends and other equity changes	0.0	(0.8)
Net cash flow	9.5	(6.4)
Net (Debt) Cash - Beginning	(2.9)	(1.6)
Net (Debt) Cash - End	6.6	(8.0)
Change in Net (Debt) Cash	9.5	(6.4)

Ratio analysis

KPIs	H1 2023	H1 2024
ROE	13%	34%
ROS (EBIT/Revenues)	15%	29%
ROIC (NOPAT/Invested Capital)	42%	35%
DSO	80	82
DPO	102	130
DOI	7	15
TWC/Revenues	11.4%	14.9%
NWC/Revenues	24.7%	31.3%
Net Debt / EBITDA	-1.6x	0.8x
Net Debt / Equity	-0.5x	0.5x
Net Debt / (Net Debt+Equity)	-1.0x	0.3x
Cash flow from operations / EBITDA	80%	74%
FCF / EBITDA	neg.	neg.

Source: Company data

Business update

RES's performance in H1 2024 confirms the expected step-up, with notable growth in both revenue and profitability. This growth was driven by strong operations from existing plants and the first contribution from the new advanced plastic recycling facility, generating €0.7m from the sale of recycled materials. RES continues in its investment path, with €5.9m invested in H1 2024. In May, RES finalized an agreement with the technology partner BlueAlp for the chemical recycling plant, set to be completed by 2025 and to start operations in H1 2026, with a processing capacity of 20,000 tons of waste.

New upcycling project for automotive

RES has obtained authorization from Molise region to develop an upcycling unit for car scrapping in a 40,000 sqm disused industrial site, €2.5m investment. By H2 2026, the site is foreseen to process up to 7,500 tons of materials from 6,000 vehicles.

According to management, by the end of the year RES expects sales agreements for secondary raw materials produced by its washing and granulation plant, and for pyrolysis oil produced by the chemical recycling plant.

H1 2024 adjusted EBITDA reached 50% of the full-year 2024 target of €11m.

Financial projections

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

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

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

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

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

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

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

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

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

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

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

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

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

Valuation

RES outlook

RES is evolving towards critical recycling industry infrastructure developer and owner, expanding its profile of waste management and circularity operator. We reaffirm RES value mid-time perspective as based essentially on its intangible and tangible assets as know-how, R&D, diversified and integrated facilities, with decreasing volatility of income/cash flow fluctuations and a moderate risk profile.

RES value would increasingly consist in its infrastructures, based on market and industry trends:

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

Pioneer in advanced plastic recycling

Valuation rationale

As RES continues to advance in its investment plan and the market dynamics become increasingly favourable, the puzzle pieces are falling into place, hinting at the possibility of exceeding our long-term profitability assumptions. Therefore, we are updating our DCF sensitivity analysis, which is based on two scenarios with different growth rate and profitability.

Raising long-term profitability assumptions

The valuation of RES has been performed through:

- Discounted Cash Flows applied to our 2024-27E financial projections, including base and high scenarios
- Market multiples

Discounted Cash Flows

Main 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: 0.8 (on the back of peer market data)

- Cost of equity: 9.4%
- Cost of debt: 5.0%
- Tax rate: 24% IRES
- 35% debt/(debt + equity) as target capital structure
- WACC calculated at 7.4%, according to above data
- Perpetual growth rate after explicit projections (G): 3.0-3.5%
- Terminal Value assumes a 20% to 30% EBITDA margin as a sensitivity and a 6% Capex/Revenues
- Surplus liability for landfill site remediation: 2022 provision cash-out in 30 years after landfill site reaching full capacity.

DCF Valuation- Base scenario

€m	2021PF	2022PF	2023A	2024E	2025E	2026E	2027E	Perpetuity
Revenues	16.1	17.9	20.7	29.6	32.3	40.5	47.8	49.2
EBITDA	3.1	2.9	4.4	11.1	12.3	15.7	18.7	12.3
<i>Margin</i>	<i>19.5%</i>	<i>16.0%</i>	<i>21.1%</i>	<i>37.5%</i>	<i>38.2%</i>	<i>38.7%</i>	<i>39.1%</i>	<i>25.0%</i>
EBIT	2.2	1.7	3.1	8.3	8.7	11.9	14.7	9.3
<i>Margin</i>	<i>13.9%</i>	<i>9.7%</i>	<i>15.0%</i>	<i>27.9%</i>	<i>27.0%</i>	<i>29.2%</i>	<i>30.7%</i>	<i>19.0%</i>
Taxes	(0.6)	(0.5)	(0.9)	(2.3)	(2.4)	(3.3)	(4.1)	(2.6)
NOPAT	1.6	1.3	2.2	6.0	6.3	8.5	10.6	6.7
D&A		1.1	1.3	2.8	3.6	3.8	4.0	3.0
Provisions		0.2	(0.1)	0.6	0.5	0.6	0.5	0.0
Cash flow from operations		2.6	3.4	9.4	10.4	13.0	15.1	9.7
Trade Working Capital		0.7	1.8	(6.1)	(1.6)	(2.2)	(2.1)	(0.5)
Capex		(2.7)	(13.6)	(10.0)	(7.7)	(1.5)	(1.5)	(3.0)
Other assets and liabilities		(0.8)	(0.7)	8.1	1.8	0.0	(1.0)	0.0
Unlevered free cash flow		(0.2)	(9.1)	1.4	3.0	9.3	10.6	6.2
<i>- H1 unlevered free cash flow</i>				5.3				
Free cash Flow to be discounted				6.8	3.0	9.3	10.6	6.2
WACC	7.4%							
Long-term growth (G)	3.0%							
Discounted Cash Flows				6.6	2.7	7.8	8.2	
Sum of Discounted Cash Flows	25.3							
Terminal Value								140.6
Discounted TV	109.3							
Enterprise Value	134.6							
Net Debt as of 30/06/24	(8.0)							
NPV of landfill site remediation cost	(3.2)							
Equity Value	123.4							
DCF - Implied multiples	2021PF	2022PF	2023A	2024E	2025E	2026E	2027E	
EV/Revenues	8.4x	7.5x	6.5x	4.5x	4.2x	3.3x	2.8x	
EV/EBITDA	42.9x	47.1x	30.9x	12.1x	10.9x	8.6x	7.2x	
EV/EBIT	59.9x	77.4x	43.3x	16.3x	15.5x	11.4x	9.2x	
P/E	81.5x	85.7x	60.7x	21.6x	20.5x	14.9x	12.0x	

Source: EnVent Research

DCF Valuation- High scenario

€m	2021PF	2022PF	2023A	2024E	2025E	2026E	2027E	Perpetuity
Revenues	16.1	17.9	20.7	29.6	32.3	40.5	47.8	49.4
EBITDA	3.1	2.9	4.4	11.1	12.3	15.7	18.7	14.8
Margin	19.5%	16.0%	21.1%	37.5%	38.2%	38.7%	39.1%	30.0%
EBIT	2.2	1.7	3.1	8.3	8.7	11.9	14.7	11.9
Margin	13.9%	9.7%	15.0%	27.9%	27.0%	29.2%	30.7%	24.0%
Taxes	(0.6)	(0.5)	(0.9)	(2.3)	(2.4)	(3.3)	(4.1)	(3.3)
NOPAT	1.6	1.3	2.2	6.0	6.3	8.5	10.6	8.6
D&A		1.1	1.3	2.8	3.6	3.8	4.0	3.0
Provisions		0.2	(0.1)	0.6	0.5	0.6	0.5	0.0
Cash flow from operations		2.6	3.4	9.4	10.4	13.0	15.1	11.5
Trade Working Capital		0.7	1.8	(6.1)	(1.6)	(2.2)	(2.1)	(0.5)
Capex		(2.7)	(13.6)	(10.0)	(7.7)	(1.5)	(1.5)	(3.0)
Other assets and liabilities		(0.8)	(0.7)	8.1	1.8	0.0	(1.0)	0.0
Unlevered free cash flow		(0.2)	(9.1)	1.4	3.0	9.3	10.6	8.1
<i>- H1 unlevered free cash flow</i>				5.3				
Free cash Flow to be discounted				6.8	3.0	9.3	10.6	8.1
WACC	7.4%							
Long-term growth (G)	3.5%							
Discounted Cash Flows				6.6	2.7	7.8	8.2	
Sum of Discounted Cash Flows	25.3							
Terminal Value								204.3
Discounted TV	158.9							
Enterprise Value	184.2							
Net Debt as of 30/06/24	(8.0)							
NPV of landfill site remediation cost	(3.2)							
Equity Value	173.0							

DCF - Implied multiples	2021PF	2022PF	2023A	2024E	2025E	2026E	2027E
EV/Revenues	11.4x	10.3x	8.9x	6.2x	5.7x	4.5x	3.9x
EV/EBITDA	58.7x	64.5x	42.2x	16.6x	15.0x	11.7x	9.9x
EV/EBIT	82.0x	106.0x	59.3x	22.3x	21.2x	15.5x	12.6x
P/E	114.2x	120.1x	85.1x	30.4x	28.7x	20.9x	16.8x

Source: EnVent Research

DCF sensitivity (€m)

		Terminal - G		
		2.5%	3.0%	3.5%
EBITDA %	20.0%	84	92	103
	25.0%	112	123	138
	30.0%	140	154	173

Source: EnVent Research

Valuation based on market multiples

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

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

Market multiples

Segments and companies	EV/REVENUES			EV/EBITDA			EV/EBIT			P/E		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Municipal & other waste management												
Derichebourg	0.5x	0.4x	0.4x	5.3x	4.7x	4.5x	10.6x	8.5x	7.8x	9.3x	5.7x	4.5x
Renewi	0.7x	0.7x	0.7x	5.2x	4.8x	4.4x	11.4x	9.7x	8.6x	12.2x	10.2x	8.7x
Lassila & Tikanoja	0.7x	0.7x	0.6x	5.9x	5.3x	5.1x	13.4x	12.2x	11.4x	12.5x	10.3x	9.5x
Séché Environnement	1.1x	1.0x	0.9x	5.5x	4.7x	4.3x	12.0x	9.2x	8.0x	15.3x	10.9x	8.9x
Pizzorno	1.2x	1.1x	1.1x	6.5x	5.8x	5.6x	15.1x	12.0x	11.8x	n.a.	n.a.	n.a.
Mean	0.8x	0.8x	0.8x	5.7x	5.0x	4.8x	12.5x	10.3x	9.5x	12.3x	9.3x	7.9x
Median	0.7x	0.7x	0.7x	5.5x	4.8x	4.5x	12.0x	9.7x	8.6x	12.3x	10.2x	8.8x
Plastic recycling												
Enviro Systems	40.9x	32.3x	13.9x	neg	neg	neg	neg	neg	neg	neg	neg	neg
Agilyx	120.9x	19.5x	10.4x	neg	141.6x	22.3x	neg	neg	43.2x	neg	neg	48.0x
Aquafil	0.6x	0.5x	0.5x	5.2x	4.0x	3.6x	47.5x	12.7x	9.8x	neg	15.6x	7.2x
Mean	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Median	na	na	na	na	na	na	na	na	na	na	na	na
Special waste management												
Befesa	1.3x	1.2x	1.1x	7.5x	6.4x	6.0x	12.3x	9.6x	8.7x	13.3x	9.7x	9.1x
Aurea	0.3x	0.3x	0.3x	5.1x	3.8x	3.1x	25.9x	9.7x	6.6x	54.4x	12.2x	7.7x
Innovatec	0.5x	0.4x	0.4x	3.9x	3.0x	2.5x	7.0x	4.7x	3.5x	8.8x	5.1x	3.6x
Mo-BRUK	4.2x	3.4x	3.0x	9.7x	7.5x	6.4x	11.2x	8.3x	7.0x	13.7x	10.1x	8.5x
Mean	1.6x	1.3x	1.2x	6.5x	5.1x	4.5x	14.1x	8.0x	6.5x	22.5x	9.3x	7.2x
Median	0.9x	0.8x	0.8x	6.3x	5.1x	4.6x	11.8x	8.9x	6.8x	13.5x	9.9x	8.1x
Utilities												
AZA	0.8x	0.9x	0.9x	5.2x	5.3x	5.3x	9.5x	10.4x	11.0x	9.5x	11.0x	12.1x
Hera	0.7x	0.7x	0.7x	6.4x	6.3x	6.1x	12.3x	12.0x	11.8x	12.8x	12.6x	12.4x
Iren	1.2x	1.3x	1.3x	6.4x	6.1x	5.7x	15.3x	14.4x	13.6x	10.1x	9.4x	8.9x
ACEA	2.2x	2.2x	2.2x	6.9x	6.7x	6.3x	15.3x	15.0x	14.2x	12.7x	12.6x	11.9x
Mean	1.2x	1.3x	1.3x	6.2x	6.1x	5.9x	13.1x	12.9x	12.6x	11.3x	11.4x	11.3x
Median	1.0x	1.1x	1.1x	6.4x	6.2x	5.9x	13.8x	13.2x	12.7x	11.4x	11.8x	12.0x

Source: EnVent Research on S&P Capital IQ, 18/10/2024

EV/Revenues Advanced recycling peers

Company	2023				
	€m				EV/Rev
	Market cap	Net Debt (cash)	Revenues	EBIT	
Scandinavian Enviro	130.5	(18.9)	1.1	(8.0)	97.9x
Agilyx	203.2	(7.4)	5.3	(13.4)	36.7x
WPU	166.2	0.0	0.0	0.0	na
Pryme	46.6	5.4	0.0	(8.3)	na
Ecolomondo	24.6	25.3	0.1	(1.7)	369.8x
Aduro Clean Technologies	60.5	(2.7)	0.1	(4.0)	763.9x
PlasCred	26.1	(0.7)	0.0	(2.1)	na

Source: EnVent Research on S&P Capital IQ

Key takeaways

- Plastic recycling cluster at early stage of investment life cycle enjoys high market caps regardless of losses
- Low comparability with most peers
- Special waste: focus on profitability
- Multi-utilities: incumbents in the domestic value chain

We have applied the 2024-26E EBITDA, EBIT and P/E multiples of Municipal cluster and Greenthesi stand-alone as an example of transaction-based valuation of a fairly comparable company.

Multiples application

€m

RES Valuation - Multiples			Waste management	EV (€m)	Net Debt (€m)	Equity Value (€m)
2024E EBITDA	11.1	Median	5.5x	61.4	(8.0)	53.4
2025E EBITDA	12.3	Median	4.8x	59.4	(8.0)	51.4
2026E EBITDA	15.7	Median	4.5x	69.9	(8.0)	62.0
2024E EBIT	8.3	Median	12.0x	98.8	(8.0)	90.8
2025E EBIT	8.7	Median	9.7x	84.7	(8.0)	76.8
2026E EBIT	11.9	Median	8.6x	101.6	(8.0)	93.6
2024E P/E	5.7	Median	12.3x			70.1
2025E P/E	6.0	Median	10.2x			61.7
2026E P/E	8.3	Median	8.8x			72.8

Source: EnVent Research on S&P Capital IQ

Transaction multiples application

€m

RES Valuation - Transaction Multiples			Transaction multiple	EV (€m)	Net Debt (€m)	Equity Value (€m)
2024E EBITDA	11.1	Greenthesi	7.2x	79.6	(8.0)	71.6
2025E EBITDA	12.3	Greenthesi	6.9x	85.2	(8.0)	77.2
2024E EBIT	8.3	Greenthesi	11.4x	93.7	(8.0)	85.7
2025E EBIT	8.7	Greenthesi	11.2x	97.1	(8.0)	89.2
2024E P/E	5.7	Greenthesi	19.7x			112.2
2025E P/E	6.0	Greenthesi	14.9x			89.5

Source: EnVent Research on S&P Capital IQ

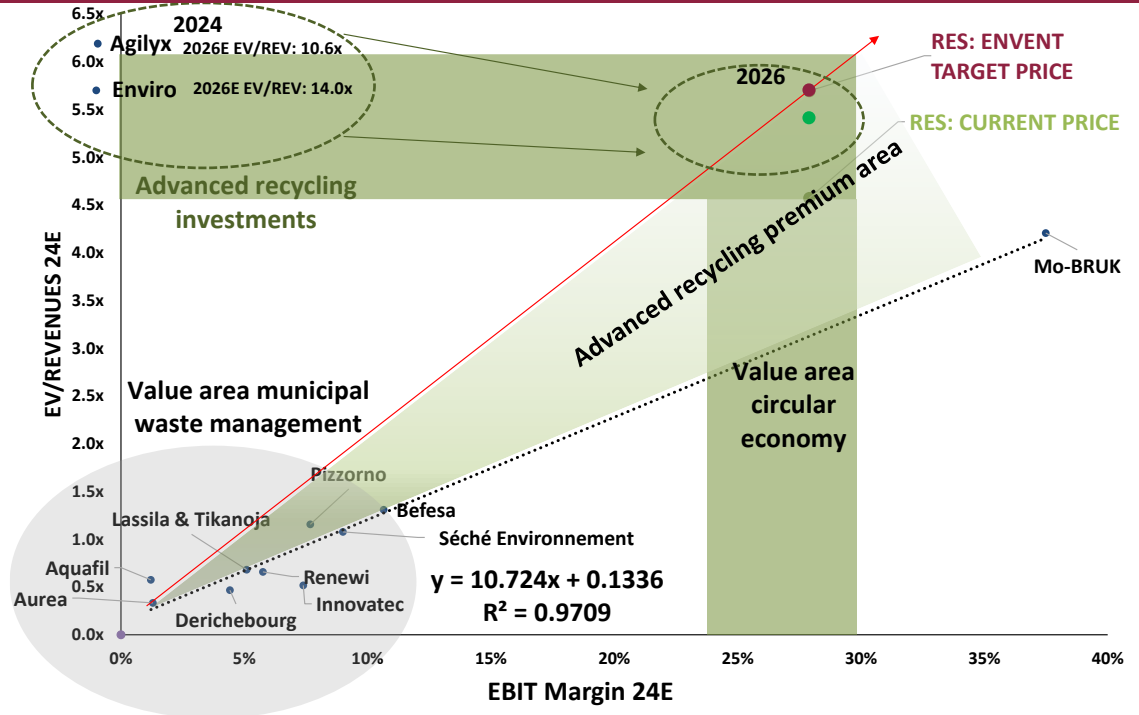
The outcome is a wide range between lower and higher values, the latter related to the mentioned delisting transaction. Our view is that variability reflects low comparability, and that the size of transaction market premium on performing companies, together with investment flows towards recycling tech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

Valuation area derived from regression analysis

We conducted a regression analysis on peers, examining the relationship between EBIT margin and EV/Revenues. The linear regression yielded an R² value close to 1, indicating a strong correlation between the two variables. The regression clearly identifies the municipal waste cluster, well-positioned in a value area with EV/Revenues ranging between 0.5x and 1.5x, and profitability up to 10%. However, the industry is seeing significant investments in advanced recycling initiatives, which are well-funded and exhibit high multiples driven by strong growth and profitability expectations. We included Agilyx and Enviro as outliers and examples of advanced recycling, which, despite still being in the investment phase, can serve as benchmarks for the future of RES. The market is already showing appreciation for RES's investments and its positioning as a pioneer, with the share price implied value reflecting a premium compared to companies in the value area of municipal waste.

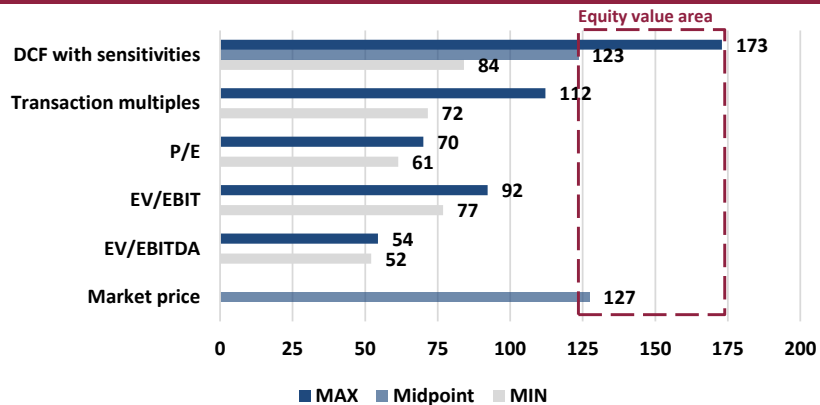
Premium valuation for advanced recycling

Peers - Regression analysis and RES target positioning



Source: EnVent Research on S&P Capital IQ, October 2024

Equity values (€m)



Source: EnVent Research

Value assessment

As shown in the above graph, and better in the preceding regression analysis, there is a clear disjunction between market value appreciation of the traditional multibusiness waste collection and treatment and the perspective of the dawning chemical plastics treatment industry. The traditional low tech waste industry is valued through a pure plain vanilla approach: profitability with prudence, given the inherent operational risk and local regulatory environment. The innovation technologies under development to support the urgent quantum leap in effectiveness of the global policies for a real war against waste, will be a cost no objective choice for wealthy countries, whose economy cannot afford delays in a more conscious on sustainability supply chain. On these premises, RES case presents a peculiarity: coexistence of profitable traditional operations, thanks to its articulated and interconnected infrastructure, together with ongoing realization of one of the first chemical plants for plastics recycling in Italy

Tech pioneer in a world ready to experience a fast game change

Sum of value boosts

and Europe. Moreover, differently from most competitors, RES has low financial debt commitment. This unfrequent combination of favourable situations is likely to be a multiple value boost generator, which in our view might be the secluded unconscious reason of premium market values rising regardless of present fundamentals.

In detail, to update our value assessment of RES we notice certain key points:

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

Target Price

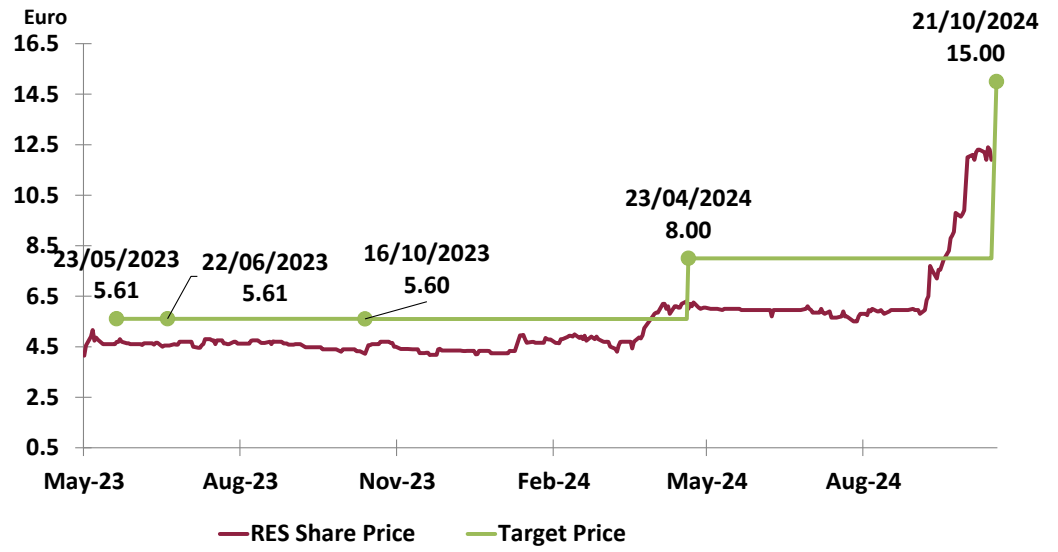
We updated our valuation using the DCF method and by analysing industry trends and available market information. We recall the expected value increase as RES continues to progress in its infrastructure development program. Market momentum reflects high expectations for the Company, alongside a reduced perception of risk regarding the completion of the plan. Considering circular economy interest reflected in strong investments and expectation of high profitability, we are upgrading our valuation moving to the DCF high scenario and positioning RES equity value close to €160m. As so, we are raising our previous target price from €8.00 to €15.00, indicating a 26% upside potential from RES's current share price, together with the OUTPERFORM rating on the stock.

Please refer to important disclosures at the end of this report

RES Price per share	€
Target Price	15.00
Current Share Price (18/10/2024)	11.90
Premium (Discount)	26%

Source: EnVent Research

RES Share price vs EnVent Target Price



Source: EnVent Research on S&P Capital IQ, 21/10/2024

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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: 18/10/2024 h. 6.00pm

Date and time of Distribution: 21/10/2024 h. 7.15pm

DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
23/05/2023	OUTPERFORM	5.61	4.60
22/06/2023	OUTPERFORM	5.61	4.55
16/10/2023	OUTPERFORM	5.60	4.32
23/04/2024	OUTPERFORM	8.00	6.00
21/10/2024	OUTPERFORM	15.00	11.90

ENVENT RECOMMENDATION DISTRIBUTION (September 30th, 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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