

Innovatec

2024-26 Strategic Plan Announced

The new Strategic Development Management Team unveiled the 2024-26 Plan, aiming to reaccelerate Innovatec's revenue growth profile in the fast-growing end markets of Renewable Energy and Waste Management after the pause recorded this year, mainly due to the sudden regulatory framework change. Profitability margin is to be preserved, while the focus on cash flow generation should support a significant reduction in net debt, alongside the introduction of a first EUR 0.10 DPS at the end of the Plan.

Restoring growth trajectory

After a rebranding and reorganisational exercise aimed to boost synergies between subsidiaries and speeding up the response to market needs, Innovatec management disclosed details of new strategic plan, targeting to reach almost EUR 0.5Bn revenues by 2026 (+65% vs. EUR 289M in FY22), with Energy Efficiency & Renewables business unit expected to recover almost entirely the misstep experienced in 2023 thanks to RES development activities.

Profitability and cash flow generation to be prioritised

Management targets recovering profitability (14% EBITDA margin) by the end of Plan (2026) to EUR 66M EBITDA (vs. low base of EUR 28M expected for this year), improving cash flow generation capability; this should support EUR 57M investment in capex over the period, an additional EUR 19M investment in bolt-on acquisitions, a significant reduction in net debt, alongside the introduction of EUR 10M dividend payment at the end of the BP. Management announced it will issue free warrants during 4Q23 (with a ratio of 1 warrant every 32 Innovatec ordinary shares) with first available exercise window in 4Q24 (strike price approx. EUR 1.90 EUR).

Estimates revision and outlook

In light of the new business plan announced by the company, as well as the new guidance for 2023, we revise our revenue estimates for 2023E and 2024E by -26% and -22% respectively, while introducing explicit 2025E revenue assumptions. Our new 2023E revenue and EBITDA forecasts are very much in line with the new company guidance, notwithstanding the rapid acceleration required in 2H23 vs. 1H23; on the other hand, we remain slightly more conservative on the following years' estimates, looking for some more tangible evidence of rapid take off of RES Development & Management activity, key driver of growth of the new Business Plan.

Valuation

Following our 2023E/24E estimates' revisions and the introduction of new 2025E assumptions, our DCF model points to a **new target price of EUR 2.2**, on a fully diluted basis. Given the more than 70% upside vs. the current share price, we confirm our **BUY rating on the stock**.

27 September 2023: 13:07 CET
Date and time of production

BUY

Target Price: EUR 2.2
(from EUR 3.0)

Italy/Industrials
Company Update

EGM Price Performance (RIC: INC.MI, BB: INC IM)



Innovatec - Key Data

Price date (market close)	26/09/2023
Target price (€)	2.2
Target upside (%)	72.01
Market price (€)	1.28
Market cap (EUR M)	123.35
52Wk range (€)	1.96/1.06

Y/E Dec (EUR M)	FY22A	FY23E	FY24E
Revenues	289.2	252.0	314.0
EBITDA	32.45	28.35	37.37
EBIT	18.68	10.60	18.92
Net income	10.65	4.34	9.90
EPS (EUR)	0.11	0.05	0.10
Net debt/-cash	49.73	72.45	63.40
Adj P/E (x)	17.4	28.4	12.5
EV/EBITDA (x)	7.3	6.9	5.0
EV/EBIT (x)	12.6	18.5	9.9
Div ord yield (%)	0	0	0

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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1H23 Preliminary Results

In early August Innovatec disclosed weak 1H23 preliminary results, both at the top line and EBITDA level, with margin softening on a yoy basis, affected in particular by the Energy Efficiency Business Unit, whose profitability was negative. Regulatory uncertainty on the transfer of Ecobonus tax credit to the banking system at the start of the year led to management's decision to drastically reduce underwriting new contracts unless backed by bank credit lines for the assignment of credits. This led to a significant group revenue contraction, with material softening of operating profit performance as well. More in detail:

- **1H23 group revenue fell by -41% yoy to EUR 95M** (vs. EUR 163M in 1H22), led by Energy Efficiency & Renewables business unit (where revenue fell by -75% yoy to EUR 15M vs. EUR 61M in 1H22) followed by Environment & Circular Economy (where revenue fell by -22% yoy to EUR 80M vs. EUR 102M in 1H22);
- **1H23 group EBITDA fell by -45% yoy to EUR 12M vs. EUR 22M in 1H22**, with Energy Efficiency & Renewables business unit suffering the most, recording a negative EBITDA of EUR -2.8M (vs. EUR 10.1M in 1H22), whereas Environment & Circular Economy saw EBITDA rising to EUR 16M (vs. EUR 13.6M in 1H22), implying a healthy 20% margin vs. 13% in 1H22;
- **Investments keep rising**: the company invested EUR 11.6M in 1H23 (vs. EUR 7.6M in 1H22), largely in the more capital-intensive Environment & Circular Economy BU (further expansion capacity in landfill in Albonese for additional 400k tons, EUR 1.4M for the construction of a new plant for lithium-battery recycling) and some M&A activity (EUR 3.6M);
- **NFP deteriorated slightly to EUR 62M** (vs. EUR 49.7M at year-end), despite EUR 18.5M cash-in of fiscal credit matured over the course of 1H23 and overall investments for approx. EUR 15M.

Regulatory and weak macroeconomic environment still a drag

Innovatec - 1H23 preliminary results

EUR M	1Q22A	2Q22A	1H22A	FY22A	1Q23A	2Q23A	yoy %	1H23A	yoy%
Net revenue	74	89	163	289	49	46	-48	95	-41
EBITDA	12	10	22	32	8	4	-61	12	-45
EBITDA mg (%)	16	12	13	11	16	9		13	
Net debt	27			50	56			62	

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Alongside the new 2026 strategic targets, management took the opportunity to update FY23 guidance, with group revenue and EBITDA expected to reach EUR 252M and EUR 28.4M respectively. We note that the new guidance implies a significant improvement in 2H23 vs. 1H23 preliminary numbers (final 1H23 will be published on 29 September), which should be based on:

- Clean-up of the backlog in Energy Efficiency & Renewables related to Ecobonus, already mostly completed in 1H23. According to the company, new contracts are foreseen in 2H23 with adequate margin and certainty to assign to banking institutions;
- Improving performance in 2H23 in Environment & Circular Economy thanks to some economic recovery in the industry, as well as in high energy-intensive end-market industries (paper, batteries) in light of a more favourable trend in electricity prices;
- First initial contribution of origination and development activity in photovoltaic, given the significant pipeline collected so far (>400MW), and in the B2B EE to industrial clients;

New 2023 Guidance

- Lower start-up cost for developing B2B activities in Energy & Efficiency with corporates and PA, associated with the first revenue contribution.

Innovatec – Updated 2023 guidance

EUR M	2H22A	FY22A	FY23 New Guidance	2H23 implied in FY23 New Guidance	yoy %
Total revenues	126	289	252	157	24
Total EBITDA	10	32	28	16	57
EBITDA margin %	8.2	11.2	11.3	10.4	

A: actual; Source: Company data

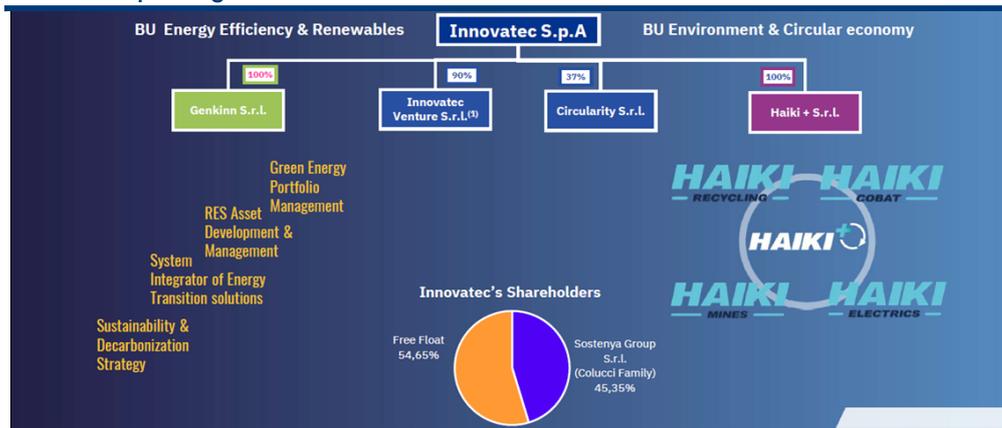
2H23 cash flow performance should not be materially different vs. 1H23, since the company has still to complete the increase in the capacity for treatment, recycling and disposal of non-hazardous waste materials (among the most relevant projects: the first lithium battery plant which will start operations in 1H24 with an annual capacity of 4k tons, the construction of a plant for the treatment and recycling of plasterboard with an annual capacity of 30ktons, the expansion of the Albonese landfill by 400ktons).

2024-26 Strategic Plan

After announcing a relevant reshuffling within key management roles, with major shareholder P. Colucci (45.3% of Innovatec's share capital) stepping in as new Group CEO, the company unveiled details of its new 2024-26 Strategic Plan. Energy Efficiency & Renewables and Environment & Circular Economy BUs have been confirmed the pillars of group business model to address Renewable and Waste management market opportunities, although they have been reorganised and rebranded to extract more synergies between subsidiaries.

New Management Team unveiled 2024-26 Plan

Innovatec Operating Business Model



Source: Company data

Within Environment & Circular Economy BU, Haiki brand has now regrouped all business activities related to the relevant stages of products' end-of-life cycle among different industries (Automotive, Textile, Building & Construction and Electronics & Batteries):

Haiki as single brand for Environment & Circular BU

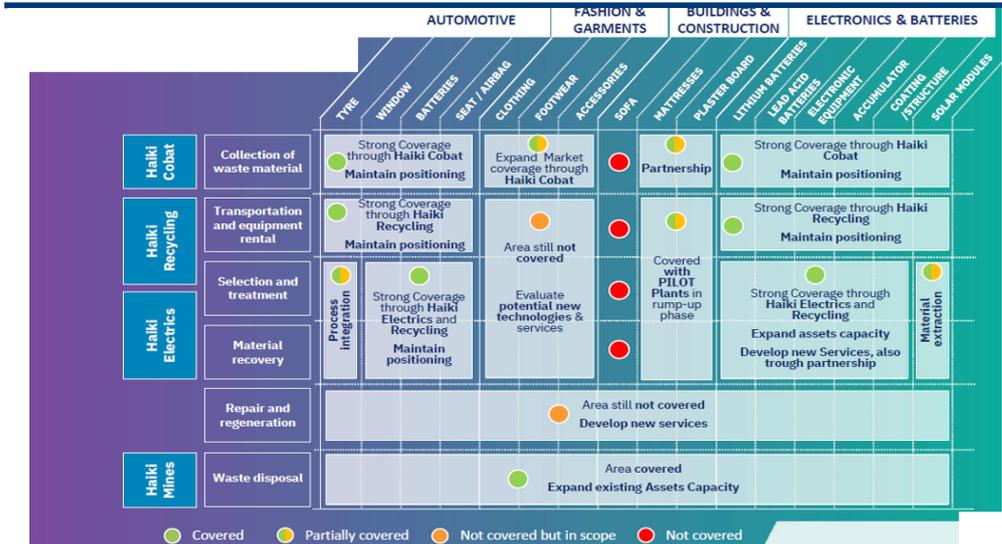
- **Haiki Cobat platform** - through five dedicated consortia - makes sure that producers are released from their Extended Producer Responsibility (EPR) for waste management, thanks to an extended network across the whole national territory;
- **Haiki Recycling** provides an efficient service for collecting, storing and sending end-of-life products for recycling;
- **Haiki Electrics** is active on recycling Waste Electrical and Electronic Equipment (WEEE), with one recovery facility dedicated to plastics and three treatment sites;
- **Haiki Mines** focuses on the safe disposal of those kind of waste materials that cannot be recovered and properly recycled.

Management highlighted good growth prospects into 2024 for Haiki Recycling, thanks to:

- A new hub for the selection of waste from industrial packaging, already authorised this year, which will start treatment in 1Q24;
- An innovative plant aimed at the treatment of end-of-life plasterboard able to recover gypsum, already authorised in 2023, that will start treatment in 1Q24;
- The first plant in Italy dedicated to the recovery of lithium and cobalt from end-of-life EV batteries through a patented treatment, as well as alkaline batteries, likely to be authorised in 4Q23, and is expected to start treatment in 2Q24.

EPR regulations will progressively affect most of the products, widening further current business opportunities.

Innovatec – Haiki new organisation



Source: Company data

Within Energy Efficiency & Renewables BU, a new Energy Clean Tech Platform has been created in order to develop and offer the following services:

- **Sustainability & Decarbonisation strategic consulting** with expertise in carbon inventory analysis, sustainability reporting and identification of decarbonisation levers;
- **System Integrator of Energy Transition solutions**, with engineering E2E design capabilities;
- **Renewable Energy Storage (RES)** managing the entire process, from the development/permitting phase to the supply of turnkey plants and/or management of owned plants through the expertise of controlled ESI Spa;
- **Green Energy Portfolio Management** developing energy communities, alongside demand response systems. Through its controlled subsidiary Innovatec Power Srl, the company offers B2B products and services for the optimisation of energy consumption of industrial clients and Public Administration (similar to the Growth Revolution of Wealth in Salento - G.R.O.W.S. - project announced last May, for energy savings and reducing the environmental impact of public buildings).

A new Energy Clean Tech Platform to offer energy efficiency and renewable services

After a sudden retreat in revenue performance in 2023, mainly due to the change in regulatory framework, management expects to return to the growth path thanks to a rising contribution from the Energy Efficiency & Renewables BU (58% of expected revenue growth over the 24-26 BP), leveraging on the pipeline acquired in Renewable Energy Storage (RES), and further expansion from Haiki Cobat treatment and recycling activities.

Return to growth ambition

Innovatec – 24-26 Business Plan

EUR M	Revenue Growth over the 24-26 BP	
		%
EER	132	58
o.w. RES Asset	68	52
o.w. EPC	39	30
o.w. Green Energy Portfolio	22	17
o.w. System Integration	3	2
Haiki	94	42
o.w. Cobat	38	40
o.w. Recycling	28	30
o.w. Mines	-8	-9
o.w. Electrics	12	13
o.w. M&A	24	26
Total	226	

Source: Company data

Compared to the previous 2022-24 Business Plan, management expectations are pretty much similar in terms of revenue growth (after the sudden drop recorded this year), whereas EBITDA should accelerate faster, recovering from the low base of this year, reaching approx. the similar EBITDA margin targeted in the previous 22-24 BP.

Innovatec – Business Plan's growth targets comparison

%	BP 23-26 CAGR	BP 22-24 CAGR	2020-22A CAGR
Revenue	23.8	22.1	44
EBITDA	33.5	22.1	13

Source: Company data

Innovatec – Business Plan's EBITDA margin targets comparison

EBITDA Margin %	Year 0	Year 1	Year 2	Year 3
24-26 BP	11.3	12	13.3	13.9
22-24 BP	13.7	13.7	13.7	13.7

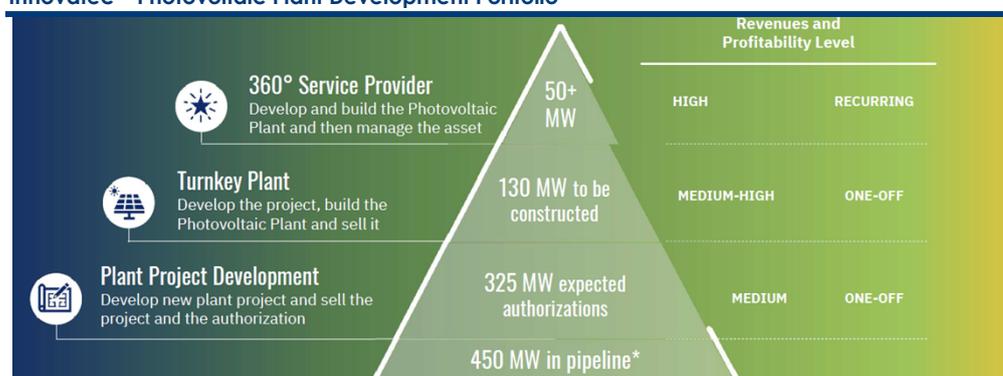
Source: Company data

With a 450MW portfolio for photovoltaic plant development in pipeline, of which 325MW is expected to receive authorisation before end-2024, RES Development & Management represents the new highest contributor to growth for Innovatec in the coming years. Activities will include a wide range of business options. Simple capital-light origination and development activities (which includes the feasibility study, securing the surface or purchase right of the land, obtaining the final authorisation from local administration and then selling the project) will be covered; more complex EPC types of activity will be managed through controlled ESI (which includes the phase of building the photovoltaic plant before selling it). Construction and management of photovoltaic systems should give the company a recurring stream of revenue and profitability.

**RES Development & Management
key driver of growth**

The recently-announced MoU between controlled subsidiary Eliospower Srl and Senec Italia Srl (part of German EnBW group, one of the leading company in photovoltaics in Europe, with a portfolio of 819 MWp and approx. 4,100 MWp project development and secured pipeline as of end of 2022) suggests that management has found strong industrial and financial partners to develop all type of activities (from origination, co-development and authorization to EPC and subsequent sale of PV plants), accelerating the path to become an energy producer, with an initial aim of managing 50MW installed capacity.

Innovatec – Photovoltaic Plant Development Portfolio



Source: Company data

Capex in the 2024-26 new Business Plan is expected to be similar to what Innovatec recorded over the 2020-22A period, with greater focus on organic investments rather than M&A. In our understanding, the bulk of it will be concentrated within the Environment & Circular Economy

**Capex intensity in line with history,
focus more on organic than M&A**

Haiki BU, being the primary target of the EUR 19M cumulated investments in M&A as well. Management's aim here is to acquire technologies and know-how in order to replicate Haiki's treatment and recycling businesses capabilities.

Innovatec Business Plans' capex targets comparison

EUR M	24-26 BP cumulated capex	22-24 BP cumulated capex	2020-22 cumulated capex
Hard Capex		54	47
M&A		19	12
Decarbonisation Plan		3	0
Total	77	59	77

Source: Company data

Estimates revision and outlook

In light of the new business plan announced by the company, as well as the new guidance for 2023, we revise our estimates for 2023E and 2024E, introducing new estimates for 2025E, as follows:

Innovatec – 2023E-25E new estimates

EUR M	2022A	2023E Old	2024E Old	2023E New	2024E New	2023E New vs Old (%)	2024E New vs Old (%)	New 2025E
Revenue	289	342	405	252	314	-26	-22	344
EBITDA	32.4	46	55	28.4	37	-38	-32	44
EBITDA Mg %	11.2	13.5	13.5	11.3	11.9			12.8
EBIT	18.7	28	38	11	19	-61	-50	26
Net Income	11	16	24	4	10	-68	-58	15

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Whereas our new 2023E estimates are very much in line with new company guidance (we accept that the required sequential acceleration in revenue and profit performance in 2H23E might be within company reach, considering the better economic environment Innovatec Haiki end markets have registered over the summer, also thanks to an improving energy pricing environment, and the first contribution from the photovoltaic pipeline with EPC ESI contribution), we acknowledge to have been slightly more conservative on the following two years, looking for more evidence of the rapid take off of RES Development & Management activities.

Innovatec – New estimates vs. 2024-26 BP

EUR M	New FY23E	BP FY23 Guidance	Chg (%)	New FY24E	BP FY24 Guidance	Chg (%)	New FY25E	BP FY25 Guidance	Chg (%)
Revenue	252	252	0	314	332	-5	344	397	-13
EBITDA	28.4	28.4	0	37	40	-7	44	53	-17
EBIT	11	11	0	19	24	-21	26	34	-25

E: estimates; Source: Company data and Intesa Sanpaolo Research

Valuation

We value Innovatec using a DCF model with a WACC of 8.2% (unchanged), calculated on:

- A 4.0% risk-free rate (unchanged);
- A 6.5% equity risk premium (unchanged);
- A gearing of 34% (unchanged);
- A gross cost of debt of 5% (unchanged).

Innovatec - WACC calculation (%)

Gross Cost of Debt	5.0
Tax rate	24
Net Cost of Debt	3.8
Gearing	34.0
Beta (x) *	1.0
Risk-free rate	4.00
Equity risk premium	6.50
Cost of equity	10.5
WACC	8.2

* Bloomberg Source: Intesa Sanpaolo Research estimates

We incorporate our 2023E-24E new forecasts, introducing our first explicit 2025E estimates, while for the long term we assume a 1.0% growth (vs. 2% previously). As usual, capex equals depreciation. To calculate the equity value, we deduct the FY22A net financial position, minorities, employees benefits and more importantly the landfill business liabilities (which we estimate at EUR 41.7M). We calculate a new fully diluted **target price of EUR 2.2** from our previous EUR 3.0.

In our valuation we are assuming the full conversion of the new free warrants (1 warrant for every 32 Innovatec ordinary shares) that management announced to issue during 4Q23, which will have the following strike prices/exercise periods: a) EUR 1.90 in 4Q24; b) EUR 2.10 in 4Q25; and c) EUR 2.60 in the first part of 2027.

Innovatec – DCF valuation

EUR M	FY23E	FY24E	FY25E	LT
Revenues	252	314	344	351
Change yoy (%)	-12.9	24.6	9.5	11.7
EBIT	11	19	26	33
EBIT margin (%)	4.2	6.0	7.4	9.5
Taxes	-3.0	-5.3	-7.7	-6.0
NOPAT	7.6	13.6	17.9	27.3
D&A and provisions	17.75	18.45	18.45	0
Capex	-23.0	-16.5	-11.0	0.0
NWC changes	-24.3	-0.0	-1.2	0.0
FCF	-21.9	15.6	24.1	27.3
Discounted FCF	-21.9	14.4	20.6	21.6
WACC (%)	8.2			
Perpetuity growth rate (%)	1.0			
NPV of cash flows	13.1			
NPV of terminal value	299			
EV	311.8			
NFP FY22A	49.7			
Employee benefits	2.5			
Minorities	0.9			
Provisions landfill business liabilities	41.7			
Equity value	221.6			
N of shares fully diluted (M)	99.5			
Cash-in from warrants conversion	5.7			
Value per share (EUR)	2.2			

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Valuation and Key Risks

Valuation basis

Our EUR 2.2 target price is derived with a DCF model, using an 8.2% WACC (RFR at 4%; Risk premium at 6.5%), a 1.0% terminal growth rate, a gearing of 34% and LT EBIT of EUR 33M.

Key Risks

Company specific risks:

- A competitive pressure in the energy efficiency segment and decrease EPC Turnkey prices which could reduce profitability of PV projects
- Difficulty to find/retain qualified candidates to support expansion plans
- A possible execution risk in the acquisitions included in the plan

Sector generic risks:

- Changes in regulation and the government measures. However, the distinctive business model and the "long-term" competence in new regulations and measures, may represent a competitive advantage for Innovatec
- Competition may come from large multi-utilities, but its business model, covering all the cleantech cycle is difficult to replicate
- Extra costs related to environment/circular economy assets, for change in regulation or malfunctions.

Company Snapshot

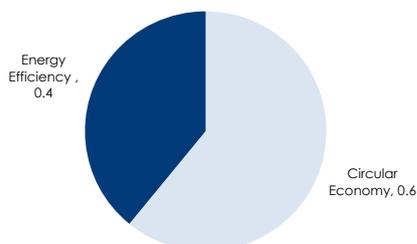
Company Description

Innovatec operates in the cleantech industry, with a distinctive business model, leveraging on the asset base in environment/circular economy and the know-how in energy efficiency. In 2022, on a pro-forma basis, posted around EUR 289M revenues and EUR 32M EBITDA. It counted 341 headcount in 2022, around 80% employed in the environment and circular economy BU. Thanks to a national presence of assets and of a commercial/technical team, the company is undergoing a challenging but well define business plan, aiming to become a leader in the cleantech industry in Italy.

Key data

Mkt price (€)	1.28	Free float (%)	55.0
No. of shares	96.45	Major shr	Sostenya
52Wk range (€)	1.96/1.06	(%)	45.0
Reuters	INC.MI	Bloomberg	INC IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	13.2	-1M	14.1
-3M	-9.3	-3M	-11.2
-12M	-30.9	-12M	-46.8

FY22 Sales breakdown by segment (%)



Estimates vs. consensus

EUR M (Y/E Dec)	2022A	2023E	2023C	2024E	2024C	2025E	2025C
Sales	289.2	252.0	NM	314.0	NM	343.9	NA
EBITDA	32.45	28.35	NM	37.37	NM	44.01	NA
EBIT	18.68	10.60	NM	18.92	NM	25.56	NA
Pre-tax income	16.76	8.28	NM	16.20	NM	23.25	NA
Net income	10.65	4.34	NM	9.90	NM	14.62	NA
Adj. EPS (EUR)	0.11	0.05	NM	0.10	NM	0.15	NA

Sales breakdown by geography (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 26/09/2023)

Innovatec – Key Data

Rating BUY	Target price (€/sh) Ord 2.2		Mkt price (€/sh) Ord 1.28			Sector Industrials
Values per share (EUR)	2020A	2021A	2022A	2023E	2024E	2025E
No. ordinary shares (M)	96.45	96.45	96.45	96.45	96.45	96.45
Total no. of shares (M)	96.45	96.45	96.45	96.45	96.45	96.45
Market cap (EUR M)	64.28	79.79	185.77	123.35	123.35	123.35
Adj. EPS	0.03	0.06	0.11	0.05	0.10	0.15
BVPS	0.20	0.32	0.48	0.57	0.68	0.85
Dividend ord	0	0	0	0	0	0
Dividend SAV Nc	NA	NA	NA	NA	NA	1.00
Income statement (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Revenues	161.6	237.8	289.2	252.0	314.0	343.9
EBITDA	17.95	32.90	32.45	28.35	37.37	44.01
EBIT	6.86	10.73	18.68	10.60	18.92	25.56
Pre-tax income	6.86	10.79	16.76	8.28	16.20	23.25
Net income	2.59	6.24	10.65	4.34	9.90	14.62
Adj. net income	2.59	6.24	10.65	4.34	9.90	14.62
Cash flow (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Net income before minorities	4.3	6.8	11.5	5.3	10.9	15.6
Depreciation and provisions	11.1	22.2	13.8	17.8	18.5	18.5
Others/Uses of funds	36.4	2.4	-1.5	0	0	0
Change in working capital	8.9	-17.6	-8.8	-24.3	0.0	-1.2
Operating cash flow	60.7	13.7	15.0	-1.2	29.3	32.8
Capital expenditure	-0.4	-27.1	-20.0	-23.0	-16.5	-11.0
Financial investments	0	0	0	0	0	1.0
Acquisitions and disposals	0	0	-21.0	0	0	0
Free cash flow	60.3	-13.4	-26.0	-24.2	12.8	22.8
Dividends	0	0	0	0	0	0
Equity changes & Non-op items	-54.6	-7.3	-13.7	3.0	-0.4	0
Net change in cash	5.7	-20.7	-39.7	-21.2	12.4	22.8
Balance sheet (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Net capital employed	8.4	40.7	96.3	125.8	123.8	119.6
of which associates	0	0	0	0	0	1.0
Net debt/-cash	-10.7	10.0	49.7	72.4	63.4	41.6
Minorities	0	0	0	0	0	1.0
Net equity	19.1	30.7	46.6	54.9	65.3	80.9
Minorities value	0	0	0	0	0	1.5
Enterprise value	53.6	89.8	235.5	195.8	186.8	165.4
Stock market ratios (x)	2020A	2021A	2022A	2023E	2024E	2025E
Adj. P/E	24.8	12.8	17.4	28.4	12.5	8.4
P/CFPS	1.1	5.8	12.4	Neg.	4.2	3.8
P/BVPS	3.4	2.6	4.0	2.2	1.9	1.5
Payout (%)	0	0	0	0	0	0
Dividend yield (% ord)	0	0	0	0	0	0
FCF yield (%)	93.8	-16.8	-14.0	-19.6	10.4	18.5
EV/sales	0.33	0.38	0.81	0.78	0.59	0.48
EV/EBITDA	3.0	2.7	7.3	6.9	5.0	3.8
EV/EBIT	7.8	8.4	12.6	18.5	9.9	6.5
EV/CE	6.3	2.2	2.4	1.6	1.5	1.4
D/EBITDA	Neg.	0.31	1.5	2.6	1.7	0.94
D/EBIT	Neg.	0.94	2.7	6.8	3.4	1.6
Profitability & financial ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E
EBITDA margin	11.1	13.8	11.2	11.3	11.9	12.8
EBIT margin	4.2	4.5	6.5	4.2	6.0	7.4
Tax rate	NM	NM	NM	NM	NM	NM
Net income margin	1.6	2.6	3.7	1.7	3.2	4.3
ROCE	81.2	26.4	19.4	8.4	15.3	21.4
ROE	15.6	25.0	27.6	8.6	16.5	20.0
Debt/equity ratio	Neg.	32.7	106.8	132.0	97.0	50.8
Growth (%)		2021A	2022A	2023E	2024E	2025E
Sales		47.1	21.6	-12.9	24.6	9.5
EBITDA		83.3	-1.4	-12.6	31.8	17.8
EBIT		56.6	74.0	-43.3	78.5	35.1
Pre-tax income		57.4	55.4	-50.6	95.6	43.5
Net income		NM	70.7	-59.2	NM	47.7
Adj. net income		NM	70.7	-59.2	NM	47.7

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

ESG Matrix

Innovatec - ESG Matrix

Main KPIs		2020	2021	2022	Target	Trend
E	Emissions (tonne CO2 eq)					
	Scope 1	13,363	11,168	10,468	//	+
	Scope 2 (Location based)	658.0	731.0	1,167	//	-
	Scope 3	NA	NA	NA	//	NA
	CO2 Scope 1+2 intensity index*	86.8	50.0	40.2	//	+
	Circular Economy					
	Waste diverted to recycle rate (%)	21.3	19.9	29.8	//	+
	Wastes (tons)	145,496	144,429	125,720	//	+
	Renewables Ratio					
	Electricity from renewables on total consumption (%)	2.3	2.2	2.8	//	+
Energy Consumption (Gj)	61,853	79,317	82,122	//	-	
Water withdrawals (mL/d)	21.8	20.6	40.2	//	-	
Notes (Environmental):	* CO2 intensity index includes only Scope 1 and 2.					
S	Women in leadership roles (%)	29.4	40.0	31.4	NA	-
	Training hrs per capita (No.)	14.4	11.9	11.9	//	=
	Turnover ratio (%)	20.0	19.3	27.9	//	-
	Rate of work-related injuries with serious consequences	14.8	16.6	13.2	//	+
	Ethical code	Yes	Yes	Yes	//	=
G	Independent directors' rate (%)	33.3	25.0	25.0	//	=
	Women in BoD (%)	0.0	20.0	25.0	//	+
	Anti-corruption	Yes	Yes	Yes	//	=
	Management Remuneration Policy linked to ESG goals	No	No	No	//	=
	ESG Report	Yes	Yes	Yes	//	=
	Remun. Of BOD members (% of pre-tax income)	0.0	0.0	0.0	//	NA
	Loyalty Shares	No	No	No	//	+

Note: the indicators +/- refer to how the company, in ISP view, is progressing towards its targets and/or vs. its historic trend; //: no explicit targets; Source: Company data and Intesa Sanpaolo Research elaboration

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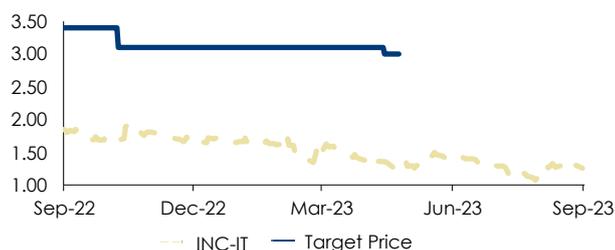
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Target price and market price trend (-1Y)**Historical recommendations and target price trend (-1Y)**

Date	Rating	TP (EUR)	Mkt Price (EUR)
22-May-23	Under Review	Under Review	1.36
09-May-23	BUY	3.0	1.37
03-Nov-22	BUY	3.1	1.69

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