

Innovatec

Weak Interim Results as Expected. Growth to Reaccelerate from 4Q

1H23 results showed a halt in Innovatec's growth path, due to the early stop to Ecobonus and tough macroeconomic environment in some energy-intensive end-markets. With the new 2024-26 BP, management unveiled actions that aim to reposition the company on the right track. The focus on Renewable Energy Storage (RES) Market opportunities will be key to achieve company new revenues and profitability targets.

1H23 results

Interim results confirmed the impact of the regulatory change happened at the beginning of the year on Innovatec Energy Efficiency Business Unit, with divisional revenues falling by a steep 75% yoy, and profitability going into negative territory. A challenging macroeconomic environment put pressure on Haiki Business Unit as well, where revenue fell by 20% yoy in 1H23; however, its divisional absolute and margin profitability managed to improve, showing a remarkably solid performance. NFP worsened slightly to EUR 60.2M (vs. EUR 49.7 at YE22), mostly due to organic investments in Haiki recycling and mines' activities (EUR 11M) and M&A (EUR 4M).

Earnings outlook

The company affirms that the first positive evidence of the actions envisaged in the new management's Business Plan will become visible starting from 4Q23, suggesting to be well on track to reposition Innovatec back on the growth path. For the time being, we leave our 2023E-25E estimates unchanged.

Valuation

We value Innovatec with a DCF model, which points to **a 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.

4 October 2023: 12:54 CET
Date and time of production

BUY

Target Price: EUR 2.2

Italy/Industrials
Company Results

EGM

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



Innovatec - Key Data

Price date (market close)	03/10/2023
Target price (€)	2.2
Target upside (%)	75.30
Market price (€)	1.26
Market cap (EUR M)	121.04
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	27.9	12.2
EV/EBITDA (x)	7.3	6.8	4.9
EV/EBIT (x)	12.6	18.3	9.7
Div ord yield (%)	0	0	0

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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1H23 Results

Interim results were weak as expected, showing a decline in yoy revenues in both business units, with particular reference on Energy Efficiency, where activity was impacted by the early stop in February of the Ecobonus fiscal incentive. Profitability suffered as a consequence: EBITDA fell by 46% yoy, with Energy Efficiency BU posting a negative contribution. Management has kept in investing in the business (EUR 11M in 1H23), especially in Environment & Circular Economy BU (now Haiki), widening further capacity in landfills and building new recycling plants. More in detail:

Setback in growth path in 1H23 as expected

- **Revenues declined by 41% yoy to EUR 96.6M** (vs. EUR 163M in 1H22), impacted by the early stop to the Ecobonus and the difficult macroeconomic environment in some energy-intensive end-markets, which had a negative impact in particular on Circular Economy BU;
- **EBITDA fell by 46% yoy to EUR 11.9M** (vs. EUR 22.4M in 1H22), with Energy Efficiency BU posting a negative contribution while Environment & Circular Economy BU managed to increase its absolute operating profit performance;
- **EBIT fell by 84% yoy to EUR 2.2M** (vs. EUR 14.1M in 1H22), partly due to higher weighting within 1H23 results of more capital-intensive Environment & Circular Economy BU, affected by the rising cost at holding level (EUR 3M in 1H23 vs. EUR 1.4M in 1H22);
- **Net income was negative for EUR 2.7M** (vs. positive EUR 8.5M in 1H22), affected in part by higher interest costs (at EUR 3.2M in 1H23 vs. EUR 0.3M in 1H22) related to the higher financial debt recorded in the period and by the costs of transferring tax credits linked to the Ecobonus to financial institutions;
- **NFP declined to EUR 60.2M** (vs. EUR 49.3M at 22YE), not including EUR 21.5M Ecobonus tax credits ready to be disposed of, partly due to investments in capex rising to EUR 11M and partly due to EUR 4M in M&A (ESI Spa, SEA Spa, Circularity and Arum Spa).

Innovatec – 1H23 results

EUR M	1H22A	2H22A	FY22A	1H23A	yoy %	FY23E	FY24E
Net revenue	163	126	289	96.6	-41	252.0	314.0
EBITDA	22.4	10	32	11.9	-46	28.4	37.4
EBITDA margin (%)	13	8	11	12		11.3	11.9
EBIT	14.1	5	19	2.2	-84	10.6	18.9
Net income	8	2	11	-2.7		4.3	9.9
Net debt			50	60		62.7	40.3

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

Taking a closer at group divisional revenue performance, we highlight:

Closer look at divisional revenue performance...

- Energy Efficiency & Renewables revenues fell by 75% yoy to EUR 15.3M in 1H23 vs. EUR 61M in 1H22A, now representing 16% of group revenue (from 41% in 1H22);
- Environment & Circular Economy revenues fell by 20% yoy to EUR 81.2M in 1H23 vs. EUR 102M in 1H22A, now representing 84% of group revenue (vs 58% in 1H22A);
- Other revenues rose to EUR 0.1M vs. EUR 0M in 1H22A, now representing 0.1% of group revenue.

Innovatec – 1H23 divisional revenue performance

EUR M	1H22A	2H22A	FY22A	1H23A	yoy %
Energy Efficiency & Renewables	61.0	51.6	112.6	15.3	-75
Environment & Circular Economy	102.0	73.5	175.5	81.2	-20
Others	0.0	1.0	1.0	0.1	
Total	163.0	126.1	289.1	96.6	-41

A: actual; Source: Company data

Innovatec – 1H23 divisional revenue breakdown

A: actual; Source: Company data

In terms of divisional EBITDA performance, we highlight:

- Energy Efficiency & Renewables EBITDA fell to negative EUR 2.8M in 1H23 vs EUR 10.1M in 1H22, which corresponds to a negative margin of -18% (vs. a positive 17% margin in 1H22);
- Environment & Circular Economy EBITDA rose to EUR 15.8M in 1H23 vs. EUR 13.6M in 1H22, which corresponds to a margin of 19% (vs. 13% in 1H22);
- Others EBITDA reduced the negative contribution to EUR -1.1M in 1H23 vs. EUR -1.3M in 1H22.

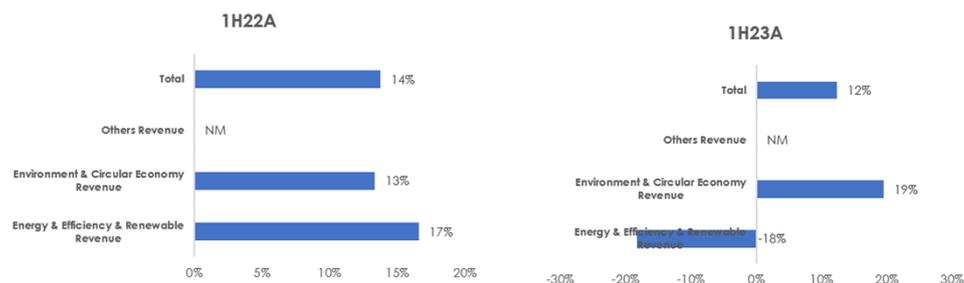
...and divisional EBITDA performance

Innovatec – 1H23 divisional EBITDA performance

EUR M	1H22A	2H22A	FY22A	1H23A	yoy %
Energy Efficiency & Renewables EBITDA	10.1	11.9	22.0	-2.8	NM
Environment & Circular Economy EBITDA	13.6	-1.5	12.1	15.8	16
Others EBITDA	-1.3	-0.3	-1.6	-1.1	NM
Total	22.4	10.0	32.4	11.9	-46

A: actual; Source: Company data

Innovatec – 1H23 divisional EBITDA margin breakdown



A: actual; Source: Company data

Looking at cost development, we highlight:

- Cost of services declined by 38% yoy to EUR 43.5M (vs. EUR 70.5M in 1H22), mainly due to the decline in the 110% Ecobonus business ('HouseVerde') in the group's activity. Incidence on group revenue increased to 45% (vs. 43.3% in 1H22);
- Net cost of materials declined by 59% yoy to EUR 22.9M (vs. EUR 56M in 1H22), with a significant reduction of purchases of recycled materials for Circular Economy BU. Incidence on group revenue fell to 23.8% (vs. 34.5% in 1H22);
- Other cost management items more than doubled to EUR 3.9M in 1H23 vs. EUR 1.8M in 1H22, mostly due to EUR 2.4M linked to the completion and closure of the 110% Ecobonus orders;
- Personnel costs grew by 28% yoy to EUR 12.2M (vs. EUR 9.5M in 1H22), due to a higher group average headcount (417 people vs. 309 in 1H22); the increase was partly caused by the first time consolidation of Puliecol and AET and partly by the higher headcount in Energy & Efficiency BU (80 people vs. 62 in 1H22A). The incidence on group's revenues went up to 12.6% (vs 5.8% in 1H22).

Cost analysis shows rising labour costs in % group revenue

Innovatec – 1H23 cost development

EUR M	1H22A	1H23A	%
Cost of services	70.5	43.5	-38
Net Cost of materials	56.3	22.9	-59
Rental cost	2.5	2.4	-4
Other management cost	1.8	3.9	116
Cost of Labour	9.5	12.2	28
Weighting on revenues %			
Cost of services	43.3	45.0	
Net Cost of materials	34.5	23.8	
Rental cost	1.5	2.5	
Other management cost	1.1	4.1	
Cost of Labour	5.8	12.6	

A: actual; Source: Company data

Amortisation costs grew by 6.6% in 1H23 to EUR 7.5M (vs EUR 7.0M in 1H22), largely referred to Environment & Circular Economy (EUR 6.1M vs. EUR 5.3M in 1H22A), and essentially reflects on one hand the consolidation of AET and Puliecol, on the other the greater plant capacity of the group.

Innovatec – 1H23 amortisation costs

EUR M	1H22A	1H23A	%
Environment & Circular Economy	5.3	6.1	15.1
Energy & Efficiency	0.3	0.4	
Goodwill	1.4	1.0	
Total Amortisation	7.0	7.5	6.6

A: actual; Source: Company data

Looking at divisional EBIT performance we highlight:

- Energy Efficiency & Renewables EBIT fell to negative EUR 3.0M in 1H23 vs. EUR 9.9M in 1H22, which corresponds to a negative margin of -20% (vs. a positive 16% margin in 1H22);
- Environment & Circular Economy EBIT rose to EUR 6.6M in 1H23 vs EUR 6.1M in 1H22A, which corresponds a margin of 8% (vs. 6% in 1H22A);
- Others EBIT reduced the negative contribution to EUR -1.4M in 1H23 vs EUR -1.9M in 1H22A.

Innovatec – 1H23 divisional EBIT performance

EUR M	1H22A	2H22A	FY22A	1H23A	%
Energy & Efficiency	9.9	1.8	11.7	-3.0	-130
Environment & Circular Economy	6.1	3.3	9.4	6.6	8
Others	-1.9	-0.5	-2.4	-1.4	-26
Total	14.1	4.6	18.7	2.2	-84

A: actual; Source: Company data

Interest costs went up to EUR 3.2M in 1H23 (vs. EUR 0.3M in 1H22), partly due to the increase in net debt, partly due to EUR 1.5M net financial costs recorded by the transfer of Ecobonus credits.

Net working capital fell to EUR 5.4M in 1H23 vs EUR 15.4M at YE22, following the sharp decline in 110% Ecobonus business ('HouseVerde'), only partially offset by the increase in receivables from related parties for sales of space in landfills owned and managed by the group. The incidence on revenue stands at 5.6%.

Negative net financial position increased vs. YE22 by EUR 10.5M in 1H23 to EUR 60.2M, also due to EUR 15M investments in the period in capex (EUR 11M) and M&A (EUR 4M). The company disclosed to have cashed-in EUR 18.5M of fiscal credits linked to Ecobonus in 1H23, and to have additional EUR 21.5M ready to be disposed of.

NWC fell vs. YE22

Earnings Outlook

Within an uncertain and complex regulatory and macroeconomic, management is announcing a prompt readjustment of Innovatec strategy, managing on one hand the expected downsizing of activity linked to the 110% Ecobonus, while identifying new business opportunities on the other, aiming to balance volume growth with healthy profit margin.

More in detail, the company has announced to be on track with:

- Further expansion in treatment plant capacity, identifying new recycling market opportunities (e.g. lithium batteries) at the same time;
- Offering new B2B services in the field of Energy Efficiency (both to corporate and PA, as shown in the recent EUR 60M contract awarded for 'Green Revolution of Wealth in Salento' G.R.O.W.S project);
- Expanding its presence in the Renewable Energy Storage (RES) market, from the origination and co-development activity to the construction and management of photovoltaic plants (company disclosed to already have orders in progress for approx. 450MWp, o.w. 100MWp has already been contractualised with the partnership with SENEK, 100% controlled by German Group EnBW Energie Baden-Württemberg AG).

Management expects the first results of these new actions presented in the 2024-26 Business Plan to be already visible in 4Q23.

We leave for the time being our 2023E-25E estimates unchanged, waiting to get some tangible evidence of Innovatec's growth reacceleration and its ability to collect the opportunities of the waste management and energy efficiency markets.

New BP actions should be already visible in 4Q23

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 leave our recent 23E-25E forecasts unchanged, while for the long term we assume a 1.0% growth. 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 fully diluted target price of EUR 2.2 (unchanged).

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			
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/sh 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.

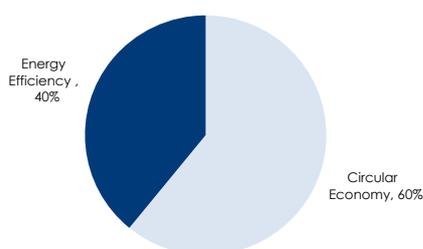
Key data

Mkt price (€)	1.26	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	-0.6	-1M	4.0
-3M	-11.6	-3M	-8.1
-12M	-30.8	-12M	-46.2

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

FY22 Sales breakdown by segment (%)



Sales breakdown by geography (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 03/10/2023)

Innovatec – Key Data

Rating	Target price (€/sh)		Mkt price (€/sh)			Sector
BUY	Ord 2.2		Ord 1.25			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	121.04	121.04	121.04
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	193.5	184.4	163.1
Stock market ratios (x)	2020A	2021A	2022A	2023E	2024E	2025E
Adj. P/E	24.8	12.8	17.4	27.9	12.2	8.3
P/CFPS	1.1	5.8	12.4	Neg.	4.1	3.7
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	-20.0	10.6	18.9
EV/sales	0.33	0.38	0.81	0.77	0.59	0.47
EV/EBITDA	3.0	2.7	7.3	6.8	4.9	3.7
EV/EBIT	7.8	8.4	12.6	18.3	9.7	6.4
EV/CE	6.3	2.2	2.4	1.5	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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Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies eligible for listing have revenues below EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation of around EUR 1Bn.

Equity Research Publications in Last 12M

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Valuation methodology (long-term horizon: 12M)

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We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (ie, holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

Equity rating key: (long-term horizon: 12M)

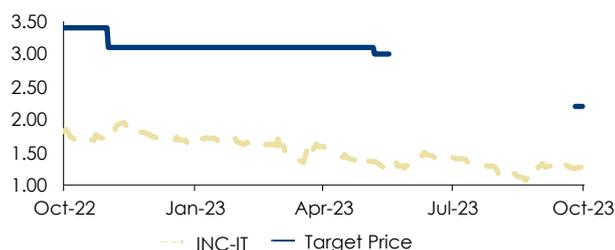
In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, whose key is reported below:

Equity Rating Key (long-term horizon: 12M)

Long-term rating	Definition
BUY	If the target price is 10% higher than the market price.
HOLD	If the target price is in a range 10% below or 10% above the market price.
SELL	If the target price is 10% lower than the market price.
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis to determine an investment rating or target price. The previous investment rating and target price, if any, are no longer in effect for this stock.
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Historical recommendations and target price trends (long-term horizon: 12M)

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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)
27-Sep-23	BUY	2.2	1.25
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

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at July 2023)**

Number of companies considered: 126	BUY	HOLD	SELL
Total Equity Research Coverage relating to last rating (%)*	77	23	0
of which Intesa Sanpaolo's Clients (%)**	71	52	0

* Last rating refers to rating as at end of the previous quarter; ** Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months; percentage of clients in each rating category

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