

EQUITY RESEARCH

INNOVATEC SPA NEWS

BUY

TP 2.8€

Up/Downside: 66%

Increased Treatment Capacity

Yesterday, Innovatec received approval to build a new waste treatment and recovery plant in Lazzate, Italy.

Overall, the new plant will have a licensed capacity of 50,000 tonnes (per year), and equipped with the latest technology to operate autonomously. The authorisation gives Innovatec the right to start work immediately, which will cover an area of approximately 13,000m² (3,000m² of which will be covered) and will be completed over the next 12 months. The total cost of the investment is estimated at approximately €3.5m.

In line with the group's 2022 - 2024 strategic plan, this new plant will effectively strengthen its position in the circular economy market in Italy, adding volume and enabling cost synergies. In fact, we estimate that this new plant will add €2m of revenue in 2024E and €4m in 2025E.

Following the modification of our estimates, we are reiterating both our Buy rating TP of €2.8.

Key data

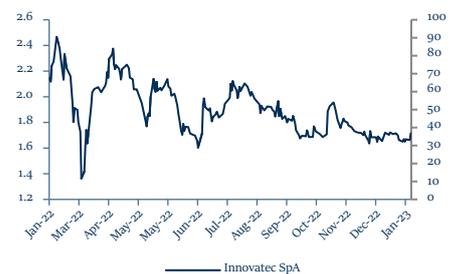
| | |
|------------------------------------------|----------------------|
| Price (€) | 1.7 |
| Industry | Utilities |
| Ticker | INC-IT |
| Shares Out (m) | 96.446 |
| Market Cap (m €) | 165.5 |
| Average trading volumes (k shares / day) | 907.375 |
| Next event | FY22 results - 01/03 |

Ownership (%)

| | |
|-----------------------|------|
| Sostenya Group S.r.l. | 44.5 |
| Integra S.r.l. | 1.0 |
| Free float | 54.4 |

| EPS (€) | 12/22e | 12/23e | 12/24e |
|----------------------------------|--------|--------|--------|
| Estimates | 0.20 | 0.23 | 0.28 |
| Change vs previous estimates (%) | 0.00 | 0.00 | 0.53 |

| Performance (%) | 1D | 1M | YTD |
|-----------------|-----|-----|-----|
| Price Perf | 3.2 | 1.8 | 1.8 |



| TP ICAP Midcap Estimates | 12/21 | 12/22e | 12/23e | 12/24e | Valuation Ratio | 12/22e | 12/23e | 12/24e | Consensus FactSet - Analysts:2 | 12/22e | 12/23e | 12/24e |
|--------------------------|-------|--------|--------|--------|-----------------|--------|--------|--------|--------------------------------|--------|--------|--------|
| Sales (m €) | 144.6 | 278.1 | 322.2 | 374.7 | EV/Sales | 0.7 | 0.5 | 0.4 | Sales | 287.8 | 337.0 | 390.6 |
| Current Op Inc (m €) | 21.1 | 28.1 | 32.6 | 39.8 | EV/EBITDA | 4.6 | 3.7 | 2.7 | EBIT | 22.1 | 29.0 | 36.5 |
| Current op. Margin (%) | 14.6 | 10.1 | 10.1 | 10.6 | EV/EBIT | 6.5 | 5.3 | 3.8 | Net income | 13.7 | 17.5 | 22.7 |
| EPS (€) | 0.07 | 0.20 | 0.23 | 0.28 | PE | 8.6 | 7.4 | 6.1 | | | | |
| DPS (€) | 0.00 | 0.00 | 0.00 | 0.00 | | | | | | | | |
| Yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | | | |
| FCF (m €) | 19.2 | 0.9 | 11.9 | 22.0 | | | | | | | | |

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FINANCIAL DATA

| Income Statement | 12/19 | 12/20 | 12/21 | 12/22e | 12/23e | 12/24e |
|-------------------------------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|
| Sales | 46.1 | 27.9 | 144.6 | 278.1 | 322.2 | 374.7 |
| Changes (%) | -34.3 | -39.6 | 419.1 | 92.3 | 15.9 | 16.3 |
| Gross profit | 46.1 | 25.7 | 126.6 | 233.6 | 270.7 | 314.7 |
| % of Sales | 99.9 | 92.1 | 87.5 | 84.0 | 84.0 | 84.0 |
| EBITDA | 8.2 | 3.0 | 30.8 | 40.0 | 46.3 | 55.7 |
| % of Sales | 17.7 | 10.9 | 21.3 | 14.4 | 14.4 | 14.9 |
| Current operating profit | 6.1 | 2.7 | 21.1 | 28.1 | 32.6 | 39.8 |
| % of Sales | 13.2 | 9.7 | 14.6 | 10.1 | 10.1 | 10.6 |
| Non-recurring items | -0.0 | 0.0 | -5.4 | 0.0 | 0.0 | 0.0 |
| EBIT | 6.1 | 2.7 | 15.6 | 28.1 | 32.6 | 39.8 |
| Net financial result | 0.0 | -0.2 | 0.4 | 0.4 | 0.4 | 0.3 |
| Income Tax | -0.6 | -0.8 | -4.0 | -8.0 | -9.2 | -11.2 |
| Tax rate (%) | 10.2 | 54.6 | 37.1 | 27.9 | 27.9 | 27.9 |
| Net profit, group share | 5.1 | 0.7 | 6.4 | 19.2 | 22.2 | 27.1 |
| EPS | 0.05 | 0.01 | 0.07 | 0.20 | 0.23 | 0.28 |
| Financial Statement | 12/19 | 12/20 | 12/21 | 12/22e | 12/23e | 12/24e |
| Goodwill | 5.7 | 22.8 | 36.7 | 36.7 | 36.7 | 36.7 |
| Tangible and intangible assets | 4.8 | 34.1 | 37.1 | 46.5 | 52.7 | 53.0 |
| Right of Use | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial assets | 4.3 | 2.1 | 2.5 | 10.4 | 10.4 | 10.4 |
| Working capital | 4.0 | 2.0 | 12.2 | 22.4 | 28.1 | 34.8 |
| Other Assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Assets | 18.9 | 61.1 | 88.4 | 116.0 | 127.9 | 134.8 |
| Shareholders equity group | 14.0 | 17.2 | 25.4 | 42.6 | 64.8 | 91.9 |
| Minorities | 0.0 | 2.0 | 5.3 | 6.6 | 8.2 | 10.1 |
| LT & ST provisions and others | 4.3 | 39.3 | 41.0 | 41.0 | 41.0 | 41.0 |
| Net debt | 0.5 | -7.1 | 9.0 | 18.0 | 6.1 | -15.9 |
| Other liabilities | 0.1 | 9.8 | 7.8 | 7.8 | 7.8 | 7.8 |
| Liabilities | 18.9 | 61.1 | 88.4 | 116.0 | 127.9 | 134.8 |
| Net debt excl. IFRS 16 | 0.5 | -7.1 | 9.0 | 18.0 | 6.1 | -15.9 |
| Gearing net | 0.0 | -0.4 | 0.3 | 0.4 | 0.1 | -0.2 |
| Leverage | 0.1 | -2.3 | 0.3 | 0.5 | 0.1 | -0.3 |
| Cash flow statement | 12/19 | 12/20 | 12/21 | 12/22e | 12/23e | 12/24e |
| CF after elimination of net borrowing costs and taxes | 12.9 | -1.9 | 28.2 | 32.4 | 37.5 | 44.9 |
| Δ WCR | 1.7 | 6.7 | -1.7 | -10.3 | -5.7 | -6.7 |
| Operating cash flow | 14.6 | 4.8 | 26.5 | 22.1 | 31.8 | 38.2 |
| Net capex | -4.6 | -4.5 | -7.3 | -21.2 | -19.9 | -16.2 |
| FCF | 10.0 | 0.3 | 19.2 | 0.9 | 11.9 | 22.0 |
| Acquisitions/Disposals of subsidiaries | 0.0 | -0.1 | -19.8 | -7.9 | 0.0 | 0.0 |
| Other investments | -1.6 | -0.7 | 1.4 | 0.0 | 0.0 | 0.0 |
| Change in borrowings | -3.4 | -7.8 | 11.5 | 0.0 | 0.0 | 0.0 |
| Dividends paid | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Repayment of leasing debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Equity Transaction | 0.0 | 2.6 | 1.8 | -2.0 | 0.0 | 0.0 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in net cash over the year | -0.2 | -1.0 | 13.7 | -9.0 | 11.9 | 22.0 |
| ROA (%) | 27.0% | 1.1% | 7.6% | 17.7% | 18.6% | 21.5% |
| ROE (%) | 36.5% | 3.9% | 26.5% | 48.3% | 36.7% | 31.5% |

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Methodology

This Report may mention evaluation methods defined as follows:

1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

Conflict of Interests

G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: Innovatec SpA

History of investment rating and target price – Innovatec SpA



Distribution of Investment Ratings

| Rating | Recommendation Universe* | Portion of these provided with investment banking services** |
|--------------|--------------------------|--------------------------------------------------------------|
| Buy | 85% | 64% |
| Hold | 13% | 42% |
| Sell | 1% | 50% |
| Under review | 1% | 100% |

Midcap employs a rating system based on the following:

Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.

Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.

Sell: Stock is expected underperform the markets by 10% or more over a 6 to 12 months horizon.

The history of ratings and target prices for the Issuers covered in this report are available on request at <https://researchtpicap.midcapp.com/en/disclaimer>.

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