

EQUITY RESEARCH

INNOVATEC SPA

RESULTS REVIEW

Press release

BUY

TP 1.9€

Up/Downside: 61%

In Line With Expectations

Innovatec S.p.A. released its 9M23 results last Friday, in line with expectations and our estimates. Both segments (E&CE and EE) reported lower volumes.

This publication comes as no surprise, as the trends observed in Innovatec's Q1 and H1 results was marked by regulatory changes to the 110% Ecobonus, triggering a significant decline in the HouseVerde business (B2C energy efficiency). Group revenue for Q3 amounted to €53.3m (down 8.3%), in line with expectations but above our initial estimate of €50m. The same downward trend was observed for 9M23 as a whole, with the group generating revenue of €149.9m (-32.6%), of which €26.6m came from the **Energy Efficiency** segment (-66.5%) and €123.1m from the **Environment & Circular Economy** segment (-13.7%).

EBITDA followed the same trend, falling by 26.8% to €19.2m. EBITDA margin, on the other hand, improved to 13% (vs. 12% at 9M22). This improvement was driven by the Environment & Circular Economy segment, which saw its EBITDA rise to €23.4m (+31.5%), mainly thanks to an optimised asset base (around €14m of CAPEX deployed over the period). The CAPEX deployed and M&A activity (€6.7m) over 9M increased the group's net debt to €69m.

When the results were published, management did not offer a guidance for 2023. Nevertheless, looking ahead, we see the skies clearing in 2024E, a year in which we estimate revenue of €306.2m and an EBITDA margin of 12%, thanks to an optimised services portfolio, the transformation of the B2B energy efficiency pipeline and organic growth in both segments. Over the long-term, we believe that the group should be able to generate a CAGR of +12.4% (2022-2026). With a solid outlook and a proven track record, we reiterate our Buy recommendation and TP of €1.9.

Key data

Price (€)	1.2
Industry	Utilities
Ticker	INC-IT
Shares Out (m)	96.446
Market Cap (m €)	113.8
Average trading volumes (k shares / day)	202.773
Next event	FY 2024 - tbc

Ownership (%)

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

EPS (€)

	12/23e	12/24e	12/25e
Estimates	0.05	0.11	0.19
Change vs previous estimates (%)	0.00	0.00	0.00

Performance (%)

	1D	1M	YTD
Price Perf	4.1	-0.9	-30.0
Rel FTSE Italy	3.2	-4.8	-43.5



TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e	Valuation Ratio	12/23e	12/24e	12/25e	Consensus FactSet - Analysts:2	12/23e	12/24e	12/25e
Sales (m €)	289.2	255.1	306.2	378.7	EV/Sales	0.6	0.5	0.4	Sales	253.6	310.1	361.3
Current Op Inc (m €)	24.8	11.5	19.8	30.9	EV/EBITDA	5.8	4.2	3.0	EBIT	11.1	19.4	28.2
Current op. Margin (%)	8.6	4.5	6.5	8.2	EV/EBIT	14.3	7.9	4.8	Net income	4.6	10.2	16.2
EPS (€)	0.11	0.05	0.11	0.19	PE	23.1	10.9	6.4				
DPS (€)	0.00	0.00	0.00	0.00								
Yield (%)	0.0	0.0	0.0	0.0								
FCF (m €)	-12.4	-9.1	9.0	7.3								

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FINANCIAL DATA

Income Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Sales	27.9	144.6	289.2	255.1	306.2	378.7
Changes (%)	-39.6	419.1	100.0	-11.8	20.1	23.7
Gross profit	25.7	126.6	246.5	214.3	257.2	318.1
% of Sales	92.1	87.5	85.2	84.0	84.0	84.0
EBITDA	3.0	30.8	32.4	28.5	36.6	49.9
% of Sales	10.9	21.3	11.2	11.2	12.0	13.2
Current operating profit	2.7	21.1	24.8	11.5	19.8	30.9
% of Sales	9.7	14.6	8.6	4.5	6.5	8.2
Non-recurring items	0.0	-5.4	-3.1	0.0	0.0	0.0
EBIT	2.7	15.6	21.7	11.5	19.8	30.9
Net financial result	-0.2	0.4	-1.6	-4.1	-4.1	-4.2
Income Tax	-0.8	-4.0	-5.3	-2.1	-4.4	-7.5
Tax rate (%)	54.6	37.1	31.4	27.9	27.9	27.9
Net profit, group share	0.7	6.4	10.6	4.9	10.4	17.8
EPS	0.01	0.07	0.11	0.05	0.11	0.19
Financial Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Goodwill	22.8	36.7	39.0	39.0	39.0	39.0
Tangible and intangible assets	34.1	37.1	72.2	71.7	69.3	67.4
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	2.1	2.5	9.9	9.9	9.9	9.9
Working capital	8.7	13.4	17.7	32.7	37.4	51.2
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
Assets	67.7	89.7	138.8	153.3	155.5	167.5
Shareholders equity group	17.2	25.4	41.9	46.9	57.3	75.2
Minorities	2.0	5.3	4.7	5.1	6.0	7.4
LT & ST provisions and others	39.3	41.0	42.8	42.8	42.8	42.8
Net debt	-0.4	10.2	41.7	50.7	41.7	34.4
Other liabilities	9.8	7.8	7.7	7.7	7.7	7.7
Liabilities	67.7	89.7	138.8	153.3	155.5	167.5
Net debt excl. IFRS 16	-0.4	10.2	41.7	50.7	41.7	34.4
Gearing net	-0.0	0.3	0.9	1.0	0.7	0.4
Leverage	-0.1	0.3	1.3	1.8	1.1	0.7
Cash flow statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
CF after elimination of net borrowing costs and taxes	-1.9	28.2	29.7	22.3	28.1	38.2
Δ WCR	6.7	-1.7	-20.4	-14.9	-4.7	-13.9
Operating cash flow	4.8	26.5	9.4	7.4	23.4	24.4
Net capex	-4.5	-7.3	-21.7	-16.5	-14.4	-17.0
FCF	0.3	19.2	-12.4	-9.1	9.0	7.3
Acquisitions/Disposals of subsidiaries	-0.1	-19.8	-11.0	0.0	0.0	0.0
Other investments	-0.7	1.4	-0.0	0.0	0.0	0.0
Change in borrowings	-7.8	11.5	9.2	0.0	0.0	0.0
Dividends paid	0.0	-0.0	-0.7	0.0	0.0	0.0
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	2.6	1.8	6.2	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
Change in net cash over the year	-5.7	13.7	-16.0	-9.1	9.0	7.3
ROA (%)	0.6%	3.5%	4.2%	2.1%	4.0%	6.0%
ROE (%)	3.5%	20.8%	22.9%	9.5%	16.5%	21.6%
ROCE (%)	1.8%	7.2%	9.3%	5.4%	9.2%	13.4%

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Methodology

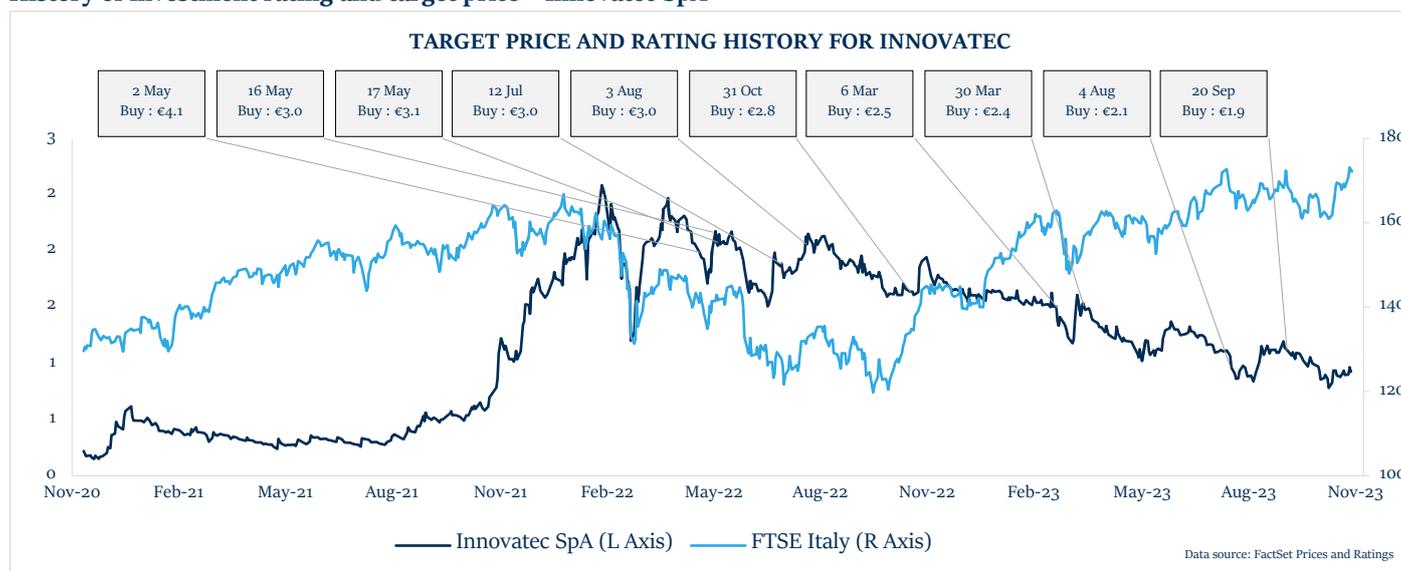
This Report may mention evaluation methods defined as follows:

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 between TP ICAP Midcap and the Issuer

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	80%	63%
Hold	16%	52%
Sell	2%	0%
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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