

## EQUITY RESEARCH

## INNOVATEC SPA

## RESULTS REVIEW

Press release

BUY

TP 2.1€ (vs 2.4€)

Up/Downside: 68%

## H1 2023 Under Pressure

Yesterday, Innovatec released its H1 results, showing the same trend as in the previous quarter.

Influenced by an uncertain environment (regulatory stop&go for credit transfers), group revenue came under pressure in H1, amounting to €95m (-42% vs. H1 2022). Energy Efficiency (EE) revenue fell to €15m (-75% vs. H1 2022), reflecting an abrupt halt to B2B EE work (HouseVerde). Environment & Circular Economy (ECE) revenue fell to €80m (-20% vs. H1 2022), with lower levels of customer activity following a difficult macroeconomic context (particularly players operating in energy-intensive sectors, such as the battery and paper markets) triggering a decline in volumes. EBITDA followed the same trends as group revenue, falling to €12m (-46% vs. H1 2022), while maintaining a relatively stable EBITDA margin of 13% (vs. 14% in H1 2022). Thanks to efforts to optimise the group's asset base and the synergies arising from recent mergers and acquisitions, EBITDA at the ECE unit rose by 20% to €16m, also partly reflecting a positive price effect during the period. On the other hand, EE EBITDA was negative at -€3m (vs. €10m in H1 2022), reflecting a significant decline in B2C projects, higher production costs and development costs related to the B2B sub-segment (B2B renewable energy solutions). Going forward, this latter sub-segment is expected to fill the gap left by the B2C EE business, with a pipeline of 400MWp for B2B EE projects (including agrivoltaic solutions). The group intends to leverage its partnerships with BF S.p.A., Coldiretti, Acli terra and its GROWS project in Salento to rapidly develop this business. For ECE, management aims to capitalise on its vast ECE asset base by entering into new waste management consortia (such as lithium batteries).

Following these results, we have inevitably downgraded our FY 2023 & FY 2024 revenue estimates to reflect this sharp decline in the company's B2C business. Our new revenue estimates point to €281m in 2023E (vs. €322m previously) and €322m (vs. €375m previously) in 2024E. Regulatory changes have undoubtedly disrupted the group's EE business unit, necessitating an update of its strategic plan for the future. In fact, following the publication of these results, management announced that it would present a new 2023-2026 strategic plan in early September.

Following the update of our estimates and market parameters, we are downgrading our price target to €2.1 (vs. €2.4 previously).

## Key data

Price (€)	1.3
Industry	Utilities
Ticker	INC-IT
Shares Out (m)	96.446
Market Cap (m €)	120.6
Average trading volumes (k shares / day)	1,780.771
Next event	H1 2023 cons - 28/09

## 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	0.06	0.09	0.26
Change vs previous estimates (%)	-64.59	-58.37	-5.25

Performance (%)	1D	1M	YTD
Price Perf	-1.3	-12.0	-25.8
Rel FTSE Italy	-0.6	-12.7	-38.0



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	280.9	322.4	405.7	EV/Sales	0.6	0.5	0.3	Sales	332.1	389.9	405.7
Current Op Inc (m €)	24.8	12.3	16.7	42.1	EV/EBITDA	4.9	3.6	2.2	EBIT	26.5	34.8	42.1
Current op. Margin (%)	8.6	4.4	5.2	10.4	EV/EBIT	13.8	9.1	3.2	Net income	15.9	21.8	26.7
EPS (€)	0.11	0.06	0.09	0.26	PE	22.2	14.4	4.8				
DPS (€)	0.00	0.00	0.00	0.00								
Yield (%)	0.0	0.0	0.0	0.0								
FCF (m €)	-12.4	-7.0	17.5	18.7								

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## FINANCIAL DATA

<b>Income Statement</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23e</b>	<b>12/24e</b>	<b>12/25e</b>
Sales	27.9	144.6	289.2	280.9	322.4	405.7
Changes (%)	-39.6	419.1	100.0	-2.9	14.8	25.8
Gross profit	25.7	126.6	246.5	236.0	270.8	340.8
% of Sales	92.1	87.5	85.2	84.0	84.0	84.0
<b>EBITDA</b>	<b>3.0</b>	<b>30.8</b>	<b>32.4</b>	<b>34.7</b>	<b>42.4</b>	<b>60.3</b>
% of Sales	10.9	21.3	11.2	12.4	13.2	14.9
<b>Current operating profit</b>	<b>2.7</b>	<b>21.1</b>	<b>24.8</b>	<b>12.3</b>	<b>16.7</b>	<b>42.1</b>
% of Sales	9.7	14.6	8.6	4.4	5.2	10.4
Non-recurring items	0.0	-5.4	-3.1	0.0	0.0	0.0
EBIT	2.7	15.6	21.7	12.3	16.7	42.1
Net financial result	-0.2	0.4	-1.6	-4.1	-4.1	-4.2
Income Tax	-0.8	-4.0	-5.3	-2.3	-3.5	-10.6
Tax rate (%)	54.6	37.1	31.4	27.9	27.9	27.9
<b>Net profit, group share</b>	<b>0.7</b>	<b>6.4</b>	<b>10.6</b>	<b>5.4</b>	<b>8.3</b>	<b>25.3</b>
EPS	0.01	0.07	0.11	0.06	0.09	0.26
<b>Financial Statement</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23e</b>	<b>12/24e</b>	<b>12/25e</b>
Goodwill	22.8	36.7	39.0	39.0	39.0	39.0
Tangible and intangible assets	34.1	37.1	72.2	67.5	55.7	49.6
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	35.3	38.6	53.3
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
<b>Assets</b>	<b>67.7</b>	<b>89.7</b>	<b>138.8</b>	<b>151.7</b>	<b>143.2</b>	<b>151.8</b>
Shareholders equity group	17.2	25.4	41.9	47.4	55.7	81.0
Minorities	2.0	5.3	4.7	5.2	5.8	7.9
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	48.7	31.1	12.4
Other liabilities	9.8	7.8	7.7	7.7	7.7	7.7
<b>Liabilities</b>	<b>67.7</b>	<b>89.7</b>	<b>138.8</b>	<b>151.7</b>	<b>143.2</b>	<b>151.8</b>
Net debt excl. IFRS 16	-0.4	10.2	41.7	48.7	31.1	12.4
Gearing net	-0.0	0.3	0.9	0.9	0.5	0.1
Leverage	-0.1	0.3	1.3	1.4	0.7	0.2
<b>Cash flow statement</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23e</b>	<b>12/24e</b>	<b>12/25e</b>
CF after elimination of net borrowing costs and taxes	-1.9	28.2	29.7	28.3	34.8	45.6
$\Delta$ WCR	6.7	-1.7	-20.4	-17.6	-3.3	-14.7
Operating cash flow	4.8	26.5	9.4	10.8	31.5	30.9
Net capex	-4.5	-7.3	-21.7	-17.8	-14.0	-12.2
FCF	0.3	19.2	-12.4	-7.0	17.5	18.7
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	-1.0	13.7	-16.0	-7.0	17.5	18.7
ROA (%)	1.0%	7.5%	8.3%	3.9%	6.3%	18.0%
ROE (%)	3.9%	26.5%	27.5%	12.4%	16.2%	33.7%

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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.
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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



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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	79%	66%
Hold	17%	42%
Sell	3%	25%
Under review	1%	100%

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