

UPDATE

EQUITY RESEARCH

Altea Green Power

ISIM
INTEGRÆ

Euronext Growth Milan | Energy & Renewable | Italy

Production 31/03/2023, h. 18:30

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Rating

BUY

unchanged

Target Price

€ 6,20

prev. € 5,00

Risk

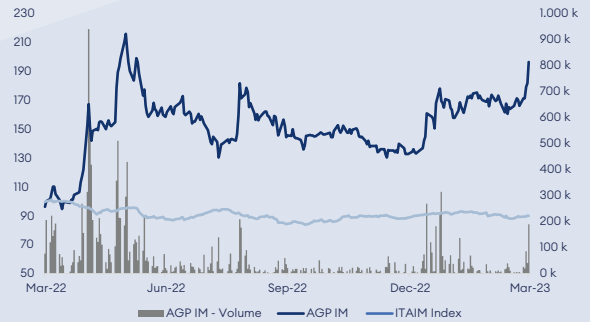


Medium

Upside potential

93,2%

Stocks performance relative to FTSE Italia Growth



Stock Data

Price	€ 3,21
Target price	€ 6,20
Upside/(Downside) potential	93,2%
Ticker	AGP IM
Market Cap (€/mln)	€ 53,33
Enterprise Value (€/mln)	€ 52,47
Free Float	27,77%
Share Outstanding	16.613.251
52-week high	€ 3,57
52-week low	€ 1,53
Average daily volumes (3 months)	42.000

Key Financials (€m)	FY22A	FY23E	FY24E	FY25E
Revenues	7,6	8,2	11,0	26,5
VoP	16,7	22,2	28,5	36,5
EBITDA	6,2	8,9	12,3	16,6
EBIT	6,0	8,4	11,6	15,7
Net Profit	4,1	6,0	8,3	11,3
EBITDA margin	36,8%	40,0%	43,0%	45,3%
EBIT margin	35,9%	37,7%	40,5%	42,9%
Net Profit margin	24,6%	27,1%	28,9%	31,0%

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Stock performance	1M	3M	6M	1Y
Absolute	13,0%	44,3%	35,2%	93,1%
to FTSE Italia Growth	13,6%	44,1%	29,2%	103,7%
to Euronext STAR Milan	15,6%	39,3%	17,3%	103,5%
to FTSE All-Share	15,6%	33,6%	6,6%	86,4%
to EUROSTOXX	12,6%	33,1%	6,0%	83,9%
to MSCI World Index	11,8%	36,9%	20,3%	102,6%

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	8,5x	5,9x	4,3x	3,2x
EV/EBIT	8,7x	6,3x	4,5x	3,4x
P/E	13,0x	8,9x	6,5x	4,7x

FY22A Results

In the consolidated financial statements as at December 31, 2022, Altea Green Power recorded sales revenues of € 7.56 million, with a value of production value of € 16.72 million, marking a 169.0% growth compared to the FY21A result, equal to € 6.22 million. EBITDA came in at a value of € 6.16 million, recording a growth of 187.1% compared to the result at the end of 2021 of € 2.15 million. EBIT, after depreciation, amortization and write-downs of € 0.16 million, is positive and stands at € 6.00 million, again a significant increase, by as much as 181.3% compared to the € 2.13 million recorded in FY21A. Net Income was also positive, amounting to € 4.12 million, versus € 1.19 million in the previous year.

Estimates Update

In light of the results published in the annual report for FY22A, we have modified our estimates for both the current year and the coming years. In particular, we now estimate a FY23E value of production equal to € 22.15 million, and an EBITDA equal to € 8.85 million, corresponding to a margin of 40.0%. Over the following years, we expect the value of production to rise to € 43.00 million (CAGR FY22Y - FY26E: 26.6%) in FY26E, with EBITDA equal to € 20.20 million (corresponding to a margin of 47.0%), up from € 6.16 million in FY22A (corresponding to an EBITDA margin of 36.8%).

Valuation Update

We conducted the valuation of the equity value of Altea Green Power on the basis of the DCF method and multiples of a sample of comparable companies. The DCF method (which in the calculation of the WACC includes for prudential purposes a specific risk of 2.5%) provides an equity value of € 110.5 million. The equity value of Altea Green Power using market multiples is equal to € 95.5 million (with a 10,0% discount). The result is an average equity value of € 103.0 million. The target price is € 6.20 (prev. € 5.00), BUY rating and MEDIUM risk.

Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

CONSOLIDATED INCOME STATEMENT (€/mln)	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenues	2,55	7,56	8,15	11,00	26,50	34,00
Work in Progress	3,24	8,34	14,00	17,50	10,00	9,00
Other Revenues	0,43	0,83	0,00	0,00	0,00	0,00
Value of Production	6,22	16,72	22,15	28,50	36,50	43,00
COGS	0,14	0,45	0,95	1,30	1,70	2,10
Services	2,76	7,40	8,70	11,00	14,00	16,00
Use of assets owned by others	0,08	0,17	0,15	0,20	0,25	0,30
Employees	0,51	1,17	1,60	1,80	2,00	2,30
Other Operating Expenses	0,58	1,37	1,90	1,95	2,00	2,10
EBITDA	2,15	6,16	8,85	12,25	16,55	20,20
<i>EBITDA Margin</i>	<i>34,5%</i>	<i>36,8%</i>	<i>40,0%</i>	<i>43,0%</i>	<i>45,3%</i>	<i>47,0%</i>
D&A	0,01	0,16	0,50	0,70	0,90	1,10
EBIT	2,13	6,00	8,35	11,55	15,65	19,10
<i>EBIT Margin</i>	<i>34,3%</i>	<i>35,9%</i>	<i>37,7%</i>	<i>40,5%</i>	<i>42,9%</i>	<i>44,4%</i>
Financial Management	(0,37)	(0,05)	(0,05)	(0,05)	(0,05)	(0,05)
EBT	1,76	5,95	8,30	11,50	15,60	19,05
Taxes	0,57	1,83	2,30	3,25	4,30	5,40
Net Income	1,19	4,12	6,00	8,25	11,30	13,65

CONSOLIDATED BALANCE SHEET (€/mln)	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Fixed Assets	0,25	0,73	1,40	2,00	2,50	3,00
Account receivable	0,49	4,42	5,00	6,00	7,80	9,00
Work in Progress	6,90	15,07	25,00	35,00	45,00	55,00
Account payable	1,83	9,51	13,00	18,00	23,00	28,00
Operating Working Capital	5,57	9,98	17,00	23,00	29,80	36,00
Other receivable	2,30	1,21	1,60	2,00	2,40	2,80
Other payable	4,89	1,02	1,20	1,40	1,60	1,80
Net Working Capital	2,98	10,17	17,40	23,60	30,60	37,00
Severance Indemnities & Other Provisions	0,06	0,05	0,20	0,30	0,45	0,60
NET INVESTED CAPITAL	3,18	10,84	18,60	25,30	32,65	39,40
Share Capital	0,60	0,83	0,83	0,83	0,83	0,83
Reserves	0,19	6,76	10,88	16,88	25,13	36,43
Net Income	1,19	4,12	6,00	8,25	11,30	13,65
Equity	1,98	11,71	17,71	25,96	37,26	50,91
Cash & Cash Equivalent	0,00	1,73	1,91	2,96	6,51	13,01
Short Term Debt to Bank	1,20	0,87	2,80	2,30	1,90	1,50
M/L Term Debt to Bank	0,00	0,00	0,00	0,00	0,00	0,00
Net Financial Position	1,20	(0,86)	0,89	(0,66)	(4,61)	(11,51)
SOURCES	3,18	10,84	18,60	25,30	32,65	39,40

CONSOLIDATED CASH FLOW (€/mln)	FY22A	FY23E	FY24E	FY25E	FY26E
EBIT	6,00	8,35	11,55	15,65	19,10
Taxes	1,83	2,30	3,25	4,30	5,40
NOPAT	4,16	6,05	8,30	11,35	13,70
D&A	0,16	0,50	0,70	0,90	1,10
Change in receivable	(3,93)	(0,58)	(1,00)	(1,80)	(1,20)
Change in Work in Progress	(8,16)	(9,93)	(10,00)	(10,00)	(10,00)
Change in payable	7,68	3,49	5,00	5,00	5,00
Change in others	(2,78)	(0,21)	(0,20)	(0,20)	(0,20)
Change in NWC	(7,19)	(7,23)	(6,20)	(7,00)	(6,40)
Change in provisions	0,00	0,15	0,10	0,15	0,15
OPERATING CASH FLOW	(2,87)	(0,53)	2,90	5,40	8,55
Capex	(0,6)	(1,2)	(1,3)	(1,4)	(1,6)
FREE CASH FLOW	(3,50)	(1,71)	1,60	4,00	6,95
Financial Management	(0,05)	(0,05)	(0,05)	(0,05)	(0,05)
Change in Debt to Bank	(0,34)	1,93	(0,50)	(0,40)	(0,40)
Change in Equity	5,61	0,00	0,00	0,00	0,00
FREE CASH FLOW TO EQUITY	1,73	0,18	1,05	3,55	6,50

Source: Altea Green Power and Integrae SIM estimates

Company Overview

Altea Green Power A.G.P.S.p.A. (“AGP” or “Altea”), founded in 2008 by Giovanni di Pascale, the current CEO, is a company that offers services in the acquisition of suitable sites for solar, wind and cogeneration plants, in their design, construction, maintenance and management, and in making energy efficiency improvement interventions in general. Based in Rivoli, in the Metropolitan City of Turin, Altea Green Power has now been operating in the energy market for over ten years, with a proven ability to adapt to the constantly evolving market and regulatory context.

The initial core business was the turnkey construction of small photovoltaic plants. However, recently the focus has shifted towards Co-Development projects, involving, for example, the finding of suitable sites for the development of plants, and obtaining the necessary construction permits for large renewable energy plants of all kinds, to be then built and managed by third parties. Finally, in the last few months of 2022, Altea also launched itself on the market of Battery Energy Storage Systems (BESS), an important technology solution for the storage of electricity from renewables.

FY22A Results

TABLE 2 – ACTUAL VS ESTIMATES FY22A

€/mln	VoP	EBITDA	EBITDA %	EBIT	Net Income	NFP
FY22A	16,72	6,16	36,8%	6,00	4,12	(0,9)
FY22E	16,50	6,00	36,4%	5,50	3,80	(4,7)
Change	1,4%	2,7%	0,5%	9,0%	8,4%	N.A

Source: Integrae SIM

Commenting on the annual results in a press release, Giovanni di Pascale, Founder and CEO of Altea Green Power, stated: *“The significant performance achieved in 2022 is the result of a year characterized by the launch of national and international partnerships that will allow us to continue on our path of growth in the future. I am referring in particular to the agreements signed with Aer Soléir for the co-development of electricity storage systems, to the one signed with A2A for the co-development, in Italy, of agri-voltaic projects for a total of approximately 100MW in 24 months’ time, and to the joint venture signed with Redelfi, leading to the birth of the American company BESS Power Corporation, through which we expect to develop a pipeline of storage plants for a total power of 2GW in 4 years. In 2023, we intend to continue along this path, proud of the progress we have made to date and optimistic about the renewed attention and openness towards renewable energies and storage by the European Union. Confident of this constant evolution, we have approved an ambitious Business Plan with 2025 targets of a significant and robust growth in both financial and non-financial KPIs, thanks to the development prospects and the launch of new projects by our business units for wind, solar and storage sectors.”*

In the consolidated financial statements as at December 31, 2022, Altea Green Power announced recorded sales revenues of € 7.56 million, with a value of production (also taking into account changes in contract work in progress) of € 16.72 million, marking a growth of 169.0% compared to the FY21A result, equal to € 6.22 million. The main contribution to growth came from the start of Co-Development activities on Battery Energy Storage Sites. The first contracts were initially thought to begin after 2023. However, thanks to the efforts of management, partnerships with a value already exceeding € 40.00 million were signed in 2022, set to be developed over three years. The acquisition of sites suitable for solar plants also improved, with an increase of over 30.0% in the year, involving approximately 300 MW spread over various contracts closed at the best market rates.

Among the various Co-Development agreements finalized during the year, we note in particular the partnership signed with A2A, for the joint development of agri-voltaic projects for approximately 100 MW in the next 24 months, and the very sizeable agreement (detailed in the Equity Research Report of July 7, 2022) for electricity storage systems signed with the Irish company Aer Soléir, concerning a total power output of as much as 510 MW.

EBITDA came in at a value of € 6.16 million, recording a growth of 187.1% compared to the result at the end of the year 2021, amounting to € 2.15 million. The EBITDA margin also showed an improvement, rising from 34.5% in FY21A to 36.8% in the year just ended, despite the strong increase in certain cost items, mainly related to external consultancy during the year in support of the important growth in activities, in addition to the co-development projects in the Battery Energy Storage Systems segment.

EBIT, after depreciation, amortization and write-downs of € 0.16 million, is positive and equal to € 6.00 million, again a significant increase, by as much as 181.3% compared to the € 2.13 million recorded in FY21A. As a result, the EBIT margin also grew, rising from 34.3% in 2021 to 35.9% in FY22A. Net Income was also positive, amounting to € 4.12 million, versus € 1.19 million in the previous year.

Regarding the balance sheet, there was an improvement in the Net Financial Position (NFP), which went from € 1.20 million debt recorded at the end of 2021 to the cash positive result in FY22A of € 0.86 million. The change in shareholders' equity compared to 2021 is instead clearly attributable to the capital increase from listing on the Euronext Growth Milan segment of Borsa Italiana, which took place on February 1, 2022, and to the subsequent full exercising of the greenshoe option for further 495,000 ordinary shares.

Overall, Altea Green Power's 2022 financial year was characterized by important changes, certainly starting with the listing of ordinary shares on the stock exchange, and then continuing with the various new activities, such as entry into the BESS segment, work in progress contracts, and the numerous agreements signed not only in the year itself, but also in the first few months of 2023. First of all is the aforementioned agreement, dated July 1, 2022, with Aer Soléir International Holding Ltd. for the co-development of electricity storage systems concerning a total power of 510 MW. As part of the agreement, Altea Green Power will carry out all the necessary steps to obtain the required permits, for a consideration of approximately € 35.0 million spread over the next 4 to 5 years of the plan. Altea's expertise and experience also allowed it, in December 2022, to finalize its partnership with Redelfi SpA, a management company listed on the Euronext Growth segment of Borsa Italiana, for the 50:50 joint venture in RAL Green Energy Corporation for the development of Battery Energy Storage Systems (BESS) in the United States. The joint venture thus created will take over from Redelfi in the partnership with several US partners, in order to develop a four-year plan for the construction of a pipeline of stand-alone BESS plants, not connected to the national electricity grid, concerning a total power of approximately 1.4 GW.

As part of this partnership, in January, BESS Power Corporation, in which RAL Green Energy Corp. has a 65.0% stake, acquired 100% of the share capital of Lund Storage Center 1 LLC, a company incorporated under United States Law and owner of a standalone BESS project totalling approximately 400 MW, raising the pipeline power to 600 MW. The following month, a new agreement was signed with Aer Soléir for the co-development of agri-voltaic projects, for an additional 300 MW over the next 3 years, for which the related technical and design feasibility studies will likely be completed in 2023.

In light of these new contracts, Altea has communicated an order backlog exceeding € 70.00 million, without taking into account the BESS pipeline in the USA, which has not yet been fully contracted. The new guidelines of the 2023-2025 Business Plan, shared via press release, announced the goal of obtaining solar, wind and storage project contracts to total a value of € 170.00 million.

During 2023, Altea will continue with the consolidation of activities in the United States market and relatedly with improvements to internal efficiency through the acquisition of new professional figures, to procedures, and to its information system, in order to make the organization better suited to its new dimensions, to greater complexities, also in relation to the parallel management of the greater number of orders.

FY23E – FY26E Estimates

TABLE 3 – ESTIMATES UPDATES FY23E - FY26E

€/mln	FY23E	FY24E	FY25E	FY26E
VoP				
New	22,2	28,5	36,5	43,0
Old	21,9	25,0	34,8	36,5
<i>Change</i>	1,4%	14,0%	4,9%	17,8%
EBITDA				
New	8,9	12,3	16,6	20,2
Old	7,8	9,0	12,7	13,5
<i>Change</i>	14,2%	36,1%	30,3%	49,7%
EBITDA %				
New	40,0%	43,0%	45,3%	47,0%
Old	35,5%	36,0%	36,5%	37,0%
<i>Change</i>	4,5%	7,0%	8,8%	10,0%
EBIT				
New	8,4	11,6	15,7	19,1
Old	7,1	8,3	11,8	12,5
<i>Change</i>	17,6%	40,0%	32,6%	52,8%
Net Income				
New	6,0	8,3	11,3	13,7
Old	4,8	5,7	8,3	8,7
<i>Change</i>	25,0%	44,7%	37,0%	57,0%
NFP				
New	0,9	(0,7)	(4,6)	(11,5)
Old	(6,7)	(10,6)	(14,6)	(22,1)
<i>Change</i>	N.A	N.A	N.A	N.A

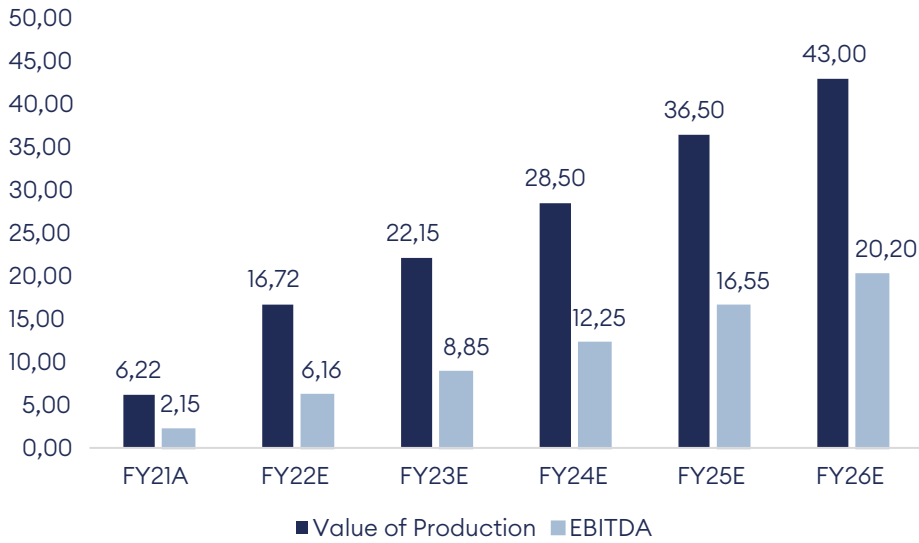
Source: Integrae SIM

In light of the results published in the annual report for FY22A, we have adjusted our estimates for both the current year and the coming years.

In particular, we now estimate a FY23E value of production equal to € 22.15 million, and an EBITDA equal to € 8.85 million, corresponding to a margin of 40.0%. Over the following years, we expect the value of production to rise to € 43.00 million (CAGR 22Y-26E: 26.6%) in FY26E, with EBITDA equal to € 20.20 million (corresponding to a margin of 47.0%), up from € 6.16 million in FY22A (corresponding to an EBITDA margin of 36.8%).

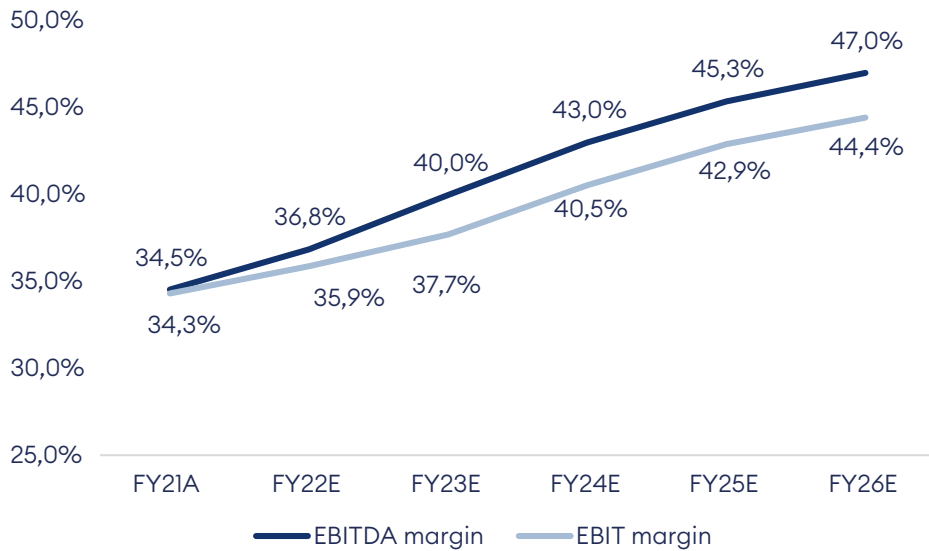
Regarding the balance sheet, on the other hand, we expect the NFP to reach a cash positive value of € 11.51 million in FY26E.

CHART 3 – VOP AND EBITDA FY21A-26E



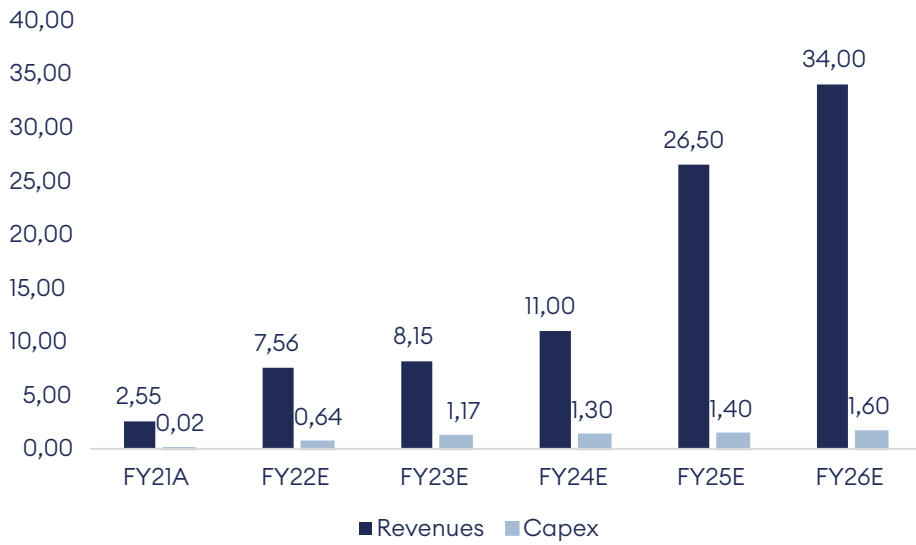
Source: Integrae SIM

CHART 4 – MARGIN FY21A-26E



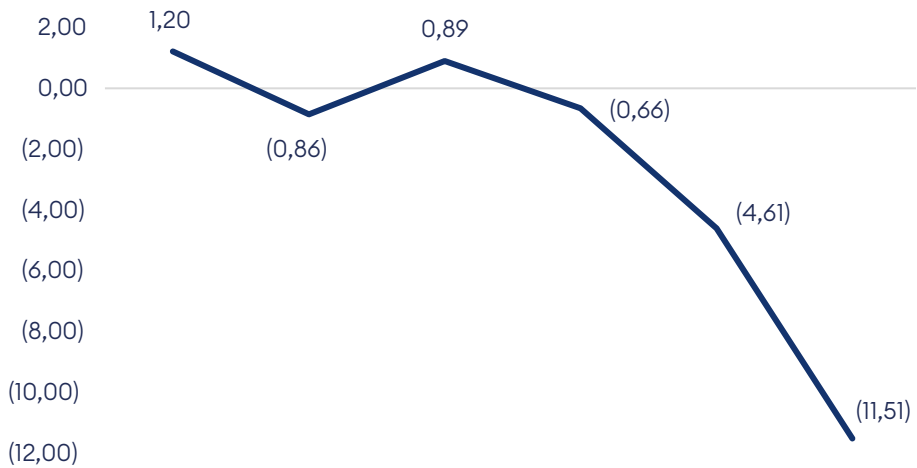
Source: Integrae SIM

CHART 5 - CAPEX FY21A-26E



Source: Integrae SIM

CHART 6 - NFP FY21A-26E



Source: Integrae SIM

Valuation

We conducted the evaluation of the equity value of Altea Green Power on the basis of the DCF method and multiples of a sample of comparable companies.

DCF Method

TABLE 4 – WACC

WACC				8,96%
D/E 25,00%	Risk Free Rate 3,51%	β Adjusted 0,48	α (specific risk) 2,50%	
K_d 3,00%	Market Premium 9,73%	β Relevered 0,56	K_e 10,66%	

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 2,5%. This results in a WACC of 8,96%.

TABLE 5 – DCF VALUATION

DCF		% of EV
FCFO actualized	15,5	14,0%
TV actualized DCF	94,1	86,0%
Enterprise Value	109,6	100%
NFP (FY22A)	(0,9)	
Equity Value	110,5	

Source: Integrae SIM

With the above data and taking as reference our estimates and assumptions, the result is an **equity value of € 110,5 mln.**

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mln	Growth Rate (g)	WACC						
		7,5%	8,0%	8,5%	9,0%	9,5%	10,0%	10,5%
	2,5%	178,4	160,2	145,1	132,3	121,4	112,0	103,8
	2,0%	163,6	148,2	135,1	124,0	114,4	106,0	98,6
	1,5%	151,4	138,0	126,6	116,8	108,2	100,6	94,0
	1,0%	141,0	129,3	119,3	110,5	102,8	95,9	89,8
	0,5%	132,1	121,8	112,8	104,9	97,9	91,7	86,1
	0,0%	124,4	115,2	107,1	100,0	93,6	87,9	82,7
	-0,5%	117,7	109,4	102,1	95,6	89,7	84,4	79,6

Source: Integrae SIM

Market multiples

Our panel is made up of companies operating in the same sector as Altea Green Power, though some may have higher capitalization. These companies are the same used to calculate Beta for the DCF method.

TABLE 7 – MARKET MULTIPLES

Company Name	EV/EBITDA			EV/EBIT		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Renergetica SpA	11,3	9,5	8,7	12,4	10,2	9,1
ESI SpA	5,1	3,8	2,8	8,7	5,8	4,3
Iniziativa Bresciane S.p.A.	7,7	7,1	N/A	63,2	15,5	12,5
Comal S.p.A.	8,4	6,9	5,5	15,0	11,1	8,8
Acea S.p.A.	5,7	5,5	5,4	13,7	13,0	12,6
Peer median	7,7	6,9	5,5	13,7	11,1	9,1

Source: *Infinancials*

TABLE 8 – MARKET MULTIPLES VALUATION

€/mln	FY23E	FY24E	FY25E
Enterprise Value (EV)			
EV/EBITDA	68,1	84,5	90,3
EV/EBIT	114,3	127,9	143,0
Equity Value			
EV/EBITDA	67,3	85,2	94,9
EV/EBIT	113,4	128,5	147,7
Equity Value post 10,0% discount			
EV/EBITDA	60,5	76,7	85,4
EV/EBIT	102,1	115,7	132,9
Average	81,3	96,2	109,1

Source: *Integrae SIM*

Using EV/EBITDA and EV/EBIT market multiples, the equity value of Altea Green Power is approximately €106.2 million. To this value, we have applied a 10,0% discount. Therefore, the result is an **equity value of €95.5 million**.

Equity Value

TABLE 9 – EQUITY VALUE

Average Equity Value (€/mln)	103,00
Equity Value DCF (€/mln)	110,50
Equity Value multiples (€/mln)	95,50
Target Price (€)	6,20

Source: Integrae SIM

The result is an average equity value of approximately € 103.0 million. **The target price is therefore € 6.20 (prev. € 5.00). We confirm a BUY rating and MEDIUM risk.**

TABLE 10 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	16,3x	11,5x	8,3x	6,2x
EV/EBIT	17,0x	12,2x	8,8x	6,5x

Source: Integrae SIM

TABLE 11 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	8,5x	5,9x	4,3x	3,2x
EV/EBIT	8,7x	6,3x	4,5x	3,4x

Source: Integrae SIM

Disclosure Pursuant to Delegated Regulation UE n. 2016/958

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Date	Price	Recommendation	Target Price	Risk	Comment
30/03/2022	1,54	Buy	3,25	Medium	Update
07/07/2022	2,62	Buy	5,40	Medium	Update
04/10/2022	2,38	Buy	5,00	Medium	Update
15/12/2022	2,21	Buy	5,00	Medium	Breaking News
12/01/2023	2,30	Buy	5,00	Medium	Breaking News
02/08/2023	2,80	Buy	5,00	Medium	Breaking News

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Rating system (long term horizon: 12 months)

The BUY, HOLD and SELL ratings are based on the expected total return (ETR – absolute performance in the 12 months following the publication of the analysis, including the ordinary dividend paid by the company), and the risk associated to the share analyzed. The degree of risk is based on the liquidity and volatility of the share, and on the rating provided by the analyst and contained in the report. Due to daily fluctuations in share prices, the expected total return may temporarily fall outside the proposed range

Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
BUY	ETR \geq 7.5%	ETR \geq 10%	ETR \geq 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR \leq -5%	ETR \leq -5%	ETR \leq 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

Valuation methodologies (long term horizon: 12 months)

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