

<b>Altea Green Power</b>	<b>Italy</b>	<b>Euronext Growth Milan</b>	<b>Renewables</b>
<b>Rating: BUY</b> (unch.)	<b>Target Price: € 5,00</b> (prev € 5,40)	<b>Update</b>	<b>Risk: Medium</b>

Stock performance	1M	3M	6M	1Y
absolute	-9,51%	-12,18%	43,20%	N/A
to FTSE Italia Growth	-5,58%	-9,43%	58,76%	N/A
to Euronext STAR Milan	-3,64%	-3,13%	67,10%	N/A
to FTSE All-Share	-6,79%	-9,79%	60,15%	N/A
to EUROSTOXX	-5,27%	-8,98%	58,61%	N/A
to MSCI World Index	-1,11%	-4,81%	66,01%	N/A

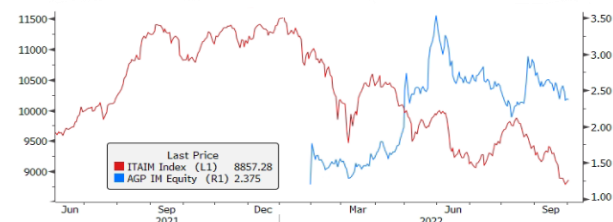
Stock Data	
Price	€ 2,38
Target price	€ 5,00
Upside/(Downside) potential	109,9%
Bloomberg Code	AGP IM EQUITY
Market Cap (€m)	€ 38,46
EV (€m)	€ 39,67
Free Float	25,75%
Share Outstanding	16.161.000
52-week high	€ 3,57
52-week low	€ 1,27
Average daily volumes (3m)	31.000

Key Financials (€m)	FY21A	FY22E	FY23E	FY24E
Revenues	2,6	8,0	12,9	17,7
VoP	6,2	16,5	21,9	25,0
EBITDA	2,1	6,0	7,8	9,0
EBIT	2,1	5,5	7,1	8,3
Net Profit	1,2	3,8	4,8	5,7
EBITDA margin	34,5%	36,4%	35,5%	36,0%
EBIT margin	34,3%	33,3%	32,5%	33,0%
Net Profit margin	19,1%	23,0%	22,0%	22,8%

Main Ratios	FY21A	FY22E	FY23E	FY24E
EV/EBITDA (x)	18,5	6,6	5,1	4,4
EV/EBIT (x)	18,6	7,2	5,6	4,8
P/E (x)	32,4	10,1	8,0	6,7

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### Stocks performance vs FTSE Italia Growth



### 1H22A Results

Altea recorded value of production of € 7.50 mln, +181.0% compared to the value of € 2.67 mln in the first half of 2021, due to the start of activities related to Co-development projects. EPC and Energy Efficiency activities, on the other hand, slow down to prioritize projects with higher margins. EBITDA as of 1H22A is equal to € 1.78 mln, registering 100.0% growth compared to 1H21, when it amounted to € 0.89 mln. EBITDA margin decreased to 23.7% (vs. 33.3% at 1H21A) due to higher service costs and the closure of some projects. Net income is positive and equal to € 1.17 mln.

### Estimates Update

In light of the results published in the half-yearly report for 1H22A, we confirm almost entirely our estimates for both the current year and the coming years. In particular, we estimate FY22A value of production equal to € 16.50 million and EBITDA of € 6.00 million, corresponding to a marginality of 36.4%. For subsequent years, we expect the value of production to increase up to € 36.50 million (CAGR FY21A - FY26E: 42.5%) in FY26E, with EBITDA of € 13.50 million (corresponding to an EBITDA margin of 37.0%), up from € 2.15 million in FY21A (corresponding to an EBITDA margin of 34.5%).

### Valuation Update

We have conducted the valuation of Altea equity value based on the DCF methodology and market multiples of a comparable companies sample. 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 € 98.9 million. The equity value of Altea using market multiples is equal to € 62.6 million (with a 10% discount). The result is an average equity value of € 80.8 million. The target price is € 5.00 (prev. € 5.40), BUY rating and MEDIUM risk.

## 1. Economics & Financials

**Table 1 – Economics & Financials**

<b>CONSOLIDATED INCOME STATEMENT (€/mln)</b>	<b>FY20A</b>	<b>FY21A</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
Revenues	3,18	2,55	8,00	12,85	17,65	19,80	22,50
Work in Progress	2,55	3,24	8,50	8,90	7,35	15,00	14,00
Other Revenues	0,02	0,43	0,00	0,10	0,00	0,00	0,00
<b>Value of Production</b>	<b>5,75</b>	<b>6,22</b>	<b>16,50</b>	<b>21,85</b>	<b>25,00</b>	<b>34,80</b>	<b>36,50</b>
COGS	2,52	0,14	0,75	2,70	3,90	7,15	7,45
Services	1,28	2,76	8,15	9,50	10,00	12,00	12,50
Use of assets owned by others	0,06	0,08	0,10	0,15	0,15	0,20	0,20
Employees	0,29	0,51	0,80	0,95	1,05	1,45	1,50
Other Operating Expenses	0,65	0,58	0,70	0,80	0,90	1,30	1,35
<b>EBITDA</b>	<b>0,94</b>	<b>2,15</b>	<b>6,00</b>	<b>7,75</b>	<b>9,00</b>	<b>12,70</b>	<b>13,50</b>
<i>EBITDA Margin</i>	<i>16,4%</i>	<i>34,5%</i>	<i>36,4%</i>	<i>35,5%</i>	<i>36,0%</i>	<i>36,5%</i>	<i>37,0%</i>
D&A	0,00	0,01	0,50	0,65	0,75	0,90	1,00
<b>EBIT</b>	<b>0,94</b>	<b>2,13</b>	<b>5,50</b>	<b>7,10</b>	<b>8,25</b>	<b>11,80</b>	<b>12,50</b>
<i>EBIT Margin</i>	<i>16,3%</i>	<i>34,3%</i>	<i>33,3%</i>	<i>32,5%</i>	<i>33,0%</i>	<i>33,9%</i>	<i>34,2%</i>
Financial Management	(0,40)	(0,37)	(0,05)	(0,05)	(0,05)	(0,05)	(0,05)
<b>EBT</b>	<b>0,53</b>	<b>1,76</b>	<b>5,45</b>	<b>7,05</b>	<b>8,20</b>	<b>11,75</b>	<b>12,45</b>
Taxes	0,19	0,57	1,65	2,25	2,50	3,50	3,75
<b>Net Income</b>	<b>0,34</b>	<b>1,19</b>	<b>3,80</b>	<b>4,80</b>	<b>5,70</b>	<b>8,25</b>	<b>8,70</b>
<b>CONSOLIDATED BALANCE SHEET (€/mln)</b>							
<b>Fixed Assets</b>	<b>0,25</b>	<b>0,25</b>	<b>1,55</b>	<b>1,50</b>	<b>1,40</b>	<b>1,15</b>	<b>0,95</b>
Account receivable	0,52	0,49	2,80	4,50	5,15	7,00	7,50
Work in Progress	3,79	6,90	16,50	24,00	27,50	38,00	40,00
Account payable	1,67	1,83	14,25	21,00	23,00	31,00	32,00
<b>Operating Working Capital</b>	<b>2,64</b>	<b>5,57</b>	<b>5,05</b>	<b>7,50</b>	<b>9,65</b>	<b>14,00</b>	<b>15,50</b>
Other receivable	2,87	2,30	4,00	6,00	6,85	9,50	10,00
Other payable	4,75	4,89	5,00	6,50	7,60	10,00	10,50
<b>Net Working Capital</b>	<b>0,75</b>	<b>2,98</b>	<b>4,05</b>	<b>7,00</b>	<b>8,90</b>	<b>13,50</b>	<b>15,00</b>
Severance Indemnities & Other Provisions	0,06	0,06	0,15	0,20	0,25	0,35	0,40
<b>NET INVESTED CAPITAL</b>	<b>0,95</b>	<b>3,18</b>	<b>5,45</b>	<b>8,30</b>	<b>10,05</b>	<b>14,30</b>	<b>15,55</b>
Share Capital	0,60	0,60	0,60	0,60	0,60	0,60	0,60
Reserves	(0,15)	0,19	5,78	9,58	14,38	20,08	28,33
Net Income	0,34	1,19	3,80	4,80	5,70	8,25	8,70
<b>Equity</b>	<b>0,79</b>	<b>1,98</b>	<b>10,18</b>	<b>14,98</b>	<b>20,68</b>	<b>28,93</b>	<b>37,62</b>
Cash & Cash Equivalent	0,37	0,00	5,88	8,18	12,33	16,73	24,17
Short Term Debt to Bank	0,53	1,20	1,15	1,50	1,70	2,10	2,10
M/L Term Debt to Bank	0,00	0,00	0,00	0,00	0,00	0,00	0,00
<b>Net Financial Position</b>	<b>0,16</b>	<b>1,20</b>	<b>(4,73)</b>	<b>(6,68)</b>	<b>(10,63)</b>	<b>(14,63)</b>	<b>(22,07)</b>
<b>SOURCES</b>	<b>0,95</b>	<b>3,18</b>	<b>5,45</b>	<b>8,30</b>	<b>10,05</b>	<b>14,30</b>	<b>15,55</b>
<b>CONSOLIDATED CASH FLOW (€/mln)</b>							
<b>EBIT</b>	<b>0,94</b>	<b>2,13</b>	<b>5,50</b>	<b>7,10</b>	<b>8,25</b>	<b>11,80</b>	<b>12,50</b>
Taxes	0,19	0,57	1,65	2,25	2,50	3,50	3,75
<b>NOPAT</b>	<b>0,75</b>	<b>1,56</b>	<b>3,85</b>	<b>4,85</b>	<b>5,75</b>	<b>8,30</b>	<b>8,75</b>
D&A	0,00	0,01	0,50	0,65	0,75	0,90	1,00
Change in receivable	1,13	0,03	(2,31)	(1,70)	(0,65)	(1,85)	(0,50)
Change in Work in Progress	(2,20)	(3,12)	(9,60)	(7,50)	(3,50)	(10,50)	(2,00)
Change in payable	0,35	0,16	12,42	6,75	2,00	8,00	1,00
Change in others	0,58	0,71	(1,59)	(0,50)	0,25	(0,25)	0,00
<i>Change in NWC</i>	<i>(0,15)</i>	<i>(2,23)</i>	<i>(1,07)</i>	<i>(2,95)</i>	<i>(1,90)</i>	<i>(4,60)</i>	<i>(1,50)</i>
Change in provisions	0,01	0,00	0,09	0,05	0,05	0,10	0,05
<b>OPERATING CASH FLOW</b>	<b>0,61</b>	<b>(0,65)</b>	<b>3,37</b>	<b>2,60</b>	<b>4,65</b>	<b>4,70</b>	<b>8,30</b>
Capex	(0,2)	(0,0)	(1,8)	(0,6)	(0,7)	(0,7)	(0,8)
<b>FREE CASH FLOW</b>	<b>0,38</b>	<b>(0,67)</b>	<b>1,58</b>	<b>2,00</b>	<b>4,00</b>	<b>4,05</b>	<b>7,50</b>
Financial Management	(0,40)	(0,37)	(0,05)	(0,05)	(0,05)	(0,05)	(0,05)
Change in Debt to Bank	0,27	0,67	(0,05)	0,35	0,20	0,40	0,00
Change in Equity	(0,51)	0,00	4,40	0,00	0,00	0,00	0,00
<b>FREE CASH FLOW TO EQUITY</b>	<b>(0,25)</b>	<b>(0,37)</b>	<b>5,87</b>	<b>2,30</b>	<b>4,15</b>	<b>4,40</b>	<b>7,45</b>

Source: Altea Green Power & Integrae SIM estimates

## 1.1 1H22A Results

**Table 2 – 1H22A vs 1H21A Results**

€/mln	VoP	EBITDA	EBITDA %	EBIT	Net Income	NFP
<b>1H22A</b>	<b>7,50</b>	<b>1,78</b>	<b>23,7%</b>	<b>1,70</b>	<b>1,17</b>	<b>0,8</b>
1H21A	2,67	0,89	88,7%	0,89	0,60	1,2
<i>Change</i>	<i>181,4%</i>	<i>100,2%</i>	<i>-65,0%</i>	<i>91,3%</i>	<i>94,1%</i>	<i>N.A</i>

Source: Altea Green Power

Through a press release, Giovanni Di Pascale, Founder & CEO of the Company, commenting on the half-yearly results, stated: *"The results for the first half of 2022 show significant growth both in terms of volumes and marginality, confirming the solidity and credibility of our business model and our ability to seize this positive market moment for the renewable energy sector. In addition, the listing on the Euronext Growth Milan market of Borsa Italiana has guaranteed us the necessary resources to support this acceleration of growth that, together with the visibility obtained, gives us good hope for the continuation of the year. From a business point of view, it is worth mentioning the closure of important partnerships with leading companies in the sector, such as the project for the co-development of storage facilities with the Irish company Aer Soléir and the agreement with A2A for the co-development of agri-voltaic projects, allowing us to further increase our market share in the sector of the development of renewable plants in Italy. We absolutely do not intend to stop here and for this reason, we are ready to seize all the new opportunities that will arise in the future, both in Europe and in the USA"*.

In the half-year financial report as of 30 June 2022, Altea Green Power reports that it recorded sales revenues of € 0.59 million, with a value of production of € 7.50 million, marking an increase of more than 181.0% compared to the value of € 2.67 million of the same period of the previous year. The growth essentially derives from the contribution of the activities related to the start of the Co-development projects, referring to contracts with customers for about 330 MW of the total availability on the sites that can be developed as of 30 June 2022, equal to 940 MW, divided between wind, photovoltaic, and Storage activities. The data confirms the Company's commitment to this line of activity, from which about 80.0% of the value of production derives, and ensures pipeline projects until 2025.

On the other hand, the EPC and Energy Efficiency activities slow down as expected, precisely because of the greater attention paid to Co-development in the first half, having this type of project a much higher average marginality. Lastly, particular attention is paid to electricity storage systems or Storage: we recall that Altea, on 1 July 2022, signed an agreement with the Irish company Air Solèir (Aer Soléir International Holdings Limited) concerning the development of four plants, three in Puglia and one in Piedmont, for a total capacity of 510 MW. The sites, already available to the Company, have been sold to the counterparty together with the activities already carried out for a sum of approximately € 5.50 million to be collected after closing, and which will therefore be accounted for in the second half of the fiscal year.

EBITDA for 1H22A amounted to € 1.78 million, registering a growth of 100.0% compared to the first half of 2021, in which it amounted to € 0.89 million. On the other hand, the EBITDA margin recorded a decrease, from 33.3% on 30 June 2021 to 23.7% in the first half of 2022: the negative variation derives, in addition to the increase in the incidence of costs for services, from the closure of a project in which approximately € 0.30 million had been invested and the adjustment of revenue items, relating to previous fiscal years, for € 0.20 million.

In addition, EBITDA does not reflect the proceeds mentioned above from the sale of the sites to Aer Soléir under the Co-development Agreement signed in July, therefore, taking these effects into account, the expectation for the end of the year sees a marginality aligned with the Company's historical average.

EBIT, after amortization and depreciation of € 0.08 million, amounted to € 1.70 million, showing a considerable increase (+91.0%) compared to the first half of 2021, when it was equal to € 0.89 million. On the other hand, the EBIT margin, equal to 22.6%, is down compared to the 33.0% observed in 1H21A.

Net Income was also positive, which amounted to € 1.17 million, marking a considerable growth (+94.0%) compared to the figure for the first half of 2021 equal to € 0.60 million

In terms of the Balance Sheet, we report the effects of the increase in share capital following the admission of the Company to trading on the Euronext Growth Milan segment of Borsa Italiana, which took place on 1 February 2022. As a result of the placement (4,161,000 newly issued shares at a unit price of € 1.20, for a total collection of approximately € 5.00 million) the share capital amounts to € 0.81 million. The NFP as of 30 June 2022 stands at € 0.83 million, compared to €1.20 million recorded at the end of 2021.

## 1.2 FY22E – FY26E Estimates

**Table 3 – Estimates Updates FY22E - FY26E**

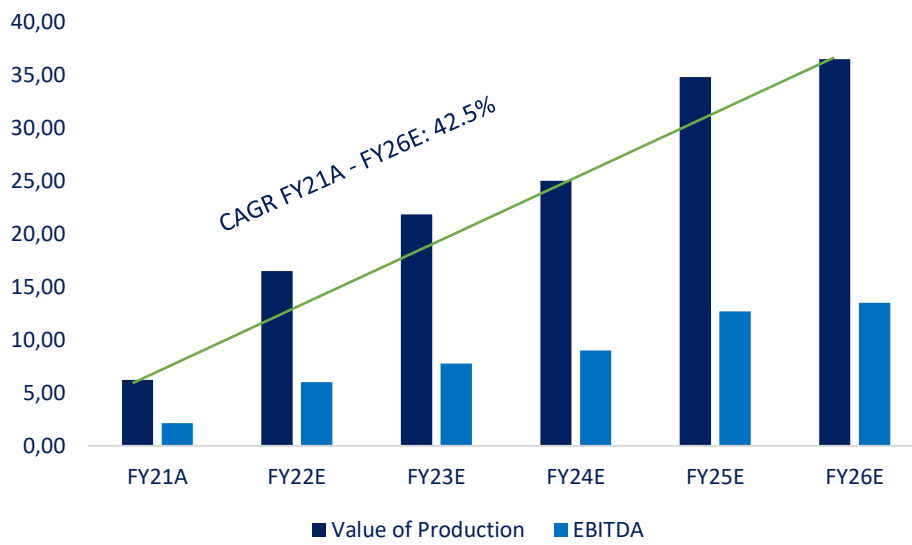
€/mln	FY22E	FY23E	FY24E	FY25E	FY26E
<b>VoP</b>					
New	<b>16,5</b>	<b>21,9</b>	<b>25,0</b>	<b>34,8</b>	<b>36,5</b>
Old	18,5	21,9	25,0	34,8	36,5
Change	-10,8%	0,0%	0,0%	0,0%	N.A
<b>EBITDA</b>					
New	<b>6,0</b>	<b>7,8</b>	<b>9,0</b>	<b>12,7</b>	<b>13,5</b>
Old	8,5	7,8	9,0	12,7	13,5
Change	-29,4%	0,0%	0,0%	0,0%	N.A
<b>EBITDA %</b>					
New	<b>36,4%</b>	<b>35,5%</b>	<b>36,0%</b>	<b>36,5%</b>	<b>37,0%</b>
Old	45,9%	35,5%	36,0%	36,5%	37,0%
Change	-9,6%	0,0%	0,0%	0,0%	N.A
<b>EBIT</b>					
New	<b>5,5</b>	<b>7,1</b>	<b>8,3</b>	<b>11,8</b>	<b>12,5</b>
Old	8,0	7,1	8,3	11,8	12,5
Change	-31,3%	0,0%	0,0%	0,0%	N.A
<b>Net Income</b>					
New	<b>3,8</b>	<b>4,8</b>	<b>5,7</b>	<b>8,3</b>	<b>8,7</b>
Old	5,5	4,8	5,7	8,3	8,7
Change	-30,9%	0,0%	0,0%	0,0%	N.A
<b>NFP</b>					
New	<b>(4,7)</b>	<b>(6,7)</b>	<b>(10,6)</b>	<b>(14,6)</b>	<b>(22,1)</b>
Old	(6,4)	(8,4)	(12,3)	(16,3)	(23,8)
Change	N.A	N.A	N.A	N.A	N.A

Source: Integrae SIM

In light of the results published in the half-yearly report for 1H22A, we confirm almost entirely our estimates for both the current year and the coming years.

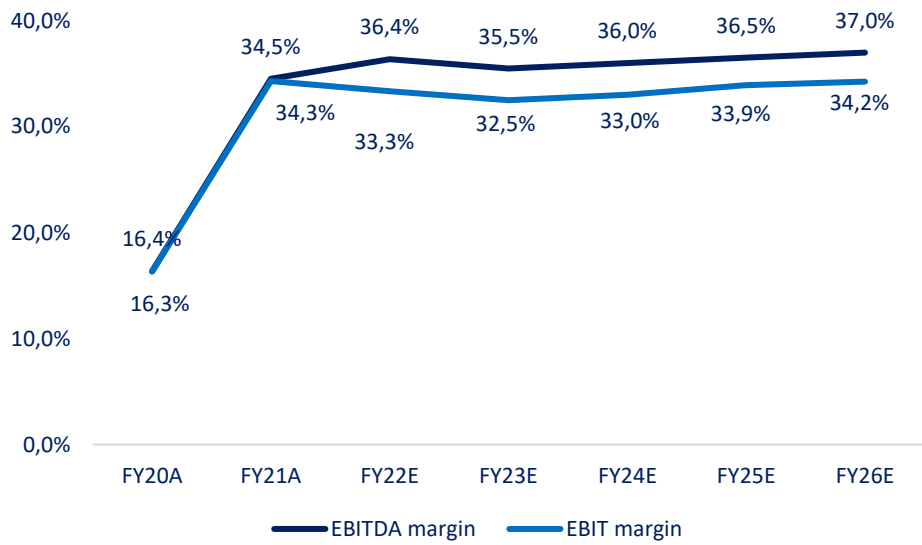
In particular, we estimate FY22A value of production equal to € 16.50 million and EBITDA of € 6.00 million, corresponding to a marginality of 36.4%. For subsequent years, we expect the value of production to increase up to € 36.50 million (CAGR FY21A - FY26E: 42.5%) in FY26E, with EBITDA of € 13.50 million (corresponding to an EBITDA margin of 37.0%), up from € 2.15 million in FY21A (corresponding to an EBITDA margin of 34.5%).

**Chart 3 – VoP and EBITDA FY21A - FY26E**



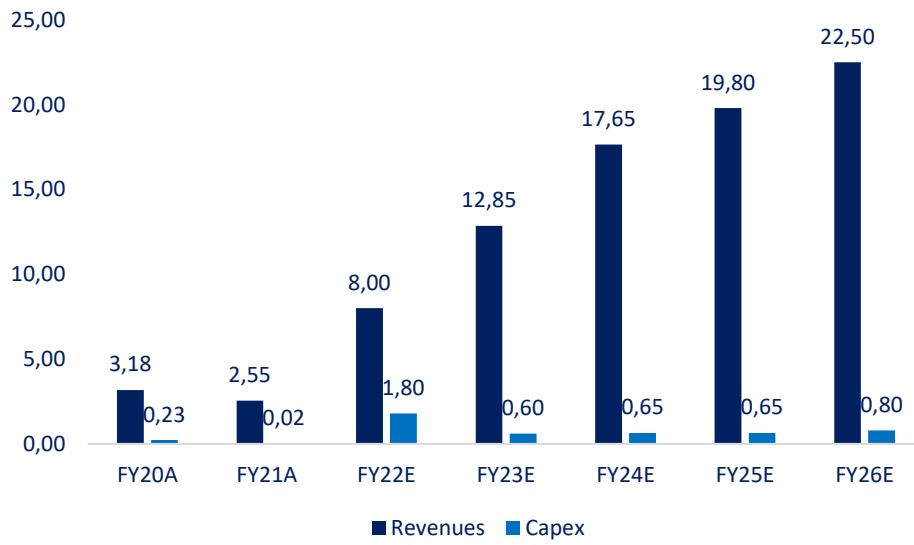
Source: Integrae SIM

**Chart 4 – Margin FY21A - FY26E**



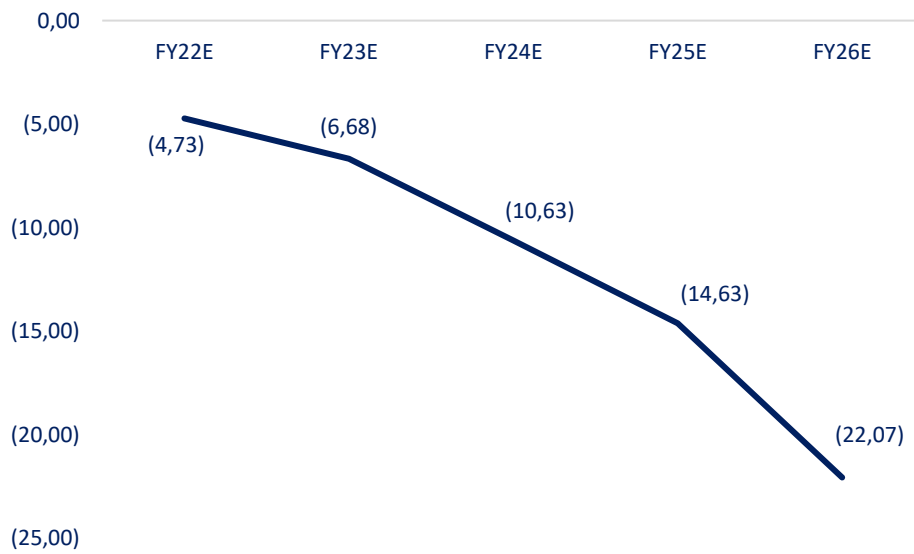
Source: Integrae SIM

**Chart 5 – Capex FY21A - FY26E**



Source: Integrae SIM

**Chart 6 – NFP FY21A - FY26E**



Source: Integrae SIM

## 2. Valuation

We have conducted the valuation of Altea's *equity value* based on the DCF methodology and market multiples of a comparable companies sample.

### 2.1 DCF Method

**Table 4 – WACC**

<b>WACC</b>		<b>7,78%</b>
Risk Free Rate	2,18% $\alpha$ (specific risk)	2,50%
Market Premium	9,08% Beta Adjusted	0,5
D/E (average)	17,65% Beta Relevered	0,5
Ke	8,77% Kd	3,00%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 2.5%. This results in a WACC of 7.78%.

**Table 5 – DCF Valuation**

<b>DCF Equity Value</b>		<b>98,9</b>
FCFO actualized	16,4	16%
TV actualized DCF	83,7	84%
<b>Enterprise Value</b>	<b>100,1</b>	100%
NFP (FY21A)	1,2	

Source: Integrae SIM

With the above data and taking as a reference our estimates and assumptions, the result is an **equity value of € 98.9 million**.

**Table 6 – Equity Value – Sensitivity Analysis**

€/mln		WACC						
		6,3%	6,8%	7,3%	7,8%	8,3%	8,8%	9,3%
Growth Rate (g)	2,5%	175,1	153,5	136,5	122,7	111,3	101,8	93,6
	2,0%	156,5	139,1	125,0	113,4	103,7	95,3	88,2
	1,5%	141,7	127,4	115,5	105,6	97,1	89,8	83,5
	1,0%	129,8	117,7	107,6	98,9	91,5	85,0	79,3
	0,5%	120,0	109,6	100,8	93,2	86,5	80,7	75,6
	0,0%	111,7	102,7	94,9	88,1	82,2	77,0	72,3
	-0,5%	104,6	96,7	89,8	83,7	78,4	73,6	69,4

Source: Integrae SIM



## 2.2 Market multiples

Our panel is made up of companies operating in the same sector as Altea. These companies are the same ones used for the calculation of Beta for the DCF method. The Panel is composed of:

**Table 7 – Market Multiples**

Company Name	EV/EBITDA (x)			EV/EBIT (x)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
<b>Renergetica SpA</b>	11,3	9,5	8,7	12,4	10,2	9,1
<b>ESI SpA</b>	5,6	4,6	3,6	6,7	5,3	4,1
<b>Iniziative Bresciane S.p.A.</b>	8,6	7,4	6,9	17,6	15,3	12,7
<b>Acea S.p.A.</b>	5,5	5,3	5,1	11,7	11,6	11,2
<b>Peer median</b>	<b>7,1</b>	<b>6,4</b>	<b>6,0</b>	<b>12,0</b>	<b>10,9</b>	<b>10,1</b>

Source: Infinancials

**Table 8 – Market Multiples Valuation**

€/mln	FY22E	FY23E	FY24E
<b>Enterprise Value (EV)</b>			
EV/EBITDA	42,8	49,2	54,0
EV/EBIT	66,2	77,3	83,7
<b>Equity Value</b>			
EV/EBITDA	47,5	55,9	64,7
EV/EBIT	71,0	84,0	94,3
<b>Equity Value post 10% discount</b>			
EV/EBITDA	42,8	50,3	58,2
EV/EBIT	63,9	75,6	84,9
<b>Average</b>	<b>53,3</b>	<b>62,9</b>	<b>71,5</b>

Source: Integrae SIM

The equity value of Altea using the market multiples EV/ EBITDA and EV/EBIT, is equal to € 69.6 million. To this value, we have applied a 10% discount: this results in an **equity value of € 62.6 mln.**

## 2.3 Equity Value

**Table 9 – Equity Value**

<b>Average Equity Value (€/mln)</b>	<b>80,8</b>
Equity Value DCF (€/mln)	98,9
Equity Value multiples (€/mln)	62,6
<b>Target Price (€)</b>	<b>5,00</b>

Source: Integrae SIM

The result is an average equity value of € 80.8 million. **The target price is, therefore, € 5.00 (prev. € 5.40). We confirm BUY rating and MEDIUM risk.**

**Table 10 – Target Price Implied Valuation Multiples**

<b>Multiples</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EV/EBITDA	13,7x	10,6x	9,1x
EV/EBIT	14,9x	11,5x	9,9x

Source: Integrae SIM

**Table 11 – Current Price Implied Valuation Multiples**

<b>Multiples</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EV/EBITDA	6,6x	5,1x	4,4x
EV/EBIT	7,2x	5,6x	4,8x

Source: Integrae SIM

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

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