

UPDATE

EQUITY RESEARCH

Altea Green Power

ISIM
INTEGRÆ

Euronext Growth Milan | Energy & Renewable | Italy

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Rating

BUY

unchanged

Target Price

€ 14,30

prev. € 14,00

Risk

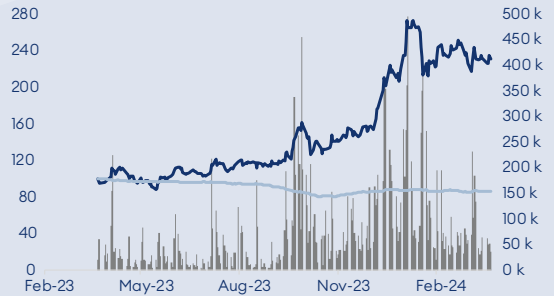


Medium

Upside potential

82,2%

Stocks performance relative to FTSE Italia Growth



Stock Data

Price	€ 7,85
Target price	€ 14,30
Upside/(Downside) potential	82,2%
Ticker	AGP IM
Market Cap (€/mln)	€ 135,91
Enterprise Value (€/mln)	€ 140,27
Free Float (% on ordinary shares)	30,7%
Shares Outstanding	17.313.006
52-week high	€ 9,86
52-week low	€ 2,72
Average Daily Volumes (3 months)	132.024

Key Financials (€m)	FY23A	FY24E	FY25E	FY26E
Revenues	16,54	30,00	45,00	53,00
VoP	17,33	31,00	46,20	54,40
EBITDA	7,26	18,75	28,20	33,75
EBIT	7,10	18,45	27,85	33,35
Net Profit	4,91	12,75	19,25	23,00
EBITDA margin	41,9%	60,5%	61,0%	62,0%
EBIT margin	41,0%	59,5%	60,3%	61,3%
Net Profit margin	28,3%	41,1%	41,7%	42,3%

Mattia Petracca | mattia.petracca@integraesim.it

Giuseppe Riviello | giuseppe.riviello@integraesim.it

Stock performance	1M	3M	6M	1Y
Absolute	-6,5%	6,1%	62,5%	130,9%
to FTSE Italia Growth	-5,4%	8,4%	62,4%	144,8%
to Euronext STAR Milan	-9,6%	4,2%	47,6%	133,2%
to FTSE All-Share	-9,3%	-5,3%	39,0%	106,3%
to EUROSTOXX	-9,0%	-6,3%	40,2%	114,2%
to MSCI World Index	-8,7%	-3,8%	42,3%	107,4%

Main Ratios	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	19,3x	7,5x	5,0x	4,2x
EV/EBIT	19,7x	7,6x	5,0x	4,2x
P/E	27,7x	10,7x	7,1x	5,9x

FY23A Results

In the consolidated financial statements as of December 31, 2023, Altea Green Power communicated sales revenues of € 3.40 million, with a value of production of € 17.30 million, marking a 3.5% growth compared to the FY22A result, equal to € 16.70 million. EBITDA for the period came in at € 7.30 million, recording a growth of 18.0% compared to the end of 2022 result of € 6.10 million. EBIT, after depreciation and amortization of € 0.20 million, came in at a positive € 7.10 million, again a significant 17.2% increase compared to the € 6.10 million recorded in FY22A. Net Income was also positive, equal to € 4.90 million, compared to € 4.20 million in the previous year.

Estimates Update

In light of the results published in the annual report for FY23A, our estimates are unchanged for both the current year and the following years. In particular, we estimate an FY24E value of production of € 31.00 million, and an EBITDA of € 18.75 million, corresponding to a margin of 60.5%. In the following years, we expect the value of production to rise to € 54.40 million (CAGR 23A-26E: 46.4%) in FY26E, with EBITDA equal to € 33.75 million (corresponding to a margin of 62.0%), up from € 7.26 million in FY23A (corresponding to an EBITDA margin of 41.9%).

Valuation Update

We conducted our valuation of the equity value of Altea Green Power based on the DCF method and multiples of a sample of comparable companies. The DCF method (including, for prudential purposes, a specific risk of 2.5% in the calculation of the WACC) returned an equity value of € 271.9 million. Using market multiples, the equity value of Altea Green Power is € 223.2 million. **The results give an average equity value of € 247.6 million. The target price is € 14.30 (prev. € 14.00). We confirm a BUY rating and MEDIUM risk.**

Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

CONSOLIDATED INCOME STATEMENT (€/mln)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenues	16,03	16,54	30,00	45,00	53,00
Other revenues	0,72	0,79	1,00	1,20	1,40
Value of Production	16,75	17,33	31,00	46,20	54,40
COGS	0,79	0,49	0,85	1,00	1,15
Services	7,19	7,14	7,80	13,00	15,00
Use of asset owned by others	0,07	0,05	0,25	0,30	0,35
Employees	1,16	1,49	1,85	2,05	2,35
Other operating expenses	1,39	0,90	1,50	1,65	1,80
EBITDA	6,15	7,26	18,75	28,20	33,75
<i>EBITDA Margin</i>	36,7%	41,9%	60,5%	61,0%	62,0%
D&A	0,09	0,15	0,30	0,35	0,40
EBIT	6,06	7,10	18,45	27,85	33,35
<i>EBIT Margin</i>	36,2%	41,0%	59,5%	60,3%	61,3%
Financial management	(0,06)	(0,23)	(0,25)	(0,35)	(0,45)
EBT	6,00	6,87	18,20	27,50	32,90
Taxes	1,83	1,95	5,45	8,25	9,90
Other Items	0,01	(0,01)	0,00	0,00	0,00
Net Income	4,18	4,91	12,75	19,25	23,00

Consolidated Balance Sheet (€/mln)	FY22A	FY23A	FY24E	FY25E	FY26E
Fixed Assets	0,82	2,57	3,50	6,60	16,20
Account receivable	4,01	0,74	4,60	6,80	7,80
WiP under contracts	15,07	28,60	45,00	78,00	100,00
Account payable	8,29	10,80	21,50	56,20	89,50
Operating Working Capital	10,79	18,53	28,10	28,60	18,30
Other receivable	3,30	5,80	4,40	5,40	5,00
Other payable	3,41	5,03	7,60	10,60	11,60
Net Working Capital	10,67	19,31	24,90	23,40	11,70
Severance & other provisions	0,05	0,07	0,30	0,45	0,60
Net Invested Capital	11,45	21,80	28,10	29,55	27,30
Share Capital	0,83	0,87	0,83	0,83	0,83
Reserves	6,56	11,66	16,58	29,33	48,58
Net Income	4,17	4,92	12,75	19,25	23,00
Equity	11,55	17,44	30,16	49,41	72,41
Cash & cash equivalents	1,66	0,50	5,16	22,66	48,61
Short term financial debt	0,34	1,93	0,60	0,30	0,00
M/L term financial debt	1,21	2,93	2,50	2,50	3,50
Net Financial Position	(0,11)	4,36	(2,06)	(19,86)	(45,11)
Sources	11,45	21,80	28,10	29,55	27,30

Consolidated Cash Flow (€/mln)	FY22A	FY23A	FY24E	FY25E	FY26E
EBIT	6,06	7,10	18,45	27,85	33,35
Taxes	1,83	1,95	5,45	8,25	9,90
NOPAT	4,23	5,15	13,00	19,60	23,45
D&A	0,09	0,15	0,30	0,35	0,40
Change in NWC	(7,69)	(8,64)	(5,59)	1,50	11,70
Change in receivable	(3,52)	3,27	(3,86)	(2,20)	(1,00)
Change in WiP under contracts	(8,16)	(13,53)	(16,40)	(33,00)	(22,00)
Change in payable	6,47	2,51	10,70	34,70	33,30
Change in others	(2,47)	(0,89)	3,98	2,00	1,40
Change in provisions	(0,01)	0,02	0,23	0,15	0,15
Operating Cash Flow	(3,38)	(3,31)	7,94	21,60	35,70
Capex	(0,66)	(1,89)	(1,23)	(3,45)	(10,00)
Free Cash Flow	(4,04)	(5,20)	6,70	18,15	25,70
Financial Management	(0,06)	(0,23)	(0,25)	(0,35)	(0,45)
Change in financial debt	0,35	3,31	(1,76)	(0,30)	0,70
Change in equity	5,41	0,97	(0,03)	0,00	0,00
Free Cash Flow to Equity	1,66	(1,16)	4,66	17,50	25,95

Source: Altea Green Power financial statements and Integrae SIM estimates

Company Overview

Altea Green Power S.p.A. (“AGP” or “Altea”), founded in 2008 by Giovanni di Pascale (the President and CEO), is a company that offers services in the acquisition of suitable sites for solar, wind, battery energy storage system (BESS) 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 Codevelopment 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 2022, Altea Green Power successfully entered the battery energy storage system (BESS) market for solar electricity storage, and currently holds an important pipeline of projects undergoing development in Italy and the United States.

FY23A Results

TABLE 2 – ACTUAL VS ESTIMATES FY23A

€/mln	VoP	EBITDA	EBITDA %	EBIT	Net Income	NFP
FY23A	17,33	7,26	41,9%	7,10	4,91	4,36
FY23E	17,20	7,25	42,2%	7,05	4,65	2,99
Change	0,7%	0,1%	-0,3%	0,8%	5,5%	n/a

Source: Integrae SIM

In the annual results press release, Giovanni di Pascale, founder and CEO of Altea Green Power, commented: *“We are particularly satisfied in noting that the more than positive results achieved in the 2023 financial year confirm the validity of our strategy of growth, which embraces all the main areas of our business. The commitment to the BESS Storage area has allowed us to combine a first portfolio of 510 MW in 2022 with further projects that have brought the pipeline to a total power of over 3 GW, down the entire Italian Peninsula. In the storage sector, we have also made advances in America, a region we believe has very high potential, considering the decidedly interesting market dynamic driven by favorable fiscal regulation, and an already accumulated pipeline of between 1.5 and 2 GW, to be developed over 4 to 5 years. In 2024, we intend to continue along the path of consolidating our growth process. In particular, we intend to strengthen and consolidate know-how in energy storage, an area we believed in well in advance of our competitors, and which has represented a distinctive element of our business strategy. Finally, we believe that the EPC Business Unit, dedicated to photovoltaic plants for SMEs and agricultural companies, will also see a boost in recovery this year, and we believe that demand will be oriented to the construction of our own production plants.”*

In the consolidated financial statements as of December 31, 2023, Altea Green Power reported sales revenues of € 16.54 million, with a value of production of € 17.33 million, taking into account other revenues of € 0.79 million. As anticipated in the latest report of January 24, the value of production reflects a slightly higher trend (+3.2%) substantially in line with the FY22A figure (€ 16.75 million), due to the failure to conclude an authorization acquisition phase of Green and Blue BESS projects, thus postponed to the first few months of 2024. Apart from these postponements, the company continued successfully with the development of its activities, benefiting, in particular, from government incentives for the ecological transition relating to Storage systems, which will be fundamental in increasing the efficiency of the power modulation needs of the national electricity grid.

2023 also marked a change in accounting practices and therefore the presentation of financial information for Altea, as, for the first time, its financial statements were prepared according to the IAS/IFRS international accounting standards.

The adoption of these standards entailed a re-elaboration of the equity and financial situation, including the results for the 2022 financial year, in compliance with the IFRS 1 standard, which formalizes the procedures for the first adoption of the new accounting standards. Furthermore, another significant impact came from the application of IFRS 15, which introduced a more detailed approach in the recognition of revenues related to development contracts concerning authorizations for renewable plants (BESS storage in particular), bringing with it a more precise representation of the state progress of projects and the flow of revenues and ongoing contract activities.

In light of the change in accounting standards, from now on, the item “Revenues” (Economics & Financials, Table 1) will refer to both sales revenues from completed services and so-called “revenues for ongoing activities from contracts”, i.e. revenues recognized for work already carried out but not yet invoiced as part of a long-term contract (corresponding to the “Work in progress” item according to OIC accounting principles). The following table shows the breakdown of the value of production for the financial years 2022 and 2023.

TABLE 3 – VOP BREAKDOWN FY23A VS FY22A (€/MLN)

Revenues	FY22A	FY23A
Revenues	7,55	2,99
Revenues from on-going contracts	8,47	13,56
Total Revenues	16,03	16,54
Other revenues	0,72	0,79
Valore della produzione	16,75	17,33

Source: Altea Green Power financial statement

The FY23A invoiced revenues, in particular, refer to the sale of turnkey plants built for the photovoltaic sector and completed orders. Revenues from ongoing contract activities are, on the other hand, representative of the positive trend of Co-development activities, especially referring to the Storage business.

The progress of BESS Storage projects has also allowed the company to further increase an already high profitability, with an EBITDA margin for the period standing at 41.9%, compared to 36.7% in financial year 2022, and a figure in absolute value terms exceeding € 7.00 million to reach € 7.26 million, up 18.0% compared to the € 6.15 million recorded in FY22A.

EBIT, after amortization and depreciation of € 0.15 million, is positive and equal to € 7.10 million, up 17.2% compared to the € 6.06 million recorded in FY22A. Consequently, the EBIT margin also increased, up from 35.9% in 2022 to 41.0% in FY23A. Net Income was also positive, equal to € 4.91 million, compared to € 4.18 million in the previous year. In this case, we note that the data relating to Net Income also includes adjustments to the value of the shareholding of several subsidiaries.

On the balance sheet, the NFP amounted to € 4.36 million of debt, compared to the cash positive figure for FY22A of € 0.11 million. The worsening derives, on the one hand, from the increase in the pipeline for both the photovoltaic and BESS segments (in Italy and the USA), which generated an increase in costs, and, on the other hand, from the application of the IFRS 16 accounting standards, which, in providing for the accounting in aggregate of all leasing contracts, had a worsening impact of approximately € 0.80 million in both 2022 and the financial year just ended.

Altea is therefore continuing with the consolidation of its growth in all its business lines, and has confirmed excellent prospects for the year FY24E, as forecast in the recent 2024-2028 Business Plan. The strategies adopted are giving the expected results, thanks to the attention and efforts the company has placed on the implementation of high-power Storage solutions, with a pipeline under development (over the next 4 to 5 years) exceeding 3 GW in Italy and up to 2 GW in the United States.

In addition to what has already been announced in recent weeks (we recall here the progress of the Lund Storage project in the USA, with 407.55 MW of capacity), the very first signs of progress with respect to the Business Plan were already seen in the month of March, with the signing of a co-development agreement with a major North American fund for a total power of 1.1 GW (making the breaking news of March 25, 2024). This contract will be worth € 68.00 million spread over the next 3 and a half years, adding to which will likely be a success fee of € 15.00 million for the achievement of performance indices agreed between the parties.

FY24E – FY26E Estimates

TABLE 4 – ESTIMATES UPDATES FY24E - FY26E

€/mln	FY24E	FY25E	FY26E
Value of Production			
New	31,0	46,2	54,4
Old	31,0	46,2	54,4
Change	0,0%	0,0%	0,0%
EBITDA			
New	18,8	28,2	33,8
Old	18,8	28,2	33,8
Change	0,0%	0,0%	0,0%
EBITDA %			
New	60,5%	61,0%	62,0%
Old	60,5%	61,0%	62,0%
Change	0,0%	0,0%	0,0%
EBIT			
New	18,5	27,9	33,4
Old	18,5	27,9	33,4
Change	0,0%	0,0%	0,0%
Net Income			
New	12,8	19,3	23,0
Old	12,8	19,3	23,0
Change	0,0%	0,0%	0,0%
NFP			
New	(2,1)	(19,9)	(45,1)
Old	(1,8)	(19,6)	(44,8)
Change	n/a	n/a	n/a

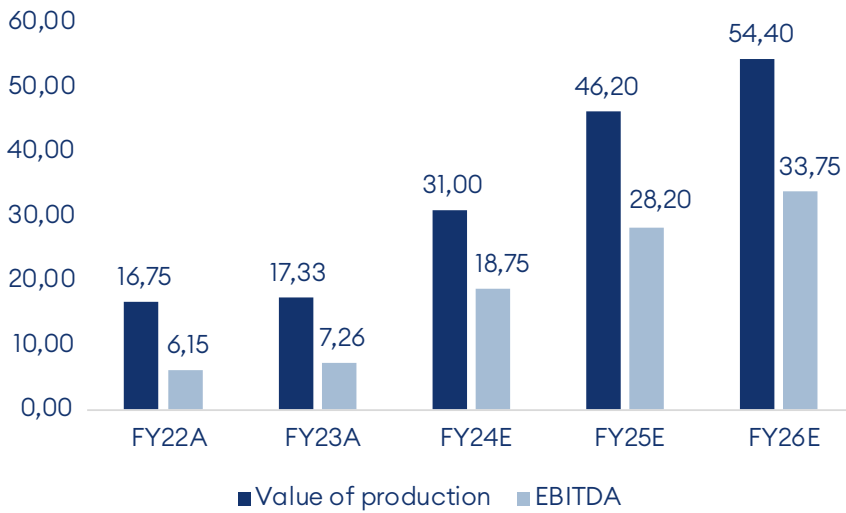
Source: Integrae SIM

In light of the results published in the annual report for FY23A and the company's confirmation of the 2024-2028 Business Plan Guidance, our estimates are unchanged for both the current year and the following years.

In particular, we estimate an FY24E value of production of € 31.00 million, and an EBITDA of € 18.75 million, corresponding to a margin of 60.5%. In the following years, we expect the value of production to rise to € 54.40 million (CAGR 23A-26E: 46.4%) in FY26E, with EBITDA equal to € 33.75 million (corresponding to a margin of 62.0%), up from € 7.26 million in FY23A (corresponding to an EBITDA margin of 41.9%).

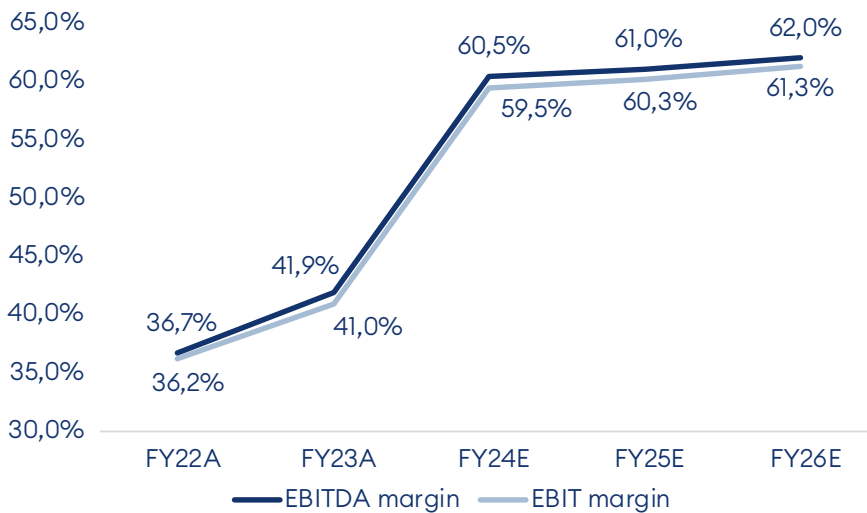
On the balance sheet, on the other hand, we expect the NFP to reach, in FY26E, a cash positive value of € 45.11 million.

CHART 1 - VOP AND EBITDA FY22A-26E (€/MLN)



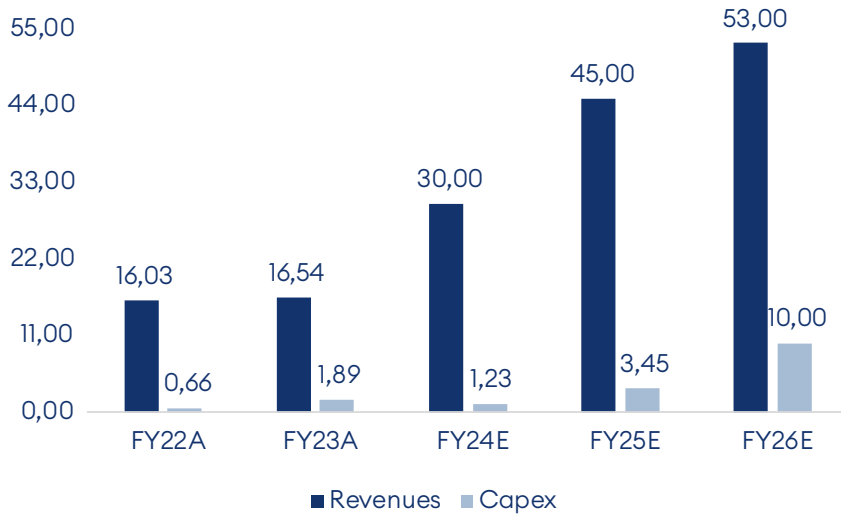
Source: Integrae SIM

CHART 2 - MARGIN FY22A-26E



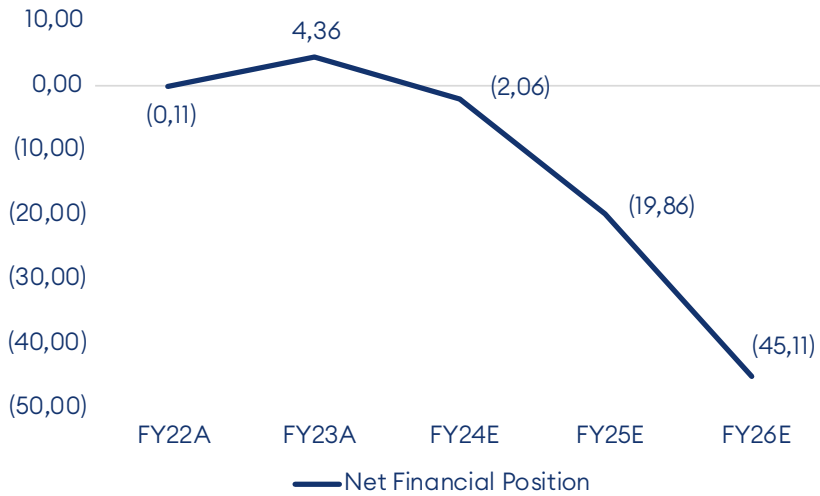
Source: Integrae SIM

CHART 3 – CAPEX FY22A-26E (€/MLN)



Source: Integrae SIM

CHART 4 – NFP FY22A-26E (€/MLN)



Source: Integrae SIM

Valuation

We conducted our valuation of the equity value of Altea Green Power based on the DCF method and multiples of a sample of comparable companies.

DCF Method

TABLE 5 – WACC

WACC				9,1%
D/E 17,6%	Risk Free Rate 3,2%	β Adjusted 0,7	α (specific risk) 2,5%	
K_d 5,5%	Market Premium 7,8%	β Relevered 0,6	K_e 10,1%	

Source: Integrae SIM

We included a specific risk of 2.5%. The result is therefore a WACC of 9.1%.

TABLE 6 – DCF VALUATION

DCF		% of EV
FCFO Actualized	43,53	15,8%
TV Actualized DCF	232,71	84,2%
Enterprise Value	276,24	100,0%
NFP (FY23A)	4,36	
Equity Value	271,88	

Source: Integrae SIM

With the above data, the result is an **equity value of € 271.88 million.**

TABLE 7 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mln	Growth Rate (g)	WACC						
		7,6%	8,1%	8,6%	9,1%	9,6%	10,1%	10,6%
	3,0%	436,6	393,6	358,2	328,7	303,7	282,2	263,6
	2,5%	398,0	362,2	332,3	306,9	285,2	266,3	249,8
	2,0%	366,2	335,9	310,2	288,2	269,1	252,3	237,6
	1,5%	339,6	313,6	291,2	271,9	254,9	240,0	226,8
	1,0%	317,0	294,4	274,7	257,6	242,5	229,0	217,0
	0,5%	297,5	277,7	260,3	245,0	231,4	219,2	208,3
	0,0%	280,6	263,0	247,5	233,7	221,4	210,3	200,3

Source: Integrae SIM

Market multiples

Our panel is made up of companies operating in the same sector as Altea Green Power. These companies are the same used to calculate Beta for the DCF method. The panel is made up of:

TABLE 8 – MARKET MULTIPLES

Company Name	EV/EBITDA			EV/EBIT			P/E		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
ESI SpA	5,0x	4,0x	n/a	5,8x	4,6x	n/a	n/a	n/a	n/a
Iniziative Bresciane SpA	6,0x	3,5x	n/a	7,0x	4,3x	n/a	13,5x	6,5x	n/a
Comal SpA	5,9x	5,5x	5,4x	12,5x	12,0x	11,0x	11,1x	11,0x	10,1x
Acea SpA	8,5x	8,1x	n/a	22,4x	22,6x	n/a	10,4x	10,6x	n/a
Peer median	6,0x	4,8x	5,4x	9,8x	8,3x	11,0x	11,1x	10,6x	10,1x

Source: Infiniti

TABLE 9 – MARKET MULTIPLES VALUATION

€/mln	FY24E	FY25E	FY26E
Enterprise Value (EV)			
EV/EBITDA	111,7	134,0	181,8
EV/EBIT	179,9	231,2	366,9
P/E	141,8	204,1	232,7
Equity Value			
EV/EBITDA	113,8	153,8	226,9
EV/EBIT	181,9	251,0	412,0
P/E	141,8	204,1	232,7
Average	147,9	202,4	319,5

Source: Integrae SIM

Using EV/EBITDA, EV/EBIT and P/E market multiples, the equity value is approximately € 223.2 million.

Equity Value

TABLE 10 – EQUITY VALUE

Average Equity Value (€/mln)	247,56
Equity Value DCF (€/mln)	271,88
Equity Value multiples (€/mln)	223,24
Target Price (€)	14,30

Source: Integrae SIM

The results give an average equity value of approximately € 247.56 million. **The target price is therefore € 14.30 (prev. € 14.00). We confirm a BUY rating and MEDIUM risk.**

TABLE 11 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	34,7x	13,4x	8,9x	7,5x
EV/EBIT	35,5x	13,7x	9,0x	7,6x
P/E	50,5x	19,4x	12,9x	10,8x

Source: Integrae SIM

TABLE 12 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	19,3x	7,5x	5,0x	4,2x
EV/EBIT	19,7x	7,6x	5,0x	4,2x
P/E	27,7x	10,7x	7,1x	5,9x

Source: Integrae SIM

Disclosure Pursuant to Delegated Regulation UE n. 2016/958

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The table below, shows INTEGRAE SIM's recommendation, target price and risk issued during the last 12 months:

Date	Price	Recommendation	Target Price	Risk	Comment
16/10/2023	5,38	Buy	6,75	Medium	Update
06/11/2023	4,50	Buy	6,75	Medium	Breaking News
22/01/2024	9,00	Buy	14,00	Medium	Update
25/03/2024	7,86	Buy	14,00	Medium	Breaking News

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Rating system (long term horizon: 12 months)

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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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