

UPDATE

EQUITY RESEARCH

Altea Green Power

ISIM
NTEGRÆ

Euronext Growth Milan | Energy & Renewable | Italy

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Rating

BUY

unchanged

Target Price

€ 6,75

prev. € 6,20

Risk



Medium

Upside potential

25,4%

Stocks performance relative to FTSE Italia Growth



Stock Data

Price	€ 5,38
Target price	€ 6,75
Upside/(Downside) potential	25,4%
Ticker	AGP IM
Market Cap (€/mln)	€ 89,38
Enterprise Value (€/mln)	€ 88,52
Free Float	27,77%
Share Outstanding	16.613.251
52-week high	€ 5,72
52-week low	€ 2,10
Average daily volumes (3 months)	65.955

Key Financials (€m)	FY22A	FY23E	FY24E	FY25E
Revenues	7,56	8,15	11,00	26,50
VoP	16,72	22,15	28,50	36,50
EBITDA	6,16	10,00	13,40	17,95
EBIT	6,00	9,70	12,90	17,25
Net Profit	4,12	7,15	9,40	12,70
EBITDA Margin	36,8%	45,1%	47,0%	49,2%
EBIT Margin	35,9%	43,8%	45,3%	47,3%
Net Profit Margin	24,6%	32,3%	33,0%	34,8%

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Stock performance	1M	3M	6M	1Y
Absolute	39,0%	52,0%	61,6%	137,5%
to FTSE Italia Growth	46,7%	64,1%	76,3%	146,0%
to Euronext STAR Milan	44,1%	63,6%	77,4%	137,0%
to FTSE All-Share	40,3%	54,5%	60,9%	104,6%
to EUROSTOXX	41,1%	57,8%	66,8%	114,5%
to MSCI World Index	41,5%	56,5%	59,6%	117,9%

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	14,4x	8,9x	6,6x	4,9x
EV/EBIT	14,8x	9,1x	6,9x	5,1x
P/E	21,7x	12,5x	9,5x	7,0x

1H23A Results

In the financial statement as of June 30th, 2023, Altea Green Power communicated sales revenues of € 2.14 million, amounting to a value of production of € 10.05 million, marking a 34.0% growth compared to the 1H22A result, equal to € 7.50 million. EBITDA for the period came in at a value of € 5.17 million, recording a growth of 190.9% compared to the 1H22A result of € 1.78 million. EBIT, after depreciation and amortization of € 0.08 million, is equal to € 5.08 million, again a significant increase of 199.8% compared to the € 1.70 million recorded in 1H22A. Net Income was also positive, amounting to € 3.46 million, versus € 1.17 of 1H22A.

Estimates Update

In light of the half year results published in the financial statement for 1H23A, 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 € 10.00 million, corresponding to a margin of 45.1%. In the following years, we expect the value of production to rise to € 43.00 million (CAGR FY22A - FY26E: 26.6%) in FY26E, with EBITDA equal to € 22.10 million (corresponding to a margin of 51.4%), up from € 6.16 million in FY22A (corresponding to an EBITDA Margin of 36.8%).

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 € 128.1 million. Using market multiples, the equity value of Altea Green Power is € 96.0 million (with a 10.0% discount applied). **The results give an average equity value of € 112.1 million. The target price is € 6.75 (prev. € 6.20). We confirm a 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	0,75	1,00	1,30	1,50
Services	2,76	7,40	8,25	10,60	13,40	15,00
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	1,40	1,50	1,60	1,80
EBITDA	2,15	6,16	10,00	13,40	17,95	22,10
<i>EBITDA Margin</i>	<i>34,5%</i>	<i>36,8%</i>	<i>45,1%</i>	<i>47,0%</i>	<i>49,2%</i>	<i>51,4%</i>
D&A	0,01	0,16	0,30	0,50	0,70	0,90
EBIT	2,13	6,00	9,70	12,90	17,25	21,20
<i>EBIT Margin</i>	<i>34,3%</i>	<i>35,9%</i>	<i>43,8%</i>	<i>45,3%</i>	<i>47,3%</i>	<i>49,3%</i>
Financial Management	(0,37)	(0,05)	(0,25)	(0,25)	(0,20)	(0,15)
EBT	1,76	5,95	9,45	12,65	17,05	21,05
Taxes	0,57	1,83	2,30	3,25	4,35	5,40
Net Income	1,19	4,12	7,15	9,40	12,70	15,65

CONSOLIDATED BALANCE SHEET (€/mln)	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Fixed Assets	0,25	0,73	1,70	2,60	3,40	4,10
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	12,00	17,00	21,00	25,00
Operating Working Capital	5,57	9,98	18,00	24,00	31,80	39,00
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	18,40	24,60	32,60	40,00
Severance Indemnities & Other Provisions	0,06	0,05	0,20	0,30	0,45	0,60
NET INVESTED CAPITAL	3,18	10,84	19,90	26,90	35,55	43,50
Share Capital	0,60	0,83	0,83	0,83	0,83	0,83
Reserves	0,19	6,76	10,88	18,03	27,43	40,13
Net Income	1,19	4,12	7,15	9,40	12,70	15,65
Equity	1,98	11,71	18,86	28,26	40,96	56,61
Cash & Cash Equivalent	0,00	1,73	2,46	4,06	7,41	14,41
Short Term Debt to Bank	1,20	0,87	1,00	0,70	0,50	0,30
M/L Term Debt to Bank	0,00	0,00	2,50	2,00	1,50	1,00
Net Financial Position	1,20	(0,86)	1,04	(1,36)	(5,41)	(13,11)
SOURCES	3,18	10,84	19,90	26,90	35,55	43,50

CONSOLIDATED CASH FLOW (€/mln)	FY22A	FY23E	FY24E	FY25E	FY26E
EBIT	6,00	9,70	12,90	17,25	21,20
Taxes	1,83	2,30	3,25	4,35	5,40
NOPAT	4,16	7,40	9,65	12,90	15,80
D&A	0,16	0,30	0,50	0,70	0,90
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	2,49	5,00	4,00	4,00
Change in others	(2,78)	(0,21)	(0,20)	(0,20)	(0,20)
Change in NWC	(7,19)	(8,23)	(6,20)	(8,00)	(7,40)
Change in provisions	0,00	0,15	0,10	0,15	0,15
OPERATING CASH FLOW	(2,87)	(0,38)	4,05	5,75	9,45
Capex	(0,6)	(1,3)	(1,4)	(1,5)	(1,6)
FREE CASH FLOW	(3,50)	(1,66)	2,65	4,25	7,85
Financial Management	(0,05)	(0,25)	(0,25)	(0,20)	(0,15)
Change in Debt to Bank	(0,34)	2,63	(0,80)	(0,70)	(0,70)
Change in Equity	5,61	0,00	0,00	0,00	0,00
FREE CASH FLOW TO EQUITY	1,73	0,73	1,60	3,35	7,00

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, in BESS park development 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.

1H23A Results

TABLE 2 – 1H23A VS 1H22A

€/mln	VoP	EBITDA	EBITDA %	EBIT	Net Income	NFP
1H23A	10,05	5,17	51,4%	5,08	3,46	1,36
1H22A	7,50	1,78	23,7%	1,70	1,17	(0,86)*
Change	34,0%	190,9%	27,7%	199,8%	196,7%	n/a

Source: Integrae SIM

*NFP as of 31/12/2022

In the results press release, Giovanni Di Pascale, Founder and CEO of Altea Green Power, commented: *“We are very satisfied with the results for this first half of 2023, which attest to more than significant growth, with double and triple digit indicators, and a margin that arrives at over 50%. We are confident that we will continue in this direction in the second half of 2023, through the contribution of the various business units. We believe we can still achieve significant results in the Co-Development area, both in the Wind and Photovoltaic sectors, and in Storage, as well as in the continuation of our expansion abroad, in particular in the United States, with the aim of bringing continuity to the development of a very profitable line of business with similar prospects to those of the Italian market.”*

Altea Green Power continues to develop in the sectors driving its growth, including its Co-Development activities in the renewable energy sectors and its new line of BESS Storage projects, functional for energy management in the electricity grid. Indeed, in the half-year report as of June 30, 2023, the Company recorded sales revenues of € 2.14 million, with a value of production, also taking into account work in progress on order, equal to € 10.05 million, marking an increase of 34.0% compared to the 1H22A figure, equal to € 7.50 million. The impact of the Storage business was significant, generating approximately € 5.60 million in the first half-year of 2023, despite the fact that results were expected only from 2024 onwards.

In the first half-year, a significant increase in Storage projects was in fact seen, including a contract signed with Aer Soléir, concerning a 510MW energy portfolio due to begin development in 2024, and two further portfolios, signed with Blue BESS Srl and Green BESS Srl, for an energy total output of approximately 1GW, to be developed in Italy. Again with Aer Soléir, we recall the agreement for the development of agrivoltaic projects for a further 300MW over the next three years.

In addition to this is the business being developed in the US market, through the 50.0% owned subsidiary RAL Green Energy Corp., which holds 65.0% of BESS Power Corp. Thanks to the partnership with the joint shareholder Redelfi SpA and the contribution of the local partner Elio Group LLC, a project pipeline of 2.4GW is expected to be achieved in the next three years, from the first few months of 2024 onwards. Overall, Altea holds a backlog of € 80.00 million as of June 2023.

In light of that described above, the first effects of the agreements are beginning to be seen in margins, with EBITDA for the period reaching € 5.17 million (up 190.9% vs. € 1.78 million in 1H22A) and an impact on the value of production of 51.4%, compared to the previously estimated figure of 40.0%. This increase is precisely attributable to the greater impact of BESS Storage, which offers higher margins than the wind and photovoltaic business lines.

EBIT, after depreciation and amortization of € 0.08 million, came in positive and equal to € 5.08 million, marking a significant increase of 199.8% compared to the figure of € 1.70 million achieved in 1H22A. EBIT Margin also grew as a result, going from 22.6% in the first half-year of 2022 to 50.6% in the half-year just ended. Net Income followed the same trend, equal to € 3.46 million, vs. € 1.17 million in 1H22A.

On the balance sheet, we note a slight worsening of the NFP, from the cash positive value of € -0.86 million at the end of 2022 to € 1.36 million of debt in 1H23A, a change related to working capital requirements for the increase in projects in execution and the payment of a tranche of capital to the subsidiary in the USA.

In the remaining part of the year, the operational structure will be committed to the development of both the BESS pipeline in Italy and in the USA and the Co-Development projects, for which there are contracts with customers for approximately 1.1 GW in the wind and photovoltaic sectors.

FY23E – FY26E Estimates

TABLE 3 – ESTIMATES UPDATES FY23E - FY26E

€/mln	FY23E	FY24E	FY25E	FY26E
Value of production				
New	22,2	28,5	36,5	43,0
Old	22,2	28,5	36,5	43,0
Change	0,0%	0,0%	0,0%	0,0%
EBITDA				
New	10,0	13,4	18,0	22,1
Old	8,9	12,3	16,6	20,2
Change	13,0%	9,4%	8,5%	9,4%
EBITDA margin				
New	45,1%	47,0%	49,2%	51,4%
Old	40,0%	43,0%	45,3%	47,0%
Change	5,2%	4,0%	3,8%	4,4%
EBIT				
New	9,7	12,9	17,3	21,2
Old	8,4	11,6	15,7	19,1
Change	16,2%	11,7%	10,2%	11,0%
Net Income				
New	7,2	9,4	12,7	15,7
Old	6,0	8,3	11,3	13,7
Change	19,2%	13,9%	12,4%	14,7%
Net financial position				
New	1,0	(1,4)	(5,4)	(13,1)
Old	0,9	(0,7)	(4,6)	(11,5)
Change	n/a	n/a	n/a	n/a

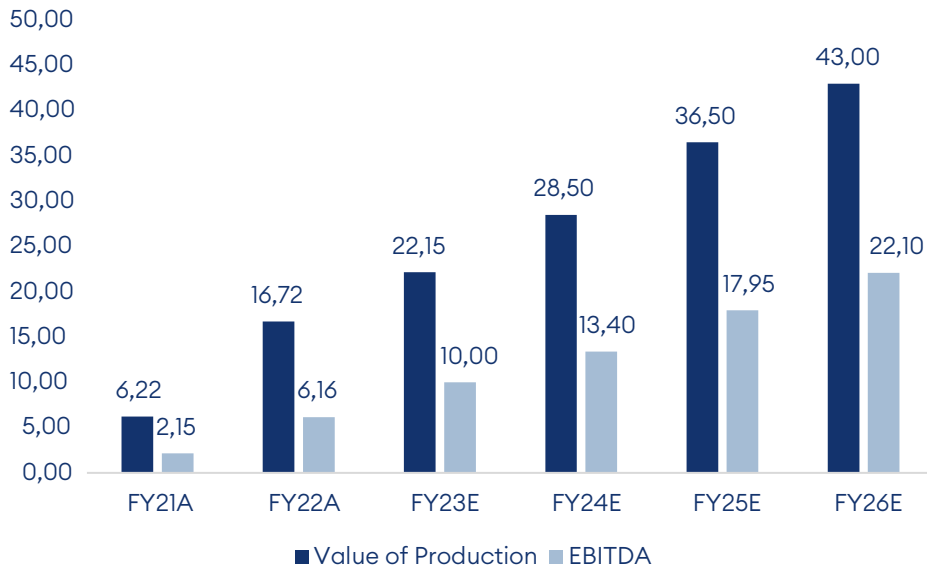
Source: Integrae SIM

In light of the published 2023 half-year results report, we have adjusted our estimates for both the current year and the coming years.

In particular, we confirm an FY23E value of production of € 22.15 million, but have revised the EBITDA figure, which we now estimate at € 10.00 million, corresponding to a margin of 45.1%. In the following years, we expect the value of production to rise to € 43.00 million (CAGR 22A-26E: 26.6%) in FY26E, with EBITDA equal to € 22.10 million (corresponding to a margin of 51.4%), up compared to € 6.16 million in FY22A (corresponding to an EBITDA Margin of 36.8%).

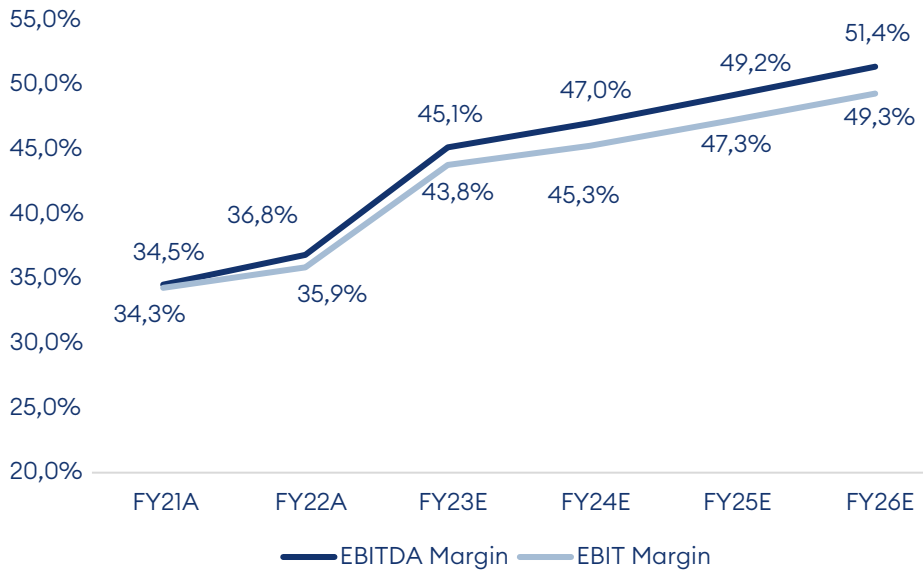
On the balance sheet, however, we expect that the NFP will reach, in FY26E, a cash positive value of € 13.11 million.

CHART 3 – VOP AND EBITDA FY21A-26E



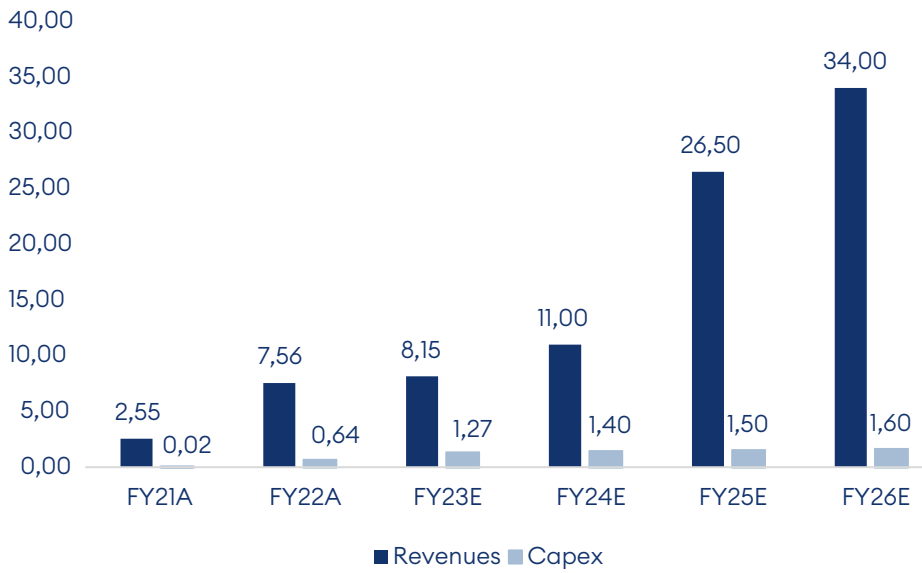
Source: Integrae SIM

CHART 4 – MARGIN FY21A-26E



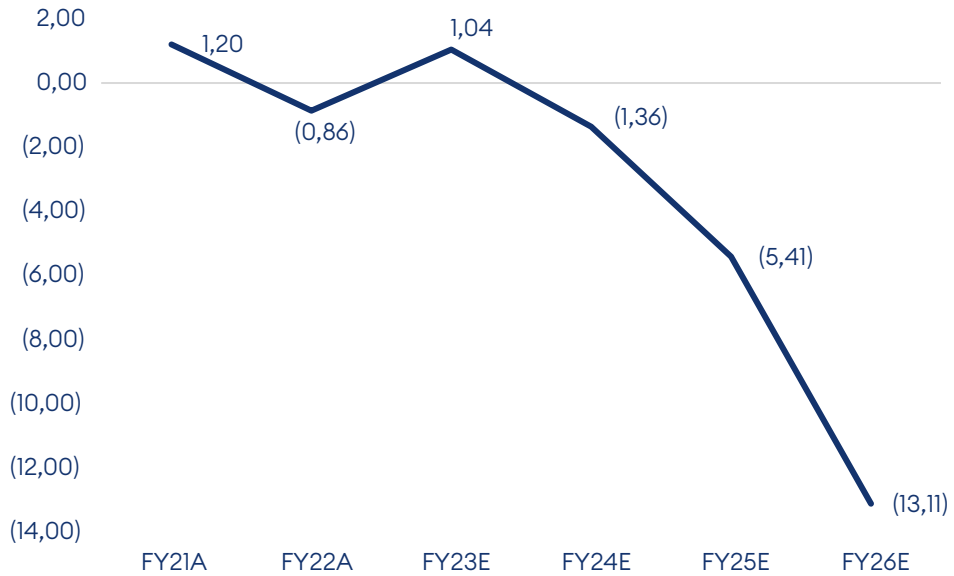
Source: Integrae SIM

CHART 5 - CAPEX FY21A-26E



Source: Integrae SIM

CHART 6 - NFP FY21A-26E



Source: Integrae SIM

Valuation

We conducted 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 4 – WACC

WACC			9,15%
D/E 17,65%	Risk Free Rate 3,64%	β Adjusted 0,49	α (specific risk) 2,50%
K_d 4,00%	Market Premium 8,33%	β Relevered 0,56	K_e 10,26%

Source: Integrae SIM

For prudential purposes, we included a specific risk of 2.5%. The result is therefore a WACC of 9.15%.

TABLE 5 – DCF VALUATION

DCF		% of EV
FCFO actualized	17,7	13,9%
TV actualized DCF	109,6	86,1%
Enterprise Value	127,3	100%
NFP (FY22A)	(0,9)	
Equity Value	128,1	

Source: Integrae SIM

With the above data and taking our estimates and assumptions as a reference, the result is an **equity value of € 128.1 million**.

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mln	Growth Rate (g)	WACC						
		7,7%	8,2%	8,7%	9,2%	9,7%	10,2%	10,7%
	2,5%	202,2	182,8	166,6	152,8	141,1	130,9	122,1
	2,0%	186,0	169,4	155,4	143,5	133,1	124,0	116,1
	1,5%	172,4	158,1	145,9	135,3	126,1	117,9	110,8
	1,0%	160,8	148,3	137,5	128,1	119,8	112,5	106,0
	0,5%	150,9	139,9	130,2	121,8	114,3	107,6	101,7
	0,0%	142,2	132,4	123,8	116,2	109,4	103,3	97,8
	-0,5%	134,6	125,8	118,0	111,1	104,9	99,3	94,2

Source: Integrae SIM

Market multiples

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

TABLE 7 – MARKET MULTIPLES

Company Name	EV/EBITDA			EV/EBIT		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Renergetica SpA	17,8x	14,7x	9,7x	20,9x	17,3x	10,9x
ESI SpA	4,9x	3,5x	2,8x	6,4x	4,4x	3,4x
Iniziative Bresciane S.p.A.	9,2x	8,4x	N/A	15,2x	12,4x	N/A
Comal S.p.A.	6,3x	5,1x	4,5x	6,9x	5,5x	4,4x
Acea S.p.A.	5,5x	5,2x	5,2x	12,6x	12,0x	11,7x
Peer median	6,3x	5,2x	4,9x	12,6x	12,0x	7,6x

Source: Infiniti

TABLE 8 – MARKET MULTIPLES VALUATION

€/mln	FY23E	FY24E	FY25E
Enterprise Value (EV)			
EV/EBITDA	63,0	69,8	87,2
EV/EBIT	121,7	154,9	131,8
Equity Value			
EV/EBITDA	62,0	71,2	92,6
EV/EBIT	120,7	156,3	137,2
Equity Value post 10,0% discount			
EV/EBITDA	55,8	64,0	83,4
EV/EBIT	108,6	140,7	123,5
Average	82,2	102,4	103,4

Source: Integrae SIM

Using EV/EBITDA and EV/EBIT market multiples, the equity value of Altea Green Power is approximately €106.7 million. To this value, we applied a discount of 10.0%. The result is therefore an **equity value of €96.0 million**.

Equity Value

TABLE 9 – EQUITY VALUE

Average Equity Value (€/mln)	112,06
Equity Value DCF (€/mln)	128,13
Equity Value multiples (€/mln)	96,00
Target Price (€)	6,75

Source: Integrae SIM

The results give an average equity value of approximately € 112.1 million. **The target price is therefore € 6.75 (prev. € 6.20). We confirm a BUY rating and MEDIUM risk.**

TABLE 10 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	16,6x	10,2x	7,6x	5,7x
EV/EBIT	17,1x	10,6x	7,9x	5,9x

Source: Integrae SIM

TABLE 11 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	14,4x	8,9x	6,6x	4,9x
EV/EBIT	14,8x	9,1x	6,9x	5,1x

Source: Integrae SIM

Disclosure Pursuant to Delegated Regulation UE n. 2016/958

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Date	Price	Recommendation	Target Price	Risk	Comment
12/01/2023	2,30	Buy	5,00	Medium	Breaking News
08/02/2023	2,80	Buy	5,00	Medium	Breaking News
03/04/2023	3,21	Buy	6,20	Medium	Update

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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)

The methods that INTEGRAE SIM SpA prefers to use for value the company under analysis are those which are generally used, such as the market multiples method which compares average multiples (P/E, EV/EBITDA, and other) of similar shares and/or sectors, and the traditional financial methods (RIM, DCF, DDM, EVA etc). For financial securities (banks and insurance companies) Integrae SIM SpA tends to use methods based on comparison of the ROE and the cost of capital (embedded value for insurance companies).

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- In the IPO phase, Integrae SIM played the role of global coordinator;
- It carries out media marketing activities on behalf of Altea Green Power SpA.