

UPDATE

Altea Green Power

Euronext Growth Milan | Energy & Renewable | Italy

Production 22/01/2024, h. 6:30 pm

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Rating

BUY

unchanged

Target Price

€ 14,00

prev. € 6,75

Risk



Medium

Upside potential

55,5%

Key Financials (€m)	FY22A	FY23E	FY24E	FY25E
Revenues	7,56	3,40	11,50	12,00
VoP	16,72	17,20	31,00	46,20
EBITDA	6,16	7,25	18,75	28,20
EBIT	6,00	7,05	18,45	27,85
Net Profit	4,12	4,65	12,75	19,25
EBITDA margin	36,8%	42,2%	60,5%	61,0%
EBIT margin	35,9%	41,0%	59,5%	60,3%
Net Profit margin	24,6%	27,0%	41,1%	41,7%

Stocks performance relative to FTSE Italia Growth



Stock Data

Price	€ 9,00
Target price	€ 14,00
Upside/(Downside) potential	55,5%
Ticker	AGP IM
Market Cap (€/mln)	€ 155,82
Enterprise Value (€/mln)	€ 158,81
Free Float	30,69%
Share Outstanding	17.313.006
52-week high	€ 9,86
52-week low	€ 2,50
Average daily volumes (3 months)	110.670

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Stock performance	1M	3M	6M	1Y
Absolute	49,5%	102,2%	117,9%	209,3%
to FTSE Italia Growth	47,2%	95,2%	126,5%	222,4%
to Euronext STAR Milan	51,9%	85,8%	117,3%	215,8%
to FTSE All-Share	50,0%	92,1%	113,5%	194,0%
to EUROSTOXX	50,4%	91,4%	115,7%	201,3%
to MSCI World Index	48,8%	88,3%	113,4%	194,0%

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	25,8x	21,9x	8,5x	5,6x
EV/EBIT	26,5x	22,5x	8,6x	5,7x
P/E	37,8x	33,5x	12,2x	8,1x

New Business Plan

In its press release of January 15, 2024, Altea Green Power announced its approval of the new 2024-2028 Business Plan, drawn up considering the significant progress over the last year, in comparison with the expectations of the 2021-2025. The business strategy for the period 2024-2028 is focused on consolidating the positioning of Altea Green Power as a leading player in the development of BESS projects in Italy, with the aim of achieving a market share of around 10.0%, and an installed power of over 5GW by 2028. The Company also plans to continue the expansion of storage co-development projects in the USA and grow its business activities in the development, construction and management of proprietary photovoltaic plants in Italy.

Estimates Update

In light of the new Business Plan, we have adjusted our estimates for both the year just concluded and the coming years. In particular, we now estimate a FY23E value of production equal to € 17.20 million, and an EBITDA equal to € 7.25 million, corresponding to a margin of 42.2%. In the following years, we expect the value of production to rise to € 54.40 million (CAGR FY22A - FY26E: 34.3%) in FY26E, with EBITDA equal to € 33.75 million (corresponding to a margin of 62.0%), 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 2.0% in the calculation of the WACC) returned an equity value of € 271.3 million. Using market multiples, the equity value of Altea Green Power is € 213.4 million. The results give an average equity value of € 242.4 million. **The target price is € 14.00 (prev. € 6.75). 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	3,40	11,50	12,00	31,00
Work in Progress	3,24	8,34	13,00	18,50	33,00	22,00
Other Revenues	0,43	0,83	0,80	1,00	1,20	1,40
Value of Production	6,22	16,72	17,20	31,00	46,20	54,40
COGS	0,14	0,45	0,50	0,85	1,00	1,15
Services	2,76	7,40	6,25	7,80	13,00	15,00
Use of assets owned by others	0,08	0,17	0,20	0,25	0,30	0,35
Employees	0,51	1,17	1,60	1,85	2,05	2,35
Other Operating Expenses	0,58	1,37	1,40	1,50	1,65	1,80
EBITDA	2,15	6,16	7,25	18,75	28,20	33,75
<i>EBITDA Margin</i>	<i>34,5%</i>	<i>36,8%</i>	<i>42,2%</i>	<i>60,5%</i>	<i>61,0%</i>	<i>62,0%</i>
D&A	0,01	0,16	0,20	0,30	0,35	0,40
EBIT	2,13	6,00	7,05	18,45	27,85	33,35
<i>EBIT Margin</i>	<i>34,3%</i>	<i>35,9%</i>	<i>41,0%</i>	<i>59,5%</i>	<i>60,3%</i>	<i>61,3%</i>
Financial Management	(0,37)	(0,05)	(0,20)	(0,25)	(0,35)	(0,45)
EBT	1,76	5,95	6,85	18,20	27,50	32,90
Taxes	0,57	1,83	2,20	5,45	8,25	9,90
Net Income	1,19	4,12	4,65	12,75	19,25	23,00

CONSOLIDATED BALANCE SHEET (€/mln)	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Fixed Assets	0,25	0,73	2,00	3,50	6,60	16,20
Account receivable	0,49	4,42	4,00	4,60	6,80	7,80
Work in Progress	6,90	15,07	26,50	45,00	78,00	100,00
Account payable	1,83	9,51	13,00	21,50	56,20	89,50
Operating Working Capital	5,57	9,98	17,50	28,10	28,60	18,30
Other receivable	2,30	1,21	2,00	4,40	5,40	5,00
Other payable	4,89	1,02	1,20	7,60	10,60	11,60
Net Working Capital	2,98	10,17	18,30	24,90	23,40	11,70
Severance Indemnities & Other Provisions	0,06	0,05	0,20	0,30	0,45	0,60
NET INVESTED CAPITAL	3,18	10,84	20,10	28,10	29,55	27,30
Share Capital	0,60	0,83	0,83	0,83	0,83	0,83
Reserves	0,19	6,76	11,63	16,28	29,03	48,28
Net Income	1,19	4,12	4,65	12,75	19,25	23,00
Equity	1,98	11,71	17,11	29,86	49,11	72,11
Cash & Cash Equivalent	0,00	1,73	0,51	4,86	22,36	48,31
Short Term Debt to Bank	1,20	0,87	1,00	0,60	0,30	0,00
M/L Term Debt to Bank	0,00	0,00	2,50	2,50	2,50	3,50
Net Financial Position	1,20	(0,86)	2,99	(1,76)	(19,56)	(44,81)
SOURCES	3,18	10,84	20,10	28,10	29,55	27,30

CONSOLIDATED CASH FLOW (€/mln)	FY22A	FY23E	FY24E	FY25E	FY26E
EBIT	6,00	7,05	18,45	27,85	33,35
Taxes	1,83	2,20	5,45	8,25	9,90
NOPAT	4,16	4,85	13,00	19,60	23,45
D&A	0,16	0,20	0,30	0,35	0,40
Change in receivable	(3,93)	0,42	(0,60)	(2,20)	(1,00)
Change in Work in Progress	(8,16)	(11,43)	(18,50)	(33,00)	(22,00)
Change in payable	7,68	3,49	8,50	34,70	33,30
Change in others	(2,78)	(0,61)	4,00	2,00	1,40
Change in NWC	(7,19)	(8,13)	(6,60)	1,50	11,70
Change in provisions	(0,00)	0,15	0,10	0,15	0,15
OPERATING CASH FLOW	(2,87)	(2,93)	6,80	21,60	35,70
Capex	(0,64)	(1,47)	(1,80)	(3,45)	(10,00)
FREE CASH FLOW	(3,50)	(4,41)	5,00	18,15	25,70
Financial Management	(0,05)	(0,20)	(0,25)	(0,35)	(0,45)
Change in Debt to Bank	(0,34)	2,63	(0,40)	(0,30)	0,70
Change in Equity	5,61	0,75	0,00	0,00	0,00
FREE CASH FLOW TO EQUITY	1,73	(1,22)	4,35	17,50	25,95

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 fifteen 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, though, over recent years, the focus has shifted to co-development projects, involving, for example, the identification of suitable sites and acquiring of construction permits for large renewable energy plants of all kinds, to be then built and managed by third parties. Furthermore, in 2022, Altea entered the market of *battery energy solar storage systems* (BESS) for electricity.

New Business Plan

In its press release of January 15, 2024, Altea Green Power announced its approval of the new 2024-2028 Business Plan, drawn up considering the significant progress over the last year, in comparison with the expectations of the 2021-2025 Plan, shared with the financial community on publication of the 2022 results.

The business strategy for the period 2024-2028 is focused on consolidating the positioning of Altea Green Power as a leading player in the development of BESS projects in Italy, with the aim of achieving a market share of around 10.0%, and an installed power of over 5GW by 2028. The Company also plans to continue the expansion of storage co-development projects in the USA, a market first approached in 2022 with the first Lund Storage project, and grow its business activities in the development, construction and management of proprietary photovoltaic plants in Italy, with a medium to long term target of 250MW of installed power.

The business plan, taking into account the above, will take shape in various important new projects that are now present in the portfolio, or are under negotiation and yet to be fully defined, and therefore have not been included in previous forecasts.

Among the Company's core business activities, the co-development of renewable projects in Italy involves projects to acquire permits for the development of green energy, photovoltaic energy, wind energy, and storage solutions. While no new investments are envisaged in new wind projects, due to long permit acquisition times, co-development projects in the photovoltaic segment are set to continue over the years of the business plan, with the identification of suitable sites on behalf of international investors and independent power producers (IPPs). The Company currently has permit acquiring projects for a total power of 440MW, and a total value of approximately € 40.00 million, expected to be concluded by 2026. It also envisages the development of a further 690MW of photovoltaic projects over the next few years, all with a profitability (EBITDA margin) greater than 40.0%.

Regarding the storage segment in Italy, on the other hand, several projects are already at permit acquiring stage, in addition to BESS Green, Blue and Yellow portfolios, for a total of over 2.3GW of power under development. Altea strongly consolidated its positioning in this segment in the second half of 2022 through the signing of a co-development contract with Aer Soléir, an Irish company active in the development and management of European utility-scale renewable energy, with a pipeline of three projects totaling 0.5GW of installed power. Over the following months, the acquired reputation for reliability and flexibility allowed the pipeline of projects to be progressively expanded up to the 5GW target set previously. The 2024-2028 Business Plan also places an emphasis on recently signed Black and White BESS projects (totaling approx. 1GW), which will likely be authorized from 2026.

Compared to photovoltaic co-development projects, the storage segment offers much greater profitability, and is a market that, in Italy, is still in the process of consolidation and relatively free of competition, allowing Altea to gain a leading position among the first to offer this type of service, particular regarding large-scale projects. The experience gained in the photovoltaic sector guarantees speed and reliability in the execution of project, made evident in facilitated permit acquiring processes, and therefore the early availability of sites suitable for construction.

Finally, the Company has a presence in the USA through a 25.0% joint venture and a pipeline of storage segment projects for a total power of 2.4GW over the years of the business plan. Of these projects, the aforementioned Lund Storage project, located in Texas, is expected to go on sale as early as 2024, for a total power of 0.52GW. As reported by the Company in the presentation of its Business Plan, for prudential purposes, significant revenues from business in the United States are not expected in the period from 2024 to 2028, since only the total reimbursement of the investment is expected. This precautionary attitude considers that all the proceeds from the sale of subsequent projects will be reinvested in photovoltaic projects with storage solutions in the United States, in order to make the most of now consolidated partnerships with local developers, and of promising opportunities in the very large and growing rapidly market.

No particularly significant investments are envisaged in the engineering, procurement and construction (EPC) and energy efficiency business lines, although the implementation of photovoltaic projects for third-party customers and efficiency improvement projects, particularly for condominiums and industrial sites, will continue over the years of the plan.

The Company aims to cover all the steps in the value chain of the renewable energy market, and therefore intends to develop and construct, from 2025, its first self-owned photovoltaic plants, with an initial target of 90MW, and long-term target of 250MW. The construction of its own plants would represent for Altea the addition of an activity to the Company's core business, and the diversification and stabilization of cash flows in relation to the sale of the energy produced.

In conclusion, the Company has approved a challenging yet concrete business plan, with important medium to long term goals for a significant acceleration of growth, followed by a strong increase in already high margins. The growth strategy of Altea Green Power appears to be solid and diversified, first of all, through the consolidation of its role as a strategic and instrumental player in the implementation of photovoltaic and storage projects in Italy and the USA, and then through its entry into the industrial sector of developing and managing of photovoltaic systems in Italy, which has been part of the Company's plans since the conclusion of the IPO in February 2022.

Finally, the operational development plans integrate a confirmed attention to environment, social, governance and sustainability issues. From the very first stages of its growth path, Altea has seen sustainability as the natural evolution of its business, and substantiated this attention by preparing a three-year environment, social, governance (ESG) plan based on the achievement of a structured set of objectives and actions, associated with measurable KPIs. The Company thus released its first Sustainability Report in 2022, and launched a multi-year project to develop its reporting process according to the new EU Corporate Sustainability Reporting Directive (CSRD).

In the press release, Giovanni di Pascale, Founder and CEO of Altea, commented: *“Altea Green Power places environmental, social and economic sustainability at the center of its growth. We want to contribute to the growth of green energy, in line with European and global policies, making our contribution to the fight against climate change. We put people and their demands and needs at the center of our actions. Only in this way do we think to ensure a lasting growth model for AGP and all its stakeholders.”*

FY23E – FY26E Estimates

TABLE 3 – ESTIMATES UPDATES FY23E - FY26E

€/mln	FY23E	FY24E	FY25E	FY26E
VoP				
New	17,2	31,0	46,2	54,4
Old	22,2	28,5	36,5	43,0
Change	-22,3%	8,8%	26,6%	26,5%
EBITDA				
New	7,3	18,8	28,2	33,8
Old	10,0	13,4	18,0	22,1
Change	-27,5%	39,9%	57,1%	52,7%
EBITDA %				
New	42,2%	60,5%	61,0%	62,0%
Old	45,1%	47,0%	49,2%	51,4%
Change	-3,0%	13,5%	11,9%	10,6%
EBIT				
New	7,1	18,5	27,9	33,4
Old	9,7	12,9	17,3	21,2
Change	-27,3%	43,0%	61,4%	57,3%
Net Income				
New	4,7	12,8	19,3	23,0
Old	7,2	9,4	12,7	15,7
Change	-35,0%	35,6%	51,6%	47,0%
NFP				
New	3,0	(1,8)	(19,6)	(44,8)
Old	1,0	(1,4)	(5,4)	(13,1)
Change	n/a	n/a	n/a	n/a

Source: Integrae SIM

In light of the guidelines shared in the presentation of the 2024-2028 Business Plan, we have updated our estimates for both the current year and the coming years.

In particular, we now estimate an FY23E value of production of € 17.20 million, and an EBITDA of € 7.25 million, corresponding to a margin of 42.2%. In the following years, we expect the value of production to rise to € 54.40 million (CAGR 22A-26E: 34.3%) in FY26E, with EBITDA equal to € 33.75 million (corresponding to a margin of 62.0%), up from € 6.16 million in FY22A (corresponding to an EBITDA margin of 36.8%).

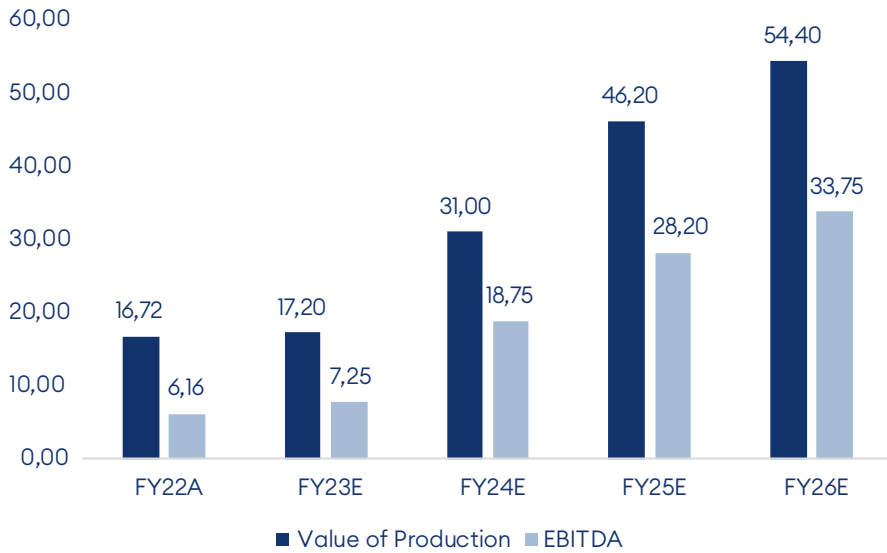
The estimates for 2023 are down on the expectations expressed in the previous report, with the value of FY23E production going down from € 22.15 million to the revised figure of € 17.20 million.

This difference is attributable to the failure to conclude a permit acquiring phase for certain BESS projects, initially scheduled for the second half of December 2023, but now postponed to the first few months of 2024. Net of this effect, a positive outcome for all the projects currently under development is still expected, as are the excellent margin improvements in relation to the greater profitability of BESS compared to photovoltaic projects.

The first proceeds from reaching milestones for the Company's Green and Blue BESS projects are expected in 2024, while, from 2025 onwards, we expect to see the launch of Yellow BESS projects, the conclusion of photovoltaic projects currently at the permit acquiring stage, and the start-up of further significant projects. The increase in turnover from the BESS segment, as anticipated, will allow the Company to improve its EBITDA margin up to an estimated value of more than 60.0%.

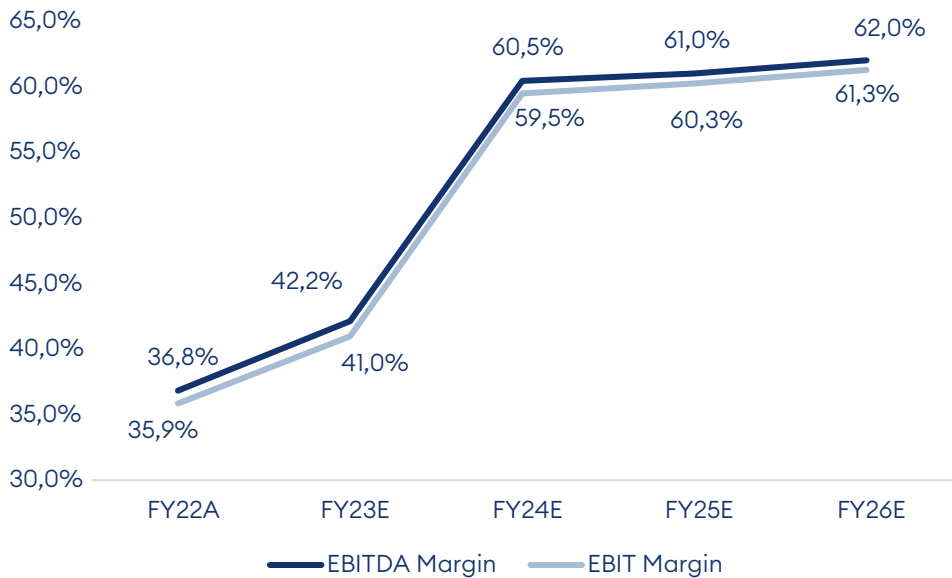
On the balance sheet, however, we expect the strong growth in projects in the co-development and permit acquiring stage will not have significant impacts on the management of working capital, thanks to Altea's ability to negotiate regular milestones and advances on payments, guaranteeing a certain periodicity in collections and significant cash availability over the short to medium term. Indeed, we expect that the cash generation from operating activities will lead to the achievement of a positive cash NFP in FY26E estimated at € 44.81 million.

CHART 3 – VOP AND EBITDA FY22A-26E



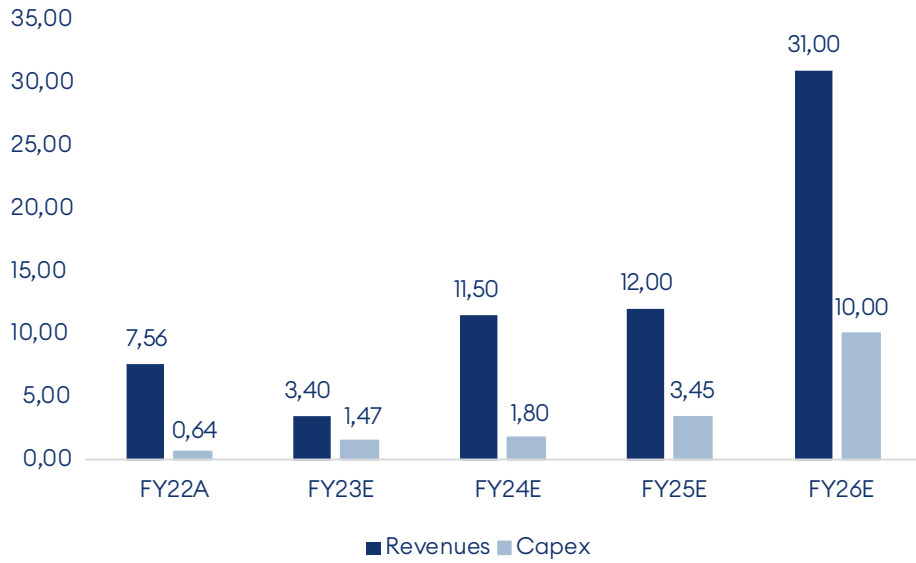
Source: Integrae SIM

CHART 4 – MARGIN FY22A-26E



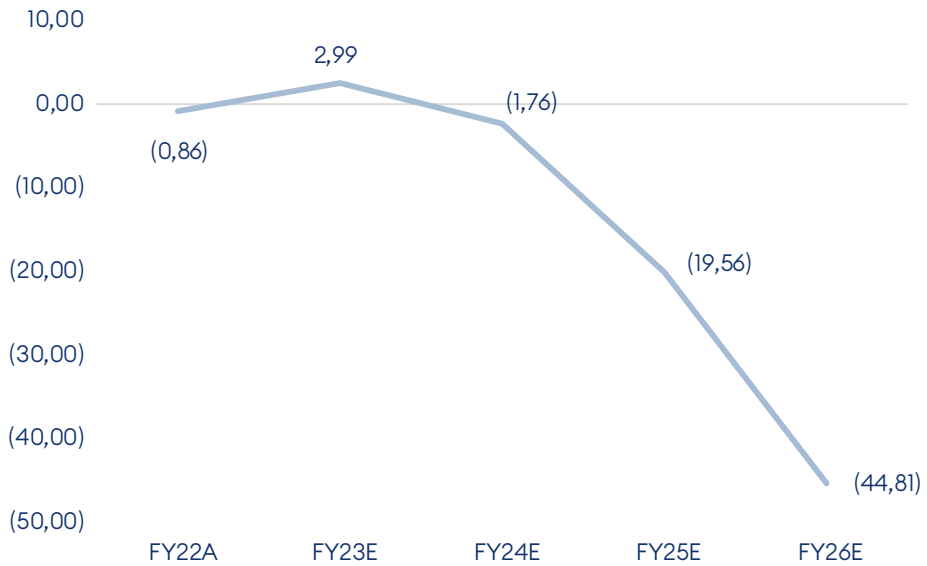
Source: Integrae SIM

CHART 5 – CAPEX FY22A-26E



Source: Integrae SIM

CHART 6 – NFP FY22A-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				9,23%
D/E 17,65%	Risk Free Rate 3,05%	β Adjusted 0,65	α (specific risk) 2,00%	
K_d 5,50%	Market Premium 7,81%	β Relevered 0,74	K_e 10,16%	

Source: Integrae SIM

For prudential purposes, we included a specific risk of 2.0%. The result is therefore a WACC of 9.23%.

TABLE 5 – DCF VALUATION

DCF		% of EV
FCFO actualized	33,6	12,0%
TV actualized DCF	240,7	88,0%
Enterprise Value	274,3	100%
NFP (FY23E)	3,0	
Equity Value	271,3	

Source: Integrae SIM

With the above data and taking our estimates and assumptions as a reference, the result is an **equity value of € 271.3 million**.

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mln	WACC							
	271	7,7%	8,2%	8,7%	9,2%	9,7%	10,2%	10,7%
Growth Rate (g)	3,0%	445,8	399,4	361,2	329,2	302,2	278,9	258,8
	2,5%	406,1	367,2	334,6	307,1	283,4	262,9	244,9
	2,0%	373,3	340,2	312,1	287,9	267,0	248,8	232,7
	1,5%	345,9	317,2	292,6	271,3	252,7	236,3	221,7
	1,0%	322,4	297,4	275,7	256,7	240,0	225,1	211,9
	0,5%	302,3	280,1	260,8	243,7	228,6	215,1	203,0
	0,0%	284,7	265,0	247,6	232,2	218,5	206,1	195,0

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 is made up of:

TABLE 7 – MARKET MULTIPLES

Company Name	EV/EBITDA				EV/EBIT				P/E			
	FY23E	FY24E	FY25E	FY26E	FY23E	FY24E	FY25E	FY26E	FY23E	FY24E	FY25E	FY26E
Comal SpA	6,0	5,0	4,0	N/A	7,2	5,8	4,6	N/A	N/A	N/A	n/a	N/A
ESI SpA	64,5	6,0	3,3	N/A	n/a	8,6	4,3	N/A	N/A	13,5	6,5	N/A
Renenergetica SpA	16,5	11,6	8,4	10,6	18,5	12,9	9,0	12,5	36,0	43,9	19,0	19,0
Acea SpA	6,0	5,8	5,6	5,4	13,9	13,1	13,0	12,4	10,7	10,6	10,4	12,0
Iniziative Bresciane SpA	9,3	8,5	8,1	N/A	32,3	22,4	22,6	N/A	21,1	10,4	10,6	N/A
Peer median	9,3	6,0	5,6	8,0	16,2	12,9	9,0	12,5	21,1	12,1	10,5	15,5

Source: Infincials

TABLE 8 – MARKET MULTIPLES VALUATION

€/mln	FY23E	FY24E	FY25E	FY26E
Enterprise Value (EV)				
EV/EBITDA	67,4	112,5	157,9	269,2
EV/EBIT	114,4	237,1	250,7	415,2
P/E	98,1	153,6	202,1	356,5
Equity Value				
EV/EBITDA	64,4	114,3	177,5	314,0
EV/EBIT	111,4	238,8	270,2	460,0
P/E	98,1	153,6	202,1	356,5
Average	87,9	176,5	223,8	387,0

Source: Integrae SIM

Using EV/EBITDA, EV/EBIT and P/E market multiples, the result is an **equity value of € 213.4 million**.

Equity Value

TABLE 9 – EQUITY VALUE

Average Equity Value (€/mln)	242,36
Equity Value DCF (€/mln)	271,31
Equity Value multiples (€/mln)	213,42
Target Price (€)	14,00

Source: Integrae SIM

The results give an average equity value of approximately € 242.36 million. **The target price is therefore € 14.00 (prev. € 6.75). We confirm a BUY rating and MEDIUM risk.**

TABLE 10 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	39,8x	33,8x	13,1x	8,7x
EV/EBIT	40,9x	34,8x	13,3x	8,8x
P/E	58,9x	52,1x	19,0x	12,6x

Source: Integrae SIM

TABLE 11 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	25,8x	21,9x	8,5x	5,6x
EV/EBIT	26,5x	22,5x	8,6x	5,7x
P/E	37,8x	33,5x	12,2x	8,1x

Source: Integrae SIM

Disclosure Pursuant to Delegated Regulation UE n. 2016/958

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08/02/2023	2,80	Buy	5,00	Medium	Breaking News
03/04/2023	3,21	Buy	6,20	Medium	Update
16/10/2023	5,38	Buy	6,75	Medium	Update
06/11/2023	4,50	Buy	6,75	Medium	Breaking News

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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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