

Initiation of Coverage

MID CORPORATE

Innovatec

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Ready to Become a Leader in the Cleantech Industry

Innovatec operates in the cleantech industry, with a distinctive business model, leveraging on the asset base in environment/circular economy and the know-how in energy efficiency. Innovatec simplifies customer's management of the entire cleantech cycle, offering tailor-made solutions less exposed to price pressures. A challenging but well-defined plan has been recently announced, with a 2021-24 CAGR EBIT of around 50%, driven by the revenues and EBITDA expansion and by a rebalancing towards less capital-intensive activities.

BUY

Target Price: EUR 3.4

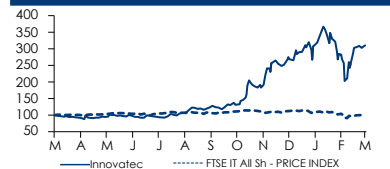
Positives

We believe that Innovatec can leverage on the following company-specific positives: 1) access to a growing and resilient market, driven by the "European Green Deal" and the "Next Generation EU" investments; 2) a distinctive business model, leveraging on the asset base in environment/circular economy and the know-how in the energy efficiency; 3) thanks to the extensive presence along the value chain and a lean structure facilitating decision-making flow, Innovatec offers tailor-made solutions less exposed to price pressures; 4) with the Cobat acquisition, Innovatec has integrated a platform for recycling, which should enlarge with other attractive verticals; 5) a solid managerial experience, able to develop a competitive positioning; and 6) an ESG native company, enabling customers' sustainability with a well-defined governance.

Italy/Industrial

EGM (ex-AIM)

Price Performance
(RIC: INC.MI, BB: INC IM)



Risks

We highlight some possible business risks, such as: 1) changes in regulation and the government measures to support the green transition. However, the distinctive business model and the long-term competence in new regulations and measures may represent a competitive advantage for Innovatec; 2) difficulty to find/retain qualified candidates to support expansion plans; and 3) competition possibly coming from large multi-utilities, but its business model, covering all the cleantech cycle, is difficult to replicate.

Estimates and valuation

Our estimates are slightly conservative vs. the company's business plan in order to incorporate an execution risk underlying a strong growth. Our DCF model points to a target price of EUR 3.4/share and we initiate coverage of the stock with a BUY rating.

Innovatec - Key Data

Price date (market close)	29/03/2022
Target price (EUR)	3.4
Target upside (%)	61.14
Market price (EUR)	2.11
Market cap (EUR M)	201.29
52Wk range (EUR)	2.47/0.59

Price performance %	1M	3M	12M
Absolute	11.2	16.8	214.0
Rel. to FTSE IT All Sh	11.5	26.6	202.3

Y/E Dec (EUR M)	FY21A	FY22E	FY23E
Revenues	237.8	265.0	320.0
EBITDA	32.90	35.78	43.20
EBIT	10.73	16.23	24.95
Net income	6.24	8.50	14.38
EPS (EUR)	0.07	0.09	0.15
Net debt/-cash	10.04	-0.85	-10.48
Adj P/E (x)	12.7	23.7	14.0
EV/EBITDA (x)	3.3	6.1	4.7
EV/EBIT (x)	10.1	13.4	8.2
Div ord yield (%)	0	0	0

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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Investment Case

Positives

Innovatec, leveraging upon its asset base in environment and circular economy and its know-how in the energy efficiency transition, is **ready to become a leader in the cleantech industry**. The Cleantech model and the paradigms are the building blocks to support the circular economy transition and the targets set by the European Union programmes, such as the “European Green Deal”, which entails EUR 1Trn investments in ten years, and the “Next Generation EU”, EUR 750Bn of loans and grants available to support reforms and investments in the EU countries for being better prepared for the challenges and opportunities of the green and digital transitions.

Thanks to the investments entailed in **the recently announced 2022-24 business plan**, Innovatec, while leveraging on the cash generating assets, is gradually rebalancing P&L and balance sheet vs. the less intensive capital energy efficiency activity.

Access to a growing and resilient market in Italy. Sustainability is becoming an increasingly important and urgent trend, and Italy, in line with European Union directives, is adopting stringent regulations to curb GHG emissions by 55% by 2030 (vs. the 1990 level), with the aim to be carbon neutral by 2050. Italy should invest EUR 60Bn for the Italian green revolution and ecological transition, with measures/projects included in the National Recovery and Resilience Plan (NRRP), such as “Superbonus” and “Ecobonus”. Awareness of circularity and energy efficiency is also growing, an increasing number of companies from various sectors are assessing their environmental impact caused by their businesses and are keen to move towards a sustainable, accountable and respectful model for the wellbeing of the planet and next generations. Furthermore, the Russia/Ukraine conflict and subsequent EU and allies’ sanctions could spur investments in energy efficiency in order to reduce Italian dependency on Russian gas. Moreover, Innovatec is exposed to other NRRP measures, such as the **Energy Communities** (EUR 2.2Bn funding) and the **Agrivoltaics** (EUR 1.1Bn funding), where is well positioned to be a turnkey constructor.

Innovatec has developed **a distinctive business model** in its attractive reference markets. It offers a 360-degree service to the customer, starting from the vertically integrated structure in environment and circular economy, which allows to control every step of the cycle, thus ensuring cost efficiency and flexibility. Moreover, it is also able to support customers in terms of energy efficiency and renewable solutions, facilitating the energy transition and proposing as a problem solver to reduce emissions. This distinctive business model is key to differentiate from other players, even those larger than Innovatec, which are usually focused on specific segments in the cleantech industry and are not able to offer seamless solutions.

Thanks to its distinctive business model, Innovatec simplifies customer’s management of the entire environmental and energy efficiency cycle, and is able to offer **tailor-made solutions less exposed than competitors to price pressures**. Indeed, Innovatec has specialised teams with the ability to assess costumers’ needs related to circular economy and/or energy efficiency and consequently offer in a timely manner, a tailor-made solution for each specific client. Furthermore, thanks to a large network of suppliers and partners, Innovatec has no pressure to choose any particular product or supplier but only to select the best solutions for its clients, which we think is a tangible strength. The group can count on a base of over 2,000 customers with a loyalty rate at 95%, according to management.

By offering a wide range of integrated solutions for both circular economy and energy efficiency at a nationwide level, **Innovatec is able to fully exploit cross selling**. This is possible thanks to an important portfolio of companies specialised in various segments

Well positioned in the cleantech industry...

...with a 2022-24 plan leveraging assets and rebalancing towards less intensive capital activities

An attractive reference market in Italy, for a raising awareness of sustainability, and the support of governments’ measures

A distinctive business model

Tailor-made solutions protect from price pressures

Cross-selling opportunities

supported by approx. 160 partners. To further reinforce its positioning and develop cross-selling opportunities, Innovatec's 2022-24 business plan aims at strengthening the asset base and increasing workforce in energy efficiency, thus, enlarging its commercial and industrial offer.

Thanks to the acquisition of Cobat, Innovatec has integrated **a platform for recycling**. In particular, Cobat is active in the collection, storage and recycling of waste, such as batteries, accumulators, electrical and electronic equipment as well as end-of-life tyres. Thanks to a capillary network of recovery points throughout the territory, treatment operations can be replicated for each type of product and guarantees an efficient service for the collection, storage and recycling of any type of waste. Moreover, the "Extended producer responsibility directive" is attributing to manufactures and importers certain responsibilities related to environmental impact of the product life-cycle. Therefore, a growing number of players have organised themselves into consortia to properly collect and dispose of the products. Innovatec, thanks to its recycling platform, is well positioned to seize this opportunity, possibly focusing on some specific verticals. In particular, Innovatec has two patents related to Lithium batteries recovery and it could benefit from batteries' recycling significant opportunity, also thanks to a recent partnership with CNR.

A platform for recycling, thanks to the Cobat acquisition

Innovatec's **lean structure** allows to promptly react to regulatory changes and/or to seize new business opportunities, with an effective decision-making flow from the board or technical committees to the operative structure.

Lean structure and effective decision-making flow

Innovatec board members and management boast a long managerial experience in the energy industry, energy efficiency and environment, which has allowed the group to develop competitive positioning. Now, it is in a position to seize the benefits from the positive trend in the reference industry. Management is adopting a new governance structure and policy, based on decentralization, digitalisation and competences.

A solid managerial experience

We consider Innovatec an ESG native company. The company is a key enabler to its customers' sustainability and this approach is fully integrated in the corporate strategy. Moreover, the clear separation between property and management show commitment also on governance, in the interest of minority investors.

An "ESG native" company

Key risks

Regulation and government measures to support the green transition may change overtime, with possible consequences to Innovatec's reference markets. However, its distinctive business model and long-term competence in understanding and applying new regulations and measures may represent a competitive advantage. It could become a reference point for many whom need to develop their circular economy and energy efficiency plans.

Regulation framework

Potential hiring difficulties. While the company has an ambitious business plan, it may find it difficult to find/retain qualified candidates to support its expansion plans.

Potential hiring difficulties

Competition from large multi-utilities. Waste management and large multi-utilities have the ability and size to create new companies/segments dedicated to the cleantech industry. However, Innovatec's distinctive business model, able to offer seamless solutions through the entire cycle of environment/circular economy up to energy efficiency, is difficult to replicate.

Competition from large players

Risks related to environmental assets. The company has always met regulatory requirements of environmental and circular economy assets, in particular the landfills, also through adequate investments. However, we cannot rule out that in the future some extra costs may be incurred, because of changes of regulation or malfunctions of the assets.

Valuation

We initiate coverage of Innovatec using a DCF model, which we think is an appropriate method to value the long-term growth in the circular economy and energy efficiency markets in Italy and we use a valuation with peers' comparison as a cross-check. Our DCF-based **target price is EUR 3.4/share**. Given the potential upside vs. the current market price of around 63%, we initiate coverage of the **stock with a BUY rating**.

DCF model

We value Innovatec using a DCF model with a WACC of 8.2%, calculated on:

- A 1.75% risk-free rate;
- A 6.25% equity risk premium;
- A gearing of 0%, considering the company's strong cash generation (cash positive starting this year).

Innovatec – WACC calculation (%)

Gross Cost of Debt	4.0
Tax rate	24
Net Cost of Debt	3.0
Gearing	0.0
Beta (x) *	1.0
Risk-free rate	1.75
Equity risk premium	6.25
Cost of equity	8.2
WACC	8.2

* Bloomberg; Source: Intesa Sanpaolo Research estimates

We incorporate our 2022-24E forecasts, while for the long term we assume a 2.0% growth. As usual, capex equals depreciation. To calculate the equity value, we deduct the FY21A net financial position, minorities, employees benefits and more importantly the landfill business liabilities, which we estimate at EUR 38.7M.

Innovatec – DCF calculation

EUR M	FY22E	FY23E	FY24E	LT
EBIT	16.2	25.0	36.2	38.3
Taxes	-5.0	-8.0	-11.7	-11.9
NOPAT	11.2	17.0	24.5	26.3
D&A and provisions	19.6	18.3	17.2	
Capex	-17.5	-19.5	-22.0	
NWC changes	0.30	-3.50	-3.50	
FCF	13.6	12.2	16.1	26.3
Discounted FCF	13.6	11.3	13.8	20.8
WACC (%)	8.2			
Perpetuity growth rate (%)	2			
NPV of cash flows	38.6			
NPV of terminal value	336.1			
EV	374.7			
NFP FY21A	10.0			
Employee benefits	2.5			
Minorities	1.7			
Provisions landfill business liabilities	38.7			
Equity value	321.9			
No. of shares fully diluted (M)	95.4			
Value per share (EUR)	3.4			

Source: Intesa Sanpaolo Research estimates

Below, we show a sensitivity analysis to WACC and perpetual growth rate changes.

Sensitivity analysis

Innovatec – Sensitivity analysis

EUR/share	growth (%)				
WACC (%)	1.50	1.75	2.00	2.25	2.50
7.7	3.4	3.6	3.7	3.9	4.1
8.2	3.1	3.2	3.4	3.5	3.7
8.7	2.8	2.9	3.1	3.2	3.3

Source: Intesa Sanpaolo Research estimates

Multiples analysis

As a cross-check, we compare Innovatec with a basket of European peers (see Appendix 3 for details on peers) even if Innovatec is the only player who covers both energy efficiency and circular economy businesses. We select some listed peers, namely Ambientthesis, Séché Environnement, Renewi PLC, Derichebourg SA, Befesa, Biffa Plc, A2A, Iren, Hera and EdiliziAcrobatica.

Peers' revenues (FY19-23E)

EUR M	FY19A	FY20A	FY21A	FY22E	FY23E
A2A	7,122	6,668	8,553	8,682	8,639
Iren**	4,081	3,537	4,264	4,524	4,660
Hera	6,913	7,079	8,507	9,940	9,863
EdiliziAcrobatica	39	45	88	105	123
Ambientthesis	86	85	166	175	184
Séché	704	673	791	860	910
Renewi PLC**	1,781	1,775	1,662	1,831	1,871
Derichebourg**	2,708	2,466	3,407	4,504	4,806
Befesa GY	648	604	836	1,104	1,130
Biffa PLC	1,237	1,331	1,172	1,561	1,709
Innovatec*	97.1	161.6	237.8	265.0	320.0

**FY21E; A: actual; E: estimates; Source: Bloomberg and *Intesa Sanpaolo Research

Peers' EBITDA margin (FY19-23E)

EUR M	FY19A	FY20A	FY21A	FY22E	FY23E
A2A	16.7	16.6	16.3	16.5	17.8
Iren**	21.0	24.2	23.2	23.6	24.4
Hera	14.1	14.2	14.2	12.4	13.0
EdiliziAcrobatica**	10.2	9.6	21.3	15.2	17.6
Ambientthesis	8.5	7.8	19.3	19.1	19.1
Séché Environnement	17.0	18.0	21.1	21.7	21.9
Renewi PLC**	4.2	5.8	11.0	13.0	12.9
Derichebourg**	6.8	7.7	10.3	9.5	9.1
Befesa GY	24.6	17.4	23.0	23.2	24.8
Biffa PLC	12.0	15.0	13.1	15.0	15.1
Innovatec*	23.1	11.1	13.8	13.5	13.5

**FY21E; A: actual; E: estimates; Source: Bloomberg and *Intesa Sanpaolo Research

Based on FY22-24 EV/EBITDA, EV/EBIT and P/E multiples of these peers, our DCF looks consistent with a peers' comparison considering the recent market correction.

Innovatec – Peers' valuation

x	Price	Mkt Cap	FY22E			FY23E			FY24E		
			EV/EBITDA	EV/EBIT	P/E	EV/EBITDA	EV/EBIT	P/E	EV/EBITDA	EV/EBIT	P/E
A2A	1.5	4,933	7.2	16.3	13.5	7.0	15.4	12.7	7.0	15.2	11.2
Iren	2.4	3,120	6.6	13.8	10.8	6.4	13.8	10.3	6.1	13.4	10.0
Hera	3.3	5,027	7.0	13.9	14.3	6.6	13.4	14.0	6.5	12.8	13.1
EdiliziAcrobatica	15.8	131	8.7	9.3	17.3	6.2	7.7	12.9	NA	NA	NA
Ambientthesis	1.0	158	6.4	10.7	11.5	6.1	9.9	10.6	5.1	8.6	NA
Séché Environnement	70.8	572	5.4	12.3	13.9	5.0	11.1	12.2	4.4	9.7	10.4
Renewi PLC	8.1	568	4.6	9.0	8.6	4.9	10.4	10.6	4.6	9.4	9.2
Derichebourg SA	9.6	1,568	4.6	7.0	8.3	4.3	6.5	8.1	3.1	4.7	6.8
Befesa GY	72.6	2,900	12.7	15.8	21.0	11.7	14.2	20.2	11.8	15.6	21.1
Biffa PLC	4.0	1,040	8.5	17.2	17.2	7.7	15.0	15.0	7.0	13.5	13.6
Average			7.2	12.5	13.6	6.6	11.8	12.6	6.2	11.4	11.9
Innovatec	2.1	206	5.2	11.6	23.4	4.0	7.0	13.8	2.9	4.3	9.1
Innovatec* EBITDA (EUR M)				35.8			43.2			53.3	
Innovatec* EBIT (EUR M)					16.2		25.0				36.2
Innovatec* net income (EUR M)						8.5		14.4			21.9
Innovatec* net cash (EUR M)				-0.8	-0.8	-0.8	-10.4	-10.4	-10.4	-24.0	-24.0
EV (EUR M)				255.9	203.3	115.8	284.0	293.2	181.4	329.7	413.3
Fair value (EUR M)				256.7	204.1	116.6	294.4	303.7	191.9	353.7	437.3
Fair value per share (EUR)				2.7	2.1	1.2	3.1	3.2	2.0	3.7	4.6
Avg fair value per share (EUR)				2.8							3.0

Priced at market close of 28/03/2022; Source: Bloomberg and * Intesa Sanpaolo Research estimates

Group Profile at a Glance

Innovatec, leveraging upon its asset base in circular economy and its know-how in the energy efficiency transition, is ready to become a leader in the cleantech industry in Italy.

It offers a 360-degree service to the customer, starting from the vertically integrated structure in environment and circular economy, which allow to control every step of the cycle, thus ensuring cost efficiency and flexibility.

It is also able to support customers in terms of energy efficiency and renewable solutions, facilitating the energy transition and proposing as a problem solver to reduce emissions. This distinctive business model is key to differentiate from other players, even those larger than Innovatec, which are usually focused on specific segments in the cleantech industry and are not able to offer seamless solutions.

Moreover, the “lean” structure allows to promptly react to regulatory changes or to size new business opportunities, and the transmission of decisions from the board or technical committees to the operative structure is very effective.

Thanks to the investments entailed in the 2022-24 business plan recently announced, the company, while maintaining the cash generating activities related to the assets, is gradually rebalancing P&L and balance sheets vs. the less intensive capital activities of energy efficiency.

The company posted revenues at EUR 237.8M in FY21PF, broken down in two well-integrated segments: Environment & Circular Economy and Energy efficiency & Renewables, both supported by Innovation & Consultancy Services business unit:

- **Environment and Circular Economy** provides to +2,000 customers, most of which are large companies, a wide range of services to satisfy their sustainability needs, including collection and transportation of waste from producers via own fleet and third-party collectors; treatment of waste via proprietary selection & treatment systems and five services centres in North Italy; permanent disposal of waste via two proprietary active landfills and a third under management (all in Northern Italy) as well as recycling-transformation of waste into new resources; sorting materials into recoverable and non-recoverable. The segment contributed with EUR 170M in revenues in FY21A, representing 71.5% of total revenues. EBITDA came in at EUR 22.4M (EBITDA margin: 13.2%);
- **Energy Efficiency & Renewables** offers services through Innovatec Power S.r.l which develops projects and offers Energy Efficiency products and services for industrial customers and Public Administration (B2B) as well as, energy efficiency interventions in favor of families and condominiums (B2C) thanks to HouseVerde project. The segment covers also the renewable sources business with the construction and management of plants for the production of energy from large and medium-sized renewable sources and the construction of waste disposal plants. In FY21A, the segment's revenues more than quadrupled (+332%) yoy and came in at EUR 67.4M vs. EUR 15.6M in FY20A. EBITDA reached EUR 13.0M vs. EUR 2.4M in FY20A, representing 28.5% of total revenues, EBITDA margin at 19.4%;
- **Innovation and Consultancy services** consist of a team of sales consultants, whom gather customers' needs in order to help them to implement circular economy principles and energy efficiency solutions in their business model. Practically, it is a structure that supports and brings contracts to the two above-mentioned segments.

Offering a seamless solution to customers...

... with a “lean” structure and an effective “transmission of decisions”...

... while rebalancing vs. less intensive capital activities

Environment & Circular Economy

Energy Efficiency

Innovation & Consultancy

Innovatec – Integrated Segments

ENVIRONMENT & CIRCULAR ECONOMY		INNOVATION & CONSULTANCY SERVICES	EE & RENEWABLES	
cobat	MARKT	greenUp	Circularity	INNOVATEC VENTURE
TRADITIONAL ENVIRONMENTAL SERVICES	Collection Selection Recovery of Materials Disposal Recycling	High level advisory in circular economy + Cleantech corporate venture capital	INNOVATED POWER	HOUSE
CIRCULAR ECONOMY SERVICES	Energy recovery EPR driven services		B2B B2C PA	Energy efficiency EPC PV plants Smart vertical technologies HouseVerde ("HV") Energy communities Kyoto fund Energy communities

Source: Company data

Thanks to its tangible and intangible assets that were built and consolidated over time, Innovatec aims to be a key player in the cleantech industry, ready to drive it towards "conscious, innovative and responsible sustainability" and to direct the market towards a new model of sustainable development, to help communities become zero impact by providing tailor-made innovative, concrete and timely solutions to environmental problems. Also considering the clear separation between property and management, which show commitment also on governance in the interest of minority investors, we regard Innovatec as an "ESG native" company.

An "ESG native" company

The group can count on a loyal base of over 2,000 customers, particularly in the industrial and commercial sectors, which constitutes a valuable cross-selling opportunity. At December 2021, the group had 259 employees, of which 205 dedicated to Environment and Circular Economy business and 54 workers specialised in Energy Efficiency. Since the IPO on AIM in 2013, Innovatec deployed several assets:

- 156MW of installed capacity from Cogeneration and Trigenation;
- 59MW of installed capacity from photovoltaics plants;
- 50km of district heating network covering 12,000 buildings;
- 30MW wind plant and 12MW biogas plant;
- 24 greenhouses supplied with biomass boiler.

Revenues grew along this development, improving from EUR 21M in FY14 to EUR 238M in FY21. The EBITDA from EUR 1.2M in FY14 to approx. EUR 33M in FY21A. The organic growth, supported by the ability to seize opportunities in the circular economy and energy efficiency, was complemented by well executed M&A deals. We see Innovatec well positioned to play a major role in the future of the Italian green transition.

Innovatec - Milestones



Source: Company data

A Distinctive Business Model

As aforementioned, the vertically integrated structure in environment and circular economy and the support to customers in terms of energy efficiency and renewable solutions, represents a distinctive business model, which is key to differentiate from other players, even those larger than Innovatec, which are usually focused on specific segments in the cleantech industry and are not able to offer seamless solutions.

The Business Model relies upon an asset-based BU (Environment & Circular Economy) which is cash generative and support the development of the asset-light BU (Energy Efficiency). The 2022-24 business plan aims at gradually rebalancing P&L and balance sheets vs. the less intensive capital activities of energy efficiency, while maintaining the cash generating activities related to the assets.

Innovatec Group's mission is to offer tailor made solutions in circular economy and energy efficiency landscape. Thanks to an integrated consulting approach, the group covers the entire value chain in the environmental sustainability sector: from energy efficiency to the optimisation of environmental processes, as well as water efficiency, waste management and training services dedicated to the various production chains of the sector. Innovatec relies on a vertically integrated structure and a business model based on internal salesforce and consolidated partnership. In fact, Innovatec's objective is to provide clients with the best personalised solutions to their requests without having the obligation to choose a specified supplier or/and product.

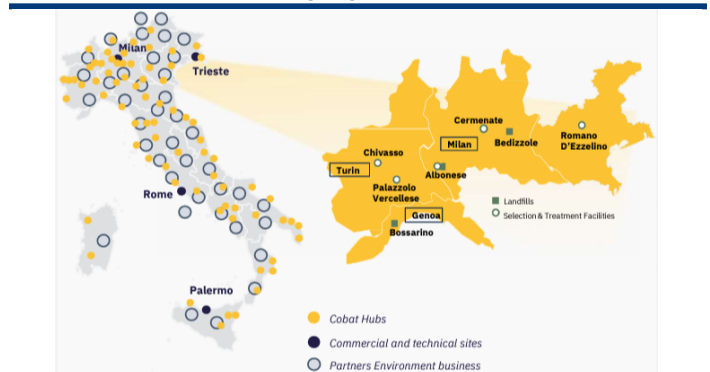
Tailor-made solutions & Client comes first approach

Innovatec – Key figures for operations in Italy

	Italy
Sorting & treatment plants (Northern Italy)	5
Bio-gas plants	5
Landfills proprietary/under management	2/1
PV Plants	2
Proprietary vehicles	100
Equipment	3,300
Patents (Lithium batteries recovery)	2
Corporate Clients (Environment services)	around 1,600
Loyalty rate (%)	95
Partners (Environmental services)	50
COBAT Collection Hubs	60
Clients (Energy efficiency)	around 400
Sale force (in house and partners)	around 200
Technicians	30

Source: Company data

Innovatec – Asset base and geographical presence



Source: Company data

Environment & Circular Economy

The Environment & Circular Economy BU is the historical activity of the company and includes an important asset base developed over the years. Please see Appendix 2 for details of these assets.

Haiki+

Innovatec has set-up Haiki+, which provides companies, organisations as well as public administrations with tailor-made services, which include integrated environmental services, state-of-the-art plants to recover materials and energy, application of circular economy models. Haiki+ guides customers towards the optimisation and reduction of resource consumption in order to achieve Circular Economy objectives, which are:

- **Designing out waste and pollution:** asks businesses to rethink the supply chain and challenges them to avoid waste and pollution. The best-case scenario is applying this principle in the early production development phase. We highlight that much of the waste that releases greenhouse gases into the environment comes from structural waste (polluting air, land and water);
- **Maintaining products and materials in use:** optimising the consumption of resources through the creation and use of products, components and materials that maintain their greatest utilisation over an extended period of time, practically companies should reuse, remanufacture, or recycle the resources;
- **Regenerating natural systems:** promoting and pursuing effective systems in order to preserve renewable resources but also return them to the soil to support regeneration.

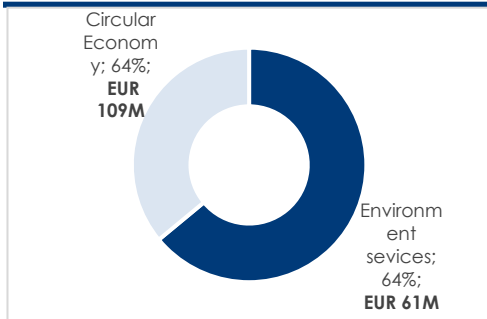
Innovatec – Environment & Circular Economy activities

COLLECTION / TRANSPORT	SORTING & TREATMENT	DISPOSAL	RECYCLE / RECOVERY
circular economy			circular economy
Collection and transportation of waste from producers via own fleet and third-party collectors	Sorting materials into recoverable and non-recoverable	Permanent disposal of waste	Biogas from landfill
Transportation to selection & treatment facilities and landfills	Compacting	Recycling	EPR
	Refuse-derived fuel ("RDF")	Biogas recovery	Valuable Materials recovery from "RAEE"
	Processing and trading wastepaper and other recovered materials		

Source: Company data

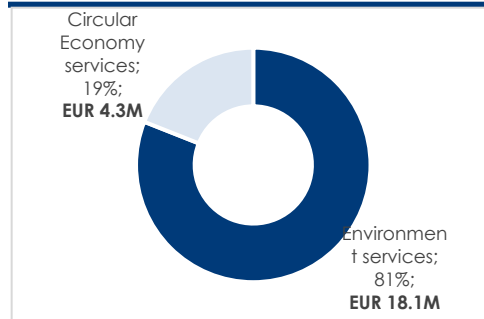
Haiki+ serves approx. 1,600 companies from different industries, principally waste producers, such as large-scale retail trade, automotive and distribution players as well as manufacturing and highway catering businesses. In FY21, the segment showed an increase of 16% yoy as revenues came in at EUR 170M. EBITDA reached EUR 22.4M, a 13.2% margin. The higher EBITDA margin of the environment services (29.6%) is due to the contributions of disposal landfills', which have EBITDA margin at around 60%.

Env. & Circular Eco. FY21 revenues breakdown



Source: Company data

Env. & Circular Eco. FY21 EBITDA breakdown



Source: Company data

A platform for recycling

In December 2021, Innovatec acquired 56% of Cobat (a consideration of EUR 9.5M), a company active in the collection, storage and recycling of waste, such as batteries, accumulators, electrical and electronic equipment as well as end-of-life tyres. Cobat FY21 revenues reached EUR 93.1M (+22% yoy) and EBITDA at EUR 2.3M. Innovatec acquired another 19.51% of Cobat in March 2022 at EUR 2.3M.

Thanks to a capillary network of recovery points throughout the territory, COBAT treatment operations can be replicated for each type of product and guarantees an efficient service for the collection, storage and recycling of any type of waste. Leveraging upon COBAT assets, Innovatec intends to develop a platform for recycling.

Indeed, the "Extended producer responsibility directive" is attributing to manufactures and importers certain responsibilities related to environmental impact of the product life-cycle. Therefore, a growing number of players have organized themselves into consortia to properly collect and dispose of the products.

Innovatec – Cobat segments



Source: Company data

Innovatec is well positioned to seize the regulatory opportunity, empowering the platform with some specific verticals. In particular:

- Innovatec has 2 patents related to Lithium batteries recovery and the company could benefit from batteries recycling significant opportunity, also thanks to a recent partnership with CNR;
- In July 2021 a 90% was bought of Ecological Wall, a company specialised recovering plaster from drywall.

Innovatec – Ecological Wall



Source: Company data

- In January 2022, Innovatec acquired 65% of SEA, a company active in the collection, recovery and treatment of waste from electrical and electronic equipment at EUR 2.75M cash and 25% in March 2022;

- In 2021 Matemorfofi has been set up, with the aim to set up a treatment facility dedicated to the **recovery of end-of-life mattresses**, in order to create a virtuous circuit of collection, recovery, recycling and reintroduction on the market of the valuable material contained in end-of-life mattresses, such as steel, wood and foam that can be otherwise repurposed.

Innovatec - Matemorfofi



Source: Company data

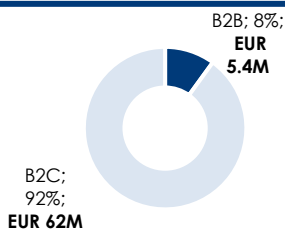
Finally, in the Environment & Circular Economy activities, **Innovatec Venture** has the mission to select the most promising innovative start-ups in the cleantech landscape, providing not only financial support, but above-all a consolidated experience in the sector, a distinctive technological know-how in the field of material recovery and a strong presence on the national territory.

Energy Efficiency (EE)

The Energy Efficiency BU is the asset-light part of the business, which provides services through the subsidiary Innovatec Power in the segment of energy efficiency and energy requalification. In May 2021 Innovatec Power has received in kind the ESCO (Energy Service Company) activities by Innovatec.

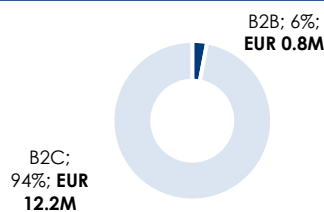
Thanks to a regulatory and technical know-how, through dedicated structures and qualified employees (e.g. with EGE certification, which certify competences on managing energy in an effective way), Innovatec Power, provides customers with services of project, implementation and management of installations. Innovatec Power serves approx. 400 clients, mainly B2C supported by fiscal incentives (i.e.: Superbonus 110%, Ecobonus 65%). In FY21, the segment's revenues more than quadrupled (+332%) yoy and came in at EUR 67.4M vs. EUR 15.6M in FY20. EBITDA reached EUR 13.0M vs. EUR 2.4M in FY20.

Innovatec - EE FY21 revenues breakdown



Source: Intesa Sanpaolo Research elaboration on Company data

Innovatec - EE FY21 EBITDA breakdown



Source: Intesa Sanpaolo Research elaboration on Company data

At end of December 2021, Innovatec Power covered the main regions in Italy through commercial and technical sites located in Milan, Trieste, Rome and Palermo. Sites employ 26 technicians and 16 commercials and are supported by 161 partners.

Innovatec Power – Geographical presence



Source: Company data

A segmented offer

Innovatec Power offer is multi-brand, according to the specific target of customers.

In the **residential segment** (B2C) it has developed the **HouseVerde** project with the aim of offering energy efficiency interventions to citizens, actively contributing to reduce the environmental impact of real estate's emissions. Interventions could be free of charge (depending on the bonus used and legislation's evolution) and turnkey, through the study of architectural, structural and plant engineering elements.

Thanks to the Superbonus 110%, Innovatec's team offers solutions related to:

- Improvement of at least two energy classes;
- Replacement of heating, air conditioning, hot water systems with high efficiency systems. Installation of photovoltaic system with storage. Charging stations and home automation;
- Coat insulation for at least 25% of the dispersing surface and replacement of all windows and doors;
- Earthquake resistant renovation as long as the buildings are not located in seismic zone 4 or higher. The average contract price for a project is around EUR 100,000 for the B2C segment, approx. EUR 300,000 for public administrations and could go up until EUR 7M for large projects.

To strengthen its structure, Innovatec Group bought Clean Tech LuxCo, a company active in environmental sustainability in Dec 2020 (100% at July 2021).

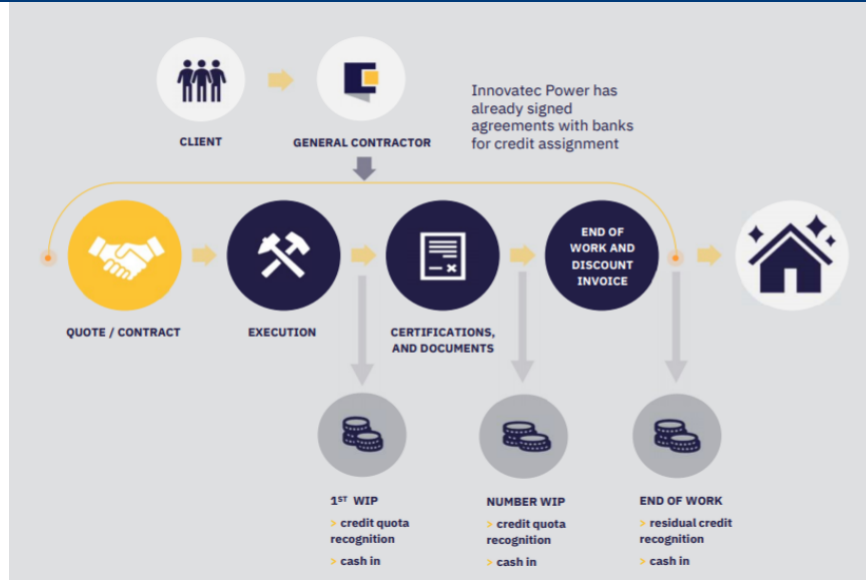
Innovatec – Energy Efficiency solutions



Source: Company data

The group's value proposition is to ensure the completion of the entire project, facilitating the execution of technical works by assuming the role of General Contractor and assist the customer in every phase of the procedure required to reach the tax credit.

Innovatec – HouseVerde proposal



Source: Company data

In FY21, Houseverde reported preliminary revenues of EUR 62M and a client base of approx. 1,000 households. EBITDA was EUR 12M. The Backlog for further projects amount to EUR 70M at end December 2021, while the preliminary contracts, waiting to receive the documentation for the conversion in a definitive contract, amounts to EUR 140M.

In the **B2B segment**, the company is active in energy efficiency and energy requalification services to non-residential buildings and production plants, also focusing on the real estate portfolio of IACP (social housing) and Public Administration. Also the Agrivoltaics is an area of interest, supported by NPRR incentives. B2B solutions consists of:

- an energy consumption analysis of companies that use energy fossil fuels and coal;
- design, installation and management technologies to improve energy efficiency to clients' companies;
- a contractual analysis aimed at a resource recovery and purchase price reductions;
- improve sustainability and produce energy independently through renewables sources (solar thermal, wind power and Biogas/Biomethane);
- monitoring and identification of the company's energy profile by conducting energy audit that includes ISO 5001 certification. The final part covers evaluation of efficiency measures and a support for access to incentive mechanisms (TEE).

Revenues in the B2B segment were still limited in FY21, around EUR 5.4M, while EBITDA was EUR 0.8M. However, thanks to its know-how, we see an important potential for Innovatec in the B2B segment in particular with public administration (schools, offices, etc).

Strategy

Innovatec's strategy leverages on the cash generating assets, while gradually rebalancing P&L and balance sheet vs. the less intensive capital activities of energy efficiency. As better detailed below in the 2022-24 business plan main targets, the return on the invested capital is expected to grow from a 15% in 2021 pro-forma, to 38% in 2024.

The strategy is defined in a supportive scenario. To reach the target of reducing CO2 emissions by over 55% by 2030 and reaching carbon neutrality by 2050, the Italian government should continue its focus on green transition by setting goals and financial resources, thanks to the Green Deal programme, with a commitment to the circular economy and by defining incentives in Budget Laws. The pillars of Innovatec's strategy are:

Circular Economy

- Strengthen the asset base. In the next three years, EUR 22M should be allocated to landfills by extending the residual life of Albonese (+450k mc) and Bossarino landfill and approx. EUR 12M should be available for M&A deals focused on treatment facilities;
- Broaden service proposal; EUR 1.9M should be allocated for the collection segment;
- Transfer the group's know-how.

Innovation

- Invest in breakthrough technologies. EUR 10M is the business plan budget for innovative facilities dedicated to material recovery from mattresses (Matemorfofi) and drywall (Ecological Wall). In addition, EUR 13M should be allocated to revamping & innovation of existing plants;
- Promote technology transfer;
- Support innovative start-ups mainly through Innovatec Venture. EUR 4M should be devoted to cherry-picking in the cleantech start-up landscape.

Energy Efficiency & Renewables

- Become a leader in the reference sector;
- Facilitate energy transition;
- Become an energy problem solver.

To achieve business plan objectives, the group intends to support organic growth by increasing its workforce from 260 in 2021 PF to 385 in 2024, a +14% CAGR. Specifically, it intends to more than double the EE staff, increasing from 54 to 117 and to strengthen the Circular Economy business by hiring 62 people.

Innovatec – Human resources



Source: Company data

Main Targets of the 2022-24 Business Plan

In February 2022, Innovatec presented a challenging 2022-24 business plan, confident on its competitive positioning. Below, we report the details of the financial targets.

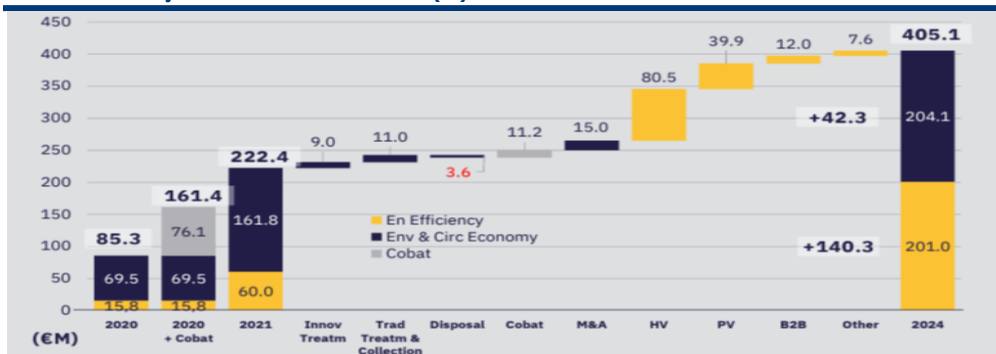
Revenues evolution

Preliminary revenues should grow from EUR 222.4M in 2021PF to EUR 405.1M in 2024, at a 22% CAGR between 2021 and 2024, with an important rebalancing from assets-based activities to energy efficiency activities. In management's view, the main growth drivers are:

- **Houseverde** project, the **energy efficiency activity for residential business**, should have the highest contribution (EUR +80.5M) to the plan, thanks to the regulatory and technical know-how, and supported by incentives (Superbonus, ecobonus);
- The **B2B segment in energy efficiency** should contribute for EUR +12M to the plan;
- Over the plan, Innovatec should **build approx. 65MWp of PhotoVoltaic (PV) plants**, with an additional contribution to revenues of around EUR 39.9M;
- Substantial opportunity in the **lithium batteries and PV modules recycling**;
- **Disposal activities** are projected to diminish by a 3% CAGR in the BP period, due to a reducing of landfills' capacity;
- **Energy-communities** segment's estimated revenues should be EUR 8M by 2024;
- The investment in **new technologies to reduce emissions** should bring around EUR 7.6M additional revenues by 2024;
- **Collection business** should increase by a 14% CAGR between 2021 and 2024, predominantly thanks to the corporate client acquisition.

As shown in the following chart, energy efficiency business contribution to total revenues in 2024 should reach EUR 201M (49.6% of revenues) from EUR 60M in preliminary data 2021 (27% of revenues).

Innovatec – Projected Revenues in 2024T (M)



*2021 preliminary data; Source: Company data

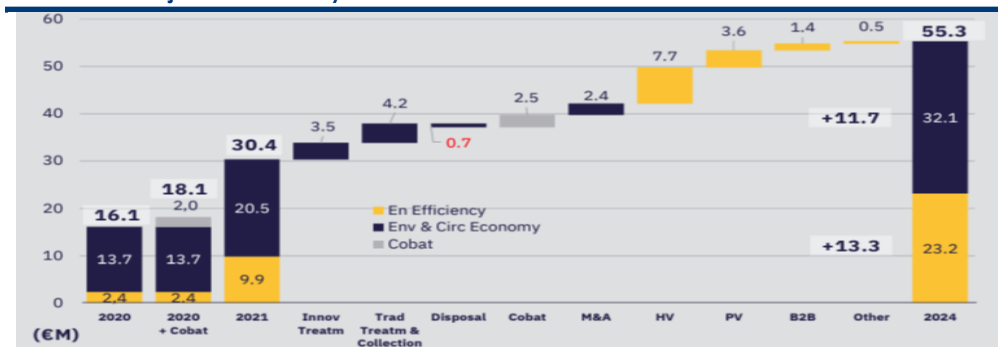
EBITDA evolution

The evolution of EBITDA in the plan reflects revenues trends, also considering that the assets-based business of environment and circular economy has a higher profitability vs. the energy efficiency services. The EBITDA should increase from EUR 30.4M in

preliminary 2021PF to EUR 55.3M in 2024, at a CAGR of 22%. The EBITDA margin should remain broadly stable at 13.7%. In management's view, the main growth drivers of EBITDA are:

- **Houseverde project** should contribute to EBITDA growth with EUR 7.7M, reducing profitability because of competitive pressure and increase in equipment costs;
- The **B2B segment in energy efficiency** should contribute with EUR 1.4M;
- The **PV plants** should contribute with EUR 3.6M additional EBITDA and represent around 15% of Energy Efficiency sector EBITDA by 2024;
- **Collection business** should reach a 10% margin, thanks to a critical mass increase and lead client acquisition;
- **Cobat** should also increase in margins, mainly thanks to cost efficiencies and cross-selling opportunities;
- At least 8% of EBITDA by 2024 should come from **M&A activities**;
- **Disposal activities** should gradually decrease its contribution to EBITDA.

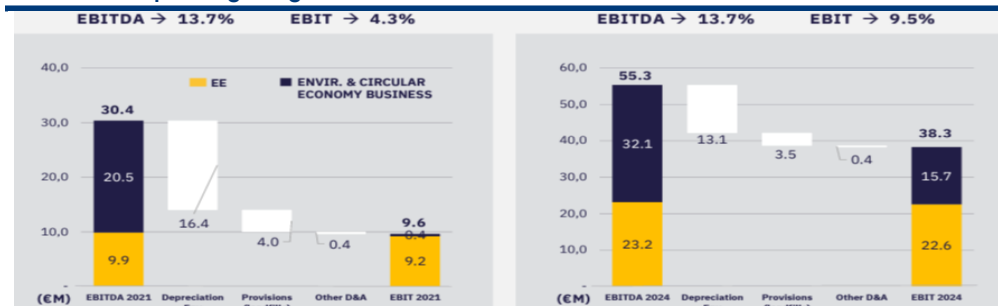
Innovatec – Projected EBITDA by 2024



*2021 preliminary data; Source: Company data

By rebalancing the business towards the energy efficiency asset-light activity, depreciation gradually reduces from EUR 16.4M in preliminary 2021PF to EUR 13.1M in 2024, thus triggering an important increase in the EBIT margin, from 4.3% in 2021 PF to 9.5% in 2024.

Innovatec – Operating margins

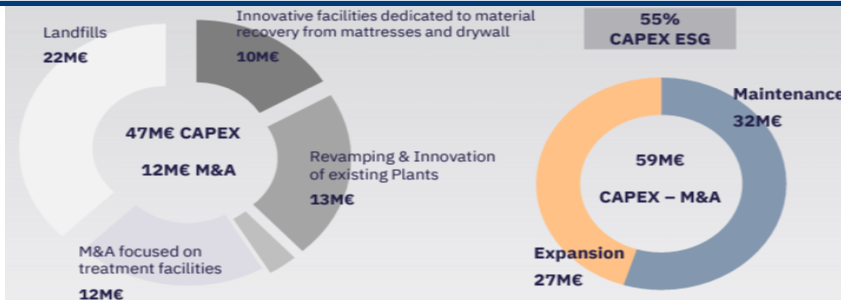


*2021 preliminary data; Source: Company data

To sustain the drivers of organic growth and the expansion in new profitable areas, Innovatec intends to invest EUR 47M in capex and EUR 12M in M&A deals. Around 46% of capex are dedicated to expansion, and around 55% are ESG focused. In particular, capex will be selectively focused on:

- EUR 22M for landfills;
- EUR 13M for Revamping & Innovation of existing Plants;
- EUR 10M for innovative facilities dedicated to material recovery from mattresses and drywall.

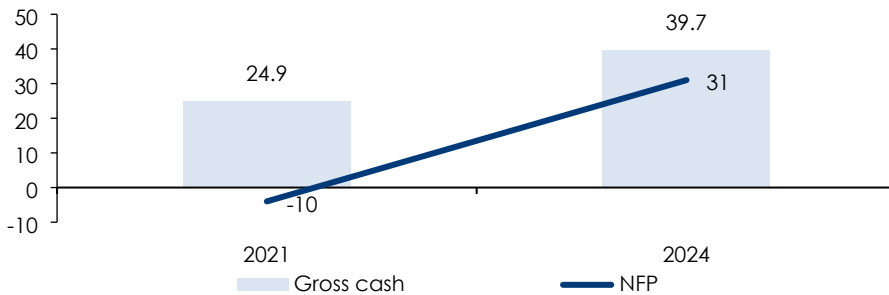
Innovatec – Capex



Source: Company data

The plan envisages a strong cash generation, which should allow to increase cash in hands by 60% to reach around EUR 40M in 2024. The net financial position should improve from an around EUR 4M net debt in 2021PF to around EUR 31M net cash in 2024.

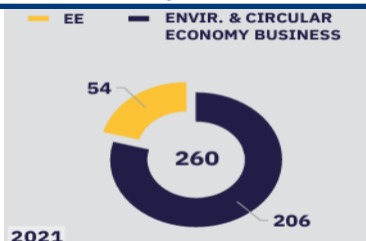
Innovatec – Net financial position 2021 vs. 2024 (EUR M)



Source: Company data

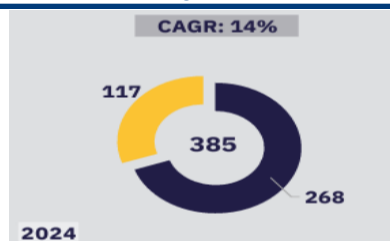
Alongside a capex plan, to support the growth, management is also investing in human resources, by hiring around 125 new employees by 2024, of which 63 in the energy efficiency BU, which is asset-light but requires regulatory and technical competences.

Innovatec – HR by segment in 2021



Source: Company data

Innovatec – HR by segment in 2024

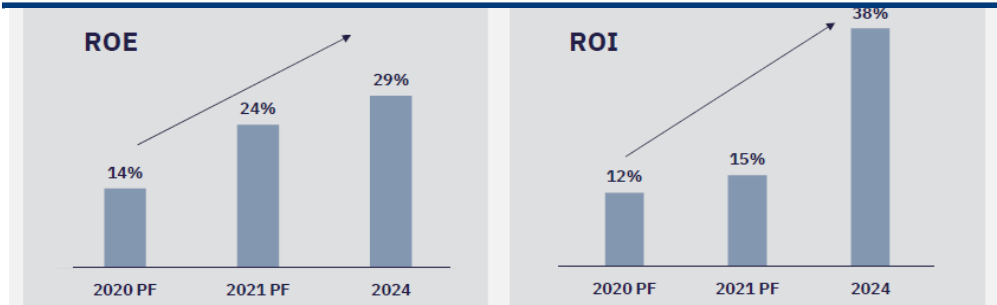


Source: Company data

The gradually rebalancing of P&L and balance sheet vs. the less intensive capital activities of energy efficiency is the key to increasing return for shareholders and on invested capital. Indeed, the return on equity (ROE) is expected to grow from a 24% in

preliminary 2021 pro-forma, to 29% in 2024, while the return on the invested capital (ROI) is expected to grow from a 15% in preliminary 2021 pro-forma, to 38% in 2024.

Innovatec – ROE and ROI



Source: Company data

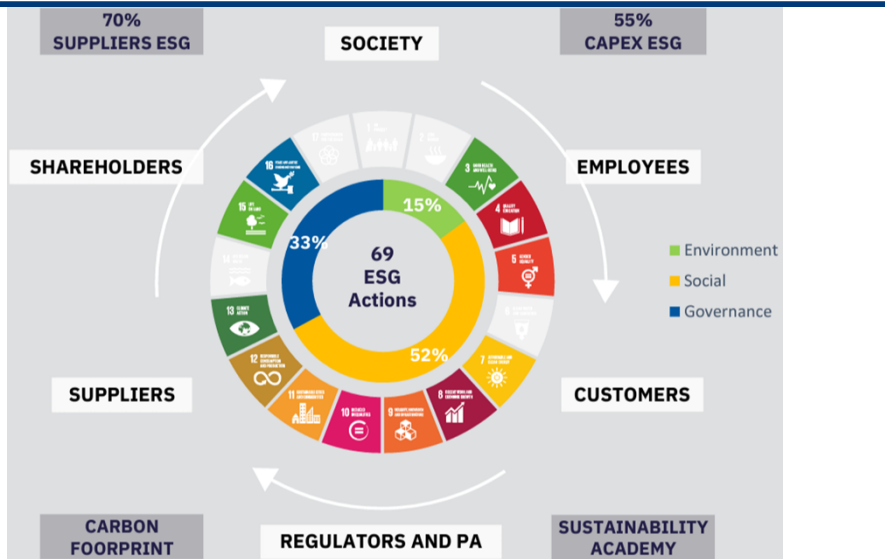
ESG Corner

Innovatec is a key enabler to its customers' sustainability and this approach is fully integrated in the corporate strategy:

- 69 ESG actions have been defined, from employees, to customers, to suppliers, to regulators and public administration, to shareholders and stakeholders;
- 15% of the actions refer to environment, 52% to social and 33% to governance.
- 70% of suppliers are ESG compliant;
- 55% of the capex entailed by the 2021-24 plan are ESG driven.

Considering the enabler role for customers' sustainability, the several actions deployed on social aspects, and a well-defined governance, with a clear separation between property and management, in the interest of minority investors, we regard Innovatec as an "ESG native" company.

Innovatec – ESG metrics



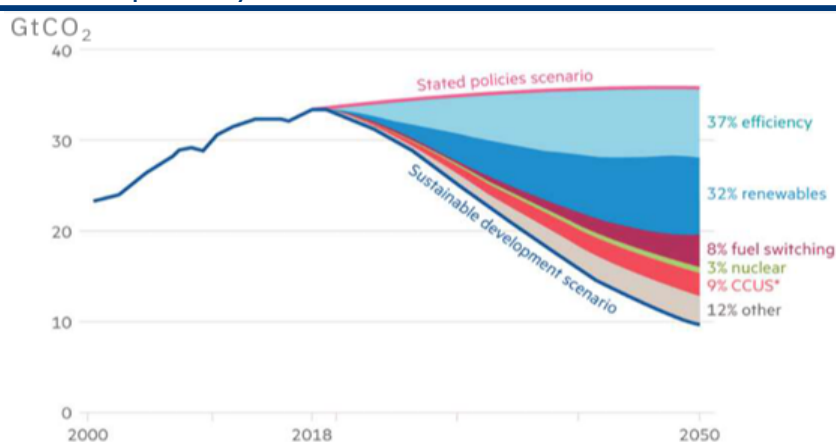
Source: Company data

The group published its last sustainability report in May 2021. Thanks to the energy efficiency measures carried out by Innovatec in 2020, a total of 3,621 tonnes of CO2 were avoided. It is equivalent to the annual consumption of electricity of 1,811 family, 21,730 round trips from Milan to Dusseldorf or 647ha of planted forest.

Market Analysis

Cleantech, also referred to as clean technology, and often used interchangeably with the term greentech, has emerged as an umbrella term encompassing the investment asset class, technology, and business sectors, which include clean energy, environmental, and sustainable or green, products and services. In 2019, the European Commission introduced an ambitious proposal to make the bloc climate-neutral by 2050. The proposal set specific 2030 and 2050 emission-reduction goals. Practically, in 8 years, we would have to reduce our CO₂ emissions by 55% vs. the 1990 level and another 20 years to be carbon neutral. As a member of the EU, Italy pledged to the same objectives.

EU emission development – by focus



Source: European Commission report

To implement the EU/Italian abovementioned objectives, legislative interventions related to environmental sustainability are becoming a priority:

■ **EU Green deal.** one of the most important initiative in Europe, that aims to make the climate challenge and ecological transition an opportunity for a new development model, allowing Europe to exercise a leadership role at worldwide level. Europe should invest more than EUR 1Trn for the next decade. In fact, the European Commission set the following targets to maximise the re-use of resource:

- Reduction of greenhouse gas emissions from 40% to at least 55% by 2030;
- Recycling by 2025 for at least 55% of municipal waste (60% by 2030 and 65% by 2035);
- Reduction in landfill disposal capacity, which should have to fall to 10% by 2035 (from 20% in 2020);
- Recycling of 65% of packaging by 2025 and 70% by 2030;
- Separate collection of organic waste by 2023 and textile waste by 2025;
- Coverage of 55% of gross consumption of electricity from renewable energy sources (RES), compared to 35% in 2019;
- Phase-out from coal-fired generation by 2025;
- 70% of global electricity should come from renewable sources by 2030 (38% in 2020 in Italy), implying an installation of approx. 70 GW of renewable power over the next ten years (2020 installed capacity was 56 GW).

EU's landfill waste disposal and recycled waste targets by 2030-35



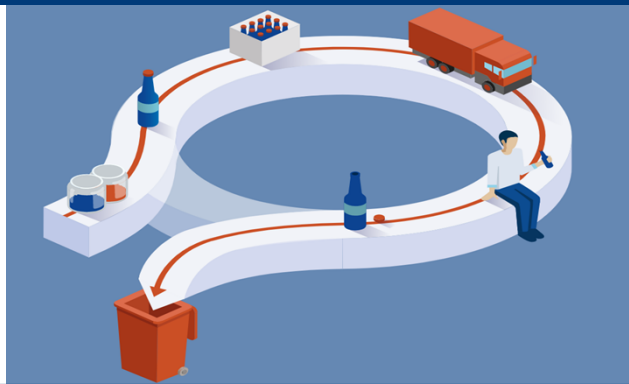
Source: European Commission

- **The update of the action plan for the circular economy drawn up in 2015**, which include significant decisions like the adoption of a coordinated model at EU level of separate collection, promotion of an initiative for "sustainable products" aimed at a "circular" design of all products, promoting new development models aimed at reduction and reuse, setting requirements to prevent the placing on the market of harmful products to the environment and strengthening extended producer responsibility and measures to combat planned obsolescence and greenwashing practices among others;
- **Paris agreement Cop21** which sets out a global framework to avoid dangerous climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C. At least 55 countries representing at least 55% of global emissions had to deposit their instruments of agreement ratification;
- **Next Generation EU**. A tool introduced by the European Union for post-pandemic recovery from Covid-19, relaunching the economy of the member states and making it greener and more digital. The NGEU is a EUR 750Bn package, consisting of grants and loans, the core component of which is NRRP, which has a duration of six years, from 2021 to 2026, and a total size of 672.5Bn (EUR 312.5Bn grants, the remaining EUR 360Bn are low-interest loans);
- **Italian National Recovery and Resiliency Plan (NRRP)** with EUR 222.1Bn is in our view one of the pillars of our investment case. We note that EUR 60Bn is allocated to green transition and ecological projects (see examples in Energy Efficiency related chapter);
- **Industry 4.0**. The plan provides for a series of tax breaks, provided in the form of a tax credit, for investments in digitalization including learning, R&D.

Circular Economy

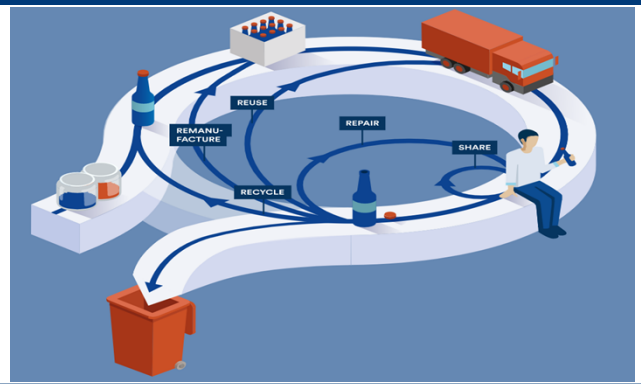
In a circular economy, products and the materials they contain are greatly valued. This contrasts with the traditional, linear economic model, which is based on a 'take-make-consume-throw away' pattern. In practice, a circular economy minimises waste through reusing, repairing, refurbishing and recycling existing materials and products. Moving towards a more circular economy could deliver benefits, including reduced pressure on the environment; enhanced raw materials supply security; and increased competitiveness, innovation, growth and jobs. However, there are also challenges, such as finance, key economic enablers, skills, consumer behaviour, business models and governance.

Linear Economy



Source: European parliamentary research service

Circular Economy

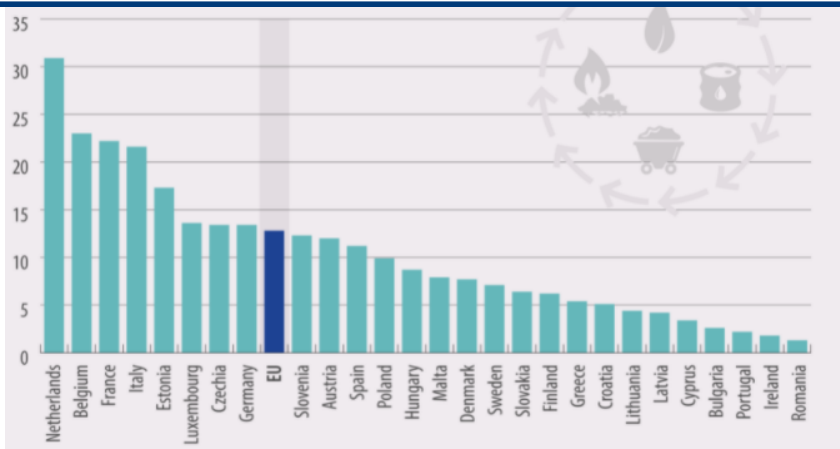


Source: European parliamentary research service

In Italy, the circularity rate in 2020 was 21.6% vs. 12.8% average in Europe, according to Eurostat. The circularity rate is the share of material resources used which came from recycled waste materials, thus saving extractions of primary raw materials.

In Italy, we produced 42.3 tonnes of waste (94.9 tonnes of CO₂) in 2018 vs. 44.9 tonnes in 2008 (137.9 tonnes of CO₂), to produce EUR 1M of product value in Italy vs. 59.0 tonnes in the large European markets (FR, GY, IT, GB and SP).

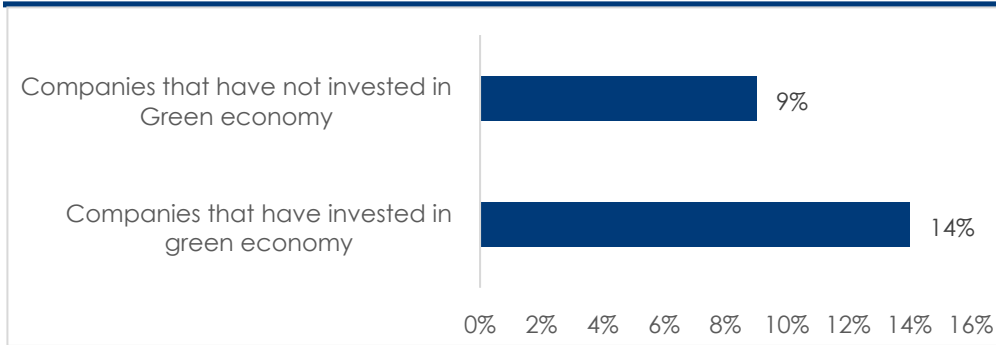
Circular material use rate in the EU – 2020 (%)



Source: Eurostat

441,000 Italian companies (1/3 of total), of which 90,000 in Lombardy, invested in green economy and sustainability in the 2016-2020 period, according to Symbola report. Industry and services represented 31.9% of the 441,000 companies, a value that rises to 36.3% in manufacturing. In a study conducted by GreenItaly shows that companies who have invested in sustainability between 2016 and 2020 expected their revenues to increase by an average of 14% yoy vs. 9% for companies who have not invested in the reference improvement.

Revenues expected performance in 2021 yoy

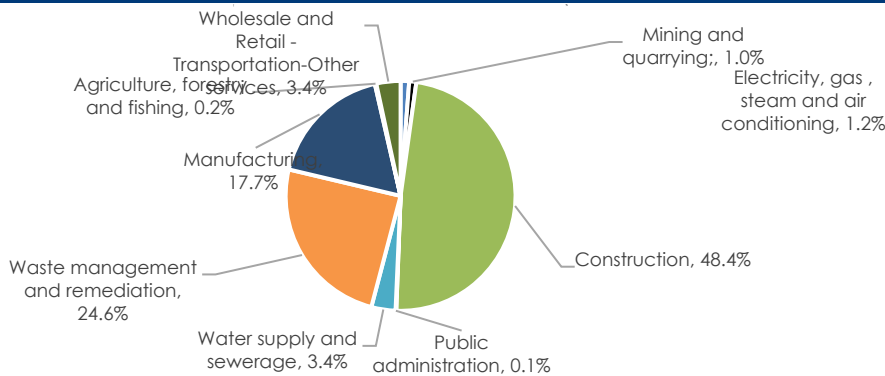


Source: GreenItaly report – calculated on total manufacturing exporting companies

Italian waste market

In 2020, each EU citizen produced, on average, 505Kg of waste, 4 kg more than in 2019 and 38 kg more than in 1995. Italy is perfectly aligned with the EU average, precisely with 505 kg per capita in 2020, an improvement from the 546 kg of 2005, according to Eurostat data. In this report, we focus on non-hazardous special waste as it is the only one treated by Innovatec. Non-hazardous wastes excluding construction and demolition waste in Italy reached 75.5M tonnes in 2019 vs. 73.6M tonnes in 2018 and 73M tonnes in 2017, according to ISPRA 2021 report. We show below a percentage distribution of total waste generation, by sector of economic activity, in 2019.

Distribution of non-hazardous wastes generation, by sector, year 2019 (%)



Source: ISPRA 2021 report

In 2019, 94% of the 154.7M tonnes of non-hazardous waste, were treated, of which 128.2M tonnes were sent for recovery operations (+9.6% yoy), while 26.5M tonnes were destined for disposal operations. Excluding construction and demolition waste (62% of recovered non-hazardous waste), Innovatec is active in the management of all other categories of special waste, mainly using solutions related to materials recovery. We note that Innovatec manage approx. 250,000 tonnes of waste per year which is less than 0.2% of total non-hazardous waste in Italy, implying an important potential to increase its treatment business volumes. To meet the European Circular Economy Package's target, we should recycle approx. 65% of total waste and dispose of less than 10% of our waste by 2035. Practically, we should recycle more waste (compost) and energy (Biogas). the same source estimates a further 3.2M tonnes that should be recycled, which should require approx. a EUR 1.2Bn investment to realise new treatment plants.

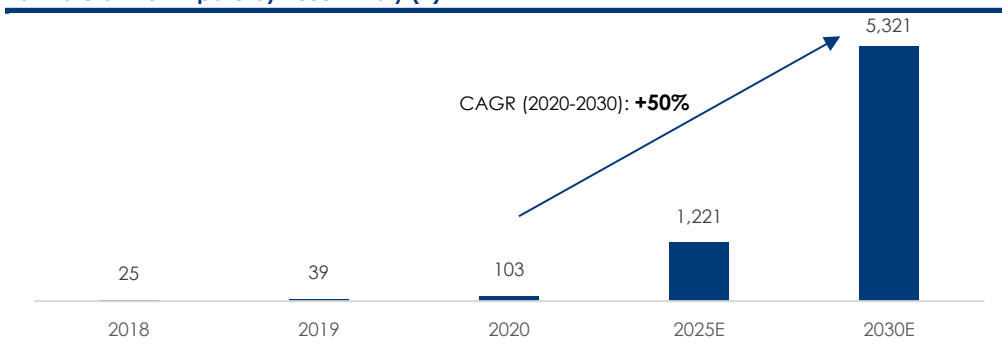
We highlight below important projects where **Innovatec could play a significant role:**

Faro projects: In October 2021, the Italian government allocated EUR 600M to funding innovative projects dedicated to 4 vertical scopes of advanced waste treatment: modernization and construction of new plants to improve the collection, logistics and recycling of waste from: 1) RAEE, 2) paper and cardboard, 3) plastics; and 4) textile. The rewarding criteria are the use of technologies beyond state of the art, the creation of circular districts, the ability to replicate the model, the impact on the quantities recycled and the amount of separate collection. Innovatec, also thanks to the newly acquired "Cobat", is participating to RAEE and textile treatment projects.

Battery recycling market. According to Smart Mobility report from Politecnico di Milano, in 2030, one out of seven cars should be an EV, 55% of the new registrations should be EV, reaching a fleet of EVs of 5.5M. The ability to easily recharge vehicles should further push market growth and can generate a virtuous circle for users, service providers and car manufacturers. According to another study from Motus and UNRAE (Unione Nazionale Rappresentanti Autoveicoli Esteri), the EV's fleet in Italy should reach 5.3M by 2030. MISE (Ministry of Economic Development) estimates that by 2027, we should recycle around 4,000 tonnes/year of batteries, which require significant investments to implement collection systems and treatment plants.

We believe Innovatec could benefit from batteries recycling great opportunity thanks to Cobat, which is already active in this market thanks to a recent partnership with CNR. We highlight that 2 patents for the treatment of lithium batteries with the use of a hydrometallurgical chemical process that maximises the recovery of lithium has been approved, as well as allowing the extraction of the different target materials present within these batteries. In addition, Cobat has signed a joint development agreement with an industrial partner, which should allow the start of pilot-scale experimentation activities for the validation and implementation of an integrated site for the treatment of batteries and accumulators of different chemistry.

Estimate of the EV parc by 2030 in Italy (k)



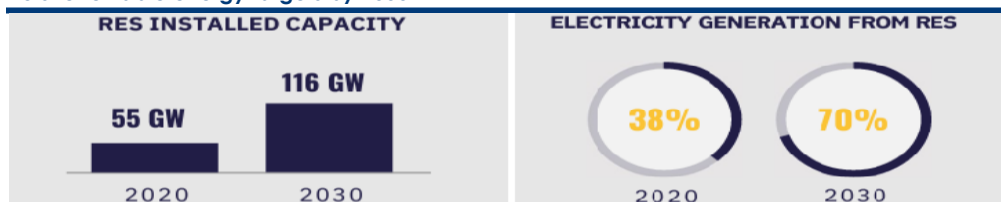
Source: Motus and UNRAE (Unione Nazionale Rappresentanti Autoveicoli Esteri)

Energy Efficiency

Energy Efficiency means using less energy to get the same result, and in the process, cutting energy bills and reducing pollution. Many plants, homes, and buildings use more energy than they actually need, due to inefficiencies and energy waste. Basically, energy efficiency is one of the easiest ways to eliminate energy waste and lower energy costs. It is also one of the most cost-effective ways to combat climate change, clean the air, help families meet their budgets, and help businesses improve their bottom lines. We notice that a growing number

of consumers and businesses are attracted by investments in energy-efficient products/processes. Energy efficiency is not only related to products that use less energy but also to products that can improve the overall efficiency and comfort of a house or a building (such as thermal insulation or windows). To improve our efficiency, we should generate 70% of our total electricity production from renewable sources vs. 38% in 2020, according to the European commission.

EU's renewable energy targets by 2030



Source: European Commission

In Italy, we used 24.9 tonnes of oil equivalent in 2019 vs. 30.8 tonnes in 2008, to produce EUR 1M of product value in Italy vs. 25.1 tonnes in the large European markets (FR, GY, IT, GB and SP). In order to reduce further the quantities of energy used to produce economic value, Italian governments introduced many projects where **Innovatec could play a significant role:**

- **Fiscal incentives.** mainly through Superbonus 110%, Italy is providing a significant subsidy, for specific interventions in the field of energy efficiency, anti-seismic interventions, installation of photovoltaic systems and infrastructure for charging electric vehicles in buildings. The deduction is divided into 5 annual instalments. the Relaunch Decree (Decreto Rilancio), raises the deduction rate of expenses incurred from 1 July 2020 to 31 December 2023 to 110% (70% until December 24 and 65% until December 25. The new measure is added to the deductions envisaged for the "Ecobonus", which was introduced in 2009 to improve energy efficiency in buildings by offering tax credits of between 50% and 65% (depending on the type of work) of project costs. According to Ministry of Finance, Italy should allocate more than EUR 14Bn between 2021 and 2025 to works related to Superbonus, this measure is the single most funded instrument of the national NRRP, Innovatec has swiftly seized this opportunity by starting its Houseverde project last year, which is already boasting solid results (EUR 54.5M in preliminary revenues in 2021. We forecast HouseVerde's revenues to grow at CAGR of +36% between 2021 and 2024.
- **Energy Communities:** the NRRP dedicated EUR 2.2Bn to the promotion of renewables for energy communities and self-consumption. The funds are dedicated to municipalities with fewer than 5,000 inhabitants, so the new power installed could be greater if energy communities and collective self-consumption spread to larger urban centres. Italy should install at least 6GW per year of renewable energy capacity to reach its 2030 climate and energy ambitions.
- **Agrivoltaics:** Italy should devote EUR 1.1Bn to the development of PV plants in agriculture and farming, thanks to its solid experience in building PV plants, Thanks to a good track record in PV field (156MW of installed capacity), **we believe Innovatec is well positioned to be a turnkey constructor.**

Competitive Positioning

The cleantech industry is represented by a wide range of products and services with the common objectives of:

- remove/reduce the environmental and ecological impact;
- improve performance and lower costs;
- optimise the use of natural resources.

Innovatec mainly competes in environment/circular economy and energy efficiency segments.

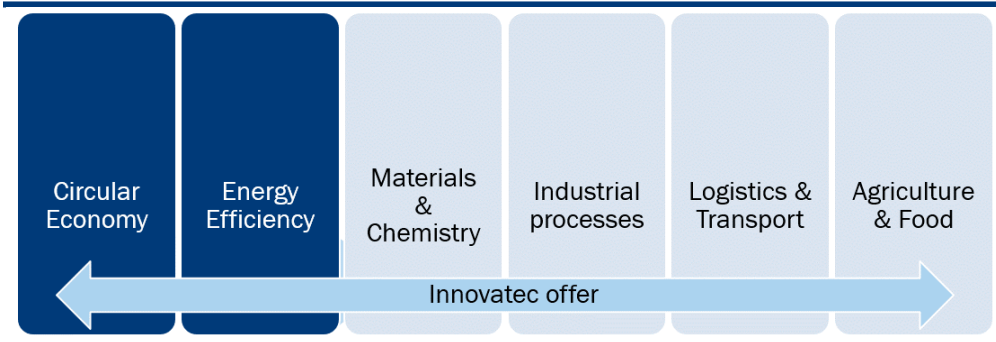
The group's geographical market is Italy (100% of revenues), which in line with the EU commitment, regards sustainability an increasingly important and urgent trend. Italy is adopting stringent regulations to curb GHG emissions by 55% by 2030 (vs. the 1990 level) with the aim to be carbon neutral by 2050, and should invest EUR 60Bn for the Italian green revolution and ecological transition, with measures/projects included in the National Recovery and Resilience Plan (NRRP) such as "Superbonus" and "Ecobonus".

In the following we describe the reference markets both in environment/circular economy and in energy efficiency, but we recall that Innovatec has developed a distinctive business model.

It offers a 360-degree service to the customer, starting from the vertically integrated structure in environment and circular economy, which allow to control every step of the cycle, thus ensuring cost efficiency and flexibility. Moreover, it is also able to support customers in terms of energy efficiency and renewable solutions, facilitating the energy transition and proposing as a problem solver to reduce emissions.

This distinctive business model is key to differentiate from other players, even those larger than Innovatec, which are usually focused on specific segments in the cleantech industry and are not able to offer seamless solutions.

Innovatec – The offering



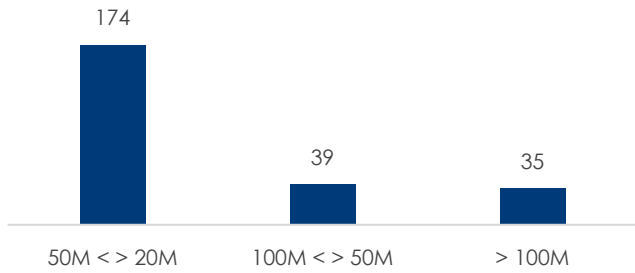
Source: Company data

Circular Economy

The environment/circular economy is a fragmented market made up mainly from small and medium players. In Italy, it counts approx. 2,500 companies active in the circular economy and environmental protection services, of which 90% have revenues less than EUR 20M, according to Innovatec report, December 2020.

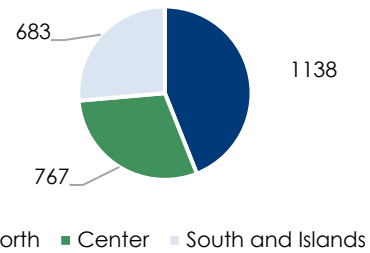
Companies with the size of Innovatec are quite limited, 35 have revenues higher than EUR 100M. Moreover, great part of competitors have a precise regional focus, while Innovatec is one of the few national players.

No. of players in circular economy by revenue range



Source: Company data

No. of players in circular economy by geographical presence



Source: Company data

In this segment, we can divide competitors by category:

- **Independents:** core business is represented by the offer of environmental protection services. They are represented by private and independent companies as they are not part of any multi-utility group, public or international. Independents are more likely to be active in special waste but offer a limited commercial offer (i.e.: focus on collection or landfills, focus by materials: aluminium, paper or steel).
- **Municipalized operators:** they are controlled by Italian municipalities and entities, which mainly offer environmental protection services for their own municipalities. Operators have a very limited offer related to municipal waste;
- **Listed multi-utilities:** public utilities' companies, listed on the Italian Stock Exchange and providing environmental protection and circular economy services. Companies with a wide commercial offer, active on both waste segments even if municipal waste contribution is higher;
- **Cooperatives:** companies active in environmental protection services, managed by consortia or cooperatives. Players with an average offer, active on both segments, special waste represent the largest part;
- **Other multi-utilities:** utility companies, not listed on the Italian Stock Exchange. Mainly companies with an average offer related to municipal waste;
- **Other players:** other operators not falling into any of the previous categories. This category mainly includes international groups and financial investors. Players with a limited commercial offer, active on both waste segments even if special waste contribution is higher.

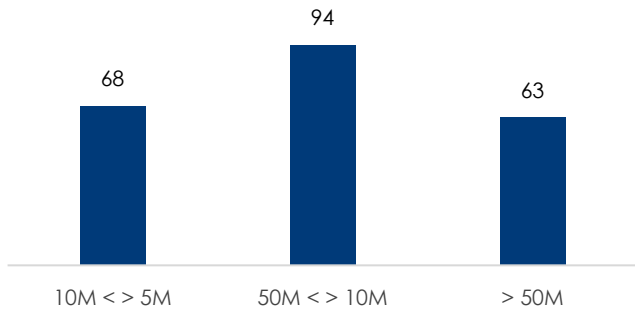
Innovatec is an independent group active mainly in the management of special waste with a large cleantech offer (see business model section) for private companies.

Not being exposed to collecting urban waste is a positive for Innovatec, has no risk to delayed payment from municipalities. We recall that in contracts with municipalities, the collection/treatment of urban waste cannot be suspended, even in the event of non-payment by the municipality.

Energy Efficiency

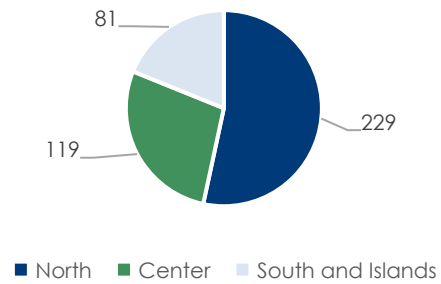
In Italy, there are approx. 430 players in the energy efficiency business, almost half of them have revenues less than EUR 5M and more than 50% of the companies are located in the North of Italy.

No. of players in energy efficiency by revenue range



Source: Company data

No. of players in circular economy by geographical presence



Source: Company data

Energy efficiency can be divided in four categories:

- **ESCos** (Energy Service Company): operators who develop, design, build, and arrange financing for projects that save energy, reduce energy costs, and decrease operations and maintenance costs at their customers' facilities; ESCos are generally small companies;
- **Energy Companies**. Integrated operators in the energy sectors (i.e.: gas) able to offer energy efficiency solutions. Generally, companies with revenues above EUR 50M;
- **Multifutilities** public or private companies that operate in various segments, and provide also energy efficiency services;
- **Other players** Other operators not falling into any of the previous categories and offer energy efficiency services.

All these players provide quite a similar basic offer: energy audit, design and implementation, monitoring, maintenance and certificates to obtain incentives.

ESCos and energy companies have a wider commercial offer:

- Small or micro ESCos focus mainly on offering consulting services and solutions for reducing energy consumption;
- medium/large independent ESCos, more structured operators, in addition to energy efficiency activities, are able to offer complete integrated services.

Innovatec is positioned among the medium-large players with an organisational structure having regulatory and technical competences, better suited to offering technologically advanced energy efficiency solutions.

SWOT analysis

Strengths

- A distinctive business model, leveraging on asset base in environment/circular economy and know-how in the energy efficiency;
- Full range of services covering the entire cleantech industry;
- Ability offer tailor-made solutions less exposed to price pressures;
- A lean structure facilitating "decision-making" flow;
- A solid managerial experience, able to develop a competitive positioning;
- An "ESG native" company, enabling customers' sustainability with a well-defined governance.

Weaknesses

- A competitive pressure in the residential energy efficiency segment;
- increase in PV modules costs, which could reduce profitability of PV projects, which represent around 15% of EBITDA expansion in the plan;
- Difficulty to find/retain qualified candidates to support expansion plans;
- Despite having a good track record in M&A integration, we see a possible execution risk in the acquisitions included in the plan (EUR 12M investments for EUR 15M additional revenues).

Opportunities

- Sustainability urgency driven by renewable energy and efficiency;
- Incentives related to the green transition trough the EU "Green Deal" and "Next Generation EU" programmes and detailed in the Italian NRRP;
- Agrivoltaics and energy communities' opportunities arising from the Italian green revolution and ecological transition, and included in NRRP;
- The Italian energy dependence from areas at high geopolitical risk should further accelerate energy efficiency plans;
- Thanks to Cobat acquisition, a platform for recycling is available, to enlarge with other attractive verticals, e.g. lithium battery.

Threats

- Changes in regulation and the government measures. However, the distinctive business model and the "long-term" competence in new regulations and measures, may represent a competitive advantage for Innovatec;
- Competition may come from large multi-utilities, but its business model, covering all the cleantech cycle is difficult to replicate;
- Extra costs related to environment/circular economy assets, for change in regulation or malfunctions.

Source: Intesa Sanpaolo Research estimates

Historical Financials

Innovatec's perimeter changed significantly as the group has executed several M&A. In our analysis, we use pro forma financial data for 2020 and 2021, for a better understanding of the new Innovatec structure, which witnessed the disposal of Sostenya Green to Sostenya Group (major shareholder) in January 2021, the acquisition of Clean tech (including Green Up) in December 2020 and July 2021 and the acquisition of COBAT in December 2021.

Innovatec – 2020-21 key financial data

EUR M	2020A PF	2021A PF
Revenues	161.6	237.8
yoy change (%)		47
EBITDA	18.0	32.9
yoy change (%)		83
EBITDA margin (%)	11.1	13.8

A: actual; Source: Company data

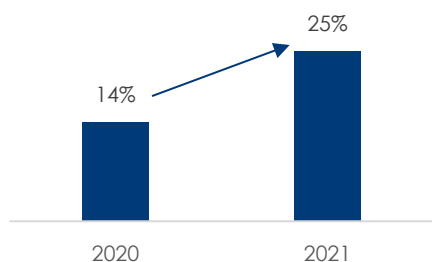
Revenues increased by 47% yoy to EUR 237.8M, with the environment and circular economy BU (including Cobat contribution) increasing from EUR 145.6M to EUR 170M (+16% yoy), and the energy efficiency BU more than quadrupling to EUR 67.4M.

EBITDA grew from EUR 18.1M to EUR 32.9M, with a margin expansion of 270bps. The environment and circular economy BU (including Cobat contribution), EBITDA increased from EUR 15.5M to EUR 22.4M (+44% yoy), and the energy efficiency BU EBITDA more than quintupled to EUR 13M.

ROE & ROI

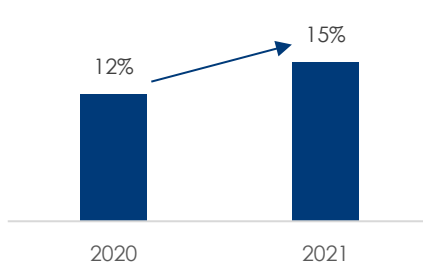
The improvement in EBITDA also triggered an increase in ROE and ROI. ROE reached 25% in 2021 from 14% in 2020, while ROI increased from 12% on 2020 to 15% in 2021.

Innovatec – 2020-21 ROE



Source: Company data

Innovatec – 2020-21 ROI



Source: Company data

Earnings Outlook

Revenues analysis

As addressed in the Business Model and Market Analysis sections, Innovatec is well positioned to seize the various opportunities in the energy efficiency and the circular economy industries. We expect revenues at EUR 265M in FY22E, +11.4% yoy, including the contribution of SEA (acquired in 1Q22), EUR 320M in FY23E and to reach EUR 395M in FY24E. FY21A-24E CAGR should be approx. +18%. In detail:

- Leveraging on its regulatory and technical know-how, and supported by fiscal incentives, predominantly Superbonus, energy efficiency & renewables segment, sales should grow rapidly in the next years, with a FY21-24E CAGR at +41%. In detail, Houseverde projects (B2C) should reach EUR 90M in FY22E, EUR 108M in FY23E and EUR 137.2M in FY24E while B2B business should boast a double-digit growth, thanks to an important client acquisition plan, with a contribution of EUR 11M in FY22E that should be tripled at EUR 34.1M in FY23E and EUR 52.9M in FY24E;
- Thanks to COBAT and SEA Contribution, alongside a gradual increase in waste collection, selection and treatment business as well as the contribution from innovative projects, like Metamorfoosi, SMET and SETH, which should more than offset the declining disposal waste business, we forecast Environment & Circular Economy segment to realise a FY21A-24E CAGR at 6%. We project segment revenues at EUR 164M in FY22E, to improve to EUR 177.9M in FY23E and finally reach EUR 205M in FY24E, which should represent 52% of total revenues.

Innovatec – FY22A-24E Revenues breakdown by segment

EUR M	FY22E	FY23E	FY24E	CAGR %*
Energy efficiency & renewables	101.0	142.1	190.0	41
B2C HouseVerde	90.0	108.0	137.2	
B2B	11.0	34.1	52.9	
Env. & Circular Economy	164.0	177.9	205.0	6
Recycling (COBAT & SEA)	101.2	112.8	130.9	
Waste disposal	33.0	31.0	30.1	
Waste collection, selection & treat.	28.3	30.0	34.8	
New projects (SMET, SETH, Metaformosi)	1.5	4.1	9.2	
Total revenues	265.0	320.0	395.0	18

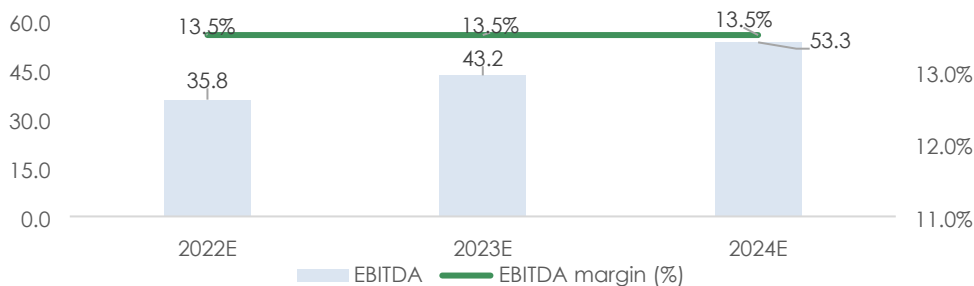
*FY21A-24E CAGR; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

From EBITDA to net income

EBITDA

We assume diminishing margins from HouseVerde projects because of competitive pressure and increase in equipment costs and a lower contribution from landfill business which boasts a 60% margin. Thus, despite significant increases in top line, we expect an EBITDA margin stable at 13.5% for the next three years. EBITDA should reach EUR 53.3M in FY24E, with a 2021A-24E CAGR of around 21%.

Innovatec – FY22E-24E EBITDA & EBITDA margin (EUR M, %)

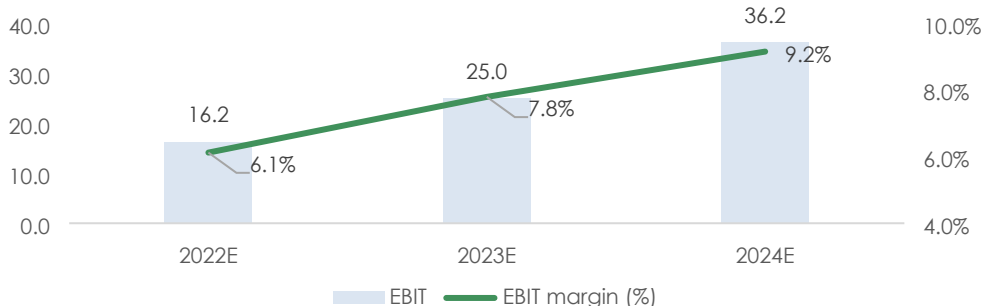


E: estimates; Source: Intesa Sanpaolo Research

EBIT

Thanks to growing revenues from Energy Efficiency activities (52% in FY24E), which require less investments along with a diminishing contribution from disposal landfill business (highly-capital intensive), we forecast D&A to decrease gradually from EUR 22.2M in FY21A to EUR 17.2M in FY24E. Therefore, EBIT margin should surge by 160bps yoy in FY22E at 6.1%, then to reach 9.2% in FY24E, 500bps better than in FY20A. EBIT should reach EUR 36.2M in FY24E, with a 2021A-24E CAGR of around 56%.

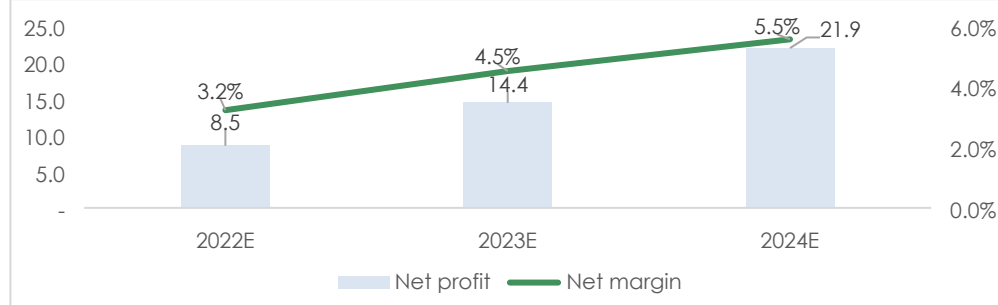
Innovatec – FY22E-24E EBIT & EBIT margin (EUR M, %)



E: estimates; Source: Intesa Sanpaolo Research

We assume a tax rate of 33%. Minorities at EUR 1.7M in FY22E that should increase by EUR 0.1M/year in the two following years. Consequently, we estimate a net income at EUR 8.5M (+68.9% yoy) in FY22E, to increase at EUR 14.4M in FY23E with a net margin of 4.5% and to improve further in FY24E at EUR 21.9M with a 5.5% net margin.

Innovatec – FY22E-24E NI & Net margin (EUR M, %)



E: estimates; Source: Intesa Sanpaolo Research

Cash flow statement

Working capital cash burn should be modest, around EUR 0.3M in FY22E, and EUR 3.5M per year in FY22E and FY23E. Projected capex in the FY22-24E period is in line with company's business plan for a total of EUR 59M. We expect a significant cash generation to turn the company net cash in FY22E at EUR 0.8M. In FY23E and FY24E, we estimate free cash flow at EUR 9.6M and EUR 13.5M, respectively, bringing net cash at EUR 24.0M in FY24E. In the table below, we report FY22E-24E cash flow statement.

Innovatec - FY22A-24E Cash Flow Statement

EUR M	FY22E	FY23E	FY24E
Net debt BOP	10.0	-0.8	-10.4
Net income	8.5	14.4	21.9
Non-cash items	19.6	18.3	17.2
Change in working capital	-0.3	-3.5	-3.5
Operating cash flow	28.4	29.1	35.5
Capex	-17.5	-19.5	-22.0
Free cash flow	10.9	9.6	13.5
Dividends	0.0	0.0	0.0
Cash flow	10.9	9.6	13.5
Net debt EOP	-0.8	-10.4	-24.0

E: estimates; Source: Intesa Sanpaolo Research

Balance sheet

Based on our operating estimates and the capex and working capital trends described above, we derive a solid balance sheet, with a net worth reaching EUR 51M in FY24E and a net cash position all along our estimates time-span. Reflecting the rebalancing of the company vs. the asset-light activity of energy efficiency, ROE should increase from 25% in FY21A to 31.7% in FY24E, while ROI should increase from 15% in FY21A to 38% in FY24E. We highlight that the EUR 39.5M allocated in long-term liabilities are funds that should be used when closing a landfill. We maintain the amount stable as we think that Innovatec should not close any landfill in the next three years.

Innovatec – FY22A-24E Balance sheet

EUR M	FY22E	FY23E	FY24E
Fixed assets	75.6	77.2	82.4
Net working capital managerial	10.6	12.6	14.6
Other working capital	-4.5	-3.0	-1.5
Long term Liabilities	-41.7	-40.2	-38.7
Net invested capital	40.0	46.6	56.8
Group shareholders' equity	40.9	57.1	80.8
Net financial debt	-0.8	-10.4	-24.0
Total cover	40.0	46.6	56.8

E: estimates; Source: Intesa Sanpaolo Research

Financials

Innovatec – FY19A-24E P&L

EUR M	2019A	2020A	2021A	2022E	2023E	2024E
Net Revenue	97.1	161.6	237.8	265.0	320.0	395.0
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Value of Production	97.1	161.6	237.8	265.0	320.0	395.0
yoy change (%)	213.1	66.4	47.1	11.4	20.8	23.4
EBITDA	22.5	17.9	32.9	35.8	43.2	53.3
yoy change (%)	98.7	-20.1	83.3	8.7	20.8	23.4
EBITDA margin (%)	23.1	11.1	13.8	13.5	13.5	13.5
EBIT	4.1	6.9	10.7	16.2	25.0	36.2
yoy change (%)	-46.1	69.0	56.6	51.2	53.8	45.0
EBIT margin (%)	4.2	4.2	4.5	6.1	7.8	9.2
Pre-tax profit	8.3	6.9	10.8	15.2	24.2	35.5
yoy change (%)	-54.2	-17.5	57.4	41.1	58.6	46.9
Tax	-1.7	-2.6	-4.0	-5.0	-8.0	-11.7
Minorities	-1.7	-1.7	-0.6	-1.7	-1.8	-1.9
Net profit	4.9	2.6	6.2	8.5	14.4	21.9

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Innovatec – FY19A-24E Balance Sheet

EUR M	2019A	2020A	2021A	2022E	2023E	2024E
Fixed assets	15.6	60.5	77.5	75.6	77.2	82.4
Net working capital managerial	-2.3	-3.3	12.4	10.6	12.6	14.6
Other working capital		-7.9	-6.0	-4.5	-3.0	-1.5
Long term Liabilities	-4.4	-40.8	-43.2	-41.7	-40.2	-38.7
Net invested capital	9.0	8.4	40.7	40.0	46.6	56.8
Group shareholders' equity	14.0	19.1	30.7	40.9	57.1	80.8
Net financial debt	-5.0	-10.7	10.0	-0.8	-10.4	-24.0
Total cover	9.0	8.4	40.7	40.0	46.6	56.8

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Innovatec - FY19A-24E Cash Flow Statement

EUR M	2019A	2020A	2021A	2022E	2023E	2024E
Net debt BOP	1.7	-5.0	-10.7	10.0	-0.8	-10.4
Net income	4.9	2.6	6.2	8.5	14.4	21.9
Non-cash items	7.6	-2.2	21.6	19.6	18.3	17.2
Change in working capital	1.4	6.7	-17.6	0.3	-3.5	-3.5
Operating cash flow	13.9	7.0	10.2	28.4	29.1	35.5
Capex	-11.4	-0.4	-27.1	-17.5	-19.5	-22.0
Free cash flow	2.5	6.6	-16.9	10.9	9.6	13.5
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other movements	4.2	-0.9	-3.8			
Cash flow	6.7	5.9	-21.0	10.9	9.6	13.5
Net debt EOP	-5.0	-10.7	10.0	-0.8	-10.4	-24.0

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Innovatec – Key Data

Rating	Target price (EUR/sh)		Mkt price (EUR/sh)			Sector
BUY	Ord 3.4		Ord 2.11			Industrials
Values per share (EUR)	2019A	2020A	2021A	2022E	2023E	2024E
No. ordinary shares (M)	95.44	95.44	95.44	95.44	95.44	95.44
Total no. of shares (M)	95.44	95.44	95.44	95.44	95.44	95.44
Market cap (EUR M)	14.43	63.61	78.96	201.38	201.38	201.38
Adj. EPS	0.05	0.03	0.07	0.09	0.15	0.23
CFPS	0.15	0.07	0.11	0.30	0.31	0.37
BVPS	0.17	0.23	0.36	0.48	0.66	0.92
Dividend ord	0	0	0	0	0	0
Dividend SAV Nc	2.00	3.00	4.00	5.00	6.00	7.00
Income statement (EUR M)	2019A	2020A	2021A	2022E	2023E	2024E
Revenues	97.10	161.6	237.8	265.0	320.0	395.0
EBITDA	22.48	17.95	32.90	35.78	43.20	53.33
EBIT	4.06	6.86	10.73	16.23	24.95	36.18
Pre-tax income	8.31	6.86	10.79	15.23	24.15	35.48
Net income	4.92	2.59	6.24	8.50	14.38	21.87
Adj. net income	4.92	2.59	6.24	8.50	14.38	21.87
Cash flow (EUR M)	2019A	2020A	2021A	2022E	2023E	2024E
Net income before minorities	6.6	4.3	6.8	10.2	16.2	23.8
Depreciation and provisions	18.4	11.1	22.2	19.6	18.3	17.2
Others/Uses of funds	0	0	43.2	-1.5	-1.5	-1.5
Change in working capital	1.4	6.7	-17.6	0.3	-3.5	-3.5
Operating cash flow	26.4	22.1	54.5	28.6	29.4	35.9
Capital expenditure	-11.4	-0.4	-27.1	-17.5	-19.5	-22.0
Financial investments	0	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0	0
Free cash flow	15.0	21.6	27.4	11.1	9.9	13.9
Dividends	0	0	0	0	0	0
Equity changes & Non-op items	4.2	-0.9	-3.8	0	0	0
Net cash flow	19.2	20.7	23.6	11.1	9.9	13.9
Balance sheet (EUR M)	2019A	2020A	2021A	2022E	2023E	2024E
Net capital employed	9.0	8.4	40.7	40.0	46.6	56.8
of which associates	2.0	3.0	4.0	5.0	6.0	7.0
Net debt/-cash	-5.0	-10.7	10.0	-0.8	-10.5	-24.0
Minorities	2.0	3.0	4.0	5.0	6.0	7.0
Net equity	14.0	19.1	30.7	40.9	57.1	80.8
Minorities value	25.2	27.3	23.2	21.9	19.2	16.0
Enterprise value	32.7	77.2	108.2	217.5	204.1	186.4
Stock market ratios (x)	2019A	2020A	2021A	2022E	2023E	2024E
Adj. P/E	2.9	24.6	12.7	23.7	14.0	9.2
P/CFPS	1.0	9.0	7.7	7.1	6.9	5.7
P/BVPS	0.90	2.9	2.3	4.4	3.2	2.3
Payout (%)	0	0	0	0	0	0
Dividend yield (% ord)	0	0	0	0	0	0
FCF yield (%)	17.2	10.4	-21.4	5.4	4.8	6.7
EV/sales	0.34	0.48	0.46	0.82	0.64	0.47
EV/EBITDA	1.5	4.3	3.3	6.1	4.7	3.5
EV/EBIT	8.1	11.3	10.1	13.4	8.2	5.2
EV/CE	3.6	9.1	2.7	5.4	4.4	3.3
D/EBITDA	Neg.	Neg.	0.31	Neg.	Neg.	Neg.
D/EBIT	Neg.	Neg.	0.94	Neg.	Neg.	Neg.
Profitability & financial ratios (%)	2019A	2020A	2021A	2022E	2023E	2024E
EBITDA margin	23.1	11.1	13.8	13.5	13.5	13.5
EBIT margin	4.2	4.2	4.5	6.1	7.8	9.2
Tax rate	NM	NM	NM	NM	NM	NM
Net income margin	5.1	1.6	2.6	3.2	4.5	5.5
ROCE	45.3	81.2	26.4	40.5	53.6	63.7
ROE	43.1	15.6	25.0	23.8	29.4	31.7
Interest cover	NM	NM	NM	16.2	31.2	51.7
Debt/equity ratio	Neg.	Neg.	29.0	Neg.	Neg.	Neg.
Growth (%)		2020A	2021A	2022E	2023E	2024E
Sales		66.4	47.1	11.4	20.8	23.4
EBITDA		-20.1	83.3	8.7	20.8	23.4
EBIT		69.0	56.6	51.2	53.8	45.0
Pre-tax income		-17.5	57.4	41.1	58.6	46.9
Net income		-47.4	NM	36.3	69.2	52.1
Adj. net income		-47.4	NM	36.3	69.2	52.1

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Company Snapshot

Company Description

Innovatec operates in the cleantech industry, with a distinctive business model, leveraging on the asset base in environment/circular economy and the know-how in energy efficiency. In 2021, on a pro-forma basis, posted around EUR 222M revenues and EUR 30M EBITDA. It counted 260 headcount in 2021, around 80% employed in the environment and circular economy BU. Thanks to a national presence of assets and of a commercial/technical team, the company is undergoing a challenging but well define business plan, aiming to become a leader in the cleantech industry in Italy.

Key data

Mkt price (EUR)	2.11	Free float (%)	55.0
No. of shares	95.44	Major shr	Sostenya
52Wk range (EUR)	2.47/0.59	(%)	45.0
Reuters	INC.MI	Bloomberg	INC IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	11.2	-1M	11.5
-3M	16.8	-3M	26.6
-12M	214.0	-12M	202.3

Key Risks

Company specific risks:

- A competitive pressure in the residential energy efficiency segment
- increase in PV modules costs, which could reduce profitability of PV projects
- Difficulty to find/retain qualified candidates to support expansion plans
- A possible execution risk in the acquisitions included in the plan

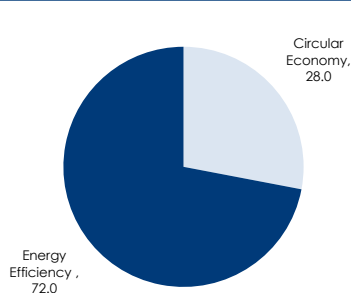
Sector generic risks:

- Changes in regulation and the government measures. However, the distinctive business model and the "long-term" competence in new regulations and measures, may represent a competitive advantage for Innovatec
- Competition may come from large multi-utilities, but its business model, covering all the cleantech cycle is difficult to replicate
- Extra costs related to environment/circular economy assets, for change in regulation or malfunctions.

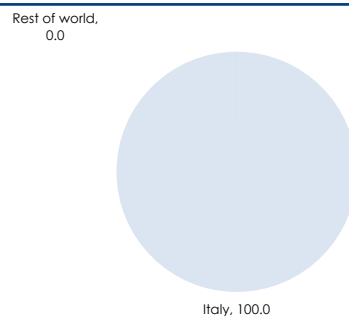
Estimates vs. consensus

EUR M (Y/E Dec)	2021A	2022E	2023E	2024E
Sales	237.8	265.0	320.0	395.0
EBITDA	32.90	35.78	43.20	53.33
EBIT	10.73	16.23	24.95	36.18
Pre-tax income	10.79	15.23	24.15	35.48
Net income	6.24	8.50	14.38	21.87
EPS	0.07	0.09	0.15	0.23

FY21 Sales breakdown by segment (%)



esempio: Sales breakdown by geography (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 29/03/2022)

Our Mid Corporate Definition

Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies eligible for listing have revenues below EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation below EUR 1Bn.

Appendix 1: Shareholders' Structure

Innovatec's capital structure is made up of 95,445,858 shares, of which 42,951,421 shares are owned by Colucci family through its family holding Sostenya (45.0% of capital) and 52,494,437 shares are owned by market (55.0% of capital).

Innovatec – Shareholders' structure

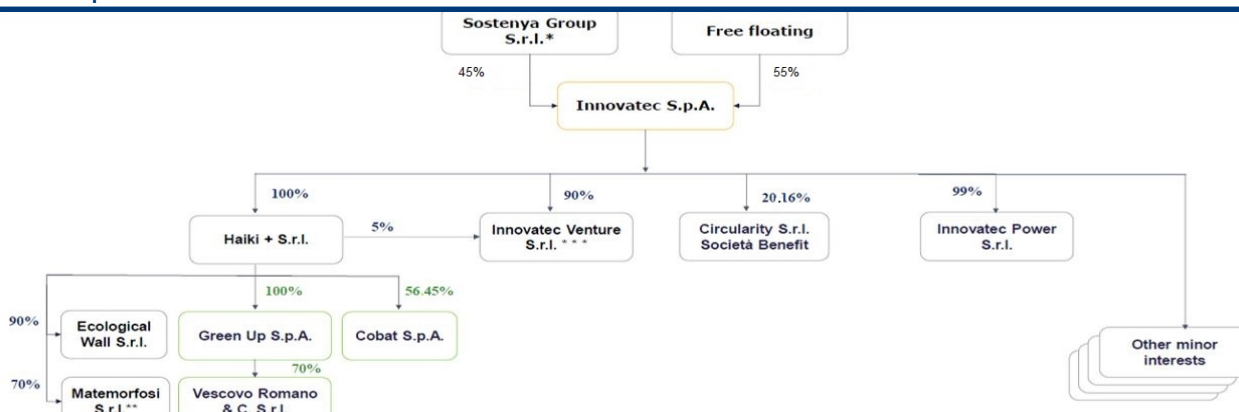
	Shares	% of capital
Sostenya Group*	42,951,421	45.0
Market	52,494,437	55.0
Total	95,445,858	100.0

* Including Gruppo Waste Italia shares; Source: Company data

All shares are ordinary. The group has no outstanding warrants.

The group's current structure

Innovatec - Group structure



* Including Gruppo Waste Italia shares; **remaining 30% owned by Vescovo Romano & C. Srl ; ***remaining 5% owned by Innovatec Power Srl; Source: Company data

The group's current structure is made of:

- A 100% stake in **Haiki+ S.r.l.**, a new sub-holding, established in January 2022, encompasses all the Innovatec Group companies operating in the circular economy, such as Green Up, Vescovo Romano & C., Cobat and the newly acquired S.E.A., and in the future all new projects and new acquisitions related to the circular economy should converge (see Business Model Section for more details);
- A 99% stake in **Innovatec Power S.r.l.**, a company active mainly in sustainable energy requalification of real estate. The company focuses on B2B and on B2C through the Houseverde project;
- A 95% stake in **Innovatec Venture S.r.l.**, a new corporate venture capital vehicle founded in February 2022, with the aim of promoting sustainable innovation both inside and outside the group, gradually involving various partners in the initiative;
- A 20.16% stake in **Circularity S.r.l.**, a platform that connects all the players involved in the circular economy. The goal is to connect producers, users, carriers and transformation facilities and promote a new way of doing business where companies draw the raw materials needed in their production cycle from the production waste of others' supply chains. It is a network that offers companies the services necessary to implement the circular economy in their business model;
- **Other minor interests** are stakes in small companies that contribute less than 5% of total revenues (Rete Ambiente, Innovatec USA LLC, Exalto Energy & Innovation and Farthan società consortile S.a.r.l.).

Appendix 2: Haiki+ Activities

Haiki+ was established to be a reference point for the circular economy services in Italy. Practically, clients deal only with one service provider "Innovatec" that takes care of all steps and processes. Below a summary of activities offered by Innovatec and its subsidiaries related to Environment & Circular Economy activities. Haiki+ can count on 3 disposal landfills, 5 sorting & treatment plants, 5 biogas producing installations and 2 PV plants, which are operated through various subsidiaries: Green Up and Vescovo Romano, Ecological Wall, Matemorfosi and S.E.A among others:

- Bossarino** plant is active in the disposal of special non-hazardous waste with the recovery of materials and electricity from biogas. The plant's skills cover the management of the waste disposal service and the coordination and development of all the activities related to the plant: management and treatment of leachate, management and biogas energy recovery, etc. The types of waste mainly come from the construction, stone, agri-food, paper, metallurgical, manufacturing in general, water purification and waste treatment sectors. 660Kw Biogas Installed capacity. Certifications: ISO 9001:2015, ISO 14001:2015 and EMAS;
- Bedizzole** is located in one of the most industrialised areas of Italy, the plant deals with the treatment and disposal of special non-hazardous waste and the disposal of the material called "Fluff". The "Fluff" is the residue from the crushing of motor vehicles, made up of waste, such as rubber and electrical cables, which cannot in any way be recovered or redeveloped. The landfill deals with the disposal process, during which large quantities of biogas are produced which, appropriately channelled to powerful 511kW engines, is used for the production of electricity that is then fed into the public network. The plant has also a 50Kw photovoltaic installed capacity. Estimated production is around 4M kWh per year. Certifications: ISO 9001:2015, ISO 14001:2015 and EMAS;
- Albonese** plant carries out sorting operations (both manual and mechanical) of special non-hazardous waste, the recovery of recyclable commodity fractions, such as raw materials (paper, iron, plastic, wood, cardboard, etc.), the shredding of non-exploitable waste for the production of solid secondary fuel. To optimise storage and enhancement of the materials sent for subsequent recovery, the waste is pressed. 485Kw photovoltaic is the current installed capacity;

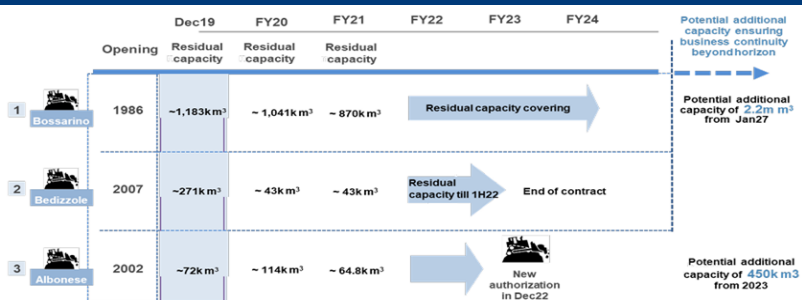
Landfill no. 1

Landfill no. 2

Landfill no. 3

At end-December FY21, Innovatec's disposal landfills capacity was approx. 1.6M m³ with a potential additional capacity of 3M m³ upon a rigorous process authorisation that may take years.

Innovatec – Disposal landfills capacity and potential extensions



Source: Company data

- **Cermentate** plant offers Installation and rental of waste containers (demountable or fixed) and collection with relative transport of waste to authorised plants. Waste brokerage activities. Operations include storage of special non-hazardous waste subject to valorisation operations through a mechanical handling process, by means of a self-propelled loader and subsequent manual sorting on the ground, aimed at recovering all the materials that can be re-used and the final disposal of the excess. Certifications: ISO 9001:2015, ISO 14001:2015 and EMAS;
- **Chivasso** and **Collegno** plants collect special non-hazardous waste from various industrial, craft, commercial, demolition and construction, agricultural, recovery, obsolete machinery and parts of end-of-life motor vehicles from the basin of the province of Turin. Tyre selection is also carried out in both plants;
- **Vescovo Romano** plant specialises in the valorisation of urban and special waste (including hazardous) with a strong vocation for the recovery of the material. The project is to make the plant an increasingly avant-garde pole in the material treatment and recovery sector and to strategically strengthen the development of technologies and systems for the enhancement of production waste in a circular economy perspective;
- **Green Up** integrated management services include the collection, transport, treatment, recovery, enhancement and disposal of special non-hazardous waste, assisting its customers in the correct and effective management of waste, reducing the environmental impact of business activities with a progressive increase in the quantity of recovered materials in line with the principles of circular economy and zero waste. The group boasts an unmatched presence in Lombardy and Piedmont and rely on a solid network of partners at the national level. Green Up has also plants in Andria (834Kw current installed capacity), Giovinazzo, Bari (625Kw installed capacity) and Chivasso, Turin (803Kw installed capacity) dedicated to the production of electricity by capturing the biogas generated from the decomposition of waste components, and subsequent combustion in special cogeneration engines. Certifications: ISO 9001:2015 and ISO 14001:2015. Disposal plants of Bedizzole, Bossarino and Ecosavona also generate biogas deriving from their activities, electricity is used locally and partly fed into the national network. Customer care service, logistics and technical support activities (supported by a dedicated call centre) are carried out in the headquarters of Green Up in Milan.

Appendix 3: Peers¹

Utilities

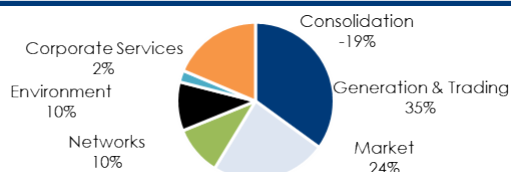
We highlight a sample of companies active in the Italian Utilities sector.

A2A SpA

A2A description

Founded on 23 July 1908 and headquartered in Brescia, Italy, A2A is engaged in the production, sale & distribution of electricity, gas & heat and management of waste & integrated water cycle. It operates through the following business areas: Energy, Environment, Heat and Services, Networks, and Corporate & Other Services. The Energy business area provides electricity generation, energy management, and sale of electricity and gas. The Environment business area involves the whole waste management cycle, which includes the collection, treatment, disposal, and recovery of materials and energy. The Heat and Services business area offers cogeneration and district heating services, and management of heating plants. The Networks business area consists of the operational management of networks in the distribution of electricity, the transport and distribution of natural gas, and the management of the entire integrated water cycle. Corporate & Other Services area includes various activities such as the guidance, strategic direction, coordination, and control of industrial operations.

A2A – Business breakdown



A2A – Key forecasts

EUR M	2019A	2020A	2021F	2022F	2023F	2024F
Sales	7,324	6,862	11,549	8,636	8,715	9,859
EBIT	681	550	692	619	679	749
EBITDA	1,234	1,204	1,428	1,409	1,519	1,616
Pre-tax Income	577	469	621	546	598	662
Net Income	389	364	504	350	383	402

A2A – Geographic breakdown

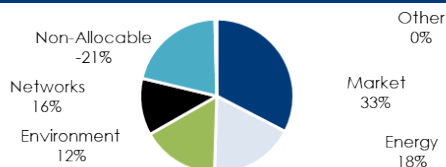


Iren SpA

Iren description

Founded on 1 July 2010 and headquartered in Reggio Emilia, Italy, Iren is a holding company, which engages in the provision of multi-utility services. It operates through the following segments: Networks, Environment, Energy, market and Other Services. Networks include electricity distribution networks, gas distribution networks, integrated water service. The environment segment includes waste collection and disposal. Energy includes Hydroelectric production and other renewable sources, Cogeneration of electricity and heat, District heating, thermoelectric production, public lighting, global service services, management heat, Energy efficiency services. The Market segment includes Sale of electricity, gas, heat and other customer services. Other services include Laboratories, Telecommunications and other minors.

Iren – Business breakdown



Iren – Key forecasts

EUR M	2019A	2020A	2021F	2022F	2023F	2024F
Sales	4,275	3,725	4,240	4,493	4,689	4,444
EBIT	455	410	462	502	531	563
EBITDA	917	927	981	1,050	1,134	1,210
Pre-tax Income	381	365	419	451	479	522
Net Income	237	235	298	287	305	319

Iren – Geographic breakdown



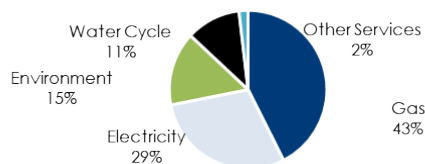
¹ All tables, charts and descriptions from FactSet and priced at market close of 28/03/2022 in EUR (F: FactSet forecasts, -: not available)

Hera SpA

Hera description

Founded on 1 November 2002 and headquartered in Bologna, Italy, Hera engages in the provision of environmental, water, and energy services. Its business activities include public lighting and telecommunications; engineering, laboratories, remote control, and client technical services; and focus.

Hera – Business breakdown



Hera – Key forecasts

EUR M	2019A	2020A	2021F	2022F	2023F	2024F
Sales	6,913	7,079	10,555	9,736	9,560	10,350
EBIT	542	551	623	638	662	677
EBITDA	1,085	1,123	1,196	1,232	1,276	1,292
Pre-tax Income	494	435	499	525	551	568
Net Income	386	303	334	350	368	388

Hera – Geographic breakdown



Industrial service and transportation

We highlight a sample of companies active in industrial services and transportation industries worldwide.

EdiliziAcrobatica SpA

EdiliziAcrobatica description

Founded by Riccardo Iovino in 1994 and headquartered in Genoa, Italy, EdiliziAcrobatica engages in outdoor construction works using double safety rope access techniques. Its services include facade and wall clean-up, balcony repair, roof renovation, and facade painting.

EdiliziAcrobatica – Business breakdown



EdiliziAcrobatica – Key forecasts

EUR M	2019A	2020A	2021F	2022F	2023F	2024F
Sales	39	45	79	105	125	--
EBIT	2	3	--	--	--	--
EBITDA	4	5	15	20	25	--
Pre-tax Income	2	3	--	--	--	--
Net Income	1	2	--	--	--	--

EdiliziAcrobatica – Geographic breakdown



Ambienthesis SpA

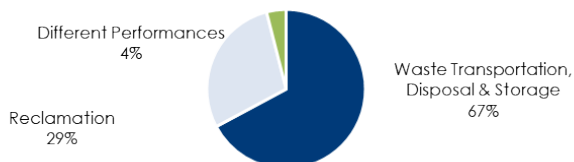
Ambienthesis description

Founded on 2 January 2007 and headquartered in Segrate, Italy, Ambienthesis specialises in the management of special, hazardous, and non-hazardous waste. It operates through the following business units: environmental remediation and rehabilitation; disposal, treatment, and recovery of industrial waste; and the design, construction, and management of plants for the disposal and recovery of industrial waste and energy production.

Ambienthesis – Key forecasts

EUR M	2019A	2020A	2021F	2022F	2023F	2024F
Sales	--	--	166	175	184	188
EBIT	--	--	7	7	21	23
EBITDA	--	--	32	33	35	39
Pre-tax Income	--	--	20	19	21	--
Net Income	--	--	14	14	15	16

Ambienthesis – Business breakdown



Ambienthesis – Geographic breakdown



Séché Environnement SA

Séché Environnement description

Founded by Joel Seche in 1985 and headquartered in Change, France, Séché Environnement engages in the treatment and storage of non-radioactive industrial and household waste in France, which includes industry and local communities. It operates waste and recovery facilities and develops specific tools to produce energy from waste. The firm collects and sorts all types of waste, whether household or industrial, hazardous or non-hazardous. The company offers global solutions that incorporate all environmental requirements and concentrates on the recovery, treatment and storage markets. It also provides integrated specialised services such as material or energy recovery from hazardous and non-hazardous waste, treatment of thermal, chemical waste and storage of ultimate hazardous and non-hazardous waste.

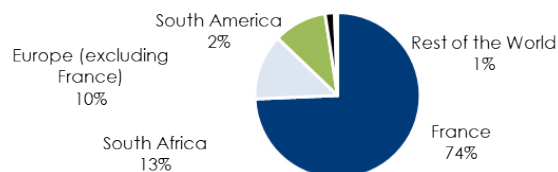
Séché Environnement – Key forecasts

EUR M	2019A	2020A	2021F	2022F	2023F	2024F
Sales	704	673	790	864	912	963
EBIT	48	48	71	81	88	97
EBITDA	135	137	170	186	199	213
Pre-tax Income	29	24	45	60	68	77
Net Income	18	14	30	40	45	51

Séché Environnement – Business breakdown



Séché Environnement – Geographic breakdown



Renewi PLC

Renewi description

Founded in 1880 and headquartered in Milton Keynes, the United Kingdom, Renewi engages in the provision of waste management services. It operates through the following segments: Commercial Waste, Hazardous Waste, Monostreams, Municipal, and Group Central Services. The Commercial Waste segment is involved in the collection and treatment of non-hazardous waste in the Netherlands and Belgium. The Hazardous Waste segment includes industrial cleaning of toxic waste in the Netherlands. The Monostreams segment offers production of materials from waste streams in specific end markets such as glass, electrical and electronic equipment, organics, and minerals. The Municipal segment operates waste management facilities under long-term municipal contracts in the UK. The Group Central Services segment is comprised of head office corporate function.

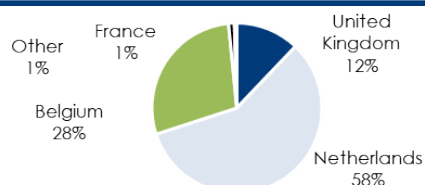
Renewi – Key forecasts

EUR M	2019A	2020A	2021F	2022F	2023F	2024F
Sales	1,765	1,694	1,852	1,909	1,956	2,003
EBIT	84	73	130	115	123	144
EBITDA	185	192	249	237	246	278
Pre-tax Income	51	47	103	88	96	122
Net Income	-77	11	67	54	66	85

Renewi – Business breakdown



Renewi – Geographic breakdown

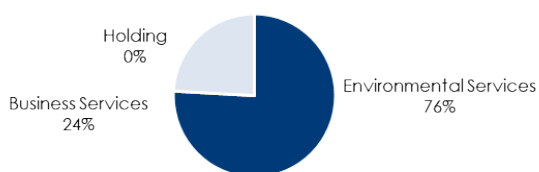


Derichebourg SA

Derichebourg description

Founded on 11 December 1989 and headquartered in Paris, France, Derichebourg engages in the provision of environmental services. The company activities include waste collection to the sale of recuperated products. It operates through the following segments: Environmental Services and Business Services. The Environmental Services segment refers to recycling and conversion of end of life consumer goods, management of industrial and household waste as well as urban cleansing and others. The Business Services segment pertains to hygiene, energy, airport services, temporary placements, reception facilities, handling and others.

Derichebourg – Business breakdown



Befesa SA

Befesa description

Founded on 31 May 2013 and headquartered in Luxembourg, Befesa is a service holding company, which engages in the collection and recycling of steel dust and aluminium residues. It operates through the Steel Dust Recycling Services; and Aluminium Salt Slags Recycling Services segments. The Steel Dust Recycling Services segment collects and recycles hazardous waste generated in the crude steel production process using the electric arc furnace method. The Aluminium Salt Slags Recycling Services segment focuses on recycles salt slags generated by aluminium recyclers and spent pot linings.

Befesa – Business breakdown



Biffa PLC

Biffa description

Founded in 1912 and headquartered in High Wycombe, the UK, Biffa is engaging in the provision of waste management services. It operates through the following segments: Collections and Resources & Energy. The Collections segment encompasses municipal, industrial & commercial, and specialist services sub-divisions. The Resources & Energy segment consists of inerts, organics, recycling, and landfill gas sub-divisions.

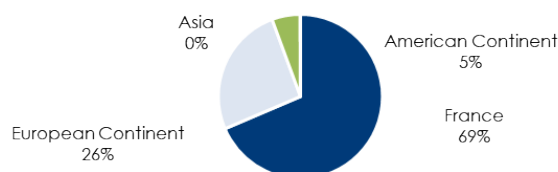
Biffa – Business breakdown



Derichebourg – Key forecasts

EUR M	2019A	2020A	2021F	2022F	2023F	2024F
Sales	2,705	2,464	3,561	4,504	4,806	4,860
EBIT	101	61	268	286	289	333
EBITDA	190	180	387	428	438	498
Pre-tax Income	90	42	258	275	273	327
Net Income	56	21	181	193	196	231

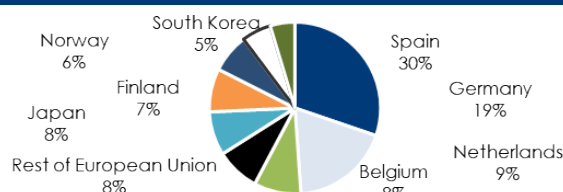
Derichebourg – Geographic breakdown



Befesa – Key forecasts

EUR M	2019A	2020A	2021F	2022F	2023F	2024F
Sales	648	604	820	1,118	1,149	1,150
EBIT	124	80	144	207	227	200
EBITDA	160	127	194	261	284	261
Pre-tax Income	105	68	131	193	207	180
Net Income	83	48	100	137	151	134

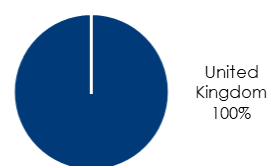
Befesa – Geographic breakdown



Biffa – Key forecasts

EUR M	2019A	2020A	2021F	2022F	2023F	2024F
Sales	1,240	1,144	1,566	1,734	1,832	1,899
EBIT	102	51	113	128	141	144
EBITDA	196	159	234	259	279	286
Pre-tax Income	81	33	90	107	122	133
Net Income	65	26	72	84	94	112

Biffa – Geographic breakdown



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Equity rating key: (long-term horizon: 12M)

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Equity Rating Key (long-term horizon: 12M)

Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances.
TENDER SHARES	We advise investors to tender the shares to the offer.
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

Historical recommendations and target price trends (long-term horizon: 12M)

The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history-12-months->. Note: please also refer to <https://group.intesasanpaolo.com/it/research/equity-credit-research/equity> in applicable cases for the ISP-UBI Equity Ratings Reconciliation Table, the archive of ex-UBI's previously published research reports and 12M historical recommendations.

Target price and market price trend (-1Y)**Historical recommendations and target price trend (-1Y)****Initiation of coverage****Initiation of coverage****Equity rating allocations (long-term horizon: 12M)****Intesa Sanpaolo Research Rating Distribution (at January 2022)**

Number of companies considered: 124	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)*	48	31	21	0	0
of which Intesa Sanpaolo's Clients (%)**	82	63	54	0	0

* Last rating refers to rating as at end of the previous quarter; ** Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months; percentage of clients in each rating category

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The companies to which we assign short-term ratings are under regular coverage by our research analysts and, as such, are subject to fundamental analysis and long-term recommendations. The main differences attain to the time horizon considered (monthly vs. yearly) and definitions (short-term 'long/short' vs. long-term 'buy/sell'). Note that the short-term relative recommendations of these investment ideas may differ from our long-term recommendations. We monitor the monthly performance of our short-term investment ideas and follow them until their closure.

Equity rating key (short-term horizon: 3M)

Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

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- Intesa Sanpaolo acts as Corporate Broking relative to securities issued by Innovatec SpA

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