

EQUITY RESEARCH

INNOVATEC SPA
 RESULTS REVIEW

BUY

TP 1.9€ (vs 2.1€)
 Up/Downside: 45%

Beyond the *Ecobonus*

Yesterday in Milan, Innovatec S.p.A. (INN) presented its new 2024 - 2026 strategic plan.

The new 2024 - 2026 strategic plan places greater emphasis on the group's full range of environmental and circular economy (E&CE) services as well as its B2B energy efficiency (EE) solutions. By 2026, the group is targeting revenue of €479m (24% CAGR), €66m of EBITDA (33% CAGR) and €46m of EBIT (59% CAGR). For the E&CE division, the plan aims to (i) expand their Clean Tech service portfolio by creating new processing and recycling facilities, (ii) drive organic growth by exploring new material waste consortia, and (iii) innovate their existing asset base (thus including M&A opportunities). On the other hand, for the EE division, the plan is anchored on (i) the production and installation of tailor-made green energy solutions, and (ii) the transformation of their existing pipeline of EE B2B projects (mainly photovoltaic). To support both the growth and the business plan, the group has dedicated around €60m to increasing its workforce (+137 people) and developing and innovating its assets in the field of waste management. In addition, around €20m is expected to be dedicated to possible M&A opportunities, mainly within the E&CE division.

This new business plan was expected following the sudden change in legislation regarding the *Ecobonus* in Italy. This essentially led the group to significantly reduce an activity (EE B2C - "HouseVerde") which represented more than 30% of the group's FY 2022 revenue. On the other hand, Innovatec can now focus more on EE B2B projects, with stronger recurring volumes and revenue. The group has a solid pipeline of 450 MW for the development of B2B photovoltaic installations. Following this presentation, we have adjusted our estimates for 2023E - 2026E. We now see 2023E as a year of transition, estimating revenue of €255m (vs. €280m previously) and an EBITDA margin of 11.2% (vs. 12.4% previously). Long-term, we think the sky should clear thanks to a mix of organic growth and M&A, which should also boost cash generation. In fact, the group is considering a dividend policy with a payout ratio of 55-60% for the end of the plan. Overall, we are confident in the group's ability to tackle this new chapter, drawing on a diverse range of services and a solid asset base. Following the adjustment of our estimates and market parameters, we reiterate our Buy recommendation, while adjusting our TP to €1.9 (vs. €2.1 previously).

Key data

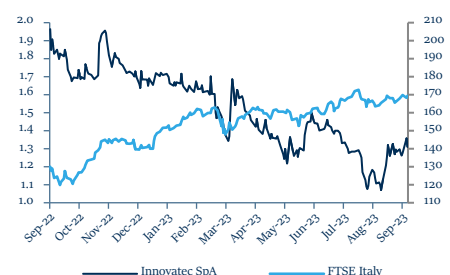
Price (€)	1.3
Industry	Utilities
Ticker	INC-IT
Shares Out (m)	96.446
Market Cap (m €)	126.4
Average trading volumes (k shares / day)	70.642
Next event	H1 2023 cons - 28/09

Ownership (%)

Sostenya Group S.r.l.	44.5
Integra S.r.l.	1.0
Free float	54.4

EPS (€)	12/23e	12/24e	12/25e
Estimates	0.05	0.11	0.19
Change vs previous estimates (%)	-9.16	25.14	-29.37

Performance (%)	1D	1M	YTD
Price Perf	-3.4	18.4	-22.2
Rel FTSE Italy	-4.0	13.9	-35.7



TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e	Valuation Ratio	12/23e	12/24e	12/25e	Consensus FactSet - Analysts:2	12/23e	12/24e	12/25e
Sales (m €)	289.2	255.1	306.2	378.7	EV/Sales	0.7	0.5	0.4	Sales	261.4	307.7	405.7
Current Op Inc (m €)	24.8	11.5	19.8	30.9	EV/EBITDA	6.1	4.5	3.2	EBIT	14.1	20.3	42.1
Current op. Margin (%)	8.6	4.5	6.5	8.2	EV/EBIT	15.2	8.4	5.1	Net income	6.7	11.1	25.3
EPS (€)	0.11	0.05	0.11	0.19	PE	25.6	12.1	7.1				
DPS (€)	0.00	0.00	0.00	0.00								
Yield (%)	0.0	0.0	0.0	0.0								
FCF (m €)	-12.4	-6.5	8.2	8.5								

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FINANCIAL DATA

Income Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Sales	27.9	144.6	289.2	255.1	306.2	378.7
Changes (%)	-39.6	419.1	100.0	-11.8	20.1	23.7
Gross profit	25.7	126.6	246.5	214.3	257.2	318.1
% of Sales	92.1	87.5	85.2	84.0	84.0	84.0
EBITDA	3.0	30.8	32.4	28.5	36.6	49.9
% of Sales	10.9	21.3	11.2	11.2	12.0	13.2
Current operating profit	2.7	21.1	24.8	11.5	19.8	30.9
% of Sales	9.7	14.6	8.6	4.5	6.5	8.2
Non-recurring items	0.0	-5.4	-3.1	0.0	0.0	0.0
EBIT	2.7	15.6	21.7	11.5	19.8	30.9
Net financial result	-0.2	0.4	-1.6	-4.1	-4.1	-4.2
Income Tax	-0.8	-4.0	-5.3	-2.1	-4.4	-7.5
Tax rate (%)	54.6	37.1	31.4	27.9	27.9	27.9
Net profit, group share	0.7	6.4	10.6	4.9	10.4	17.8
EPS	0.01	0.07	0.11	0.05	0.11	0.19
Financial Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Goodwill	22.8	36.7	39.0	39.0	39.0	39.0
Tangible and intangible assets	34.1	37.1	72.2	71.7	69.3	67.4
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	2.1	2.5	9.9	9.9	9.9	9.9
Working capital	8.7	13.4	17.7	30.1	35.6	48.3
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
Assets	67.7	89.7	138.8	150.7	153.8	164.6
Shareholders equity group	17.2	25.4	41.9	46.9	57.3	75.2
Minorities	2.0	5.3	4.7	5.1	6.0	7.4
LT & ST provisions and others	39.3	41.0	42.8	42.8	42.8	42.8
Net debt	-0.4	10.2	41.7	48.2	40.0	31.5
Other liabilities	9.8	7.8	7.7	7.7	7.7	7.7
Liabilities	67.7	89.7	138.8	150.7	153.8	164.6
Net debt excl. IFRS 16	-0.4	10.2	41.7	48.2	40.0	31.5
Gearing net	-0.0	0.3	0.9	0.9	0.6	0.4
Leverage	-0.1	0.3	1.3	1.7	1.1	0.6
Cash flow statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
CF after elimination of net borrowing costs and taxes	-1.9	28.2	29.7	22.3	28.1	38.2
Δ WCR	6.7	-1.7	-20.4	-12.4	-5.5	-12.7
Operating cash flow	4.8	26.5	9.4	9.9	22.6	25.5
Net capex	-4.5	-7.3	-21.7	-16.5	-14.4	-17.0
FCF	0.3	19.2	-12.4	-6.5	8.2	8.5
Acquisitions/Disposals of subsidiaries	-0.1	-19.8	-11.0	0.0	0.0	0.0
Other investments	-0.7	1.4	-0.0	0.0	0.0	0.0
Change in borrowings	-7.8	11.5	9.2	0.0	0.0	0.0
Dividends paid	0.0	-0.0	-0.7	0.0	0.0	0.0
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	2.6	1.8	6.2	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
Change in net cash over the year	-1.0	13.7	-16.0	-6.5	8.2	8.5
ROA (%)	1.0%	7.5%	8.3%	3.5%	7.3%	11.7%
ROE (%)	3.9%	26.5%	27.5%	11.4%	19.7%	25.7%

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Methodology

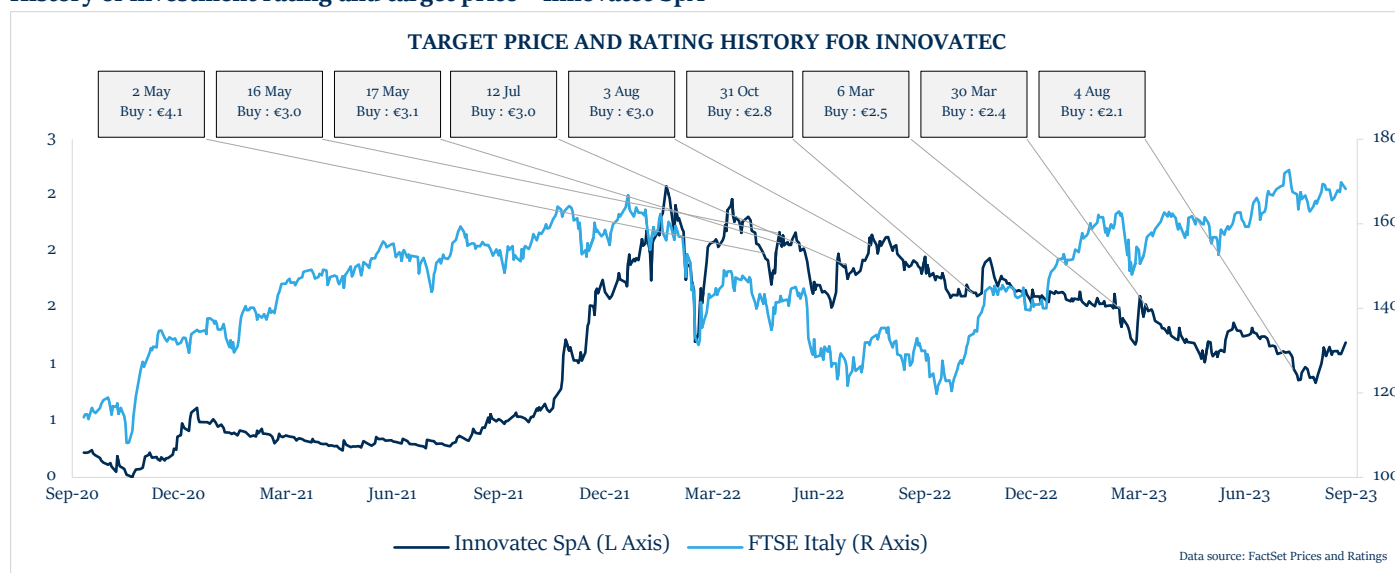
This Report may mention evaluation methods defined as follows:

1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

Conflict of Interests between TP ICAP Midcap and the Issuer

G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: Innovatec SpA

History of investment rating and target price – Innovatec SpA



Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	80%	66%
Hold	16%	44%
Sell	3%	25%
Under review	1%	100%

Midcap employs a rating system based on the following:

Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.

Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.

Sell: Stock is expected underperform the markets by 10% or more over a 6 to 12 months horizon.

The history of ratings and target prices for the Issuers covered in this report are available on request at <https://researchtpicap.midcapp.com/en/disclaimer>.

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