

EQUITY RESEARCH

INNOVATEC SPA INITIATION OF COVERAGE

BUY, TP of 3.1€
Up/Downside: +43%

Green Pioneer

Italian leading operator providing 360-degree services in circularity and sustainability. The Group integrates Environment & Circular Economy services (E&CE) and the full cycle of Energy Efficiency & Renewables services (EE). The Group saw revenues grow +68% to reach €144m in 2021, with EBITDA reaching €31m (+915% vs 2020), with a corresponding 21.8% EBITDA margin.

A serious opportunity...

The National Recovery Plan (PNRR) has dedicated approximately €60bn for various incentives to help the nation become more sustainable, resilient and better prepared for challenges and opportunities of the green and digital transformation. An ideal environment for Innovatec whose core values revolve around Circularity.

...which will spark a nation-wide 'green wave' ...

The Group's HouseVerde initiative was introduced to intercept the 110% Superbonus generating over €150m in backlog for B2C activities. A tailor-made solution to exploit a growing need. However, Innovatec's activities are not reliant on government initiatives, as their true value-added derives from diversified portfolio. Waste production will still be a pivotal concern and the energy transition wave has only just begun. Therefore, Innovatec's true potential is yet to be discovered, especially due to their leading position in two growing markets.

....to reach €412M in revenues in 2026E

With unparalleled waste management capacities and a strategic foothold within some of the most exclusive waste consortia, we estimate the Group's E&CE division to reach €175m by 2022E and €223m by 2026E. On the other hand, we estimate the EE division to reach €102m by 2022E and €189m by 2026E, driven by the favourable 110% Superbonus conditions and the gradual transition into B2B (hotels and council housing).

An attractive valuation with a +43% upside potential.

Our DCF yields a target price equivalent to €3,1, which implies a +43% upside potential. The comparable method is showcased, however is not taken into consideration. Our valuation is influenced by an elevated WACC (11.2%).

Key data

Price (€)	2.1
Industry	Utilities
Ticker	INC-IT
Shares Out (m)	95.446
Market Cap (m €)	204.1
Average trading volumes (k shares / day)	256.941
Next event	Q1 - May 2022

Ownership (%)

Sostenya Group S.r.l.	44.5
Gruppo Waste Italia S.r.l.	0.5
Free float	55.0

EPS (€)	12/22e	12/23e	12/24e
Estimates	0.20	0.23	0.28
Change vs previous estimates (%)	0.00	0.00	0.00

Performance (%)	1D	1M	YTD
Price Perf	7.0	-3.4	19.3

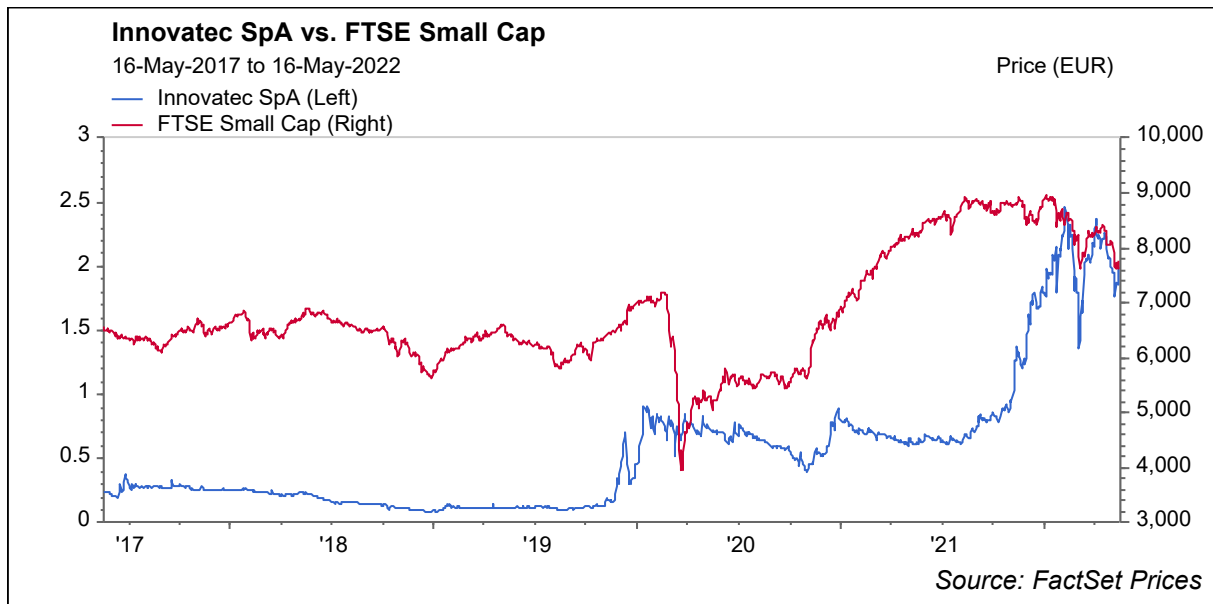


TP ICAP Midcap Estimates	12/21	12/22e	12/23e	12/24e	Valuation Ratio	12/22e	12/23e	12/24e
Sales (m €)	144.6	276.4	320.3	370.5	EV/Sales	0.8	0.6	0.5
Current Op Inc (m €)	21.1	28.0	32.4	39.3	EV/EBITDA	5.3	4.3	3.2
Current op. Margin (%)	14.6	10.1	10.1	10.6	EV/EBIT	7.6	6.1	4.4
EPS (€)	0.1	0.2	0.2	0.3	PE	10.7	9.2	7.6
DPS (€)	0.0	0.0	0.0	0.0				
Yield (%)	0.0	0.0	0.0	0.0				
FCF (m €)	19.2	1.1	15.3	22.0				

Consensus FactSet - Analysts:2	12/22e	12/23e	12/24e
Sales	272.5	322.4	383.4
EBIT	21.5	28.2	36.4
Net income	13.0	17.6	23.1

Analyst
Filippo Migliorisi
filippo.migliorisi@tpicap.com
33149241801

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Description

Innovatec Group is the Italian leading operator providing 360-degree services in circularity and sustainability. The Group integrates Environment & Circular Economy services, from recovery to recycling, and the full cycle of Energy Efficiency & Renewables services. Innovatec can also boast assisting other companies improve their circularity in their products and processes.

Innovatec aims to strengthen its resilience and become a leading player in sustainability through the responsible and efficient use of resources by linking energy and energy efficiency with the material cycle, and recovery and recycling to overall waste generation.

The regulatory framework, which plays a significant role in determining revenues and margins for the entire sector, will continue to favour sustainable development for a long time to come. Innovatec is ready to seize the new opportunities that may emerge in this area, as it has always demonstrated in the past, with promptness and ability to organise means and resources. Since their IPO in December 2013, the Group has had the promptness and resources (an extensive asset base) to interpret and act upon various market opportunities, especially deriving from the PNRR (Italian National Recovery Plan). Innovatec is in fact an actor and not a reactor, implementing the skillset and asset base to integrate two necessities: energy efficiency and effective waste management. Being the first Italian operator to vertically integrate these two industries, they are strategically positioned to pioneer the drive towards a Net Zero EU.

Innovatec aims to become a key player in the CleanTech sector, and 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 net zero by providing innovative, concrete and timely solutions to environmental problems.

SWOT Analysis

Strengths

- Access to a growing and resilient market, driven by the "European Green Deal" and the "Next Generation EU" investments;
- A distinctive business model, leveraging on the asset base in environment/circular economy and the know-how in the energy efficiency;
- Thanks to the extensive presence along the value chain and a lean decision-making flow, Innovatec offers tailor-made solutions which have a limited exposure to price pressures;
- An ESG native company, enabling customers' sustainability with a well-defined governance.

Weaknesses

- A competitive pressure in the residential energy efficiency segment;
- Difficulty to find talent to support expansion plans.

Opportunities

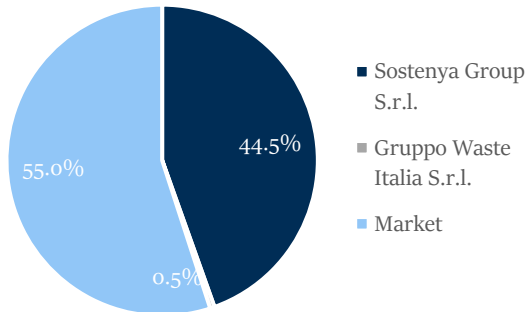
- Increased government spending: the EU Green Deal and the "Piano Nazionale di Ripresa e Resilienza" (PNRR) = National Recovery Plan;
- Increasing energy consumption, gradual shift towards alternative energy sector;
- With the COBAT acquisition, Innovatec has integrated a platform for recycling, which should grow along with attractive CONSORTIUMS and verticals.

Threats

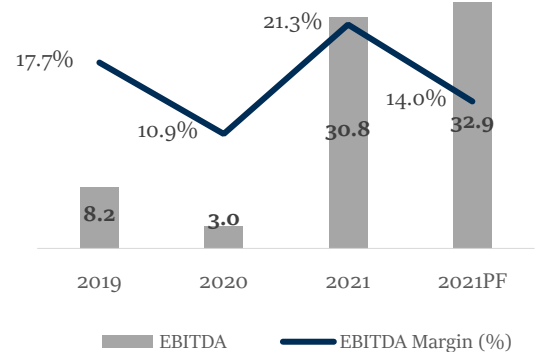
- Italy's transition towards renewable energy is slower than other EU peers;
- Increasing number of competitors in solar panel production, waste disposal and water treatment facilities;
- Large international conglomerates as competitors in the alternative energy market;

Essentiel

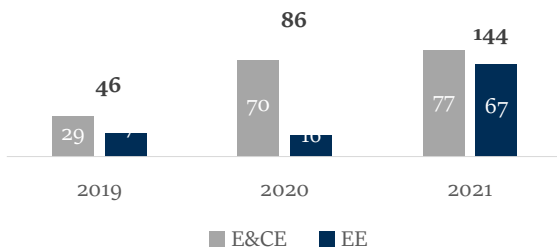
Shareholder structure



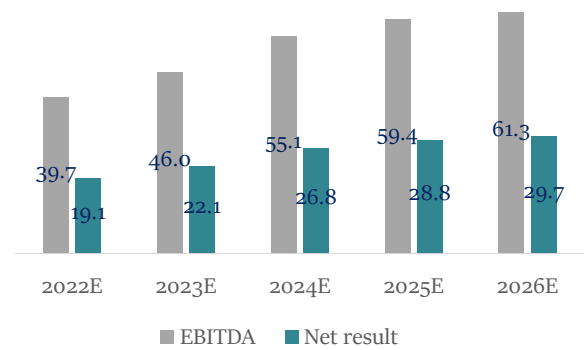
Group EBITDA (2019 - 2021PF)



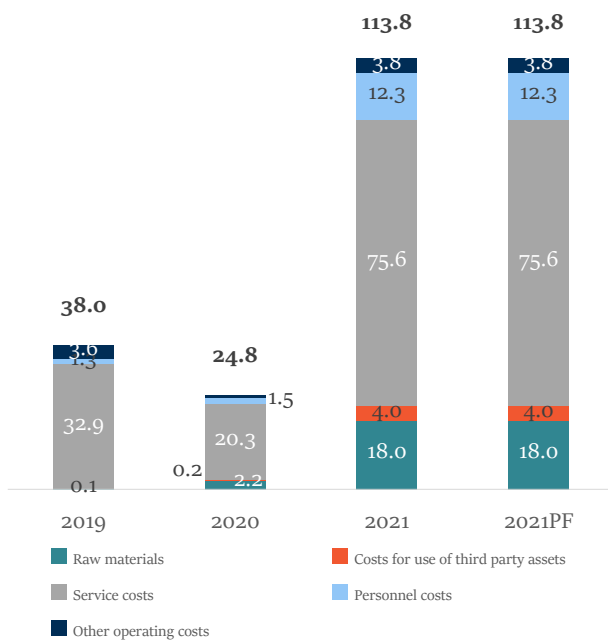
Revenue per segment (2019 - 2021)



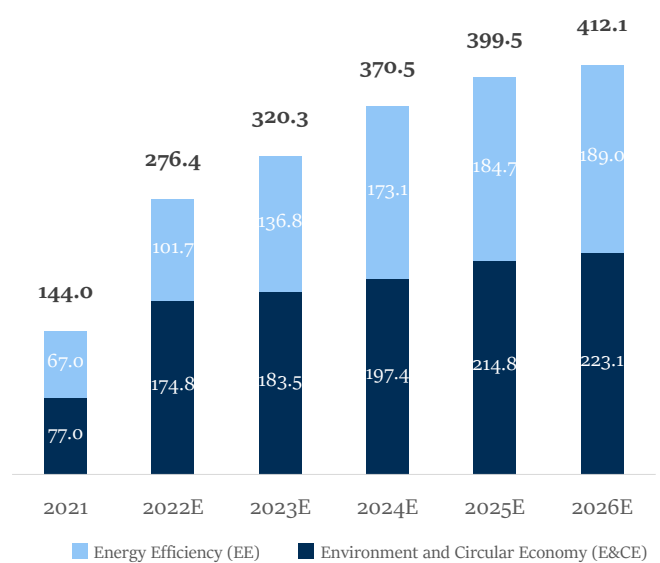
EBITDA and Net result estimates



Cost structure (2019 - 2021PF)



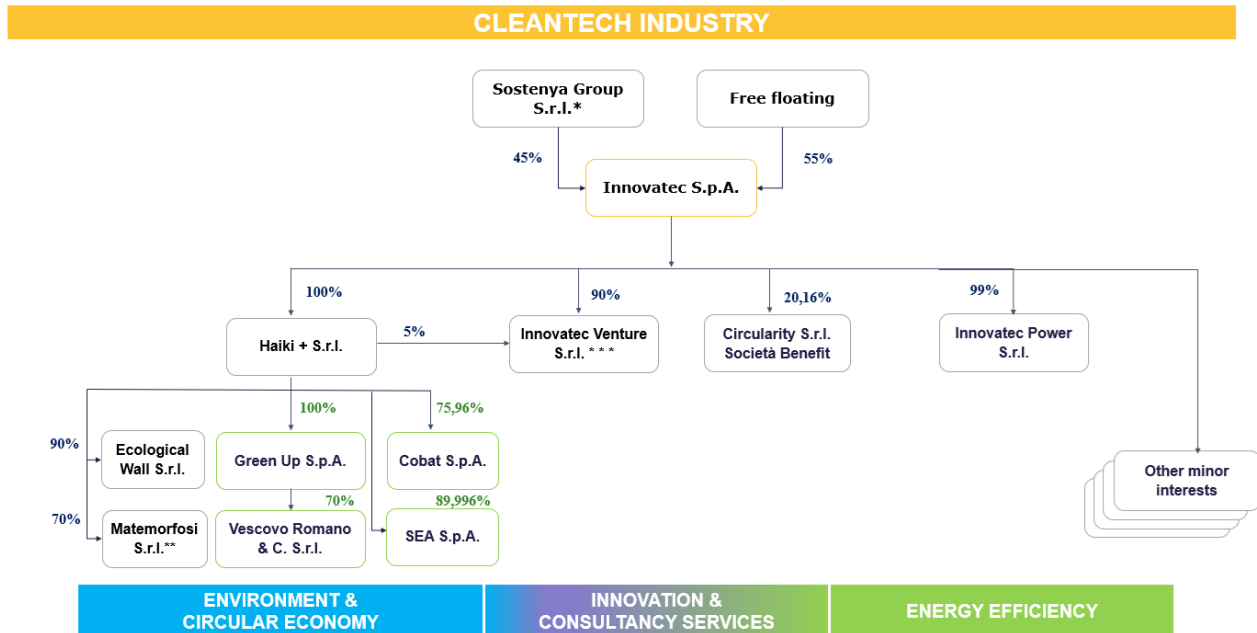
Revenue estimates



Innovatec’s activities: a general Clean(Green)Tech focus...

Innovatec S.p.A. (“Innovatec” or “Group”), is a holding company active in the Clean Technology industry, i.e. the set of clean technologies that develop processes, products or services that reduce negative environmental impacts through significant improvements in energy efficiency, sustainable use of resources or environmental protection activities.

Innovatec group structure



* Including Gruppo Waste Italia shares (0,46%)
 ** remaining 30% owned by Vescovo Romano & C. Srl
 *** remaining 5% owned by Innovatec Power Srl

Sources : Innovatec

Innovatec’s main activities

ENVIRONMENT & CIRCULAR ECONOMY		INNOVATION & CONSULTANCY SERVICES	EE & RENEWABLES			
cobat	HAIKI	greenUp	Circularity	INNOVATEC VENTURE	INNOVATEC POWER	HOUSE VERDE
TRADITIONAL ENVIRONMENTAL SERVICES	Collection	High level advisory in circular economy + Cleantech corporate venture capital	B2B	Energy efficiency EPC	B2C	PV plants
	Selection			Smart vertical technologies		
Recovery of Materials	B2C			HouseVerde (“HV”)		
Disposal				Energy communities		
CIRCULAR ECONOMY SERVICES	Recycling	PA	Kyoto fund			
	Energy recovery		Energy communities			
	EPR driven services					
The Italian leading operator providing 360-degree services in circularity and sustainability		We integrate Energy Efficiency services and the full cycle of Environmental services , from recovery to recycling		We also have an impact in helping other Companies improve the circularity in their products and processes		

Sources : Innovatec

The Innovatec Group is able to act on the entire value chain in the field of environmental sustainability: from energy efficiency to the optimisation of environmental processes, from water efficiency to integrated consultancy, research and training services for the various production chains in the sector – an increasingly important contribution to supporting the development of the “Circular Economy”.

The Group’s various subsidiaries operate within two distinct divisions:

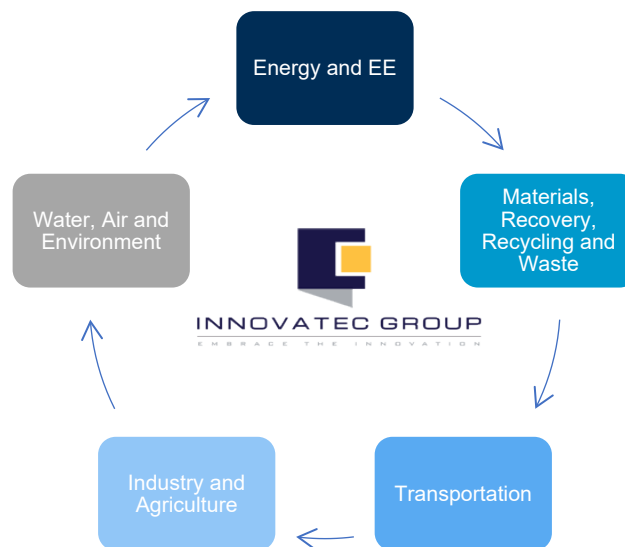
ENVIRONMENT & CIRCULAR ECONOMY (E&CE)

The subsidiary Haiki+ S.r.l. (“Haiki+”), through the operating subsidiaries Green Up S.p.A. (“GreenUp”), Vescovo Romano & C. S.r.l. (“Vescovo Romano”), Ecological Wall S.r.l. (“Ecological Wall”), Matemorfosi S.r.l. (“Matemorfosi”), S.E.A. – Servizi Ecologici Ambientali (“SEA”) and COBAT S.p.A. (“COBAT”), **offers integrated management services for the collection, transport, treatment, recovery, valorisation and disposal of special non-hazardous waste**, assisting its customers in the correct and effective management of waste, reducing the environmental impact of the business activity with a progressive increase in the quantity of materials recovered in line with the principles of circular economy and zero waste.

ENERGY EFFICIENCY & RENEWABLES (EE)

The subsidiary Innovatec Power S.r.l. (“Innovatec Power”), which **develops projects and offers energy-efficient products and services for industrial customers (B2B)** and, thanks to the recent **HouseVerde (HV) project**, **offers energy efficiency measures for households and condominiums (B2C)**. Innovatec Power also operates in the renewable energy business and has, as an additional “core activity”, the construction and management of large and medium-sized renewable energy plants (Photovoltaic plants, energy communities and more) and the construction of waste disposal plants.

Clean Tech Principles: Circular Economy



Sources : Innovatec, TP ICAP Midcap

In a competitive environment where social and environmental sustainability are becoming increasingly central, Innovatec’s acquisition of CleanTech aims to strengthen its resilience and become a leading player in **sustainability** through the responsible and efficient use of resources by linking energy and energy efficiency with the materials cycle, and waste recovery and recycling. The integration with CleanTech has further enriched Innovatec’s know-how and expertise in the Circular Economy, with the aim of exploring new market opportunities. This new approach will allow the Group to increase their revenues in the future also through **cross-selling** of services/projects dedicated to the development and implementation of innovative solutions, in line with the new sustainability objectives (economic, social and environmental).

Since Innovatec is present in various markets, we will first analyse the target market, and then outline the solutions which Innovatec offers in the corresponding market.

The Circular Economy

Broadly speaking, Innovatec is positioned within the *Clean Technology* (“Cleantech”) industry. **Cleantech refers to any process, product or service that reduces negative environmental impacts through significant energy efficiency improvements, the sustainable use of resources or environmental protection activities** (source: Innovatec). Cleantech can be considered as a starting point for sustainability. There are various initiatives at an international and national level which Innovatec is susceptible to, such as (but not limited to): **the EU Green Deal, the “Piano Nazionale di Ripresa e Resilienza” (PNRR) and the Circular Economy Action Plan.**

Cleantech vertical integration

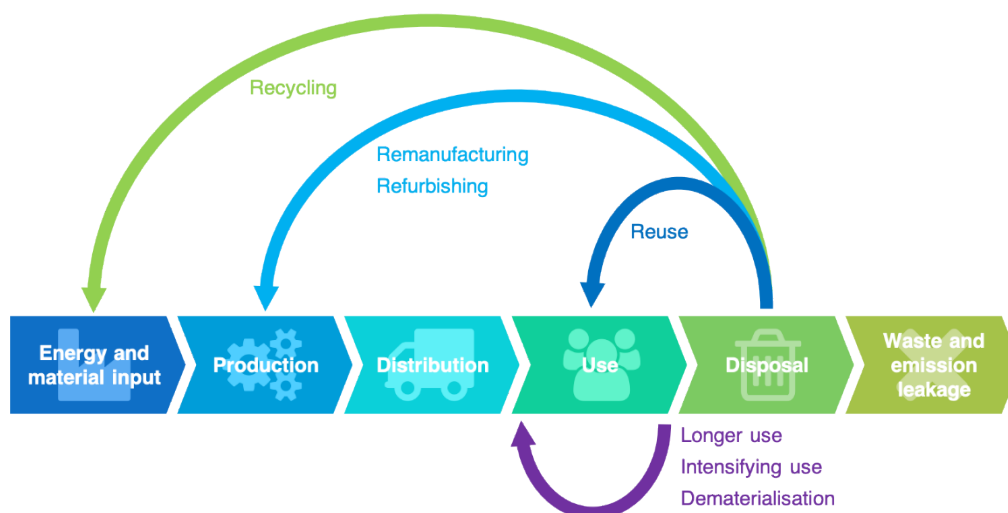


Sources : Innovatec, Cleantech, TP ICAP Midcap

A. The Circular Economy: market overview

The Circular Economy can be synthesized based on two underlying concepts: the circular economy and business model innovation (source: Geissdoerfer et al., 2020). Along those lines, the circular economy aims to maximise the value of products, material and resources for as long as possible by returning them into the product cycle at the end of their use, while minimising the generation of waste (source: Eurostat).

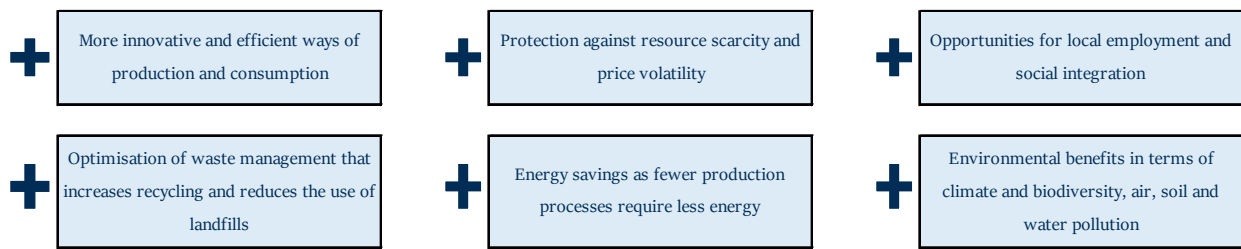
Cleantech vertical integration



Sources : Circular business model: a review – Journal of Cleaner Production

Some European countries in particular are accredited with important steps with regards to the targets of the Circular Economy: Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Poland, Portugal, Slovenia, Spain and the Netherlands. Italy is one of the leaders in municipal waste recycling practices thanks to a steady progression since the concept’s introduction.

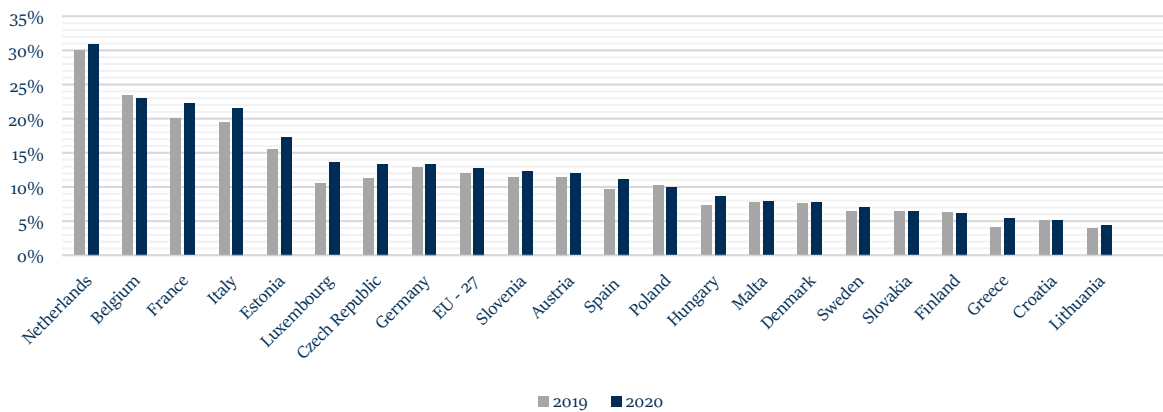
Circular Economy benefits



Sources : Innovatec, TP ICAP Midcap

The circular material use rate in Italy in 2020 was equivalent to 21.6%, compared to 19,5% in 2019 (source: Eurostat). Only France, Belgium and the Netherlands registered higher material use rates in 2020. With regards to waste generation, the UE average in 2020 surmounted to 505 kg per capita per year, in line with the waste generation per capita in Italy in 2020 (505 kg).

Circular material use rate by country (as %)



Sources : Eurostat, TP ICAP Midcap

Circular Economy Action Plan:

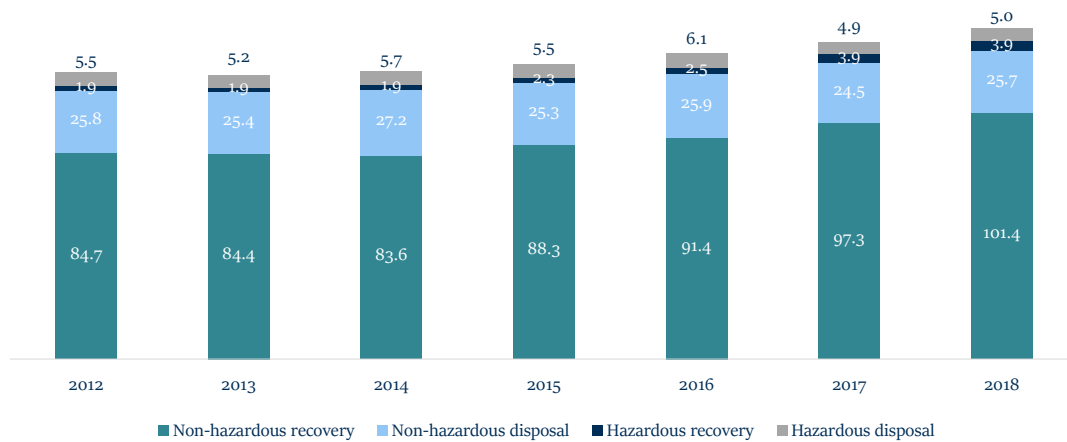
In an effort to make the EU cleaner and more competitive, the European Commission has adopted the new circular economy action plan (CEAP) in March 2020. Just as the PNRR, the CEAP falls under the European Green Deal umbrella, the agenda for sustainable growth.

The new action plan announces initiatives along the entire life cycle of products. More specifically, how products are designed, promoting circular economy processes, and aims to ensure that waste is limited in order to optimise resources.

It is possible to segment the waste management market by characteristics, economic activities, country, and more. Concerning the waste generated by economic activity, in 2018 the sectors which contributed the most were construction (36%), mining (26.2%), quarrying and manufacturing (10.6%) and households (8.2%), whilst other sectors such as the energy sector, services and agriculture all registered contribution rates below 5% (source: Eurostat).

For the sake of this study, we will focus on the distinction between **hazardous** and **non-hazardous** materials. Along those lines, non-hazardous waste is largely dominant concerning the overall recovery and disposal of materials. In 2018, approximately 127 thousand tonnes of non-hazardous waste was either recovered (recycled) or sent to landfills, whilst hazardous waste amounted to approximately 9 thousand tonnes. The trend of special waste management shows that the share of non-hazardous waste sent for recovery is still predominant, while hazardous waste is mainly sent for disposal.

Hazardous vs non-hazardous special waste in Italy in (in '000s tonnes)

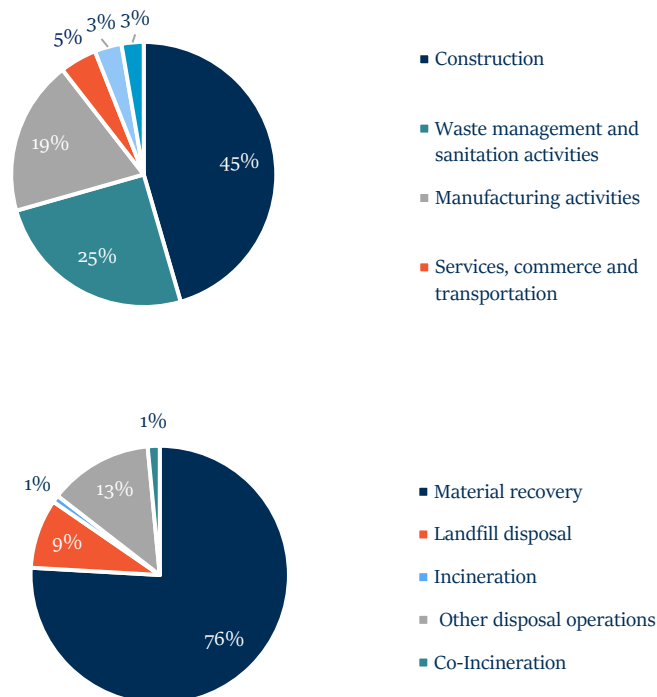


Sources : ISPRA, TP ICAP Midcap

In Italy, as in the rest of industrialised countries, the production of special waste is given by the construction and demolition sector, accounting for 45% of the total output, corresponding to 51 million tonnes. With regard to special non-hazardous waste only, the distribution between the different activities reflects the distribution of the total production data, as can be assumed given the high incidence of this type of waste (93%).

Treated timber, concrete additives, asbestos, contaminated soils, preservatives, adhesives, paint and various types of batteries are just some examples of special waste that result from construction and manufacturing activities.

Special waste production in Italy (%) (above) and special waste management in Italy (%) (below)



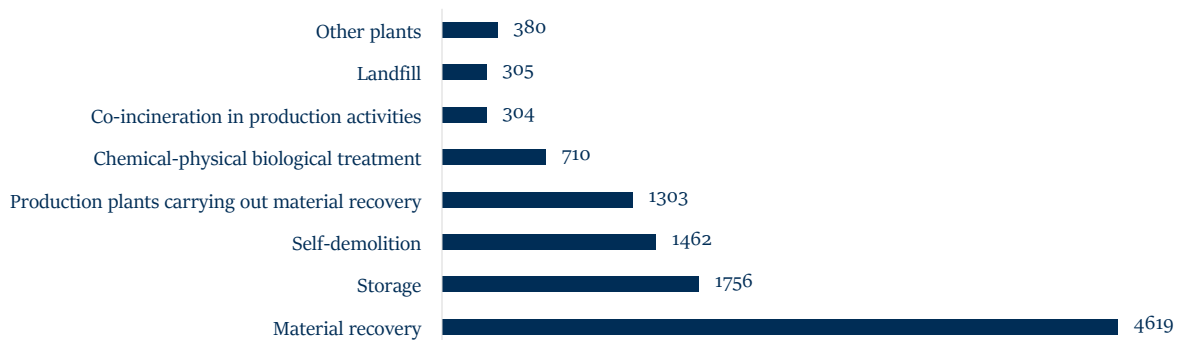
Sources : Innovatec, TP ICAP Midcap

Given the nature of special waste generated from the manufacturing and construction sectors, the most efficient solution for such materials is the recovery process. Landfill disposal and incineration are not preferred given their elevated carbon footprint, however necessary once all valuable/recyclable materials are retrieved.

Plants dedicated to material recovery, which account to 4619 sites, are equivalent to 43% of the national supply; these are followed, with 16%, by plants that only store waste for recovery/disposal, corresponding to 1756 units. Lastly, self-demolition plants account for 14% and production plants, which carry out material recovery within the production cycle, account for 12%.

The total number of operational landfills is 305, and are showcasing a progressive decrease over the last years. Landfills for non-hazardous waste are highly concentrated in Northern Italy (75 landfills) with 44 in the South and 31 in the Centre of Italy.

National waste management facilities in Italy

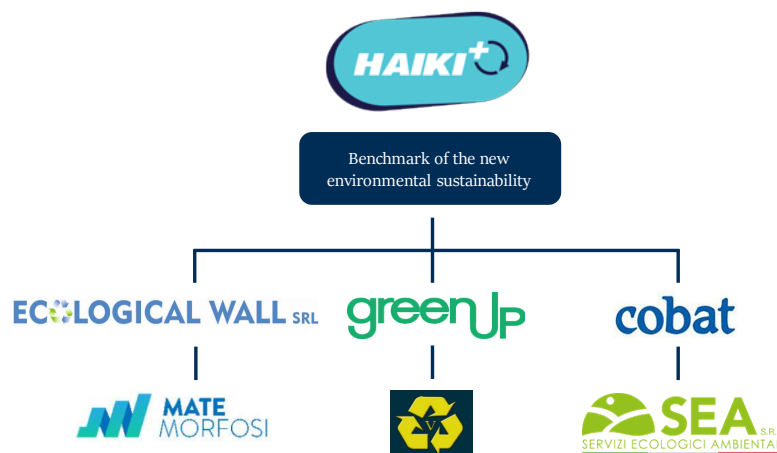


Sources : “Rapporto rifiuti speciali 2021”, TP ICAP Midcap

B. Environment and Circular Economy (54% of 2021 revenues): Innovatec’s solution

Environment & Circular Economy (E&CE) services include the collection and transportation of waste from producers via the Group’s own fleet and additional third-party affiliated collectors. The collection then leads to the treatment of waste, which is conducted via a proprietary selection and treatment systems. The Group currently boasts a collection of 5 service centres in Northern Italy and 1500+ customers, most of which are large companies. Furthermore, Innovatec provides the permanent disposal of waste through two proprietary active landfills and a third under a lease agreement, located in Northern Italy.

Environment & Circular Economy (E&CE)



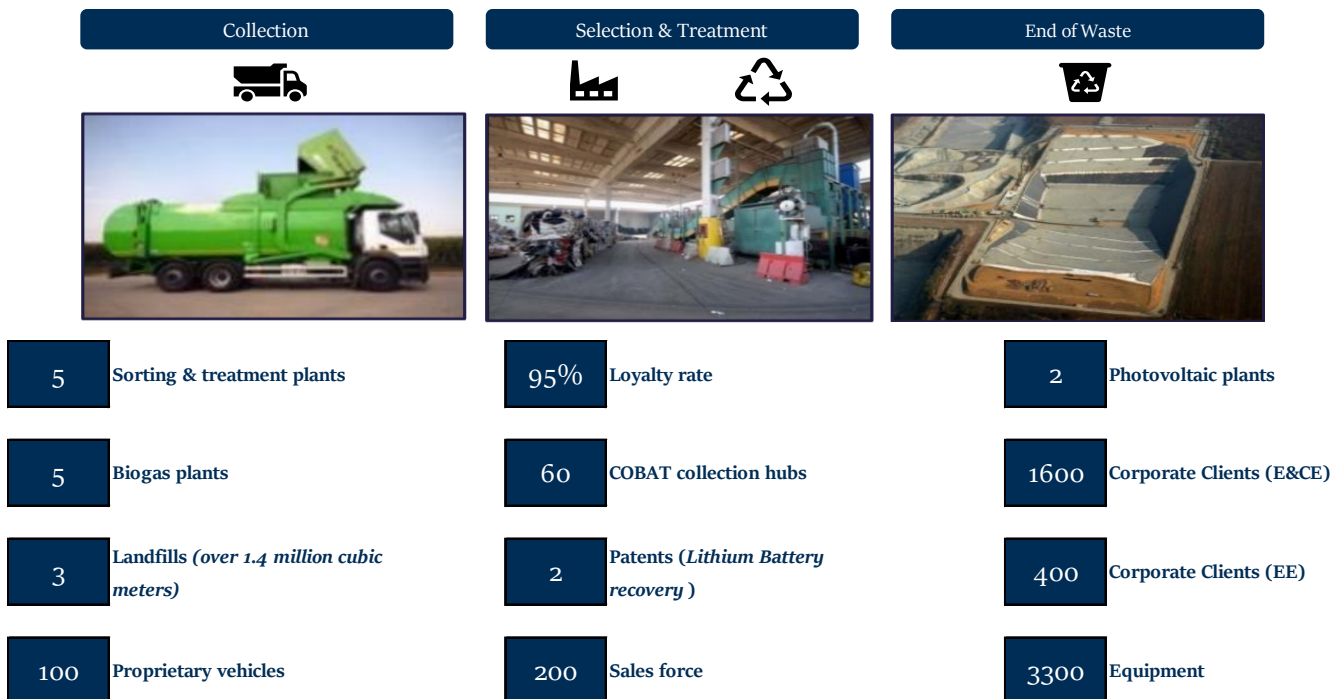
Sources : Innovatec, TP ICAP Midcap

The **new sub-holding (Haiki+)** brings together all of the Group’s companies operating in the Circular Economy, such as Green Up, Vescovo Romano, COBAT, SEA, Ecological Wall and Matemorfosi, providing its clients with comprehensive support on all aspects of the ecological transition whose areas of intervention are:

- Integrated environmental services;
- Innovative specialised plants dedicated to material and energy recovery;
- Circular economy hubs;
- Environmental consulting.

The new structure represents a fundamental step towards implementing Innovatec’s strategy of combining *value creation* with environmental sustainability, in line with the sustainable development objectives set by the United Nations 2030 Agenda and adopted by the Integrated National Energy and Climate Plan (PNIEC). Haiki+’s objective is to be the point of reference for environmental sustainability in light of the new ecological transition towards the 2050 objectives.

Environment & Circular Economy (E&CE)



Sources : Innovatec, TP ICAP Midcap

All the companies underneath the Haiki+ umbrella combined satisfy the conditions of the Circular Economy, promoting the process of recovering waste materials and creating value by reducing their environmental impact. In accordance with the European framework that requires waste to be treated in line with the principles of proximity and recovery (or disposal), the Group’s subsidiaries assist customers in proper waste management, contemporarily reducing the environmental impact. The integrated environmental service has a vertically integrated business model, which makes it possible for Innovatec to be present at every stage of the waste chain. **The Group relies on a vertically integrated structure and a business model based on an internal salesforce and long-term consolidated partnerships.**

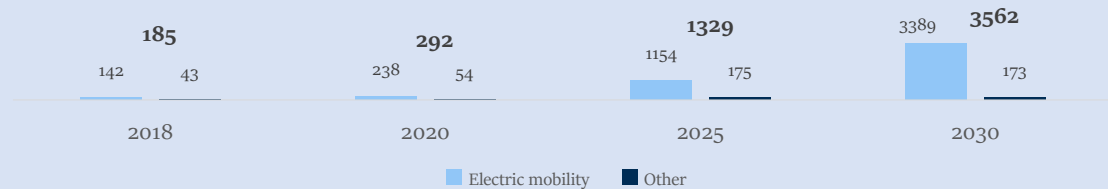
Innovatec’s subsidiary – GreenUp – manages: 5 *sorting & treatment* facilities located in a central position with respect to the activities carried out in the segment of waste collection, 5 *biogas plants* and 3 *landfills*. With the aim of expanding and improving its service to customer and develop plant technology and processes to promote the use of materials taking into consideration the circular economy, GreenUp expanded its business by acquiring Vescovo Romano, a company that processes and trades waste paper and all other waste materials. Their plant in Palazzolo Verellese (VC) is a state-of-the-art centre for waste treatment and recovery.

Consortia: the future of waste management and circularity

Various industries have groups of companies working together to reach a shared goal, however the most common are waste management consortia. In Italy, there are various types, each focusing on different waste. GreenUp and Vescovo Romano focus broadly on miscellaneous waste. COBAT focuses on waste from **electrical and electronic equipment** (WEEE) and batteries (mostly COBAT). COBAT carries out its activities through the management of service contracts with supply chain consortia such as:

- COBAT RAEE: consortium which focuses on WEEE;
- COBAT TYRE: for end-of-life management of tyres;
- Cogepir: for the collection and disposal of end-of-life fireworks for signalling, rescue and security purposes;
- COBAT Composite: for the treatment and disposal of end-of-life products made of composite materials, mainly consisting of glass and carbon fibre;
- COBAT ECOFACTORY: for the treatment of end-of-life lithium batteries;
- COBAT Textile: for the collection, treatment and recovery of end-of-life textiles.

With the integration of SEA, the Group is able to effectively vertically integrated consortiums with state-of-the-art treatment facilities (SEA). **Innovatec is the only player with a consortium & facility integration in Italy.**



Source: World Economic Forum, 2021

The graph above showcases the global demand for batteries is expected to **grow by a 19x factor to reach 3,600 GWh in 2030** (source: World Economic Forum, 2021), underlining the growing trend for electric vehicles (EV). The global battery recycling market is expected to grow at a 9% CAGR (source: Innovatec). Such indicators are promising in light of COBAT's lithium battery patents and developed know-how in special waste treatment. At a global level, **less than 5% of lithium batteries are recycled** (source: Innovatec). The EU is in fact proposing initiative to make batteries' life cycle sustainable in the short, medium and long term. This is mainly driven by the rise in EVs (estimated to reach 30 million before 2030) (source: EU).

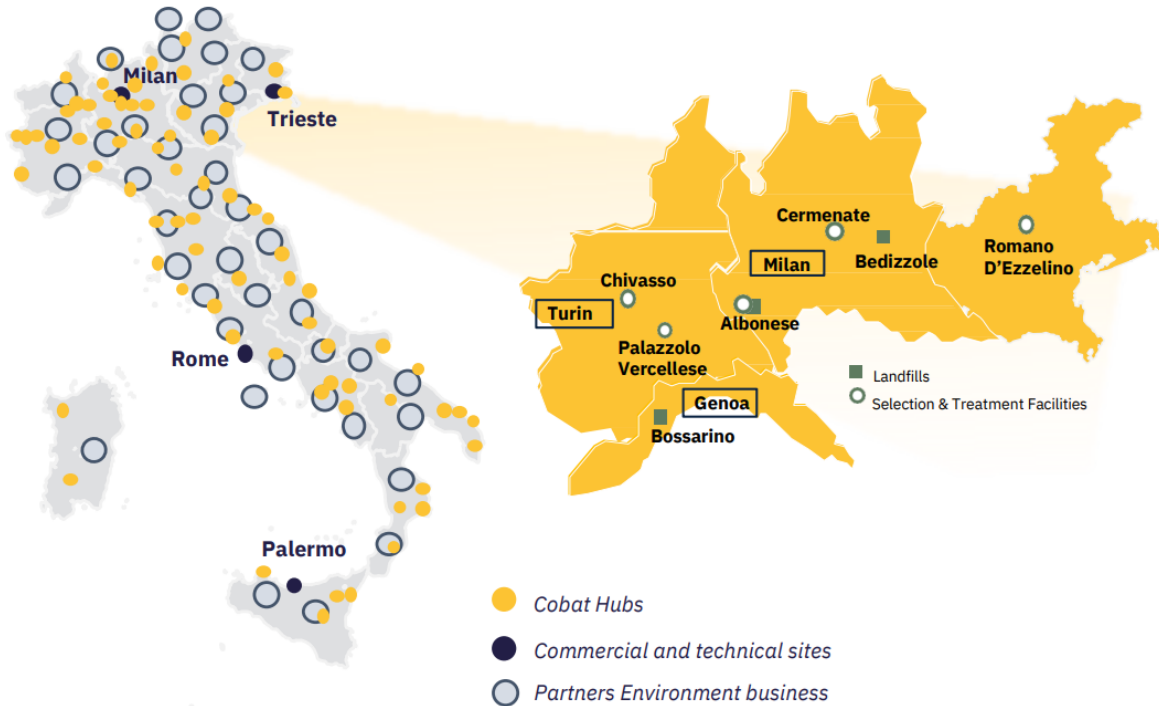
Matemorfosi and Ecological Wall target two niche markets: **mattresses and drywall**:

- Matemorfosi is the *first treatment facility in Italy* dedicated to the recovery of valuable materials within end-of-life mattresses;
- Ecological Wall boasts an economically sustainable method to recover plaster from drywall, a model with large potential abroad – US market worth approximately \$14 billion in 2020 (source: GVR).

The Group provides **Collection and Transportation services** of waste from producers via their own fleet and third-party collectors, which is then transported to selection and treatment facilities and landfills around Italy.

The **Selection & Treatment** stage implies sorting through various materials and grouping recoverable and non-recoverable materials together. Non-recoverable materials at this point are compacted and sent further on to landfills, while combustible material is then turned into 'refuse derived fuel' (RDF).

Non-recoverable materials and organic waste are processed at the **End of Waste stage**, where Innovatec offers proprietary and third-party landfills to dispose of waste. At this stage, organic waste is turned into biogas and then sold, whilst recoverable materials are then recycled. **Innovatec's vertically integrated structure with a strategic presence at every step of the production cycles, ensures cost efficiency and flexibility underpinned by complementary customer service.**



Sources : Innovatec

Environmental services and Circular Economy: strictly a B2B focus

The overall waste management services are an incredibly important business for the Group, which is solemnly concentrated on business-to-business (B2B) services. Why? There are several reasons. In 2008, the European Union introduced the 2008/98/EC Directive, a legal framework for treating waste in the EU. This framework was designed to protect the environment and human health by emphasising the importance of proper waste management, recovery and recycling techniques to reduce pressure on resources and improve their use.

The Directive establishes a waste hierarchy; prevention, reuse, recycling, recovery for other purposes (such as energy), and disposal, which every producer has to follow in order to optimise production as a whole. In addition, the Directive also emphasises the ‘polluter-pays principle’ whereby the original waste producer must pay for waste management costs, and introduces the ‘extended producer responsibility’, in which the producer and waste management organisation share responsibility (source: “EU waste management law” – EUR-Lex).

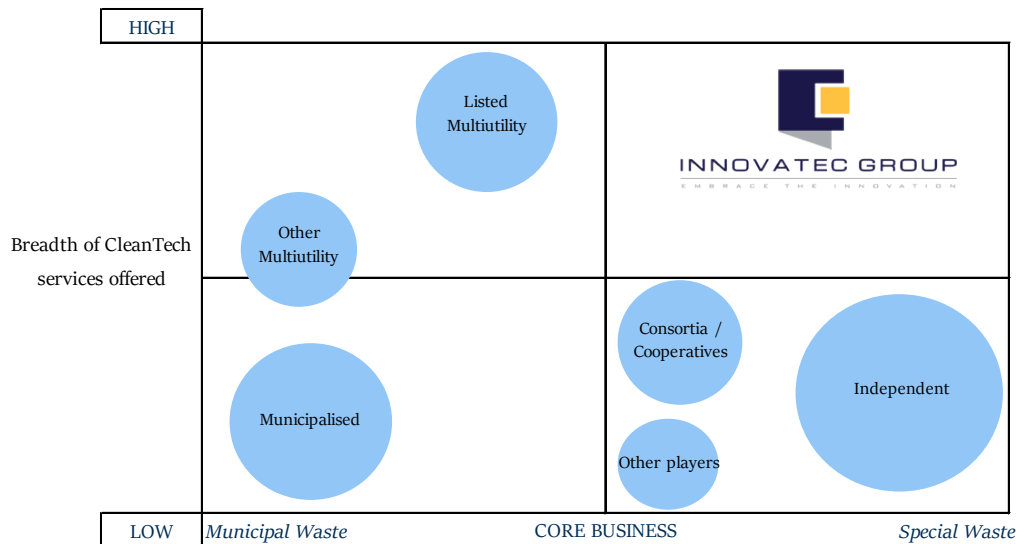
Therefore, thanks to the 2008/98/EC Directive, Innovatec relies on the trust-worthiness and reputation of their customers, whom are subject to extensive controls in order to uphold their ESG objectives and general sustainability standards. Having these strong relationships with their customers gives the Group the opportunity to indulge in cross-selling activities, thus integrating their Environment and Circular Economy services with Energy Efficiency and Renewables.

C. Innovatec’s positioning in the E&CE market

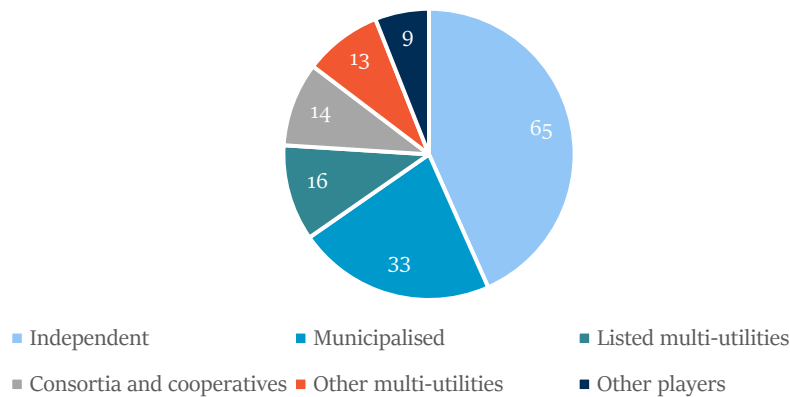
The *Environment & Circular Economy (E&CE)* market in Italy is highly fragmented, mainly comprised of small/medium sized players. In Italy, there are approximately 2500 companies active in the E&CE market, with over 90% of them generating over €20 million in revenues (Grant Thornton, 2020). Out of the 2500 companies active in the industry, approximately 150 are deemed competitors, which can be grouped in the following way:

- Independent operators: companies whose core business is the provision of environmental protection services. Are not part of any public or international multi-utility group.

- Municipalised: controlled by Italian municipalities and entities, providing services for their own municipalities.
- Listed multi-utilities: listed on the Borsa Italiana and provide environmental protection and circular economy services. A2A, Iren, Acea and/or Hera all fall under this category.
- Consortia and cooperatives: companies active in environmental protection services, managed by consortia or cooperatives.
- Other multi-utilities: public or private utility service companies.
- Other players: any other companies that do not fall into any of the above categories, mainly international groups and investors.



E&CE players in Italy



Sources : Grant Thornton, TP ICAP Midcap

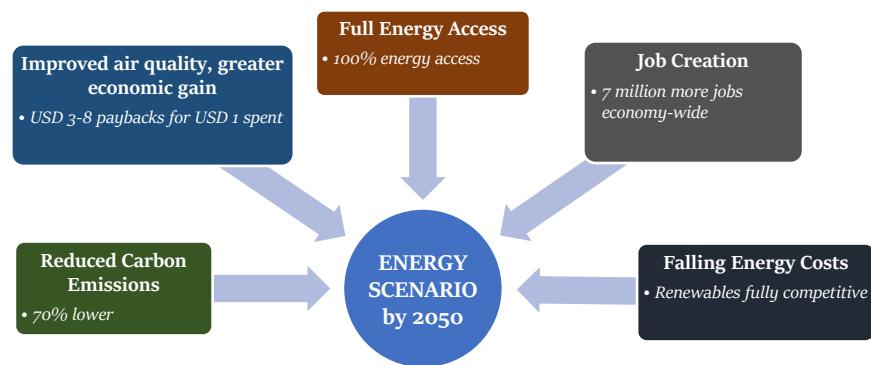
Innovatec is positioned to play a market leading role, thanks to their 360 degree expertise, its commercial offer and strategy within the circular economy. Therefore, the Group offers a nation-wide end-to-end service, offering the whole range of cleantech services, an unparalleled characteristic within the competition. In addition, the Group’s exclusive and value-added patents, enable vertical integration (tyres and WEEE).

Energy Efficiency: a drive towards “Net Zero” emissions

Climate change has become one of the main concerns of this century. The necessary action to this recurring issue is a complete energy transformation that would drastically reduce carbon emissions, the “root of all evil” with regards to climate change. Decarbonising the energy sector and reducing carbon emissions as a whole are the key objectives of the energy transformation roadmaps of the International Renewable Energy Agency (IRENA) and the Paris Agreement. Reducing carbon emissions is definitely the main driver when it comes to promoting sustainable clean energy, however, it is not the only one (source: “Global Renewables Outlook” – IRENA).

D. Energy Efficiency & Renewables (EE): market overview

Key drivers for energy transformation



Sources : IRENA, TP ICAP Midcap

Amongst the appealing drivers showcased above, making renewable energy more accessible would facilitate all other potential benefits. Renewable energy technologies can be applied in various scenarios, especially in rural areas, which could greatly improve people’s lives and stimulate local economies. Improved air quality by reducing carbon emissions would bring prosperity by reducing ill health, and thus boost productivity. The benefits from improved air quality would definitely outweigh the overall implementation cost of renewables. **The total savings in improved health, reduced subsidies and lower impacts of climate change is estimated to generate over USD 160 trillion within the next 30 years** (source: IRENA).

EU Green Deal:

In December 2019, the EU outlined the Green Deal, a set of objectives for at least €1 trillion of sustainable investments over the next 10 years. Some of the most notable objectives revolve around emissions, with **specific goals and initiatives proposed to decrease emissions by 55% before 2030 and achieving net zero emissions before 2050, making Europe the first carbon-neutral continent**. These investments will primarily focus on the energy sector, manufacturing (optimising infrastructure energy consumption) and mobility (drive towards electric).

Energy	Buildings	Industry	Mobility
Decarbonising the energy sector, which is responsible for more than 75% of EU greenhouse gas emissions	Facilitate the renovation of private buildings in order to reduce energy costs and consumption for the population	Supporting various industries to innovate and become a leader in the Green Economy	Introducing cleaner, cheaper and more sustainable forms of private and public transport

Italy's energy transition plan: a branch of the EU tree





The renewable energy scenario in Italy is part of an overall framework of medium term European objectives to 2030, as intermediate steps towards a climate-neutral European economy by 2050. The climate neutral objective with which the European Union wants to position itself as a world leader, was first defined in the strategic vision to 2050 and subsequently reaffirmed in the European Green Deal, in which the European Commission outlines an operational roadmap to achieve the net zero greenhouse gas (GHG) emissions by 2050 and decoupling economic growth from resource use.

Piano Nazionale di Ripresa e Resilienza (PNRR):

The “Piano Nazionale di Ripresa e Resilienza” (PNRR) is a recovery plan set into place following the Covid-19 pandemic. The PNRR is a “national extension” of the larger EU Green Deal, of which approximately **€60 billion will be assigned to the ecological transition and overall innovation of various sectors.**

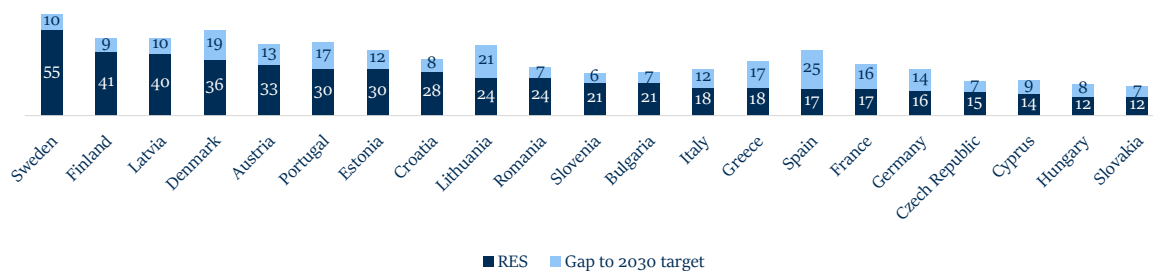
Under the PNRR umbrella, Innovatec is specifically susceptible to four initiatives:

1. Superbonus 110% (**€14 billion**) → entails a deduction for interventions dedicated to households' insulation and energy saving;
2. Energy Transition (**€3.5 billion**) → funding for innovative projects (such as “Progetti Faro”), promotion of innovative power plants, biomethane and Green ports;
3. Energy Communities (**€2.2 billion**) → funding for the development of renewable energies in energy communities;
4. Agro-Photovoltaic (**€2.6 billion**) → funding for PV plants in agriculture and farming.

Energy	Buildings	Industry	Mobility
			
Decarbonise the energy sector, which is responsible for over 75% of greenhouse gases in the EU	Facilitate the renovation of private buildings in order to reduce energy consumption and overall costs for the population	Support industries to innovate and become leaders in the Circular and Green economy	Introducing cleaner, cheaper and more sustainable forms of private and public transportation

The desire to accelerate in this direction was subsequently reaffirmed by the European Commission itself in March 2020 by **proposing the first European Climate Act aimed at making the 2050 zero emissions target a binding objective for EU countries** (source: European Commission, “Proposal for a Regulation establishing the framework for achieving climate neutrality and amending Regulation (EU) 2018/1999”, 2020).

Renewable Energy Sources (RES)



Sources : The European House, TP ICAP Midcap

Thanks to the determined drive towards renewable energy, renewables have become the lowest-cost source of new power generation. As costs continue to fall for solar and wind technologies, this will also replicate in emerging economies. Data from the IRENA Renewable Cost Database indicates that in the last decade, the Levelised Cost of Electricity (LCOE) for photovoltaic energy fell by 77%, whilst onshore wind showcased a 35% decrease and offshore wind a 20% decrease (source: IRENA, 2021).

Photovoltaic energy: spearheading the transition towards renewables...

The overall objective is to reduce the energy cost of renewables below the fossil fuel cost range (approximately €0.05/kWh and €0.2/kWh). The global weighted average LCOE for solar PV is estimated to constantly decrease to reach €0.04/kWh by 2030 (source: IRENA, 2021). The European Union is moving ahead to deliver on the Paris Agreement, mandating the comprehensive decarbonisation of the economy, delivering on the EU Green Deal. This initiative is on the verge of delivering the necessary level of ambition that will create the unprecedented opportunity to accelerate renewables-based electrification for all end use sectors. The proposals should maximise the potential of a truly European solar value chain, redeveloping critical manufacturing capacity of solar photovoltaic (PV) components in Europe, while creating over 1 million green EU jobs by 2030.

Top 10 EU countries Solar Capacity 2021

Country	2021 Total capacity (GW)	2021 Watt per capita	By 2025 Total capacity medium scenario (GW)	2022-2025 New capacity (GW)	2022-2025 Compound annual growth rate (%)
Germany	59.9	715	107.6	47.7	16%
Spain	17.9	384	36.8	18.9	20%
Netherlands	13.1	765	30.2	17.1	23%
France	13.2	198	28.3	15.1	21%
Poland	7.1	187	16.8	9.7	24%
Denmark	2.8	490	11.7	8.9	43%
Italy	22	364	29.1	7.1	7%
Portugal	1.5	137	6.6	5	44%
Greece	4.8	465	9.8	5	19%
Belgium	6.9	596	10.9	3.9	12%

Sources : SolarPower Europe (2021), United Nations (2020), TP ICAP Midcap

The table above showcases Giga Watt (GW) estimated growth rates based on 2020 data. After Germany, Italy boasts the highest total solar capacity 22 GW (364 Watt per capita), one of the highest rates in Europe. Italy's National Energy and Climate Plans (NECP) have outlined several objectives in order to increase the nation's overall dependency on photovoltaic electricity. **Within 2030, the NECP will target a photovoltaic Watt/per capita equivalent to 864, significantly higher than the EU photovoltaic average (758 W/cap).** One of the major limitations in the last years with regards to adopting PV projects revolved around the general access to land. In the past, the auction scheme in Italy did not allow access for solar PV projects on agricultural land, resulting in a large quantity of auctions being undersubscribed.

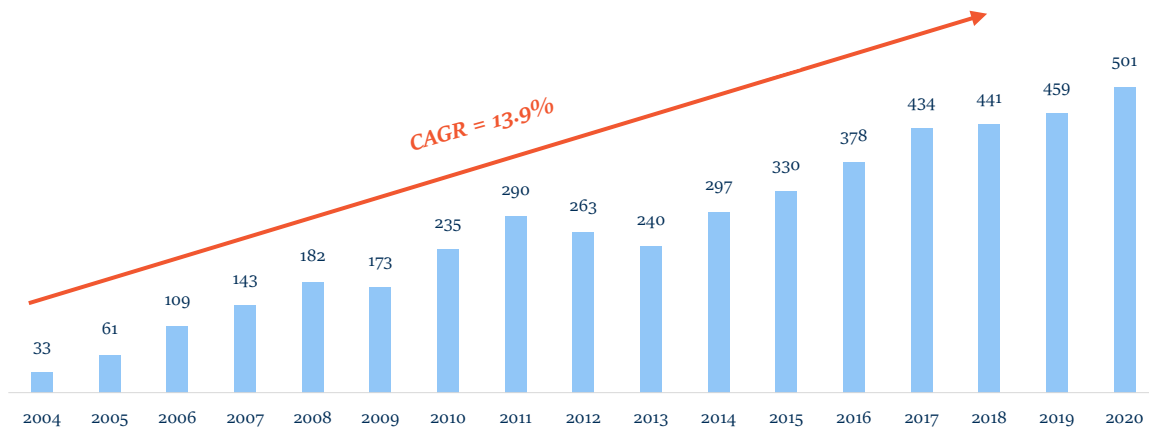
...an international phenomenon with no intention of slowing down

Energy efficiency remains the cornerstone of the transition to cleaner, safer and more sustainable energy future. Although it is not sufficient on its own to achieve the goals of the Paris Agreement, it has an essential feature that makes it unique. The importance and benefits of energy efficiency have been well documented and demonstrated in all key economic sectors, in both developed and emerging economies, and as a result, governments are now increasingly aware of the importance of energy efficiency.

Investments focused on the energy transition to renewables has rapidly grown over the last 8 years, almost doubling since 2014. **From 2004 to 2020, global investments registered a CAGR of 13.9%, going from €33 billion in 2004 to €501 billion in 2020.** The commitment to the de-carbonisation objective will soon reflect a higher increase in investments thanks to the EU GREEN DEAL as aforementioned. The effect of these initiatives is showcased by the +9% increase from 2019 to 2020, despite the economic disruptions caused by Covid-19.

Governments are increasingly aware that energy efficiency measures can deliver multiple benefits to the economy, including cost savings, low emissions, energy security, productivity and trade balance improvements, and greater integration of renewable electricity generation. Presented with these benefits, unleashing the economic potential of energy efficiency requires strong and determined policies to overcome the combination of economic and non-economic barriers to efficiency

Global investment in energy transition (€bn)

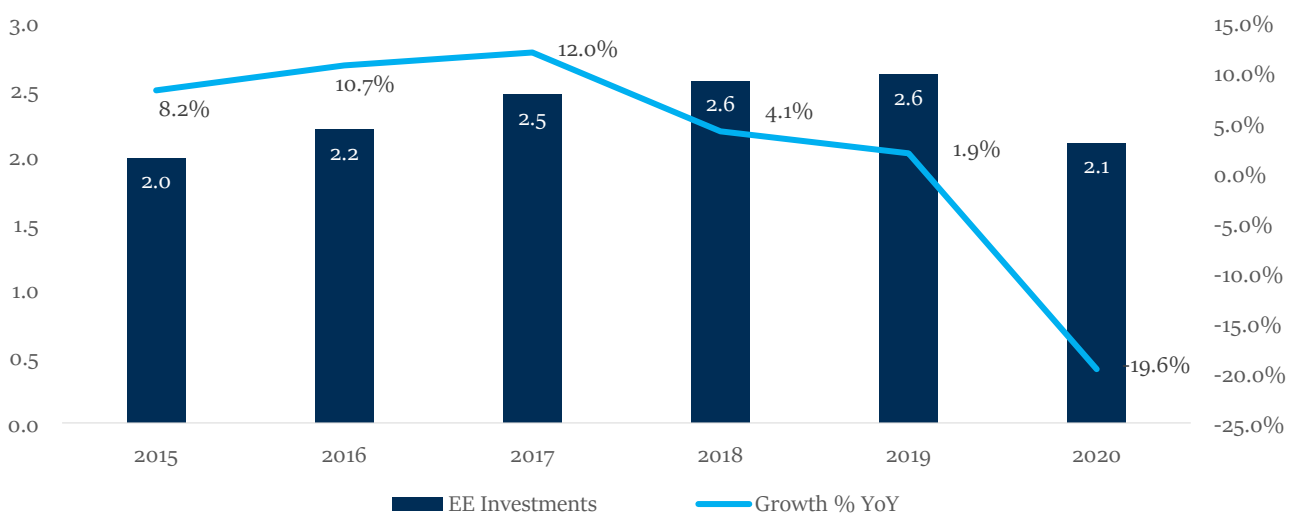


Sources : BloombergNEF, TP ICAP Midcap

In 2020, investments into Energy Efficiency (EE) in Italy amounted to €2.1 billion, registering a -19.6% decrease when compared to 2019 due to the Covid-19 pandemic. Nonetheless, approximately €3.8bn (18%) were dedicated to Cogeneration plants, whilst €3.2bn (15%) were dedicated to efficient combustion plants. By 2023, investments in EE are expected to grow 17% YoY to reach €3bn, driven by the PNRR.

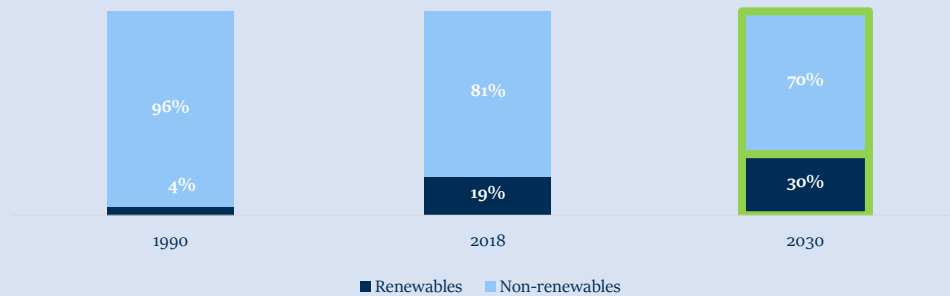
Looking specifically at the renewable energy component of energy transition investments, there is a clear message. Global investment in renewables capacity was €303.5 billion in 2020, up 2% on 2019, and showcasing a CAGR (2004 – 2020) of 8.1%. Solar power led the way, with investments equivalent to approximately €148 billion.

Investments in Energy Efficiency (EE) in Italy (€bn)



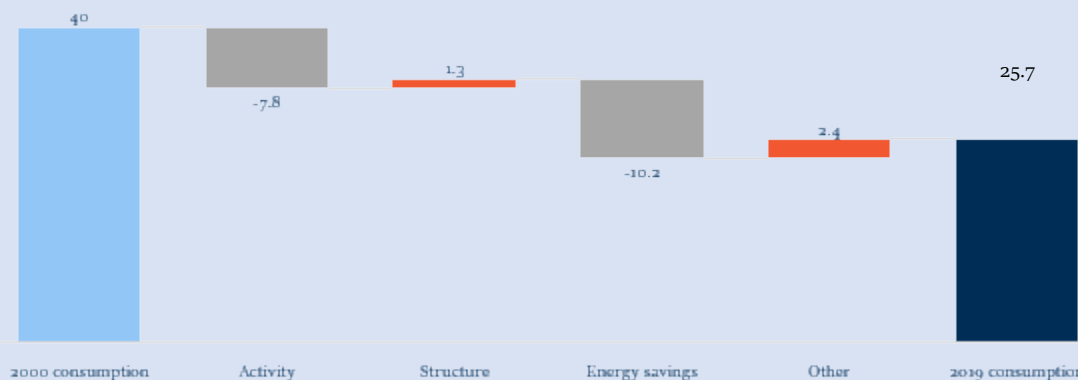
Sources : Innovatec, TP ICAP Midcap

Before the PNRR was introduced, the Italian government introduced a similar, yet more progressive, energy transition plan called the PNEIC. The 2030 objective comprised of having 30% of all national energy consumption deriving from renewable resources (source: PNEIC).



Sources: Eurostat, Energy & Strategy Group, TP ICAP Midcap

The historical evolution has been characterised by a strong differentiation in the mix. Fossil fuels remain predominant (as of 2018), with a share of 78% of total consumption, compared to 94% in 1990. In order to accelerate this trend, investments and subsidies in fossil fuels must be phased out, therefore a substantial redirection of investments is required to reach global and national emissions levels.



Sources: ODYSEE, TP ICAP Midcap

The graph above showcases the overall energy savings as a direct result of fossil fuels being phased out in Italy. The overall decrease in industry energy consumption was 14.2 Mtoe (-35.6) over the 2000 - 2019 period, with 10.2 Mtoe saved thanks to energy efficiency efforts.

E. Energy Efficiency & Renewables (46% of 2021 revenues): Innovatec's solution

Energy Efficiency & Renewables (EE) refers to the design, implementation and management of technological solutions aimed at optimising energy production and consumption. The Group operates in this segment through their subsidiary Innovatec Power S.r.l. ("Innovatec Power"), by supporting their clients with the design, implementation and management of plants and technological solutions thanks to a multi-brand offer, which uses dedicated structures and certified EEM personnel ("Expert in Energy Management") providing customised and optimised solutions to meet all needs in the field of energy efficiency.

This segment accounts for approximately 46% of their revenues in 2021, and includes specific tasks such as energy requalification of public buildings and renovations of private buildings in order to comply to 2021 UN Sustainability goals. **There are two distinct segments within this division: Business-to-Business (B2B) and Business-to-Customer (B2C).**

Environment & Circular Economy (E&CE)



Sources : Innovatec, TP ICAP Midcap

Business to Business (B2B) – 4% of 2021 revenues

An efficient and rational approach to energy management enables you to improve your business performance, reduce waste and operating costs, and consequently decreasing your environmental impact. Innovatec offers integrated energy efficiency services, following its customers through the design, implementation and management of advanced technological and plant solutions. The Group offers tailor made energy solutions, following the Kyoto Protocol guidelines, to meet all of its customers’ needs.

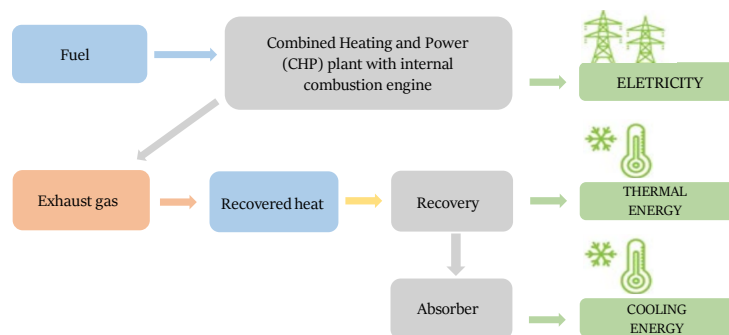
The Covid-19 pandemic: a major setback for in-person activities

This particular sub-segment is 100% focused on the client. All the following solutions mentioned are tailored to the clients’ based on the clients’ needs. As this sub-segment was notably affected (-61.3% in revenues vs 2020), other opportunities flourished, such as the HouseVerde B2C opportunity, outlined in the following section. **Innovatec’s rapid focus shift, showcases the Group’s ability to anticipate and interpret legislative contexts.**

Within the B2B division, the Group offers various solutions such as:

1. **Combined Heating & Power (CHP) and Combined Cooling, Heat & Power (CCHP) solutions** → offer thermal and electric energy production from gas;
2. **Photovoltaic** → offer thermal and electric energy production from solar radiation.
3. **Biomass Boilers** → offer thermal energy production using biological materials.

Combined Heating & Power (CHP) and Combined Cooling, Heat & Power (CCHP)

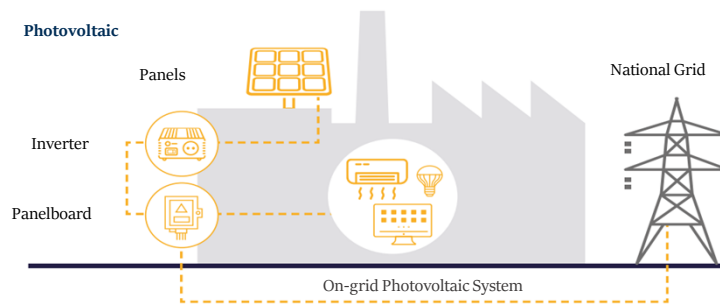


Sources : Innovatec, TP ICAP Midcap

Combined Heating & Power (CHP) represents one of the best solutions to increase the energy efficiency of a company by about 20% - 30%, thanks to the combined production of electrical and thermal energy, exploiting a single energy input vector (natural gas). This ensures great cost savings, a lower dispersion of pollutants into the atmosphere and lower CO2 emissions. The **Combined Cooling, Heating & Power (CCHP)** solution, revolves around an absorber (similar to a heat pump) that combines the production of electrical, thermal and cooling energy. This solution is commonly used for industrial production processes, heating and/or air conditioning. These plants are eligible to receive the CAR qualification (“Cogenerazione ad Alto Rendimento” = High Yield Cogeneration) thanks to the thermal recovery of energy thus contemporarily producing hot water. These types of plants bring numerous economic, energetic and environmental benefits, effectively allowing companies to contribute to the achievement of the UN’s sustainability goals and European guidelines.

The **instalment of photovoltaic systems** is the most effective and common way for companies to convert their energy into renewable energy, by harnessing clean from the sun. This results in a significant reduction in the amount of energy harnessed from the National Grid, which in turn, showcases significant savings in operating costs and carbon footprint. A photovoltaic system is comprised of several photovoltaic modules or panels that use the photoelectric effect to convert solar radiation into electricity. The panels, made up of poly or mono crystalline silicone cells, are used for the actual conversion of solar energy thanks to the semiconductor material used. Since their introduction in 2013, **Innovatec have since implemented more than 9000 PV plants equivalent to approximately 59 MW.**

Photovoltaic (PV)

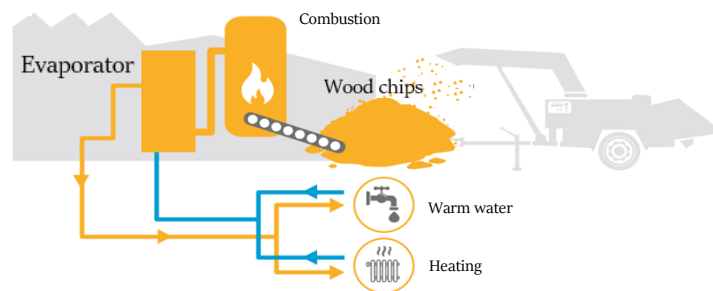


Sources : Innovatec, TP ICAP Midcap

These systems are used for the production of warm water and heating. **Biomass Boilers represent the ideal solution for those who want to aim for a system that combines energy savings, compared to traditional systems, with low polluting emissions.**

This technology, combined or altered with more classic combustion technologies, allows for the production of green energy as the overall combustion system is carbon neutral. A biomass boiler burns plant materials, transforming them into thermal energy. Since these plants are fully automated and have no size limits, capacities of several thermal MW are attainable. Moreover, the automatic cleaning of the heat exchange surfaces allows for optimal yield and uninterrupted operation. This is the ideal solution for industrial production processes and/or air conditioning since the system combines high energy savings with low polluting emissions.

Biomass boiler



Sources : Innovatec, TP ICAP Midcap

As a whole, Innovatec aims to contribute to the collective goal of reaching net zero emissions by 2050, as established by the European Union. Within their B2B segment however, **the Group aims to facilitate energy transitions by:**

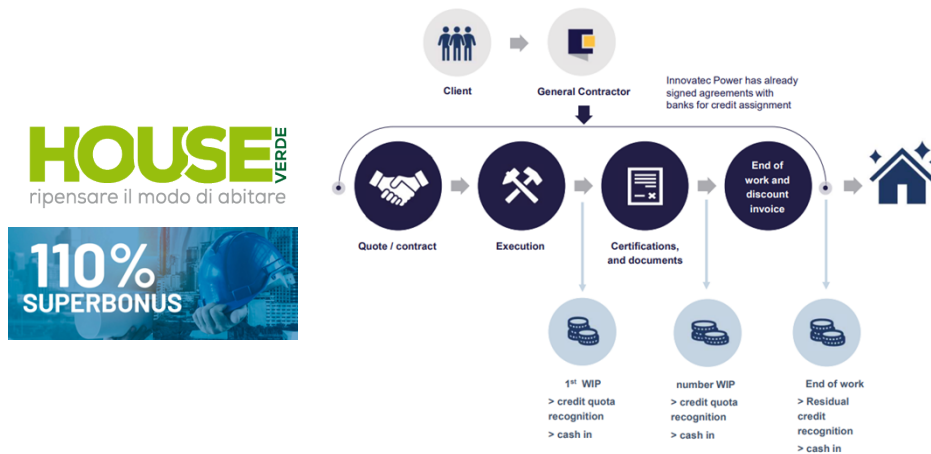
1. Creating energy communities;
2. Developing and building large scale photovoltaic plants as an engineering, procurement and construction (EPC) contractor;
3. Vertically integrating smart technologies to reduce emissions.

Business to Customer (B2C) – 42% of 2021 revenues

In June 2020, Innovatec launched the HouseVerde Project for the sustainable energy requalification of Italy's building stock and safety to favour earthquake-resistant renovations. The **aim of the HouseVerde project is to offer customers energy efficiency measures**

for buildings in an integrated manner, through the careful study of architectural, structural and plant engineering elements by offering customised “turnkey” projects. Each project will take due account of technological innovation, selecting the most adequate construction techniques, the most innovative and environmentally friendly materials and the most advanced plant technologies to ensure the overall efficiency and safety of the building. By adhering to guidelines which limit the consumption of resources and overall respect for the environment will allow clients to take advantage of the "Superbonus 110%" as provided by the “Decreto Rilancio” (Relaunch Decree).

Go to market – HouseVerde (HV)



Sources : Innovatec

The ‘110% SUPERBONUS’:

Innovatec foresees a large growth potential for their HouseVerde Project, thanks to the favourable credit conditions outlined by the “Superbonus 110%”, a tax relief initiative which consists of a 110% deduction of expenses incurred from July 2020 for specific interventions aimed at energy efficiency and static consolidation or reduction of buildings’ seismic risk. This tax relief system also include the installation of photovoltaic systems and infrastructure for recharging electric vehicles in buildings.

In particular, the Superbonus is divided into three ‘tranches’:

1. 110% for expenses incurred until December 2023;
2. 70% for expenses incurred in 2024;
3. 65% for expenses incurred in 2025.

(source: Ministry of Economy and Finance)

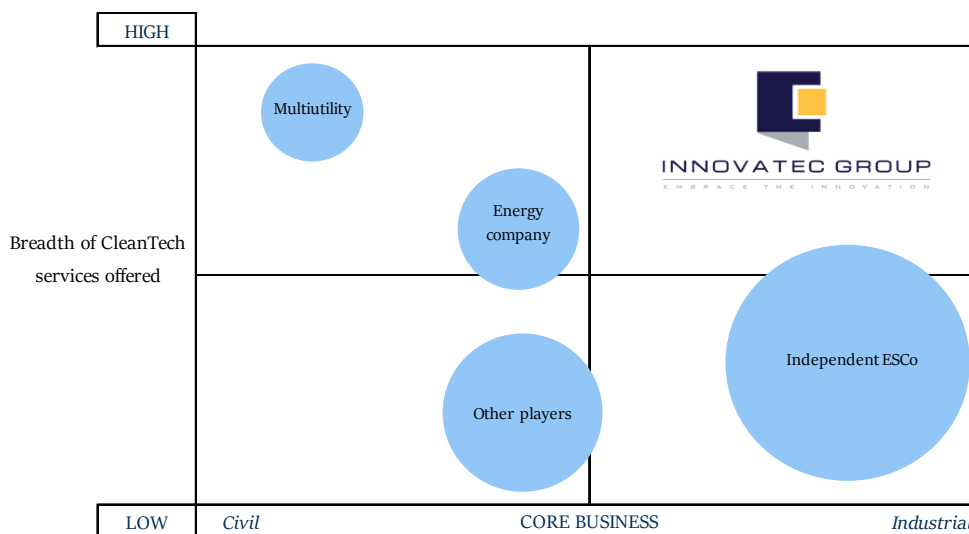
Thanks to the current favourable conditions from the 110% Superbonus, Innovatec has generated over €150 M in backlog, with orders covering 2022 and 2023. Given the overall structure of the Superbonus 110%, Innovatec aims to rapidly increase HouseVerde’s market share in the next 2-3 years especially. **The Group aims to become a leader in this market by integrating HV to a social housing and hotel proposal.**

The “Relaunch Decree” contains urgent measures for digital innovation. Amongst the many objectives outlined and initiatives proposed, the ‘Agro-Voltaic’ project stands out. **‘Agro-Voltaics’ represent a strategic and innovative approach to combine solar energy production from renewable sources (PV) with agricultural production;** an innovation that can also reap benefits in terms of additional profitability for the companies involved and the local employment rate. The agricultural sector is responsible for 10% of Europe’s greenhouse gas emissions, therefore, this particular investment aims to improve climate and environmental performance whilst making the agricultural sector more competitive. This is achieved by reducing energy supply costs (currently estimated at over 20% of the variable costs of farms) through the implementation of medium and large scale agro-voltaic systems (source: “Italia Domani – PNRR”). When fully operational, an agro-voltaic production capacity of 1.04 GW would produce about 1,300 GWh per year, with an estimated reduction in greenhouse gas emissions of about 0.8 million tonnes of CO₂. **The National Recovery Plan has dedicated €2.6 billion to this specific initiative.**

C. Innovatec's positioning in the EE market

With regards to the *Energy Efficiency (EE)* market in Italy, the dynamic is different. There are approximately 429 Energy Service Companies (ESCO), with over 50% of said companies generating less than €5 M in annual revenue, indicating that the market in Italy is primarily comprised of small-medium sized companies (source: Innovatec). The companies in this industry can be grouped the following way:

- Independent ESCo: companies whose core business revolves around energy efficiency services;
- Energy company: integrated operators in the energy and gas markets, capable of providing EE services;
- Multiutility: national or local, public or private companies operating in several sectors, also providing EE services;
- Other players: small municipality-focused companies and facility management companies fall into this category, along with any other company that does not fall into any of the categories mentioned above.



Amongst these groups, the Independent ESCOs primarily focus on photovoltaic (50%), cogeneration plants (30%) and lighting systems (20%). Also among energy companies, photovoltaic (42%) and cogeneration (43%) are the most installed tech. Multi-utility companies are highly specialised in cogeneration and district heating tech. Other players install mostly photovoltaic systems.

Innovatec, as an independent ESCo, is well positioned given their extensive reach in Italy, developed know-how and vast range of services provided. Furthermore, the Group's ability to foresee opportunities from legislation changes represent a competitive advantage for Innovatec.

Innovatec's strategic objectives

Innovatec recently outlined their business plan for 2022 – 2024. The plan revolves around their ambition to pioneer the charge towards sustainability and the overall ecological transition in Italy. The Group aims to become the leader of end-to-end services in the circular economy industry, with services ranging from waste management to energy efficiency, helping their clients develop circular products and services.

The Group's main objective is to make the majority of their services eligible for the PNRR and Green Deal subsidies. Contrary to some beliefs, the two financing plans are multi-year plans, surmounting to approximately €60 billion over the course of a decade. In an effort to decarbonise the whole European continent by 2050, it is our firm opinion that the EU will further increment the resources dedicated towards this ambitious, yet attainable goal. **Therefore, Innovatec's business plan can be further spread out over the course of several years, not limited to 2024.**

<p>Developing the Environment and Circular Economy segment</p>	<p>The Environment and Circular Economy segment represents a pivotal set of services for the Group. Having end-to-end integrated waste management services positions the Group as a leader in Italy.</p> <p>Whilst collection and treatment services still have growth potential, landfill services are scarce and limited, as it is not possible to create new landfills in Italy. Therefore, as activity in this segment continues to increase, the general capacities decrease. This phenomenon is not only seen in Italy, as a paradigm shift is in process in various high-income countries, moving from 'waste management' to 'resource management'. As this shift occurs, the overall need and demand for waste collection and treatment services will grow consistently.</p> <p>Material recovery from special waste, such as mattresses, batteries, tyres etc., are all accessible through specific consortia. In fact, through targeted acquisitions (COBAT recently) the Group has acquired a strategic foothold in various niche consortia, to have first-hand access to valuable materials.</p>
<p>Innovating the Energy Efficiency segment</p>	<p>The Group's HouseVerde (HV) project started off as a B2C initiative to increase households' energy efficiency. Given the favourable national incentives (PNRR), strong demand and high barriers to entry, Innovatec generated a strong backlog for B2C projects in 2021/2022.</p> <p>As the Group continues to develop their expertise within this initiative, new opportunities have blossomed, such as the hotel sector and council houses. The latter two represent the first step towards applying such services as B2B and B2C, thus further increasing their potential client pool. In general, the Italian housing portfolio consists of more than 31 million homes, of which over 60% hold inefficient energy classifications (source: SIAPE). In the EU, the share of energy inefficient households was estimated at 75% in 2020 (source: Eurostat)</p> <p>In terms of activity, in 2020 over 36% of all construction on households in Italy was dedicated to building requalification activities (source: ANCE, 2021).</p>
<p>€59M Expansion Plan</p>	<p>Before 2024, the Group has dedicated approximately €60 million for M&A and CAPEX activities. The plan can be detailed as follows:</p> <ol style="list-style-type: none"> 1. €22M dedicated for the expansion (not creation) and innovation of landfills; 2. €13M dedicated for the revamping and innovation of existing waste treatment plants; 3. €12M allocated for targeted M&A activities focused on treatment facilities; 4. €10M dedicated to create innovative facilities dedicated to material recovery from mattresses and drywall. <p>Considering the total €60 million dedicated for CAPEX and M&A activities, 55% are strictly tied to ESG objectives.</p>

Financial analysis: going “Green”

Strategic acquisitions to consolidate their position in Italy

Key financial evolution

	2019	2020	2021	2021PF
<i>Environment and Circular Economy</i>	29.1	70.0	77.0	170.0
<i>Energy Efficiency and Renewables</i>	17.1	15.8	67.0	67.0
Total Sales	46.2	85.8	144.0	237.0
EBITDA	8.2	3.0	30.8	32.9
<i>EBITDA Margin (%)</i>	<i>18%</i>	<i>11%</i>	<i>21%</i>	<i>14%</i>
Group Net Result	5.1	0.7	6.4	6.2

Sources : Innovatec, TP ICAP Midcap

Leaving the 2021PF results aside for a moment, the Group registered a +68% growth in revenues reaching €144m (vs €85.8m in 2020). The growth in revenues was mainly driven by the *Energy Efficiency and Renewables segment* especially by their HouseVerde (HV) project, more than X3 the revenues. Out of the €67m generated in 2021, approximately €61m derive from HV, exceeding all expectations in terms of volumes (>900 sites), margins (19%) and backlog.

On the other hand, the *Environment and Circular Economy segment* generated a +10% increase in revenues, reaching €77m in 2021 (vs €70m in 2020). Within this division, the collection & treatment activities reported approximately €28m in revenues (+€4m vs 2020), thanks to a notable increase in their client base driven by an urgent need during the pandemic. Volumes increased by +6% reaching 150k tonnes. Whilst the collection & treatment activities concentrate on recyclable materials, the disposal (landfill) activities are dedicated for non-recoverable waste, a particular activity which decreased by -1.3% to reach €35.8m in 2021, however volumes increased to reach 250k tonnes of processed material.

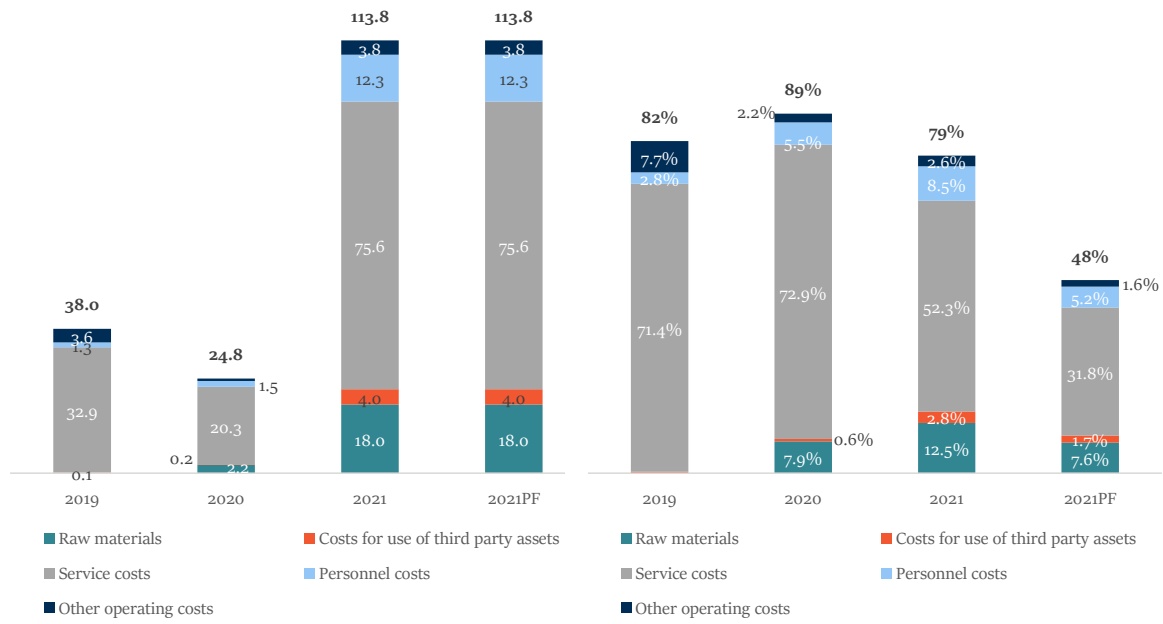
In an effort to increase operating capabilities and market share, Innovatec has indulged in targeted M&A activities. In December 2021, the Group announced the acquisition of COBAT, Italy’s leading player in the management of material flows and the recovery of materials such as electrical and electronic equipment (WEEE) and various types of batteries. COBAT generated revenues north of €90m, showcasing a +22% increase compared to 2020, managing more than 150k tonnes of end-of-life products thanks to tyre, battery and WEEE consortia.

Throughout the Group’s various changes and acquisitions, the cost structure did not undergo drastic changes in proportion. Service costs contribute the most to the Group’s overall structure, undergoing a notable decrease in 2020 due to Covid-19 complications. The 2021PF results have been added in order to give a glimpse into the overall cost structure in the coming years. The recent acquisitions of COBAT and S.E.A. allow access to substantial cost synergies across all costs, especially service costs which decrease to 31.9% (vs 52.5% in 2020) of the overall value of production.

Between 2020 and 2021 the EBITDA yielded a +915% increase to reach €30.8m (vs €3m in 2020). This drastic increase was a direct result of the reopening of the Italian economy following strict Covid-19 measures, and the fact that both of Innovatec’s segments revolve around services.

The current 2021PF results do not fully represent the synergies deriving from COBAT and S.E.A., however give a good indication of their overall weight. The Environment & Circular Economy (ECE) segment accounts for approximately 53% of revenues in 2021 and over 70% in 2021PF, also indicating the market demand for such services.

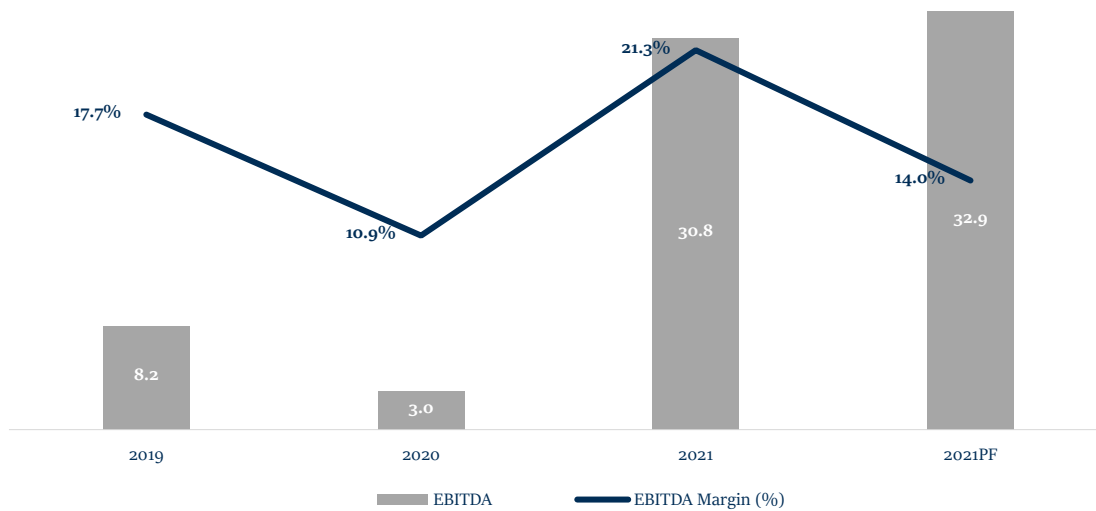
Cost breakdown (left) and cost as % of VoP (right)



Sources : Innovatec, TP ICAP Midcap

The difference in EBITDA margins between the 2021 and 2021PF results come down to one acquisition: COBAT. The company acquired generated €93.1m in revenues in 2021, with an EBITDA at €2.3m, yielding an EBITDA margin of 2%, notably lower than the ECE segment average. Nonetheless, **COBAT grants access to strategic and unique waste consortia, such as WEEE, tyres and batteries, niche markets with high growth potentials.**

EBITDA and EBITDA margin (%) evolution



Sources : Innovatec, TP ICAP Midcap

Estimates: 2022 – 2026

Riding the Green Wave...

The Group's main objective is to have an overall leading position in the CleanTech industry. Innovatec aims to develop a balanced and sustainable development in all of their business divisions, in order to contribute to the Circularity Goals and abide to the PNRR goals.

The natural development of certain activities limit their growth potential. For example, revenues deriving from the disposal (landfill) activities are forecasted to decrease over the next years, paired with the overall decrease in landfill capacities in Italy. Nonetheless, the Group has outlined a business plan to target various PNRR incentive plans, by boosting their Energy Efficiency (EE) division and optimising their Environment and Circular Economy (E&CE) processes.

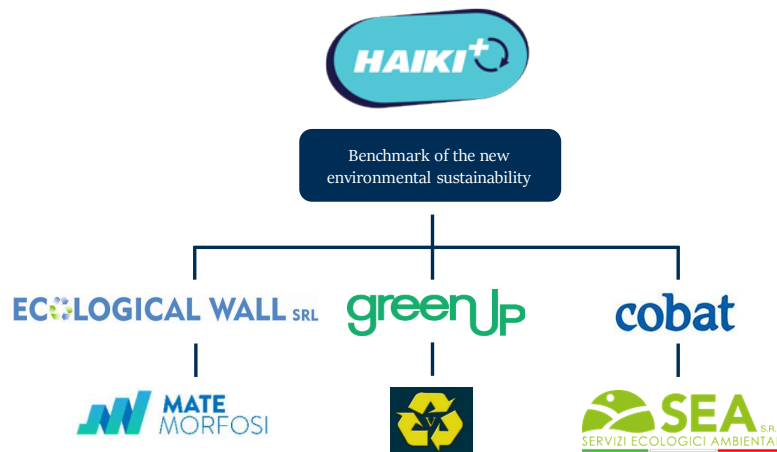
In fact, we estimate a revenue CAGR (between 2021PF and 2026E) of 11.7%, reaching €412.1m (vs €237m in 2021PF). With regards to Innovatec's specific divisions, we estimate:

- The **Environment & Circular Economy (E&CE) division** to reach €223.1m in revenues in 2026E (vs €170m in 2021PF), with a 5.6% CAGR over the period.
- The **Energy Efficiency (EE) division** to reach €189m in revenues in 2026E (vs €67m in 2021PF), with a 23.1% CAGR over the period.

Estimates 2022 – 2026E (in €M)

(M€)	2019	2020	2021	2021PF	2022E	2023E	2024E	2025E	2026E	CAGR
Environment and Circular Economy (E&CE)	29.1	70.0	77.0	170.0	174.8	183.5	197.4	214.8	223.1	
<i>yoy %</i>		140.5%	10.0%	120.8%	127.0%	5.0%	7.6%	8.8%	3.9%	5.6%
<i>as % of Sales</i>	63.0%	81.6%	53.5%	71.7%	63.2%	57.3%	53.3%	53.8%	54.1%	
Collection & Treatment	20.0	35.0	38.5	38.5	46.2	55.4	66.5	79.8	83.8	16.8%
<i>as % of Sales</i>	43%	41%	27%	16%	17%	17%	18%	20%	20%	
<i>as % of ECE</i>	69%	50%	50%	23%	26%	30%	34%	37%	38%	
Disposal (landfill)	9.1	35.0	38.5	38.5	34.7	32.2	31.3	30.3	29.4	-5.2%
<i>as % of Sales</i>	20%	41%	27%	16%	13%	10%	8%	8%	7%	
<i>as % of ECE</i>	31%	50%	50%	23%	20%	18%	16%	14%	13%	
COBAT				93.0	93.9	95.8	99.6	104.6	109.9	3.4%
<i>as % of Sales</i>				39%	34%	30%	27%	26%	27%	
<i>as % of ECE</i>				55%	54%	52%	50%	49%	49%	
Energy Efficiency (EE)	17.1	15.8	67.0	67.0	101.7	136.8	173.1	184.7	189.0	
<i>yoy %</i>		-7.6%	324.1%	0.0%	51.7%	34.5%	26.5%	6.7%	2.3%	23.1%
<i>as % of Sales</i>	37.0%	18.4%	46.5%	28.3%	36.8%	42.7%	46.7%	46.2%	45.9%	
B2B (Innovatec Power)	13.2	15.0	5.8	5.8	9.9	26.6	51.9	62.3	65.4	62.3%
<i>as % of Sales</i>	29%	17%	4%	2%	4%	8%	14%	16%	16%	
<i>as % of EE</i>	77%	95%	9%	9%	10%	19%	30%	34%	35%	
B2C (HouseVerde)	3.9	0.8	61.2	61.2	91.8	110.2	121.2	122.4	123.6	15.1%
<i>as % of Sales</i>	8%	1%	43%	26%	33%	34%	33%	31%	30%	
<i>as % of EE</i>	23%	5%	91%	91%	90%	81%	70%	66%	65%	
TOTAL	46.2	85.8	144.0	237.0	276.4	320.3	370.5	399.5	412.1	
<i>yoy %</i>		85.7%	67.8%	64.6%	92.0%	15.8%	15.7%	7.8%	3.2%	11.7%
EBITDA	8.2	3.0	30.8	32.9	39.7	46.0	55.1	59.4	61.3	
<i>EBITDA margin %</i>	17.7%	3.5%	21.4%	13.9%	14.4%	14.4%	14.9%	14.9%	14.9%	13.2%

Sources : Innovatec, TP ICAP Midcap

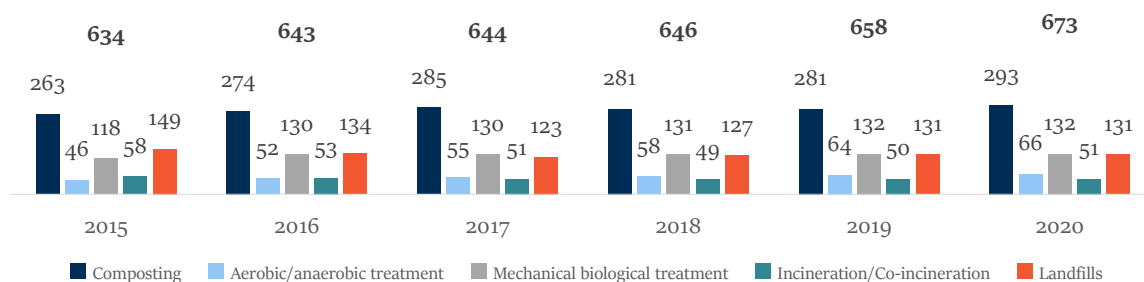


Sources : Innovatec, TP ICAP Midcap

The E&CE segment accounts for approximately 53% of total revenues in 2021, reaching 54% in 2026. The three different services offered within this segment all have different growth trends. To begin with, we will have a look at the sub-segment with a negative CAGR. Given the inevitable trend the overall market is experiencing, we forecast **disposal (landfills)** to reach €29.4m in 2026, registering a -5.2% CAGR.

There are several reasons behind this estimate, the most simple and straightforward factor concerns their capacities. Landfills have finite capacities, and thus will eventually become obsolete. This however, will not be an overnight phenomenon. In fact, we forecast this particular sub-segment to remain a profitable and necessary activity, primarily thanks to the Group’s strategic foothold in some of Italy’s largest landfills such as Albonese and Bossarino. The Group has dedicated €22m of their CAPEX and M&A plan to innovate and optimise said landfills, extending their residual life and allowing Innovatec to defend their market leading position in the waste disposal business.

Number of municipal waste management plants in Italy (2015 – 2020)

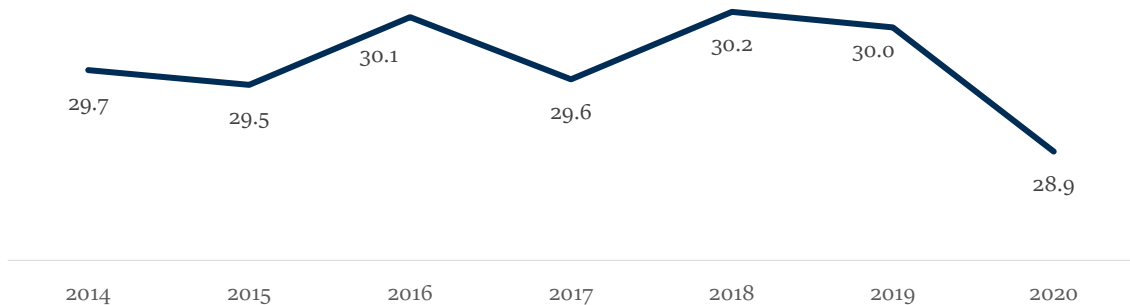


Sources : ISPRA, TP ICAP Midcap

As the number of landfills will eventually decrease over time, other waste management plants will rise to the occasion. Since 2015, aerobic/anaerobic treatment and composting plants have increased notably, registering a +7% and +2% CAGR respectively. This increase can be seen especially in the South of Italy, driven by the agricultural sector. On the other hand, landfills and incineration plants both registered a -3% CAGR, underlining the European and Italian efforts to reach the EU’s Circular Economy Action Plan objectives. The CEAP is a pro-active approach to strive towards making Europe “net-zero”. There are various objectives, however every initiative always boils down to three core principles: **reducing waste and pollution, redesigning products to optimise material use and regenerating natural systems**. With regards to waste management, the CEAP has set a clear objective to halve all residual municipal waste (non-recycled waste) by 2030 to decouple materials consumption from business growth and move towards a Circular Economy.

From a European perspective, waste generation has historically been strongly correlated with GDP growth. In fact, according to the European Environment Agency (EEA), total waste generation increased by 5% (114 million tonnes) in the 27 EU Member States (EU-27), with overall GDP increasing by 23% in the respective period (between 2000 and 2018) (source: European Environment Agency). These findings were further confirmed by a recent study on the correlation between GDP per capita, municipal waste generation per capita and recycling rates. Grdic et al. (2021) found a strong correlation between GDP per capita and municipal waste generation per capita, confirming a recurring trend. On the other hand, the researchers also discovered a negative correlation between waste generation and recycling rates.

Trend in municipal waste generation in Italy: 2014 - 2020 (in tonnes)



Sources : ISPRA, TP ICAP Midcap

The graph above showcases the decreasing trend of municipal waste production in Italy since 2014. The Institute for Environmental Protection and Research in Italy (ISPRA) registered the largest decrease in municipal waste generation in 2020, with a -4% decrease since 2019. This finding perfectly aligns with Grdic et al. (2021) findings as the circular material use rate, for that same period, increased by roughly +2%, reaching 21.6% in 2020.

As circularity rates increase in Italy, the stronger the need for Innovatec's **collection & treatment (+ COBAT)** services. We estimate this specific sub-segment to reach €193.7m (combined) in revenues in 2026, registering a +8.1% CAGR (combined).

The reasoning behind these forecasts are also tied in the decreasing need for landfills and the circularity rise in Italy. As aforementioned, this specific sub-segment benefits from waste management consortia, giving players direct and exclusive access to valuable niche materials such as WEEE, batteries, drywall, mattresses and tyres. In our opinion, focusing on innovative treatment consortia will be the main driver for this particular sub-segment, also backed by a solid CAPEX plan of approximately €10m to innovate the required facilities. Therefore, through the leading and strategic foothold that the Group has in various waste management consortia, based on overall circular waste rates in Italy and the favourable incentive plans, we estimate this combined sub-segment to grow at historic levels. We apply this *prudent growth rate* given the nature of the business and the unprecedented legislative and macroeconomic environment.

Energy Efficiency and Renewables (EE)



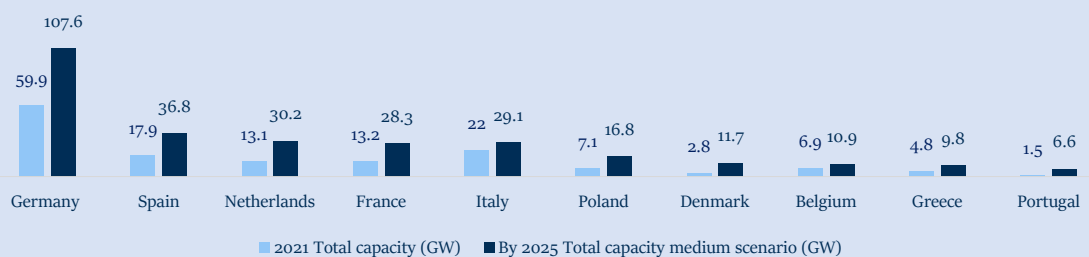
Sources : ISPRA, TP ICAP Midcap

The EE segment accounts for approximately 47% of total revenues in 2021, reaching 46% in 2026. Within this segment there are two distinct types of services (B2C and B2B) with different growth trends.

The **B2B (Innovatec Power)** services account for approximately 4% of overall revenues in 2021, and are estimated to reach €65.4m in 2026, registering a 62.3% CAGR (the highest within the Group). In brief, this strong growth will be **spearheaded by the extensive need for photovoltaic systems** on buildings across the country. Various lucrative incentive plans have dedicated a notable amount of resources which B2B is eligible to receive. More specifically, the PNRR has dedicated €2.2bn for the development of energy communities and €2.6bn for Agro-Voltaics (overlaps with B2C as well), leaving an important growth potential for this specific sub-segment.

Green & Silver just might be the new Black & Gold

Photovoltaics growing in popularity across the world, in an effort to decrease our dependency on fossil fuels. Pushed by the recent geo-political developments, the European Union has taken a strong stance against the Russia-Ukraine conflict and has pledged to drastically reduce its dependence on Russian oil and gas by at least 75% by the end of 2027 (source: Reuters, 2021). The Italian government has also outlined a rapid plan to “become almost completely independent from Russian gas by H2 2023” (source: Reuters, 2021). All of these developments leave space for **unprecedented opportunities, especially within the Energy Efficiency industry**, given the additional push towards other more sustainable energy solutions.



Source: SolarPower Europe (2021)

Italy currently ranks 5th in Europe with regards to their overall solar power capacity in 2021, with 22 Giga Watts (GW), which is projected to reach 29.1 GW by 2025 (source: SolarPower Europe). By 2030, the PNRR aims to reach 50 GW (source: Italia Solare), having approximately 70% of the nation’s overall energy consumption reliant on renewables. **To achieve this goal, Italy must accelerate the implementation of renewables and must install 3 GW of solar/wind per year, compared to the current 1 GW/year.**

B2C (HouseVerde) services account for approximately 43% of overall revenues in 2021, and are estimated to reach €123.6m in 2026, registering a 15.1% CAGR. This particular service was created to intersect the largest portion of the PNRR: the Superbonus 110%. **With almost €1.4bn allocated to this incentive, this is the single most funded instrument within the PNRR.**

Within a year since its implementation, **the HouseVerde (HV) project amassed a €156m backlog, mainly driven by the “first tranche” of the tax relief initiative.** Until December 2023, the Superbonus grants a 110% bonus for expenses, falling to 70% in 2024 and subsequently 65% in 2025. Given the strong demand for the “first tranche”, we estimate this particular sub-segment’s revenues to increase by +50% in 2022, to reach €91.8m, roughly in line with the management’s 2022 – 2024 plan. After which, we estimate the revenues to flatten out and stabilise, to reach €118m in 2026.

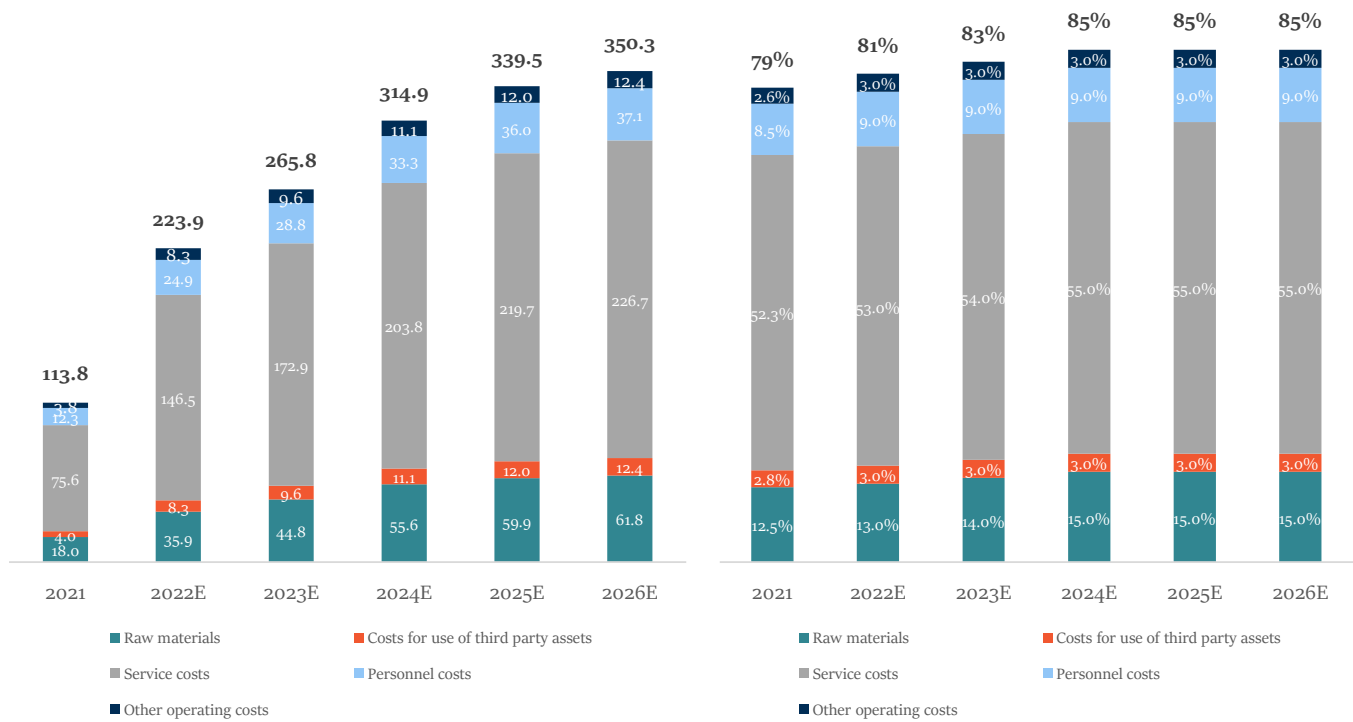
HouseVerde: entering the B2B world

The HouseVerde project started off exclusively as a B2C offer, in an effort to tackle a nation-wide issue: energy inefficient housing/buildings. Recently, a new incentive was introduced to focus on B2B activities. A study conducted by ANCE estimates approximately 20% of public infrastructure to be energy inefficient, driving the PNRR to dedicate approximately €2.5bn for buildings such as council houses and hotels.

...until the wave eventually flattens out

The 110% Superbonus is a limited resource, thus the Group’s cost structure will follow the incentive plan’s natural evolution (unless other incentives are introduced). We in fact forecast this curve to slightly increase prices deriving from this particular service which we estimate to weigh approximately 30% on the Group’s overall revenues.

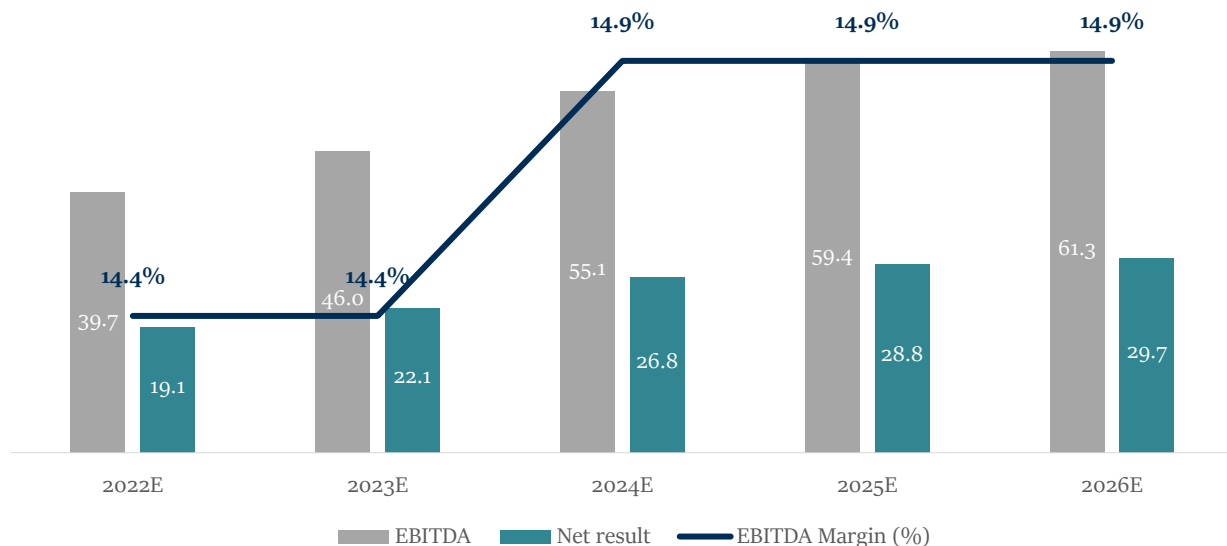
Cost estimates (left) and costs as a % of VoP (right) between 2021 and 2026E (in €M)



Sources : Innovatec, TP ICAP Midcap

Given most of the Group’s segments are reliant on services, we estimate the Group’s service costs to take up over half of the of the overall cost structure. The sudden change in services costs comes down to the integration of COBAT into the Group. COBAT used to operate on a 3%-4% EBITDA margins, thus 2022E will adjust this change to reflect the nature of their activities. Nonetheless, we estimate a +0.5% increase in 2024E, to reflect the optimisation deriving from vertically integrated consortiums and treatment facilities. We expect the change in the 110% Superbonus incentives to ‘balance out’ with the increasing contribution of the Group’s consortiums and treatment facilities. This in turn will subsequently maintain the EBITDA margin relatively stable until 2024E, where the EBITDA margin will reach 14.9%. In our opinion, **this EBITDA level will adequately reflect the synergies deriving from their recent acquisitions, the landfills’ decreasing capacities and the development of the 110% Superbonus.**

EBITDA, EBITDA margin and Net result estimates between 2022E and 2026E (in €M)



Sources : Innovatec, TP ICAP Midcap

Valorisation

To determine the intrinsic value of Innovatec we have used the discounted cash flow method (DCF). The publicly listed comparable methodology is also taken into consideration.

Normative cash flows

- Normative EBITDA margin of 14.9% by 2031E
- Capital expenditure (CAPEX) stable at 1.5% of sales
- Stable NWC at 10% of sales
- Corporate tax modelling in line with the Italian rate of 27.9%

Discount rate

- Risk-free rate of 2.86% (Italian BTP 10 yr)
- An equity risk premium of 8.0%.
- A specific risk premium of 1.5%.
- A *re-levered* beta of 0,91x
- A long-term growth of 2.0%.
- A WACC of 11.2%.

DCF Method: Cash Flow Statement

FY ending in Dec (€-M)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Sales	276.4	320.3	370.5	399.5	412.1	424.0	435.2	445.7	455.4	464.5
% change	91.2%	15.8%	15.7%	7.8%	3.2%	2.9%	2.6%	2.4%	2.2%	2.0%
EBITDA	39.7	46.0	55.1	59.4	61.3	63.0	64.7	66.3	67.7	69.1
% change	39.2%	15.8%	19.7%	7.8%	3.2%	2.9%	2.6%	2.4%	2.2%	2.0%
% Sales	14.4%	14.4%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%
D&A	(11.7)	(13.6)	(15.7)	(17.0)	(17.5)	(15.7)	(13.7)	(11.6)	(9.3)	(7.0)
% Sales	4.3%	4.3%	4.3%	4.3%	4.3%	3.7%	3.2%	2.6%	2.1%	1.5%
EBIT	28.0	32.4	39.3	42.4	43.8	47.4	51.0	54.7	58.4	62.1
% Sales	10.1%	10.1%	10.6%	10.6%	10.6%	11.2%	11.7%	12.3%	12.8%	13.4%
Taxes	(7.8)	(9.0)	(11.0)	(11.8)	(12.2)	(13.2)	(14.2)	(15.3)	(16.3)	(17.3)
Tax rate	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%
D&A	(11.7)	(13.6)	(15.7)	(17.0)	(17.5)	(15.7)	(13.7)	(11.6)	(9.3)	(7.0)
CAPEX	21.1	16.3	16.0	12.0	8.2	8.1	7.8	7.6	7.3	7.0
% Sales	7.6%	5.1%	4.3%	3.0%	2.0%	1.9%	1.8%	1.7%	1.6%	1.5%
WC	26.1	31.8	38.1	41.4	43.1	42.4	43.5	44.6	45.5	46.5
% change		21.6%	20.0%	8.5%	4.2%	(1.6%)	2.6%	2.4%	2.2%	2.0%
% Sales	9.4%	9.9%	10.3%	10.4%	10.5%	10.0%	10.0%	10.0%	10.0%	10.0%
Δ WC	10.9	5.6	6.4	3.2	1.7	(0.7)	1.1	1.0	1.0	0.9
% Sales	3.9%	1.8%	1.7%	0.8%	0.4%	(0.2%)	0.3%	0.2%	0.2%	0.2%
FCF	0.0	15.1	21.7	32.3	39.1	42.5	41.5	42.4	43.2	43.9
Discounted FCF	0.0	12.7	16.5	22.1	24.0	23.5	20.7	19.0	17.4	15.9

Sources : Innovatec, TP ICAP Midcap

Valuation Summary

Valuation Summary	
Sum of discounted FCF	171.7
Discounted TV	176.0
Enterprise Value	347.7
Net Debt	9.0
Provisions	41.0
Minority interest	6.6
Equity Value	291.1
# of shares	95.4
Target Price	€ 3.1
Potential upside	42.7%

Terminal Value	
	486.6

WACC Calculation	
Rf rate 10YR BTP	2.86%
Size premium	1.5%
Beta (re-levered)	0.91 x
Market Premium	8.0%
Cost of equity	11.6%
Interest Rate	1.9%
Tax rate	27.9%
Cost of debt	1.3%
% equity	95.8%
% debt	4.2%
WACC	11.2%

Terminal Growth Rate (TGR)	
	2.00%

Sources : Innovatec, TP ICAP Midcap

Sensitivity Analysis

		WACC				
		10.2%	10.7%	11.2%	11.7%	12.3%
TGR	1.0%	3.25	3.02	2.82	2.60	2.41
	1.5%	3.41	3.16	2.94	2.71	2.50
	2.0%	3.58	3.31	3.07	2.82	2.60
	2.5%	3.77	3.47	3.21	2.94	2.71
	3.0%	3.99	3.66	3.37	3.08	2.82

Sources : Innovatec, TP ICAP Midcap

According to the DCF method, the equity value is €291.1 million, or a **value per share of €3.1**,

Energy Efficiency Peers:



A2A S.p.A. is an Italian company that generates, distributes, and markets renewable energy, electricity, gas, integrated water supply, and waste management services. The company has significant presence in the North of Italy, energy production facilities in Italy and Greece.



Hera S.p.A is a multiutility company based in Bologna, Italy. Hera operates in the distribution of gas, water, energy, and waste disposal in the provinces of Bologna, Ferrara, Forlì-Cesena, Modena, Ravenna, Rimini, Pesaro and Urbino, and in some municipalities of Florence and Ancona.



Iren S.p.A is an Italy-based holding company active in the utilities industry. The Company is engaged in the sector of electricity, thermal energy for district heating and gas, and in the management of integrated water services, environmental services and technological services.



Edison S.p.A. is an Italian electric utility company headquartered in Milan. The company was established in 1884 and acquired by Electricité de France in 2012. Edison employs more than 5,000 people in Europe, North Africa and the Middle East.

Environmental Services Peers:



Lassila & Tikanoja Oyj offers environmental management and maintenance services. The company provides waste management and recycling services, property and plant maintenance, and industrial cleaning services, as well as hazardous waste management, damage repair, and sewer services. L&T sells its services to cities, municipalities, industries, businesses, and private persons in Finland.



Aurea engages in the recycle of black motor oils, and manufacturing of remoulded tires from used tires. The company also recycles rigid PVC, plastics, and packaging products; refines and recycles aluminium; recycles copper and produces copper alloys; and specialises in the treatment and recycling of zinc, lead and cadmium. In addition, it engages in the treatment and decontamination of mercury waste, The company was formerly known as AUER and changed its name to Aurea SA in 1988. Aurea SA is based in Paris, France.



Séché Environnement SA is a France-based company that offers waste management services. It accepts and treats various categories of waste, such as dispersed hazardous and non-hazardous, medical waste, and waste from electronic equipment. Geographically, the company operates in France, Europe, outside Europe.



Groupe Pizzorno Environnement is engaged in providing environmental services in France. It is involved in the collection, compaction, pressing, truck transportation, sorting, and treatment of household, commercial, and industrial waste.



Renewi plc is a leading European waste management company operating primarily in the Benelux region. It is listed on the London Stock Exchange and Euronext Amsterdam.

Revenue growth 2021 – 2023E and Peer Multiples

Trading multiples													
Company Name	Ticker	Country	Market Value (Me)		EV/Sales			EV/EBITDA			EV/EBIT		
			Equity	EV	2022	2023	2024	2022	2023	2024	2022	2023	2024
A2A S.p.A.	A2A-IT	Italy	5,235	9,783	0.8 x	0.8 x	0.7 x	6.9 x	6.2 x	6.0 x	15.4 x	13.2 x	13.2 x
Hera S.p.A.	HER-IT	Italy	5,236	7,791	0.8 x	0.8 x	0.8 x	6.3 x	6.1 x	6.0 x	12.2 x	11.7 x	11.4 x
Iren S.p.A.	IRE-IT	Italy	3,190	6,809	1.5 x	1.4 x	1.3 x	9.5 x	9.0 x	5.7 x	15.5 x	14.2 x	12.4 x
Edison Spa Az. di risp. non conv.	EDNR-IT	Italy	140	6,250									
Lassila & Tikanoja Oyj	LATI-V-FI	Finland	406	566	0.7 x	0.7 x	0.6 x	5.9 x	5.5 x	5.3 x	14.0 x	11.8 x	11.1 x
Aurea SA	AURE-FR	France	118	164									
Seche Environnement SA	SCHP-FR	France	534	1,011	1.2 x	1.1 x	1.0 x	5.4 x	5.1 x	4.7 x	12.5 x	11.5 x	10.5 x
Groupe Pizzorno Environnement SA	GPE-FR	France	183	201	0.9 x	0.9 x					17.2 x	16.3 x	
Mean					1.0x	0.9x	0.9x	6.8x	6.4x	5.5x	14.5x	13.1x	11.7x
Median					0.9x	0.9x	0.8x	6.3x	6.1x	5.7x	14.7x	12.5x	11.4x
Harmonic Mean					0.9x	0.9x	0.9x	6.6x	6.1x	5.5x	14.3x	12.9x	11.6x
Innovatec SpA	INC-MIL	Italy	204	n.a.	1.3 x	1.1 x	0.9 x	8.8 x	7.6 x	6.3 x	12.4 x	10.7 x	8.8 x
vs. Peers Average					30%	15%	2%	29%	18%	14%	-14%	-18%	-25%

Peers Financials													
Company Name	Ticker	Country	Market Value (Me)		EBITDA Margin			EBIT Margin			CAGR 20A-23E		
			Equity	EV	2022	2023	2024	2022	2023	2024	Sales	EBITDA	Net Income
A2A S.p.A.	A2A-IT	Italy	5235	9783	11%	13%	12%	5%	6%	6%	14.8%	28.0%	32.6%
Hera S.p.A.	HER-IT	Italy	5236	7791	13%	13%	14%	7%	7%	7%	2.8%	5.6%	13.9%
Iren S.p.A.	IRE-IT	Italy	3190	6809	15%	15%	24%	9%	10%	11%			
Edison Spa Az. di risp. non conv.	EDNR-IT	Italy	140	6250									
Lassila & Tikanoja Oyj	LATI-V-FI	Finland	406	566	11%	12%	12%	5%	6%	6%	7.6%	9.0%	
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Aurea SA	AURE-FR	France	118	164									
Seche Environnement SA	SCHP-FR	France	534	1011									
Groupe Pizzorno Environnement SA	GPE-FR	France	183	201									
Mean					12.6%	13.2%	15.5%	6.4%	7.0%	7.4%			23.2%
Median					12.0%	13.0%	13.1%	5.8%	6.5%	6.5%			23.2%
Harmonic Mean					12.4%	13.1%	14.4%	6.0%	6.7%	6.9%			19.5%
Innovatec SpA	INC-MIL	Italy	204	261	15.1%	18.7%	20.9%	12.3%	16.6%	19.1%	45.7%	73.4%	99.0%
vs. Peers Average					20%	41%	35%	92%	137%	159%			326%

Sources : Companies, TP ICAP Midcap, FactSet

Comparable valuation

EV/EBITDA	2023	2024
Figure	51.7	75.7
Multiple	6.4x	5.5x
Multiple at -10% discount	5.7x	5.0x
Enterprise Value	296.9	377.7
Bridge 2021	56.6	56.6
Equity	240.3	321.1
Diluted number of shares	95.4	95.4
Price/Share	2.5	3.4
Average	2.9	
% upside (downside)	37.6%	

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Relative Valuation	Price/Share	Weight
EV/EBITDA	2.9	50.0%
EV/EBIT	6.1	50.0%
Target Price	4.5	100%
Upside	111%	

Sources : Companies, TP ICAP Midcap, FactSet

Taking into account the average in 2023E and 2024E, we obtain a **relative valuation of €4.5**, i.e. a potential increase of 111%.

Valuation Summary

Valuation method	Target Price	Weight
DCF	3.1	100.0%
Multiples	4.5	0.0%
Target Price	3.1	100%
Upside	43%	

By giving a 100% weight to our DCF, we obtain a target price of €3.1, which implies a +43% potential upside.

Current & Implied multiples	2022E	2023E	2024E	2025E	2026E
Sales	276.4	320.3	370.5	399.5	412.1
Target EV/Sales	1.3x	1.1x	0.9x	0.9x	0.8x
EBITDA	39.7	46.0	55.1	59.4	61.3
Target EV/EBITDA	8.8x	7.6x	6.3x	5.9x	5.7x
EBIT	28.0	32.4	39.3	42.4	43.8
Target EV/EBIT	12.4x	10.7x	8.8x	8.2x	7.9x

With our target price, Innovatec would have more appropriate valuation multiples for a company with strong sales' growth and stable margins.

Innovatec management: plenty of experience



Elio Catania – Chairman

- Graduated from La Sapienza University of Rome with a degree in electrical engineering;
- Obtained a Master’s degree in management from MIT’s Sloan School of Management;
- Boasts 30+ years of experience at IBM;
- Past experiences as Chairman and CEO at ATM, CNEL and Quid S.p.A.;
- Former member of the BoD of Luiss, Bnl, Intesa San Paolo and Telecom Italia
- Currently a member of the Assonime board, of the Council for Relations between Italy and the USA (Crisu) and of the Asphi Onlus Foundation;
- He is an advisor to the Minister of Agriculture;
- He has been a Knight of Labor since 2001.



Roberto Maggio – CEO

- Has a law degree from the University of Turin;
- Obtained a Master’s degree in management from the University of Turin;
- General Director at “Azienda Sviluppo Multiservizi S.p.A.” (2007-2009);
- Sole Director of S.A.A.P.A Civic Hospital (2009 - 2014);
- CEO of SEI Energia S.p.A. (since 2008);
- CEO of Seta S.p.A. (2014 - 2018);
- CEO of Innovatec S.p.A since 2016;
- CEO of Gruppo Waste Italia S.p.A. since 2017;
- CEO of SPC Green S.p.A. since 2020;
- Chairman of Innovatec Power since 2020.



Marco Mazzaresse – CFO

- Obtained a Bachelor’s and a Master’s degree in business administration from Bocconi;
- CFO of Mosaicoon (2017 - 2018);
- CFO of GreenUp (2018 - 2021);
- Independent member of BoD of Shedir Pharma Group since 2019;
- CFO of Innovatec Group since 2022.



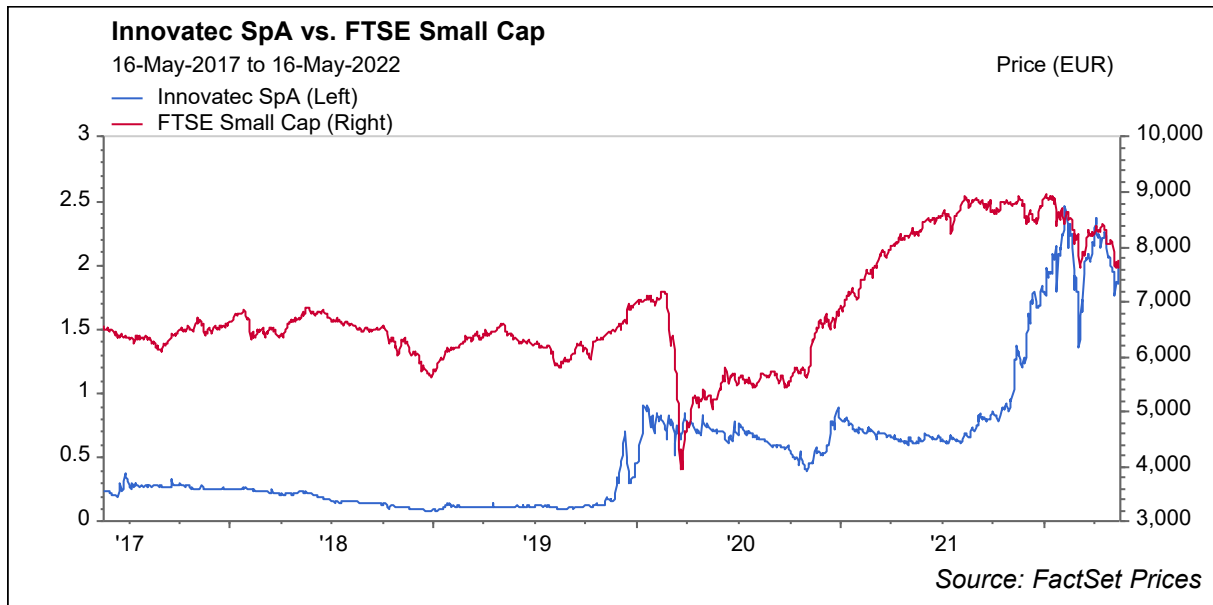
Federico Malgarini – Head of Financial Planning

- Obtained a Bachelor’s and a Master’s degree in environmental engineering from il Politecnico di Milano;
- Strategic Developer/Planner at Kinexia S.p.A. (2010 - 2012);
- Consultant at Utiliteam (2012 - 2014);
- CEO of Innovatec Venture since 2022;
- Head of Financial Planning since 2014.



Raffaele Vanni – Head of Investor Relations

- Graduated from La Sapienza University of Rome;
- Boasts 6 years of experience as a manager at PwC;
- CFO of MV Augusta S.p.A. (2005 - 2008);
- CFO and Head of IR of FMR ARTE (2008 - 2009);
- CFO of Kinexia S.p.A. (2015 - 2016);
- CFO of Innovatec Group (2009 - 2019);
- Head of Investor Relations of Innovatec Group since 2020.



Future CAPEX plan initiatives

Disposal

Outlined in their 2022 – 2024 Business Plan, Innovatec has dedicated +€22 M from their CAPEX plan to upgrade the Group’s current treatment landfill facilities.



Expansion of the *Albonese landfill* with the creation of a new reservoir for approximately 450,000 additional cubic meters.



Construction and exploitation of Phase 2 of the current authorization (extends until 2026) at the *Bossarino landfill*.

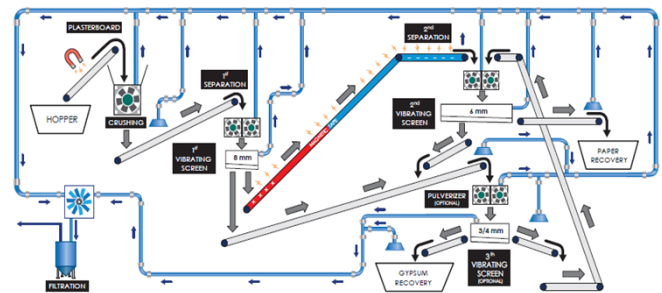
Innovative treatment

A solid +€9 M are dedicated to occupy highly remunerative market niches in waste treatment by building innovative facilities dedicated to material recovery from mattresses (Matemorfosi) and drywall (Ecological Wall).



Matemorfosi:

The first treatment facility dedicated to the recovery and end-of-life mattresses. This initiative aims to create a virtuous circuit of collection, recovery and sale of valuable materials contained in end-of-life mattresses, such as steel, wood and foam that can be otherwise repurposed.

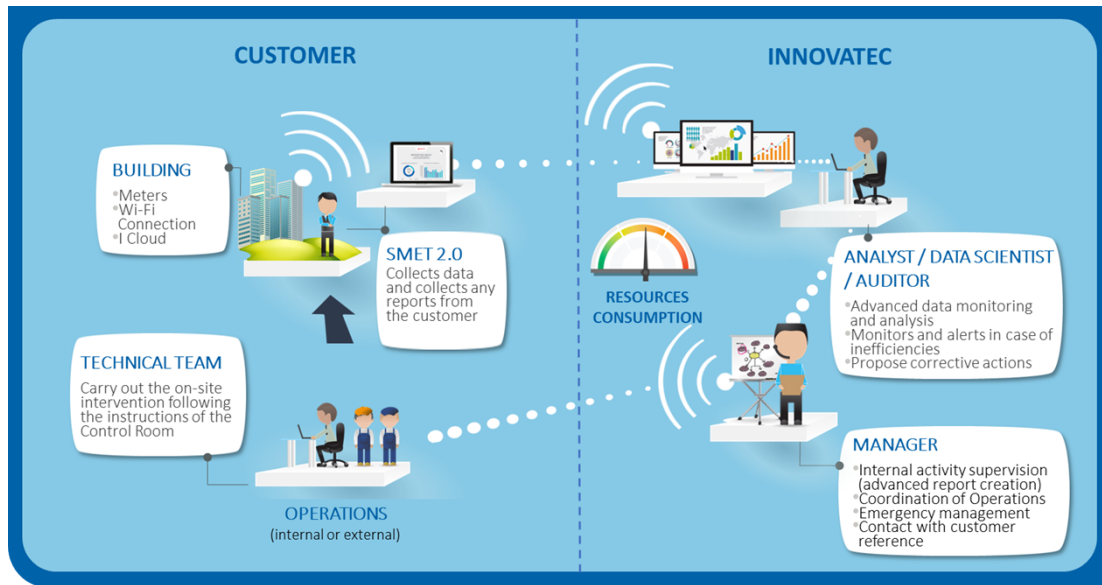


Ecological Wall S.r.l.:

An economically sustainable way to recover plaster from drywall, with high potential abroad.

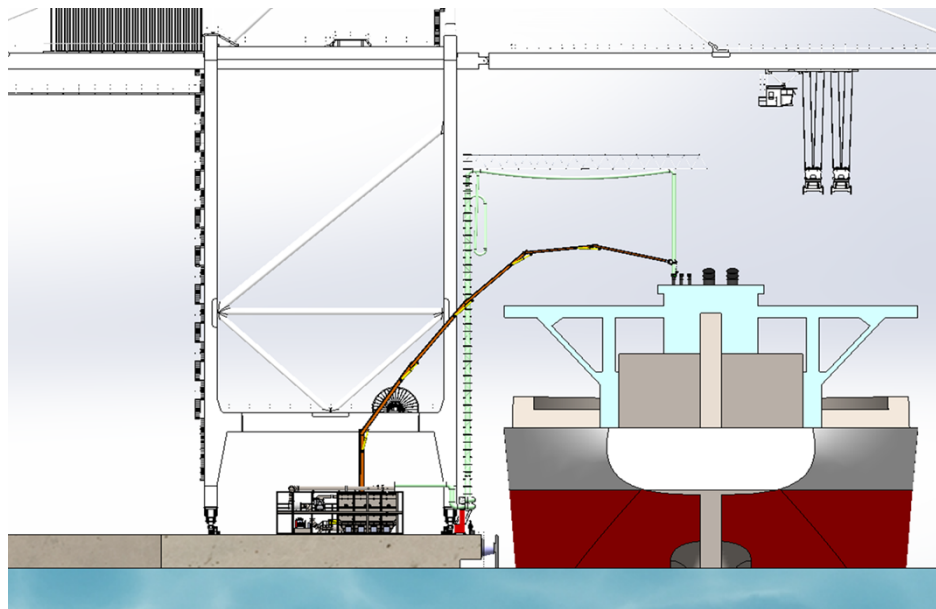
Focus SMET 2.0

A Smart Monitoring Environmental Tool (SMET), outlined to aid customers' efforts towards environmental sustainability.



Focus SETH

A smart solution to reduce in harbour ships' emissions. The Ship Emissions Treatment in Harbours (SETH) system significantly reduced the amin harmful pollutants from ships with the removal of sulphur dioxide (SO₂), particulate matter (PM) above 95%, and over 60% removal of nitrogen oxides (NO_x). **Innovatec estimates approximately +€7.6 M in additional revenues** deriving from this particular initiative in 2024.



FINANCIAL DATA

Income Statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
Sales	46.1	27.9	144.6	276.4	320.3	370.5
Changes (%)	-34.3	-39.6	419.1	91.2	15.8	15.7
Gross profit	46.1	25.7	126.6	232.2	269.0	311.2
% of Sales	99.9	92.1	87.5	84.0	84.0	84.0
EBITDA	8.2	3.0	30.8	39.7	46.0	55.1
% of Sales	17.7	10.9	21.3	14.4	14.4	14.9
Current operating profit	6.1	2.7	21.1	28.0	32.4	39.3
% of Sales	13.2	9.7	14.6	10.1	10.1	10.6
Non-recurring items	-0.0	0.0	-5.4	0.0	0.0	0.0
EBIT	6.1	2.7	15.6	28.0	32.4	39.3
Net financial result	0.0	-0.2	0.4	0.4	0.4	0.3
Income Tax	-0.6	-0.8	-4.0	-7.9	-9.1	-11.1
Tax rate (%)	10.2	54.6	37.1	27.9	27.9	27.9
Net profit, group share	5.1	0.7	6.4	19.1	22.1	26.8
EPS	0.2	0.0	0.1	0.2	0.2	0.3
Financial Statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
Goodwill	5.7	22.8	36.7	36.7	36.7	36.7
Tangible and intangible assets	4.8	34.1	37.1	46.4	49.1	49.4
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	4.3	2.1	2.5	2.5	2.5	2.5
Working capital	4.0	2.0	12.2	22.2	27.8	34.2
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
Assets	18.9	61.1	88.4	107.8	116.1	122.8
Shareholders equity group	14.0	17.2	25.4	44.5	66.6	93.3
Minorities	0.0	2.0	5.3	6.6	8.2	10.0
LT & ST provisions and others	4.3	39.3	41.0	41.0	41.0	41.0
Net debt	0.5	-7.1	9.0	7.9	-7.4	-29.4
Other liabilities	0.1	9.8	7.8	7.8	7.8	7.8
Liabilities	18.9	61.1	88.4	107.8	116.1	122.8
Net debt excl. IFRS 16	0.5	-7.1	9.0	7.9	-7.4	-29.4
Gearing net	0.0	-0.4	0.3	0.2	-0.1	-0.3
Leverage	0.1	-2.3	0.3	0.2	-0.2	-0.5
Cash flow statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
CF after elimination of net borrowing costs and taxes	12.9	-1.9	28.2	32.2	37.2	44.4
Δ WCR	1.7	6.7	-1.7	-10.1	-5.6	-6.4
Operating cash flow	14.6	4.8	26.5	22.1	31.6	38.0
Net capex	-4.6	-4.5	-7.3	-21.1	-16.3	-16.0
FCF	10.0	0.3	19.2	1.1	15.3	22.0
Acquisitions/Disposals of subsidiaries	0.0	-0.1	-19.8	0.0	0.0	0.0
Other investments	-1.6	-0.7	1.4	0.0	0.0	0.0
Change in borrowings	-3.4	-7.8	11.5	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	2.6	1.8	0.0	0.0	0.0
Changes in exchange rates	0.0	0.0	0.0	0.0	0.0	0.0
Change in net cash over the year	-0.2	-1.0	13.7	1.1	15.3	22.0
ROA (%)	27.0%	1.1%	7.6%	19.0%	20.3%	23.3%
ROE (%)	36.5%	3.9%	26.5%	45.9%	35.5%	30.7%

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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.
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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	87%	95%
Hold	11%	5%
Sell	2%	0%
Under review	0%	0%

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