

# AMBIENTHESIS

Sector: Utilities

# OUTPERFORM

Price: Eu0.80 - Target: Eu0.90

## Still Tracking Strong Growth Trajectory

**Fabiola Cofini: +39-02-77115.369**

fabiola.cofini@intermonte.it

**Paolo Citi +39-02-77115.430**

paolo.citi@intermonte.it

### Stock Rating

**Rating:** Unchanged

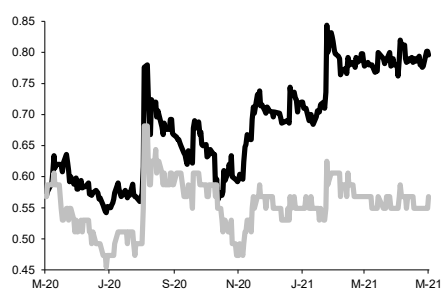
**Target Price (Eu):** Unchanged

	2021E	2022E	2023E
<b>Chg in Adj EPS</b>	-37.4%	-24.2%	

### Next Event 1H21 Results

 Results Out 9<sup>th</sup> August 2021

### AMBIENTHESIS - 12M Performance



— AMBIENTHESIS — AMBIENTHESIS Rel. to FTSE All Shares (Reb.)

### Stock Data

**Reuters code:** ATH.MI

**Bloomberg code:** ATH IM

Performance	1M	3M	12M
Absolute	2.1%	-0.3%	40.1%
Relative	2.6%	-6.7%	-3.8%
12M (H/L)	0.84/0.54		
3M Average Volume (th):	73.22		

### Shareholder Data

No. of Ord shares (mn):	93
Total no. of shares (mn):	93
Mkt Cap Ord (Eu mn):	74
Total Mkt Cap (Eu mn):	74
Mkt Float - Ord (Eu mn):	14
Mkt Float (in %):	18.5%
Main Shareholder:	
Greenthesi SpA	62.3%

### Balance Sheet Data

Book Value (Eu mn):	52
BVPS (Eu):	0.57
P/BV:	1.4
Net Financial Position (Eu mn):	-14
Enterprise Value (Eu mn):	82

■ **FY20 Results.** The top line was stronger than expected, confirming the company's resilience in a tough operating environment exacerbated by the ongoing public health emergency. On the other hand, margins sprang a negative surprise, with adj. EBITDA decreasing 11% YoY burdened by higher costs in the waste segment. In detail, FY20 revenues came to Eu85.5mn, down 1% YoY and better than our forecast (Eu80.4mn). The Special Waste Treatment, Recovery & Disposal division maintained a very strong performance, with revenues at Eu57.2mn, just a slight decrease compared to the previous year (-1% YoY). The Environmental Remediations division recorded revenues of Eu24.5mn, down 2% YoY and 11% above expectations. Engineering & Construction division revenues came in at Eu1.2mn (vs. Eu1.4mn expected), down 14% YoY. Adj. EBITDA was worse than our estimate, coming in at Eu6.9mn (vs. Eu8.4mn), down 11% YoY with a 7.8% margin (vs. 9% in 2019). Moving down to the bottom line, adj. net income closed at Eu3.2mn (-33% YoY, vs. exp. Eu4.6mn) after booking Eu2.9mn in depreciation, provisions and write-downs. On the balance sheet, net debt closed at Eu11.9mn (vs. exp. Eu8.1mn), up from the Eu1.6mn recorded at the end of June, factoring in the remaining debt for the acquisition of C.R. and other adjustments. The BoD proposed the distribution of a DPS of Eu0.008.

■ **FY20 backlog.** The consolidated order book amounted to Eu50mn at the end of 2020, of which Eu43mn in Environmental Remediations and Eu7mn in Engineering & Construction. The overall 2020 order intake came to Eu25.8mn.

■ **2021-2023 guidance confirmed.** ATH will continue to pursue internal and external growth opportunities, including through M&A in the domestic market and potentially also abroad. Technological innovation and ESG themes are the company's long term growth drivers. As announced on 16<sup>th</sup> March, the 2021-2023 business plan envisages stable and recurring comprehensive revenues of Eu110mn, average gross profitability of c.9% across the 3 years and net profitability of c.4.5% at the end of the plan period.

■ **Estimates and valuation.** Following weaker than expected FY20 figures and the company's financial targets, we are revising our 2021-2023 profitability forecasts downwards. Indeed, despite raising our 2021 revenue forecast a touch, we are cutting our EBITDA projections, assuming an 8.7% margin, from 10.7% previously. As for 2022-23, we are now assuming an increase in margins to 8.8-9.0%, with our projections now closer to company guidance.

■ **OUTPERFORM confirmed; target Eu0.90ps.** We believe the company has a solid competitive positioning and value creation potential thanks to its advanced technological know-how and varied asset base in Waste Treatment, as well as its solid track record in Environmental Remediation. ATH is also well placed to benefit from the flurry of investments coming from the National Recovery and Resilience Plan for the circular economy.

Key Figures & Ratios	2019A	2020A	2021E	2022E	2023E
Sales (Eu mn)	87	85	98	104	110
EBITDA Adj (Eu mn)	7	7	9	9	10
Net Profit Adj (Eu mn)	5	3	3	4	5
EPS New Adj (Eu)	0.052	0.035	0.034	0.045	0.052
EPS Old Adj (Eu)	0.052	0.049	0.054	0.059	
DPS (Eu)	0.011	0.008	0.018	0.023	0.027
EV/EBITDA Adj	4.4	9.4	9.6	8.9	7.9
EV/EBIT Adj	6.7	12.8	12.0	11.1	
P/E Adj	15.2	22.8	23.6	17.8	15.4
Div. Yield	1.3%	1.0%	2.2%	2.9%	3.4%
Net Debt/EBITDA Adj	0.2	1.8	1.7	1.5	1.1

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein, and any of its parts, is strictly prohibited. None of the contents of this document may be shared with third parties without Company authorization. Please see important disclaimer on the last page of this report

<b>AMBIENTHESIS – Key Figures</b>						
<b>Profit &amp; Loss (Eu mn)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Sales	82	87	85	98	104	110
EBITDA	6	7	7	9	9	10
EBIT	3	5	4	5	6	6
Financial Income (charges)	-1	-1	-1	-2	-1	-1
Associates & Others	1	2	2	1	1	2
Pre-tax Profit	3	6	4	4	6	7
Taxes	-0	-2	-1	-1	-2	-2
Tax rate	5.7%	26.1%	24.4%	27.0%	27.0%	27.0%
Minorities & Discontinued Operations	-0	-0	-0	-0	-0	-0
Net Profit	3	4	3	3	4	5
EBITDA Adj	6	7	7	9	9	10
EBIT Adj	3	5	5	7	7	7
Net Profit Adj	4	5	3	3	4	5
<b>Per Share Data (Eu)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Total Shares Outstanding (mn) - Average	93	93	93	93	93	93
Total Shares Outstanding (mn) - Year End	93	93	93	93	93	93
EPS f.d	0.034	0.047	0.033	0.034	0.045	0.052
EPS Adj f.d	0.046	0.052	0.035	0.034	0.045	0.052
BVPS f.d	0.484	0.524	0.545	0.566	0.591	0.618
Dividend per Share ORD	0.008	0.011	0.008	0.018	0.023	0.027
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	23.4%	22.3%	23.9%	52.6%	52.6%	52.6%
<b>Cash Flow (Eu mn)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Gross Cash Flow	5	7	6	7	8	8
Change in NWC	-1	-1	-2	-1	-0	0
Capital Expenditure	-2	-4	-7	-7	-5	-3
Other Cash Items	-0	0	0	0	0	0
Free Cash Flow (FCF)	2	3	-3	-1	2	6
Acquisitions, Divestments & Other Items	0	-5	-7	-1	-0	-0
Dividends	-0	-1	-1	-1	-2	-2
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	2	-3	-10	-3	0	3
<b>Balance Sheet (Eu mn)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Total Fixed Assets	48	54	64	68	70	69
Net Working Capital	-4	-3	-7	-7	-6	-7
Long term Liabilities	0	0	6	6	6	6
Net Capital Employed	44	51	63	67	70	69
Net Cash (Debt)	1	-2	-12	-14	-14	-11
Group Equity	45	49	51	53	56	58
Minorities	0	0	1	1	1	1
Net Equity	45	49	51	52	55	57
<b>Enterprise Value (Eu mn)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Average Mkt Cap	35	37	56	74	74	74
Adjustments (Associate & Minorities)	6	6	6	6	6	6
Net Cash (Debt)	1	-2	-12	-14	-14	-11
Enterprise Value	28	32	62	82	82	78
<b>Ratios (%)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
EBITDA Adj Margin	6.7%	8.5%	7.8%	8.7%	8.8%	9.0%
EBIT Adj Margin	4.0%	5.5%	5.7%	7.0%	7.1%	
Gearing - Debt/Equity	-1.9%	3.6%	23.3%	27.1%	25.0%	18.1%
Interest Cover on EBIT	6.4	7.6	3.8	2.5	4.4	5.3
Net Debt/EBITDA Adj	-0.2	0.2	1.8	1.7	1.5	1.1
ROACE*	7.5%	10.1%	6.6%	8.1%	8.5%	9.3%
ROE*	9.8%	10.4%	6.5%	6.1%	7.7%	8.5%
EV/CE	0.6	0.7	1.1	1.3	1.2	1.1
EV/Sales	0.3	0.4	0.7	0.8	0.8	0.7
EV/EBITDA Adj	5.0	4.4	9.4	9.6	8.9	7.9
EV/EBIT Adj	8.3	6.7	12.8	12.0	11.1	
Free Cash Flow Yield	3.0%	3.8%	-3.9%	-1.9%	3.3%	8.3%
<b>Growth Rates (%)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Sales	39.0%	5.5%	-1.3%	15.2%	5.5%	5.8%
EBITDA Adj	254.1%	34.2%	-10.2%	28.8%	7.4%	8.0%
EBIT Adj	nm	44.7%	0.9%	41.8%	7.6%	
Net Profit Adj	nm	37.7%	-29.0%	0.9%	32.3%	15.6%
EPS Adj	2093.1%	14.3%	-33.3%	-3.6%	32.3%	15.6%
DPS	nm	31.3%	-23.8%	121.6%	32.3%	15.6%

\*Excluding extraordinary items Source: Intermonte SIM estimates

## Ambienthesis in Brief

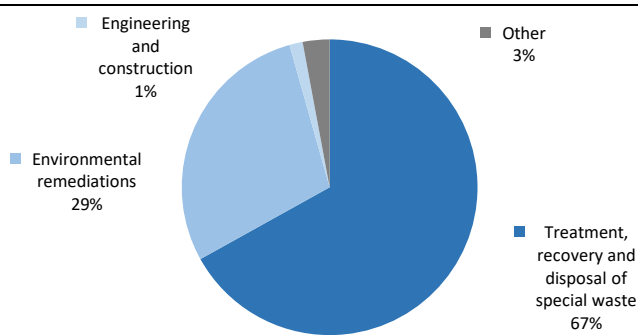
### Company description

**Ambienthesis** is a company that specialises in the treatment, recovery and disposal of special waste as well as environmental remediation and rehabilitation activities. The Group owns and manages seven waste treatment plants and has stakes in further landfills. Its headquarters are at Segrate (MI) and it has been listed on MTA segment of Italian Stock Exchange since 1997.

### Strengths/Opportunities

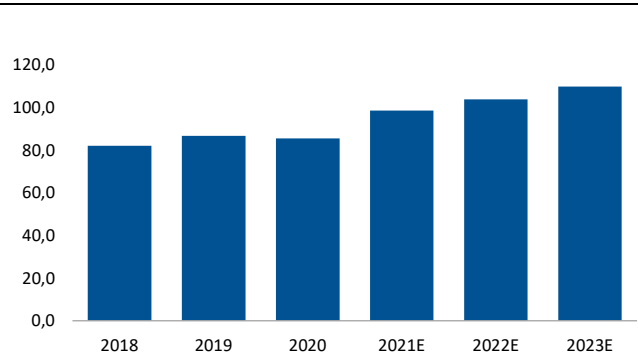
- Technological know-how
- Varied plant assets: fixed, mobile, composting etc.
- Differentiation of the service offering
- Solid balance sheet
- Geographical expansion and product diversification
- Expansion and regulation of the circular economy
- Innovation and investment in more advanced technologies

Figure 1: Revenues Breakdown by Segment (%)



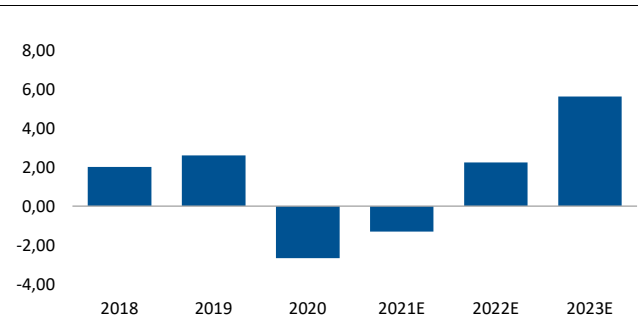
Source: Intermonte SIM

Figure 3: Historical Revenues and Estimates (Eu mn)



Source: Company data & Intermonte SIM Estimates

Figure 5: Free Operating Cash Flows (Eu mn)



Source: Company data & Intermonte SIM Estimates

### Management

**CEO:** Damiano Belli  
**Chairman:** Giovanni Bozzetti  
**CFO:** Vincenzo Cimini  
**Next BoD renewal:** Spring, 2022  
**BoD independent members:** 3/7  
**Women on BoD:** 3/7

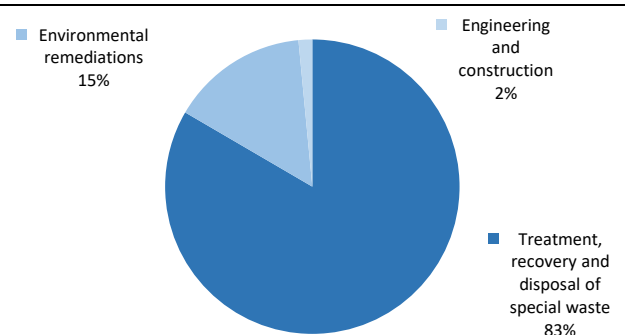
### Shareholders

Greenthesis SpA	61.8%
Gea Srl	14.4%
Market	18.9%
Ambienthesis	4.9%

### Weaknesses/Threats

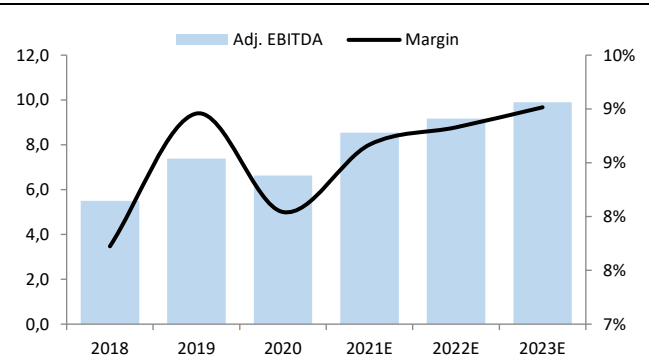
- Limited company size
- Competition in the environmental remediation segment
- Limited bargaining power with larger clients
- Volatility of the environmental remediation business
- M&A execution: potential delays in integrating acquired companies
- Demand for more advanced technological skills

Figure 2: EBITDA Breakdown by Segment (%)



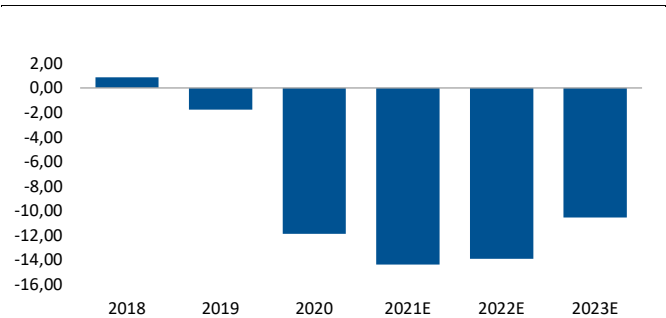
Source: Intermonte SIM

Figure 4: Adj. EBITDA (Eu mn) and Profitability



Source: Company data & Intermonte SIM Estimates

Figure 6: Net Debt (Eu mn)



Source: Company data & Intermonte SIM Estimates

## FY20 Results

**FY20 Results.** On 12<sup>th</sup> April Ambientthesis reported FY20 results. The top line was stronger than expected, confirming the company's resilience in a tough operating environment exacerbated by the ongoing public health emergency. On the other hand, margins sprang a negative surprise, with adj. EBITDA decreasing 11% YoY burdened by higher costs in the waste segment. In detail, FY20 revenues came to Eu85.5mn, down 1% YoY and better than our forecast (Eu80.4mn). The Special Waste Treatment, Recovery & Disposal division maintained a very strong performance, with revenues at Eu57.2mn, just a slight decrease compared to the previous year (-1% YoY). The Environmental Remediations division recorded revenues of Eu24.5mn, down 2% YoY and 11% above expectations. Engineering & Construction division revenues came in at Eu1.2mn (vs. Eu1.4mn expected), down 14% YoY. Adj. EBITDA was worse than our estimate, coming in at Eu6.9mn (vs. Eu8.4mn), down 11% YoY with a 7.8% margin (vs. 9% in 2019). Moving down to the bottom line, adj. net income closed at Eu3.2mn (-33% YoY, vs. exp. Eu4.6mn) after booking Eu2.9mn in depreciation, provisions and write-downs. On the balance sheet, net debt closed at Eu11.9mn (vs. exp. Eu8.1mn), up from the Eu1.6mn recorded at the end of June, factoring in the remaining debt for the acquisition of C.R. and other adjustments. The BoD proposed the distribution of a DPS of Eu0.008.

**FY20 backlog.** The consolidated order book amounted to Eu50mn at the end of 2020, of which Eu43mn in Environmental Remediations and Eu7mn in Engineering and Construction. The 2020 order intake amounted to Eu25.8mn.

### Ambientthesis – FY20 Results

(Eu mn)	1H19	2H19	2019	1H20	2H20A	2020A	2H20E	2020E	Chg 2H		Chg FY		
									YoY	HoH	AvE	YoY	AvE
Special waste treatment	28.5	29.4	57.9	27.4	29.8	57.2	27.6	55.0	1%	9%	8%	-1%	4%
Environmental remediations	12.3	12.8	25.1	9.5	15.0	24.5	12.5	22.0	17%	58%	20%	-2%	11%
Engineering and construction	1.0	0.5	1.4	0.9	0.3	1.2	0.5	1.4	-36%	-68%	-38%	-14%	-13%
Other revenues	0.9	1.3	2.2	1.2	1.3	2.5	0.8	2.0	-2%	2%	66%	15%	25%
<b>Revenues</b>	<b>42.7</b>	<b>44.0</b>	<b>86.6</b>	<b>39.1</b>	<b>46.4</b>	<b>85.5</b>	<b>41.3</b>	<b>80.4</b>	<b>5%</b>	<b>19%</b>	<b>12%</b>	<b>-1%</b>	<b>6%</b>
Operating costs	-38.3	-40.9	-79.226	-35.1	-43.7	-78.8	-37.1	-72.2	7%	25%	18%	-1%	9%
<b>EBITDA</b>	<b>4.4</b>	<b>3.0</b>	<b>7.4</b>	<b>4.0</b>	<b>2.6</b>	<b>6.6</b>	<b>4.2</b>	<b>8.2</b>	<b>-13%</b>	<b>-35%</b>	<b>-37%</b>	<b>-10%</b>	<b>-19%</b>
<b>Adj. EBITDA</b>	<b>4.5</b>	<b>3.2</b>	<b>7.8</b>	<b>4.2</b>	<b>2.6</b>	<b>6.9</b>	<b>4.2</b>	<b>8.4</b>	<b>-18%</b>	<b>-37%</b>	<b>-36%</b>	<b>-11%</b>	<b>-18%</b>
Adj. EBITDA margin	10.6%	-1.6%	9.0%	10.2%	5.7%	7.8%	10.1%	10.2%	-445%	-45%	-44%	-13%	-24%
Depr., prov., write-downs	-1.3	-1.3	-2.60	-1.7	-1.2	-2.9	-1.6	-3.4	-12%	-34%	-28%	11%	-14%
<b>EBIT</b>	<b>3.1</b>	<b>1.7</b>	<b>4.8</b>	<b>2.3</b>	<b>1.5</b>	<b>3.7</b>	<b>2.6</b>	<b>4.8</b>	<b>-13%</b>	<b>-35%</b>	<b>-43%</b>	<b>-22%</b>	<b>-23%</b>
Margin (%)	7%	4%	6%	6%	3%	4%	6%	6%					
Net Financial Charges	-0.3	-0.3	-0.6	-0.4	-0.5	-1.0	-0.3	-0.8					
Other Charges/Income	1.1	0.8	1.9	0.8	0.7	1.5	0.9	1.7					
<b>Net Operating Margin</b>	<b>3.9</b>	<b>2.2</b>	<b>6.0440</b>	<b>2.6</b>	<b>1.7</b>	<b>4.3</b>	<b>3.1</b>	<b>5.7</b>	<b>-23%</b>	<b>-36%</b>	<b>-47%</b>	<b>-29%</b>	<b>-26%</b>
Taxes	-1.1	-0.5	-1.6	-0.5	-0.5	-1.0	-1.0	-1.5					
Tax Rate (%)	28%	22%	26%	20%	32%	24%	31%	26%					
<b>Net Income</b>	<b>2.8</b>	<b>1.7</b>	<b>4.465</b>	<b>2.1</b>	<b>1.1</b>	<b>3.2</b>	<b>2.2</b>	<b>4.3</b>	<b>-33%</b>	<b>-45%</b>	<b>-47%</b>	<b>-28%</b>	<b>-24%</b>
Minorities	0.1	0.0	0.1	0.1	0.0	0.1	0.0	0.1					
<b>Group Net Income</b>	<b>2.7</b>	<b>1.7</b>	<b>4.365</b>	<b>2.0</b>	<b>1.1</b>	<b>3.1</b>	<b>2.2</b>	<b>4.2</b>	<b>-34%</b>	<b>-44%</b>	<b>-49%</b>	<b>-29%</b>	<b>-25%</b>
<b>Adj. Net Income</b>	<b>2.9</b>	<b>1.9</b>	<b>4.8630</b>	<b>2.5</b>	<b>0.8</b>	<b>3.2</b>	<b>2.1</b>	<b>4.6</b>	<b>-59%</b>	<b>-68%</b>	<b>-62%</b>	<b>-33%</b>	<b>-29%</b>
Capex	2.7	1.1	3.8	0.3	6.6	7.0	6.7	7.0	483%	1871%	0%	84%	0%
<b>Equity</b>	<b>49.0</b>	<b>49.0</b>	<b>49.0</b>	<b>49.9</b>	<b>51.0</b>	<b>51.0</b>	<b>51.9</b>	<b>51.9</b>					
<b>Net Debt</b>	<b>1.2</b>	<b>1.8</b>	<b>1.8</b>	<b>1.6</b>	<b>11.9</b>	<b>11.9</b>	<b>8.1</b>	<b>8.1</b>					
<b>CE</b>	<b>50.2</b>	<b>50.8</b>	<b>50.8</b>	<b>51.5</b>	<b>57.2</b>	<b>62.9</b>	<b>55.7</b>	<b>60.0</b>					
D/E Ratio	0.02	0.04	0.04	0.03	0.23	0.23	0.16	0.16					

Source: Company data and Intermonte SIM estimates.

## Significant events in 2020

### M&A Deals

*In 2020 Ambienthesis carried out two acquisitions that helped consolidate its position in the Italian industrial waste treatment and recovery sector as well as increasing penetration in the circular economy segment. Furthermore, by means of these acquisitions the company increased the number of managed plants from five to seven.*

**Acquisition of Eureka (treatment, recovery and disposal of industrial waste).** On 3<sup>rd</sup> November 2020, Ambienthesis announced the acquisition of Eureka, a company that owns and manages a plant for the treatment, recovery and disposal of industrial waste. The plant has been operating for over 40 years, specifically in the treatment and recovery of inert waste and land undergoing environmental remediation and territorial regeneration. Eureka reported 2019 revenues of over Eu2mn, EBITDA of Eu0.360mn (a 5.5% margin) and net income of Eu0.183mn.

The price for the acquisition of 100% of the share capital of Eureka was set at Eu0.760mn, of which Eu0.510mn to be paid within 19 months of completion of the acquisition (3<sup>rd</sup> November), while a sum of Eu0.950mn was allocated to buy out shareholder loans. The deal is linked to the Eu8mn bond issued in March, specifically aimed at supporting the group's business plan. The implied 2019 EV/EBITDA multiple was 4.8x.

- This acquisition further reinforced Ambienthesis's positioning in its core business of treatment, recovery and disposal of industrial waste. The main benefits coming from this deal are:
- strengthening organic growth and consolidating its position in the Italian industrial waste treatment and recovery sector;
- further integration of assets for the execution of environmental remediation and rehabilitation activity;
- synergies in logistics;
- increased critical mass.

**Acquisition of C.R. (treatment, recovery and disposal of industrial waste).** On 23<sup>rd</sup> November 2020, Ambienthesis announced the acquisition of C.R., a company owning a multifunctional platform located in the municipality of Sannazzaro de' Burgondi (PV) on an area of c.30,000m<sup>2</sup>. The acquired company specialises in the treatment, recovery and disposal of industrial waste, both hazardous and non-hazardous, and mainly operates in the recovery of solid and liquid industrial waste to be destined for waste-to-energy.

The operations that are carried out at CR plants, pursuing the objectives of recovering materials and limiting the use of landfills, are consistent with the group's policy aimed at implementing the principles of the Circular Economy. C.R. reported 2019 revenues of Eu11.5mn, EBITDA of Eu1.2mn (a 10% margin) and net income of Eu0.50mn.

The price paid for the acquisition was Eu5.5mn (of which Eu0.5mn conditional on the realisation of specific circumstances), plus Eu1.9mn for the acquisition of the multifunctional platform and the surrounding land. The implied 2019 EV/EBITDA multiple was 6.2x.

This new acquisition further strengthened Ambienthesis's positioning in its core business of the treatment, recovery and disposal of industrial waste. The main benefits coming from the deal are:

- geographical expansion and widening of the services offered in the core business;
- further consolidation of the company's leadership in the Italian industrial waste treatment and recovery sector, in order to achieve higher turnover levels;
- significant synergies arising from the integration of assets;
- Increased penetration in the Circular Economy segment.

### Internationalisation Strategy in Middle East

**JV in Middle East.** On 9<sup>th</sup> December Ambienthesis announced that B&A Waste Management Co. LLC (the joint venture between group subsidiary Ambienthesis Middle East DMCC and Bee'ah Sharjah Environment Co. LLC. Ambienthesis's strategic business development partner in the Middle East) had been awarded a remediation project in the Emirates with the leading multinational oil player Abu Dhabi National Oil Company (ADNOC). The project was worth about Eu0.5mn, and innovative and advanced methods of treatment technologies will be used. This contract represents the company's first step into the United Arab Emirates and the Middle East market, where Ambienthesis intends to grow in the future, thanks to its strategic partnership with Bee'ah.

## New 2021-2023 Business Plan

**New 2021-23 industrial plan: strategic guidelines.** On 16<sup>th</sup> March 2021 the company board approved the industrial plan for the 2021-23 period based on the following pillars, which are in line with previous practice:

- strong orientation towards growth, both organic and through M&A on companies active in the circular economy.
- Acceleration of operational and commercial development in the UAE through the activities carried out by B&A Waste Management Co. LLC (the operational joint venture between subsidiary Ambienthesis Middle East DMCC and the strategic partner for development in the Middle East, Bee'ah Sharjah Environment Co. LLC).
- Greater diversification both geographically, in Italy and abroad, as well as from the point of view of the services offered.
- Ongoing improvement of performance in all business functions and achievement of specific objectives in terms of innovation and efficiency of the entire production cycle in order to handle the growing dynamism of the competitive market context and increase profitability.
- An ESG-centred approach to the business.
- Development of a broad and comprehensive communication programme aimed at all the various categories of stakeholders.

The company's ambition is to emerge as a leading private integrated operator in the management of the industrial waste cycle by putting corporate sustainability at the heart of its work, and applying it to all company levels according to the key guidelines of environmental and social responsibility, innovation, circular economy, and the enhancement of human capital.

**Financial targets.** The plan foresees the achievement of stable and recurring comprehensive revenues of Eu110mn, average gross profitability of c.9% across the 3 years of the plan, and net profitability of c.4.5% at the end of the plan, maintaining appropriate ratios for capital strength and equilibrium.

### Ambienthesis – New Industrial Plan Guidelines



Source: Company Presentation

## Circular Economy and ESG Themes at the Heart of the Company’s Strategy

*In line with recent European Green Deal directives, which impose high standards for the management of the waste cycle and the technologies used, the Ambienthesis group has shaped the processes of its entire chain to reflect a Circular Economy philosophy. As testament to this endeavour, in 2020 it launched a partnership with Circular Economy Lab and defined a well-structured ESG strategy.*

### Innovation and Circular Economy

In May 2020 Ambienthesis and other Greenthesis group companies launched a targeted scouting process aimed at identifying and selecting highly innovative entrepreneurial projects associated with the integrated waste cycle, in collaboration with Circular Economy Lab. An initiative promoted by Cariplo Factory and Intesa San Paolo Innovation Centre, Circular Economy Lab is focused on the design, development and provision of specific innovation services associated with the circular economy. The aim of this scouting activity is to identify new solutions and technology for the circular economy, with the dual objective of providing technological solutions to support the group’s waste treatment activity that, once implemented, can guarantee both high levels of technological maturity and energy efficiency, and also reduce its environmental impact.

The call for applications focuses on three broad areas of interest:

- “The value of Waste: Waste to Materials” – solutions for maximising the value of by-products and waste, favouring upcycling, zero waste initiatives and cross-supply chain collaborations;
- “Circular Technology of Biological Cycle”: solutions to exploit the value of the biological matrix of waste, with a view to industrial symbiosis and upgrading existing technological solutions;
- “Circular Services Platform” – solutions to support waste management processes and environmental performance management in order to increase stakeholder engagement.

In light of recent developments in the Green Deal with regard to the Circular Economy, a re-evaluation of the entire integrated waste cycle, as well as associated treatment, recovery and energy capture activity, is likely to throw up new growth and development opportunities that can easily be reconciled with the path towards environmental sustainability already embarked upon by Ambienthesis.

### ESG Strategy & Commitment

The company is not obliged to draw up a Non-Financial Statement pursuant to Legislative Decree 254/2016; nevertheless, 2020 was the second consecutive year that the company conducted voluntary non-financial reporting based on Global Reporting Initiative (GRI) standards. The sustainability report forms part of the annual report and the reporting scope includes Ambienthesis S.p.A., La Torrazza S.r.l. and Bioagritalia S.r.l., with the “Ambienthesis and its people” section also including the two recently-acquired companies C.R. and Eureko, which entered the group on 3<sup>rd</sup> and 23<sup>rd</sup> November 2020 respectively, and are fully owned by the Ambienthesis parent company.

#### Key Sustainability Highlights

- [+] 98% of electricity consumed from renewable sources (2020 data)
- [+] 92% of employees on permanent contracts (2020 data)
- [+] 2,739 training hours for employees (2020)
- [+] Appointment of Corporate Social Responsibility Managers on 28<sup>th</sup> June 2020

The Ambienthesis ESG strategy exploits specific themes as illustrated in the following table:

#### Ambienthesis ESG Strategy

ENVIRONMENTAL	SOCIAL	GOVERNANCE
-Reducing energy consumption	-Ensuring dignity and equality of opportunity by combating gender, racial and religious discrimination	-Increasing the number of women on the board
-Reducing consumption of raw materials and water	-Human capital development by recruiting and training young employees	-Tying management remuneration to achievement of specific ESG objectives
-Use of low environmental impact technologies	-Monitoring and reducing the risk of workplace accidents	-Increasing management focus on sustainability themes; creation of the role of CSR manager
-Reducing emissions	-Fostering company welfare systems	-Strengthening anti-corruption systems with reference to Law 231, including the vetting of suppliers
-Seeking out innovative circular economy solutions		-Creation of the ERM manager role

Source: Company presentation

## Change in estimates and guidance

**2021-2023 guidance confirmed.** ATH will continue to pursue internal and external growth opportunities, including through M&A in the domestic market and potentially also abroad. Technological innovation and ESG themes are the company's long term growth drivers. As announced on 16<sup>th</sup> March, the 2021-2023 business plan envisages stable and recurring comprehensive revenues of Eu110mn, average gross profitability of c.9% across the 3 years and net profitability of c.4.5% at the end of the plan period.

**Estimates and valuation.** Following weaker-than-expected FY20 figures and the company's financial targets, we are revising our 2021-2023 profitability forecasts downwards. Indeed, despite raising our 2021 revenue forecast a touch, we are cutting our EBITDA projections, assuming an 8.7% margin, from 10.7% previously. As for 2022-23, we are now assuming an increase in margins to 8.8-9.0%, with our projections now closer to company guidance.

### Ambienthesis – Change to Estimates

(Eu mn)	Old				New				Chg.			
	2020E	2021E	2022E	2023E	2020A	2021E	2022E	2023E	2020A	2021E	2022E	2023E
<b>Total Revenues</b>	80	98	103	109	85	98	104	110	6%	1%	1%	1%
<b>EBITDA</b>	8.2	10.5	11.1	11.6	6.6	8.5	9.2	9.9	-19.0%	-18.8%	-17.6%	-14.6%
% EBITDA Margin	10.2%	10.7%	10.8%	10.6%	7.8%	8.7%	8.8%	9.0%	-242 bps	-207 bps	-195 bps	-162 bps
<b>Adj. Net Income</b>	4.6	5.0	5.5	6.0	3.2	3.1	4.1	4.8	-29%	-37%	-24%	-20%
<b>Adj. EPS</b>	0.05	0.05	0.06	0.06	0.03	0.03	0.04	0.05	-29%	-37%	-24%	-20%
<b>Net Income</b>	4.2	5.0	5.5	6.0	3.1	3.1	4.1	4.8	-25%	-37%	-24%	-20%
<b>EPS</b>	0.04	0.05	0.06	0.06	0.03	0.03	0.04	0.05	-26%	-37%	-24%	-20%
<b>Net debt</b>	-8.1	-10.6	-9.9	-6.1	-11.9	-14.4	-13.9	-10.6	47%	35%	41%	74%

Source: Intermonte SIM estimates.



## Financials

### Ambienthesis – Income Statement

(Eu mn)	2017	2018	2019	2020	2021E	2022E	2023E	2024E
Special waste treatment	40.1	50.1	57.9	57.2	69.2	70.7	72.3	73.7
Environmental remediations	14.3	27.9	25.1	24.5	25.5	29.3	33.7	33.9
Engineering and construction	3.1	2.2	1.4	1.2	1.3	1.3	1.3	1.3
Other revenues	1.5	1.8	2.2	2.5	2.5	2.5	2.5	2.5
<b>Total Revenues</b>	<b>59.0</b>	<b>82.1</b>	<b>86.6</b>	<b>85.5</b>	<b>98.5</b>	<b>103.8</b>	<b>109.8</b>	<b>111.5</b>
Total Operating Costs	-51.0	-70.0	-72.3	-71.8	-82.8	-87.4	-92.4	-93.7
<b>Value Added</b>	<b>8.0</b>	<b>12.1</b>	<b>14.3</b>	<b>13.6</b>	<b>15.7</b>	<b>16.5</b>	<b>17.4</b>	<b>17.8</b>
Labor Cost	-6.5	-6.6	-6.9	-7.0	-7.2	-7.3	-7.5	-7.6
<b>EBITDA</b>	<b>1.6</b>	<b>5.5</b>	<b>7.4</b>	<b>6.6</b>	<b>8.5</b>	<b>9.2</b>	<b>9.9</b>	<b>10.1</b>
<b>Adj. EBITDA</b>	<b>2.6</b>	<b>6.3</b>	<b>7.8</b>	<b>6.9</b>	<b>8.5</b>	<b>9.2</b>	<b>9.9</b>	<b>10.1</b>
% Adj. EBITDA Margin	4.4%	7.7%	9.0%	8.0%	8.7%	8.8%	9.0%	9.1%
Special waste treatment	0.9	4.1	6.9	5.5	7.1	7.4	7.9	8.1
Environmental remediations	0.6	1.3	0.7	1.0	1.4	1.6	1.9	1.9
Others	0.1	0.1	-0.2	0.1	0.1	0.1	0.1	0.1
Depr. Prov's. and Write-downs	-4.1	-2.2	-2.6	-2.9	-3.3	-3.4	-3.5	-3.6
<b>EBIT</b>	<b>-2.5</b>	<b>3.3</b>	<b>4.8</b>	<b>3.7</b>	<b>5.3</b>	<b>5.8</b>	<b>6.5</b>	<b>6.6</b>
% EBIT Margin	-4.3%	4.0%	5.5%	4.4%	5.4%	5.6%	5.9%	5.9%
Net Financial Charges	-0.5	-0.5	-0.6	-1.0	-2.1	-1.3	-1.2	-1.1
Other Charges and Income	0.6	0.6	1.9	1.5	1.3	1.4	1.6	1.8
<b>Net Operating Margin</b>	<b>-2.4</b>	<b>3.4</b>	<b>6.0</b>	<b>4.3</b>	<b>4.5</b>	<b>5.9</b>	<b>6.8</b>	<b>7.3</b>
Taxes	-0.2	-0.2	-1.6	-1.0	-1.2	-1.6	-1.8	-2.0
Adj. Tax Rate %	-8.4%	5.7%	26.1%	24.4%	27.0%	27.0%	27.0%	27.0%
<b>Net Income</b>	<b>-2.6</b>	<b>3.2</b>	<b>4.5</b>	<b>3.2</b>	<b>3.3</b>	<b>4.3</b>	<b>5.0</b>	<b>5.3</b>
Minorities	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2
<b>Group Net Income</b>	<b>-2.7</b>	<b>3.2</b>	<b>4.4</b>	<b>3.1</b>	<b>3.1</b>	<b>4.1</b>	<b>4.8</b>	<b>5.1</b>
<b>Adj. Net Income</b>	<b>0.2</b>	<b>4.3</b>	<b>4.9</b>	<b>3.2</b>	<b>3.1</b>	<b>4.1</b>	<b>4.8</b>	<b>5.1</b>

Source: Company data & Intermonte SIM estimates

### Ambienthesis – Balance Sheet

(Eu mn)	2017	2018	2019	2020	2021E	2022E	2023E	2024E
Fixed assets	48.8	48.4	54.2	64.5	68.2	69.9	69.4	68.9
Net working capital	-4.5	-3.1	-2.4	-0.2	0.7	1.1	0.9	1.1
<b>Gross inv. capital</b>	<b>44.4</b>	<b>45.3</b>	<b>51.8</b>	<b>64.2</b>	<b>68.9</b>	<b>71.0</b>	<b>70.3</b>	<b>69.9</b>
Severance provision	-1.0	-0.9	-1.0	-1.3	-1.4	-1.4	-1.4	-1.4
<b>Net invested capital</b>	<b>43.4</b>	<b>44.3</b>	<b>50.8</b>	<b>62.9</b>	<b>67.5</b>	<b>69.5</b>	<b>68.9</b>	<b>68.5</b>
Group sharehold. equity	41.7	44.8	48.6	50.5	52.4	54.8	57.3	59.8
Minority interests	0.4	0.4	0.4	0.5	0.6	0.8	1.0	1.2
<b>Net financial position</b>	<b>-1.4</b>	<b>0.9</b>	<b>-1.8</b>	<b>-11.9</b>	<b>-14.4</b>	<b>-13.9</b>	<b>-10.6</b>	<b>-7.4</b>
<b>Total cover</b>	<b>43.4</b>	<b>44.3</b>	<b>50.8</b>	<b>62.9</b>	<b>67.5</b>	<b>69.5</b>	<b>68.9</b>	<b>68.5</b>

Source: Company data & Intermonte SIM estimates

### Ambienthesis – Cash Flow Statement

(Eu mn)	2017	2018	2019	2020	2021E	2022E	2023E	2024E
<b>Net fin position beg of year</b>	<b>0.8</b>	<b>-1.4</b>	<b>0.9</b>	<b>-1.8</b>	<b>-11.9</b>	<b>-14.4</b>	<b>-13.9</b>	<b>-10.6</b>
Net income	-2.6	3.2	4.5	3.2	3.3	4.3	5.0	5.3
Depreciation	2.7	2.2	2.6	2.9	3.3	3.4	3.5	3.6
<b>Cash flow from operations</b>	<b>0.1</b>	<b>5.4</b>	<b>7.1</b>	<b>6.1</b>	<b>6.5</b>	<b>7.7</b>	<b>8.4</b>	<b>8.9</b>
Change in working capital	-10.4	-1.5	-0.7	-1.8	-0.8	-0.4	0.2	-0.2
<b>Operating cash flow</b>	<b>-10.4</b>	<b>4.0</b>	<b>6.4</b>	<b>4.3</b>	<b>5.7</b>	<b>7.2</b>	<b>8.6</b>	<b>8.7</b>
Investments	-2.9	-2.0	-3.8	-7.0	-7.0	-5.0	-3.0	-3.0
<b>Free cash flow</b>	<b>-13.3</b>	<b>2.0</b>	<b>2.6</b>	<b>-2.7</b>	<b>-1.3</b>	<b>2.2</b>	<b>5.6</b>	<b>5.7</b>
Dividends	0.0	0.0	-0.7	-0.9	-0.7	-1.6	-2.1	-2.4
Other movements	11.1	0.2	-4.5	-6.5	-0.5	-0.2	-0.2	-0.2
<b>Cash flow</b>	<b>-2.2</b>	<b>2.2</b>	<b>-2.6</b>	<b>-10.1</b>	<b>-2.5</b>	<b>0.5</b>	<b>3.4</b>	<b>3.1</b>
<b>Net fin position end of year</b>	<b>-1.4</b>	<b>0.9</b>	<b>-1.8</b>	<b>-11.9</b>	<b>-14.4</b>	<b>-13.9</b>	<b>-10.6</b>	<b>-7.4</b>

Source: Company data and Intermonte SIM estimates

## Appendix I: Ambienthesis is Well Equipped to Surf the Green Wave Coming from the NRRP

*Although we are still waiting for the definitive list of National Recovery and Resilience Plan projects, we expect Ambienthesis to benefit from the associated investments and reforms. To this end, in this section we provide a summary of the main initiatives of the NRRP focusing on the second mission of the Plan (Green Revolution and Environmental Transition).*

### NRRP: Missions and Breakdown

On 27<sup>th</sup> April 2021, the final **National Recovery and Resilience Plan** document was approved by Parliament. Presentation of the NRRP is a non-negotiable pre-requisite for gaining access to NGEU funds, the Eu750bn European temporary recovery instruments to help repair the immediate economic and social damage brought about by the coronavirus pandemic.

The total scope of the **National Recovery and Resilience Plan** is **Eu221.5bn**, as on top of the initial **Eu191.5bn** of RRF funds (of which Eu68.9bn grants and Eu122.6bn loans), an additional **Eu30bn** will come from the **National Complementary Facility**. These resources are supplemented by a total of Eu13bn made available by React-EU, which as foreseen under European law will be spent in the years 2021-23, taking the overall amount of the funds available for Italy to Eu235.14mn. To benefit from the RRF, investments and reforms should be implemented in the 2021-2026 period.

The plan consists of 6 missions and 16 components and, in line with the European recommendation, **~40%** of expenditure is **for green projects**, **~ 27%** is for **digital transition**, and **~40%** of the funds are destined for the **South of Italy**. The environmental impact of projects must respect the Do No Significant Harm principle in accordance with the European Taxonomy (Regulation (EU) 2020/852).

The six missions are:

1. Digitalisation, innovation, competitiveness, and culture (Eu40.73bn)
2. Green revolution and ecological transition (Eu59.33bn)
3. Infrastructure for sustainable mobility (Eu25.13bn)
4. Education and research (Eu30.88bn)
5. Inclusion and cohesion (Eu19.81bn)
6. Health (Eu15.63bn).

### Plan Objectives

The plan sets out a broad package of investments and reforms to achieve two objectives:

- Overcoming the economic and social impact of the Covid-19 pandemic;
- Overcoming the structural weaknesses of the Italian economy (gender inequality, inclusion of young people, territorial gaps).

### Green Revolution and Ecological Transition

The second mission of the NRRP dedicated to the Green Revolution and Ecological Transition (Eu59.33bn) is divided into four components and aims at improving sustainability and resilience of the economy, ensuring equality and inclusivity in the transition.

As illustrated in the chart below the total amount allocated to green transition is Eu69.96bn, as on top of the initial Eu59.33bn of the NRRP funds, an additional Eu9.32bn will come from the National Complementary Facility.

#### Funding and Components (Eu bn)

M2. Green revolution and ecological transition	NRRP	Complementary Facility	Total
M2C1 - Green enterprises and the circular economy	5.27	1.20	6.47
M2C2 - Energy transition and sustainable local mobility	23.78	1.40	25.18
M2C3 - Energy efficiency and upgrading of buildings	15.22	6.72	21.94
M2C4 - Protection and enhancement of land and water resources	15.06	0.00	15.06
<b>Total Mission 2</b>	<b>59.33</b>	<b>9.32</b>	<b>68.65</b>

Source: Intermonte SIM

The first component of the second NRRP mission, **Green Enterprises and Circular Economy (Eu5.27bn)** sets the following three objective:

1. **Improve efficient and sustainable waste management capacity, according to a circular economy framework (Eu2.10bn).**

To achieve this objective, the plan allocates **Eu1.50bn** for the **construction of new waste management plants and the modernisation of existing plants**, and **Eu0.60bn** for **circular economy projects**. These investments are accompanied by **three reforms**

- **New national circular economy strategy**, which will be adopted by June 2022, integrating the various separate intervention areas for eco-design, eco-products, blue economy, bioeconomy, and critical raw materials. It will focus on tools, indicators and monitoring systems to assess progress towards achieving pre-set targets.
- **National waste management programme** that will allow the resolution of some plant and operational shortcomings.
- **Technical support for local authorities**. One of the main obstacles to the construction of new waste treatment plants is the lengthy authorisation and tender process. Delays are frequently due to a lack of technical and administrative expertise among employees of Regional, Provincial or Municipal authorities. The Ministry for Environmental Transition (MITE), and the Ministry for Economic Development (MSE), among others, will ensure the provision of technical support to local authorities (Regions, Provinces and Municipalities) through in-house companies. Moreover, MITE will develop a specific action plan to support contracting authorities in the application of minimum environmental criteria (MEC) set by relevant laws.

2. **Develop a sustainable agri-food chain (Eu2.80bn)**

3. **Develop integrated projects (Eu0.37bn)**

The fourth component of the second mission (Protection and enhancement of land and water resources Eu15.06bn) also sets aside Eu0.50bn for the remediation of so-called orphan sites. The aim is to redevelop brownfield sites, with a preference for their reinsertion on the real estate market, reducing the environmental impact and promoting the circular economy.

Below are some of the other projects proposed in this mission:

- Increase in renewable energy sources (Eu5.90bn), e.g. via the simplification of authorisation procedures for renewables, promotion of agri-PV, with the target of installing 2 GW of generation capacity when fully up and running; enhancing biomethane processing to increase the greening of the gas network by c.2.3-2.5bn cubic metres.
- Smart Grids (Eu4.11bn): Boosting the electricity grid's capacity, reliability, security and flexibility
- Ecobonus: Tax incentives to increase the energy efficiency of public (Eu1.23bn) and private buildings (Eu13.79bn)
- Investments to reduce the risks of hydro-geological instability (Eu15.06bn)
- Hydrogen (Eu3.19bn): frontier research, support for production and local use in industry and transport, setting-up of refuelling stations (e.g. developing c.40 refuelling stations, mainly in strategic areas for heavy road transport).
- Resources for the renewal of local public transport fleets (low-emission buses) and renewal of part of the regional rail fleet with vehicles using alternative propulsion (Eu8.58bn).

**NRRP Reforms: Simplification and rationalisation of environmental regulations**

**Objectives.** Simplify environmental regulations, especially dispositions surrounding the environmental impact assessment ("VIA").

Existing regulations involve protracted procedures that hinder the construction of infrastructure and other works. This dysfunctional system often comes on top of complex public tender regulations and procedures.

**Implementation method.** Urgent measures: works on NRRP projects are to undergo a special accelerated State VIA through a dedicated Commission that can expedite the necessary assessments, as provided for in the National Integrated Energy and Climate Plan (PNIEC 2030).

Furthermore, with regard to the link between the VIA and other environmental authorisation tools, the scope of the Consolidated Environmental Legislation (“PUA”) is to be extended further. The PUA, which will replace all other authorisation legislation, must become the standard measure at State as well as Regional level. For precisely this reason, the PUA should always incorporate all the necessary authorisations for the approval of remediation projects (as is already the case at Regional level).

There are also plans to strengthen the operational capacity of the new MITE, allowing it to streamline recourse to in-house companies, public research institutions and other public bodies operating in environmental transition.

Full measures: the attribution of powers with regard to energy matters by MITE will have to lead to a more complete integration of the various existing environmental planning and programming tools and general energy sector instruments (starting with the PNIEC).

The integration of powers in environmental and energy matters, at both organisational and functional level, seems appropriate to ensure a significant simplification of the system, enabling sustainable growth of the country that is in harmony with accomplishing environmental transition.

**Implementation timeframes.** Urgent measures are to be adopted with a Decree Law for approval in May 2021. Full measures are to be launched through a parliamentary bill. The draft of the bill is to be presented to Parliament by 31<sup>st</sup> December 2021, with legislation to be adopted within six months of the bill being converted into law.

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	AMBIENTHESIS		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	0.90	Previous Target (Eu):	0.90
Current Price (Eu):	0.80	Previous Price (Eu):	0.80
Date of report:	20/05/2021	Date of last report:	18/03/2021

**DISCLAIMER** (for more details go to [DISCLAIMER](#))

#### IMPORTANT DISCLOSURES

The reproduction of the information, recommendations and research produced by IntermonTE SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from IntermonTE.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by IntermonTE. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on IntermonTE's website [www.intermonTE.it](http://www.intermonTE.it) under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by IntermonTE on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

IntermonTE distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Brasil Plural Securities LLC under SEC 15a-6 guidelines. IntermonTE is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

#### ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including IntermonTE's total profits, a portion of which is generated by IntermonTE's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

IntermonTE's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Brasil Plural Securities LLC, 545 Madison Avenue, New York 10022.

#### GUIDE TO FUNDAMENTAL RESEARCH

The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/earnings (P/E), EV/EBITDA, EV/EBIT, price/sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for their information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;  
OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;  
NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;  
UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;  
SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

#### CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

IntermonTE SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 March 2021 IntermonTE's Research Department covered 124 companies. IntermonTE's distribution of stock ratings is as follows:

BUY:	16,26 %
OUTPERFORM:	51,22 %
NEUTRAL:	28,45 %
UNDERPERFORM	04,07 %
SELL:	00,00 %

The distribution of stock ratings for companies which have received corporate finance services from IntermonTE in the last 12 months (52 in total) is as follows:

BUY:	25,00 %
OUTPERFORM:	57,69 %
NEUTRAL:	17,31 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

#### CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest IntermonTE SIM states that:

**IntermonTE SIM SpA provides investment banking services to Creval in connection with the public tender offer promoted by Crédit Agricole Italia (IntermonTE is financial advisor to Creval's Board of Directors in connection with the public tender offer promoted by Crédit Agricole Italia).**

Within the last year, **IntermonTE SIM** managed or co-managed/is managing or is co-managing an Institutional Offering and/or managed or co-managed/is managing or is co-managing an offering with firm commitment underwriting of the securities of the following Companies: BPER, IEG and Iervolino Entertainment.

**IntermonTE SIM** has provided in the last 12 months / provides / may provide investment banking services to the following companies: Abitare In, Aedes, Aeroporto di Bologna, Alkemy, Azimut, Banca Ifis, Cellularline, Creval, ePrice, Falck Renewables, Guala Closures, H-Farm, IEG, Iervolino Entertainment, Mittel, Nova Re, OVS, Retelit, Saes Getters, Somec, SPSI (on Guala Closures shares), Tesmec, TXT, UBI Banca, and WIIT.

**IntermonTE SIM** is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Aedes, Alkemy, Ambientthesis, Aquafili, Avio, Banca Ifis, Banca Sistema, Cattolica, CFT, Cellularline, Credito Valtellinese, Cyberoo, Cy4gate, DeA Capital, ElEn, Eles, Elica, Emak, Esprinet, Falck Renewables, Fimit - Fondo Alpha, Fine Foods, Gefran, Go Internet, Gpi, Gruppo Fos, Guala Closures, IEG, Iervolino Entertainment, IndelB, Industrial Stars Of Italy 3, Luve, Notorious Pictures, Pharmanutra, Relatech, Reply, Retelit, Saes Getters, Servizi Italia, Sesa, Seri Industrial, Somec, Tinexta, Tesmec, Tamburi, Txt and WIIT.

**IntermonTE SIM** has a contractual commitment to act as liquidity provider on behalf of third parties for the following companies: Banca Sistema and Restart.

**IntermonTE SIM** performs as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMBI, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.

**IntermonTE SIM** is a member of the CBOE Europe Equities Liquidity Provider Program for the following financial instruments: A2A, Atlantia, ATSM, Autogrill, Azimut Holding, Banca Generali, Banca Mediolanum, Banco BPM, Bca Monte dei Paschi di Siena, Bca Pop Emilia Romagna, Banca Pop Sondrio, Buzzi Unicem, Buzzi Unicem rsp, Campari, CIR - Compagnie Industriali Riunite, Credito Emiliano, Danieli & C, Danieli & C. Risg NC, Diasorin, Enel, Eni, Generali, Hera, Intesa Sanpaolo, Iren, Italgas, Italmobiliare, Leonardo, Maire Tecnimont, Mediaset, Mediobanca, Pirelli & C, Poste Italiane, Prysmian, Recordati, S.I.A.S., Saipem, Salini Impregio, Salvatore Ferragamo, Snam, Telecom Italia, Telecom Italia rsp, Terna, Tod's, UBI Banca, Unicredit, Unipol, Unipolsai.

Through its Websim Division, **IntermonTE SIM** acts as an Retail Investor Research Provider on behalf in regard to the following companies: Aedes, Banca Ifis, Banca Sistema, Cattolica Assicurazioni, Cellularline, CFT Group, Circle, Coima RES, Comer Industries, Crowdfundme, Digital Bros, Digital Magics, Elettra Investimenti, Falck Renewables, Fiera Milano, Finlogic, First Capital, FOPE, Gefran, Generali Assicurazioni, Giglio, Go Internet, H-Farm, Ilpra, Indel B, ISI/Salcef, Italiaonline, La Doria, L'Ente, MailUp, Maps, Masi Agricola, Molmed, Neocortech, Piaggio, Portale Sardegna, Primi sui Motori, Retelit, Safe Bag, Somec, SOS Travel, Tinexta, TPS, WITT.

Through its Websim Division, **IntermonTE SIM** carries out marketing / communication activities on behalf of the following equity crowdfunding 200xCrowd, BacktoWork24, Crowdfundme, Opstart and the following issuers: Banca IMI, BNP Paribas, Credit Suisse, Exane, Leonteq, Unicredit, Vontobel, Wisdomtree.

IntermonTE SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short
AEDES NEW	3,7	LONG
COGEME SET SPA	1,6	SHORT
IKF	0,57	SHORT
OLIDATA	0,74	SHORT

#### © Copyright 2020 by IntermonTE SIM - All rights reserved

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of IntermonTE SIM are provided to its clients only. If you are not a client of IntermonTE SIM and receive emailed, faxed or copied versions of the reports from a source other than IntermonTE SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of IntermonTE SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid.

IntermonTE Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [MIFID](#)

Further information is available