

AMBIENTHESIS

OUTPERFORM

Price (Eu): **0.80**

Target Price (Eu): **0.90**

SECTOR: Utilities

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New 2021-23 Industrial Plan Confirms Growth Potential

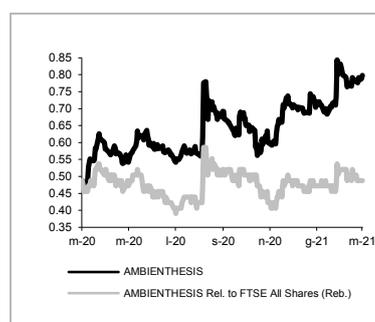
- New 2021-23 industrial plan: strategic guidelines.** On 16 March, the company board approved the industrial plan for the 2021-23 3-year period based on the following pillars, which are in line with previous practice: 1) strong orientation towards growth, both organic and through M&A on companies active in the circular economy. 2) 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). 3) Greater diversification both geographically, in Italy and abroad, as well as from the point of view of the services offered. 3) 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. 4) An ESG-centred approach to the business. 5) 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 applied at 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 for the 3 years in the plan of ca. 9%, and net final profitability for the plan period of ca. 4.5%, maintaining appropriate ratios for capital strength and equilibrium.
- Estimates and valuation.** The growth trends provided by the company are substantially in line with our estimates. At top-line level, we forecast revenues in 2023 of Eu109mn, just slightly below company guidance. In terms of profitability, we are a touch more aggressive, with an adj. EBITDA margin expected slightly in excess of 10%. We are leaving our estimates unchanged for the time being as we believe the company could benefit in coming months from an acceleration of the investments in both waste treatment and environmental remediation, driven by Recovery Fund stimulus and the circular economy trend.
- Investment case: OUTPERFORM.** We reiterate our positive view on the stock with an OUTPERFORM recommendation; 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, and its solid track record in environmental remediation. ATH is also well placed to benefit from positive long-term trends in the waste industry and the circular economy, boosted by the EU Next Generation Plan.

Key Figures	2018A	2019A	2020E	2021E	2022E
Sales (Eu mn)	82	87	80	98	103
Ebitda (Eu mn)	6	7	8	11	11
Net profit (Eu mn)	3	4	4	5	5
EPS - New Adj.(Eu)	0.046	0.052	0.049	0.054	0.059
EPS - Old Adj.(Eu)					
DPS (Eu)	0.008	0.011	0.024	0.028	0.031

Ratios & Multiples	2018A	2019A	2020E	2021E	2022E
P/E Adj.	17.4	15.2	16.2	14.8	13.6
Div. Yield	1.0%	1.3%	3.0%	3.5%	3.9%
EV/Ebitda Adj.	12.2	9.5	9.3	7.5	7.0
ROCE	7.5%	10.1%	8.7%	11.0%	11.2%

Next event: FY20 Results
Results out 12 April 2020

AMBIENTHESIS - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Ch. in Adj.EPS est:	2020E	2021E
	0.0%	0.0%

STOCK DATA

Reuters code: ATH.MI
Bloomberg code: ATH IM

Performance	1m	3m	12m
Absolute	-3.4%	12.1%	63.5%
Relative	-6.8%	1.7%	2.0%
12 months H/L:	0.84/0.47		

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:	
Greenthesis SpA	62.3%

BALANCE SHEET DATA

	2021
Book value (Eu mn):	54
BVPS (Eu):	0.58
P/BV:	1.4
Net Financial Position (Eu mn):	-11
Enterprise value (Eu mn):	79

Please see important disclaimer
on the last page of this report

AMBIENTHESIS - KEY FIGURES

		2018A	2019A	2020E	2021E	2022E
	Fiscal year end	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
PROFIT & LOSS (Eu mn)	Sales	82	87	80	98	103
	EBITDA	6	7	8	11	11
	EBIT	3	5	5	7	7
	Financial income (charges)	(1)	(1)	(1)	(1)	(1)
	Associates & Others	1	2	2	1	1
	Pre-tax profit (Loss)	3	6	6	7	8
	Taxes	(0)	(2)	(1)	(2)	(2)
	Tax rate (%)	5.7%	26.1%	26.0%	27.0%	27.0%
	Minorities & discontinue activities	(0)	(0)	(0)	(0)	(0)
	Net profit	3	4	4	5	5
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	6	7	8	11	11
	Ebit excl. extraordinary items	4	5	5	7	7
Net profit restated	4	5	5	5	5	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	93	93	93	93	93
	EPS stated fd	0.034	0.047	0.045	0.054	0.059
	EPS restated fd	0.046	0.052	0.049	0.054	0.059
	BVPS fd	0.484	0.524	0.554	0.580	0.609
	Dividend per share (ord)	0.008	0.011	0.024	0.028	0.031
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	22.2%	21.2%	50.0%	50.0%	50.0%
CASH FLOW (Eu mn)	Gross cash flow	5	7	8	9	9
	Change in NWC	(1)	(1)	(5)	(2)	(1)
	Capital expenditure	(2)	(4)	(7)	(7)	(5)
	Other cash items	(0)	0	0	0	0
	Free cash flow (FCF)	2	3	(4)	0	3
	Acquisitions, divestments & others	0	(5)	(1)	(1)	(0)
	Dividend	(0)	(1)	(1)	(2)	(2)
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	2	(3)	(6)	(3)	1	
BALANCE SHEET (Eu mn)	Total fixed assets	48	54	59	62	63
	Net working capital	(4)	(3)	1	2	3
	Long term liabilities	0	0	0	1	1
	Net capital employed	44	51	60	65	67
	Net financial position	1	(2)	(8)	(11)	(10)
	Group equity	45	49	52	54	57
	Minorities	0	0	1	1	1
Net equity	45	49	51	54	56	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	74	74	74	74	74
	Adjustments (associate & minorities)	6	6	6	6	6
	Net financial position	1	(2)	(8)	(11)	(10)
	Enterprise value	67	70	76	79	78
RATIOS(%)	EBITDA margin*	6.7%	8.5%	10.2%	10.7%	10.8%
	EBIT margin*	5.1%	6.0%	6.0%	7.0%	7.1%
	Gearing - Debt/equity	-1.9%	3.7%	15.6%	19.6%	17.2%
	Interest cover on EBIT	6.4	7.6	6.1	5.9	6.5
	Debt/Ebitda	nm	0.25	0.99	1.01	0.89
	ROCE*	7.5%	10.1%	8.7%	11.0%	11.2%
	ROE*	7.3%	9.4%	8.3%	9.5%	9.9%
	EV/CE	1.5	1.5	1.4	1.3	1.2
	EV/Sales	0.8	0.8	0.9	0.8	0.8
	EV/Ebit	20.3	14.6	15.7	11.5	10.6
Free Cash Flow Yield	3.0%	3.8%	-5.9%	0.1%	5.1%	
GROWTH RATES (%)	Sales	39.0%	5.5%	-7.1%	21.7%	5.5%
	EBITDA*	254.1%	34.2%	10.9%	28.4%	5.9%
	EBIT*	nm	24.4%	-6.3%	41.8%	7.6%
	Net profit	nm	37.9%	-4.8%	20.1%	9.2%
	EPS restated	2093.1%	14.3%	-6.3%	9.6%	9.2%

* Excluding extraordinary items

Source: Intermonte SIM estimates

1H20 Results and FY20 projections

1H20 Results. Ambienthesis reported its 1H20 results at the beginning of August. Revenues came in at Eu39.1mn, down 8% YoY. The Special waste treatment, recovery and disposal sector maintained a resilient performance with revenues at Eu27.4mn, recording just a slight decrease compared to the previous year (-4% YoY). The Environmental remediations sector recorded revenues of Eu9.5mn, down 23% YoY, penalized by the slowdown of some works, due to the containment measures introduced by some clients in connection with the outbreak of the Covid-19 pandemic. The Engineering and construction sector recorded revenues at Eu0.9mn, down 4% YoY. Adj. EBITDA closed at Eu4.2mn with a 10.2% margin and down 7% YoY. Adj. Group net income was positive at Eu2.5mn (vs. Eu2.9mn in 1H19, -16% YoY) after booking Eu1.7mn in depreciation, provisions and write-downs. Net debt closed at Eu1.6mn, up Eu0.4mn from the corresponding figure the previous year.

The consolidated order book at the end of June amounted to Eu50mn, of which Eu45mn in the Environmental remediations sector and Eu5mn in the Engineering and construction sector. During 1H20 the order intake amounted to Eu5.2mn.

2020 projections. With the waste business not suffering any significant impact from the lockdown measures arising from the Covid-19 public health emergency, we are projecting that Ambienthesis could deliver satisfactory results in 2H20. We expect FY20 revenues to come to Eu80.4mn, down 7.1% YoY. For the Special waste treatment, recovery and disposal sector we expect a 5% YoY drop, with the two companies acquired in 2H20, Eureko and C.R., expected to contribute for just one month. For the Environmental remediations sector we expect a 12% YoY drop. Moving to adj. EBITDA, we are projecting it could close at Eu8.4mn, up 8.1% YoY and the adj. EBITDA margin is expected at 10.4% vs. 9.0% in FY19. Adj. net income is foreseen at Eu4.6mn, down 6.3% YoY, reflecting greater depreciation and net financial charges, and a slightly lower contribution from equity investments.

Moving to the balance sheet, we expect net debt to increase to Eu8.1mn at YE20, from Eu1.6mn recorded at the end of June, reflecting the two above-mentioned acquisitions.

Ambienthesis - 1H20 Results and FY20 projections

(Eu mn)	1H19	2H19	1H20A	Chg YoY	2H20E	Chg YoY	2019	2020E	Chg YoY
Special waste treatment, recovery and disposal	28.5	29.4	27.4	-4%	27.6	-6%	57.9	55.0	-5%
Environmental remediations	12.3	12.8	9.5	-23%	12.5	-2%	25.1	22.0	-12%
Engineering and construction	1.0	0.5	0.9	-4%	0.5	3%	1.4	1.4	-2%
Other revenues	0.9	1.3	1.2	42%	0.8	-41%	2.2	2.0	-8%
Revenues	42.7	44.0	39.1	-8%	41.3	-6%	86.6	80.4	-7%
Operating costs	-38.3	-40.9	-35.1	-8%	-37.1	-9%	-79.2	-72.2	-9%
EBITDA	4.4	3.0	4.0	-8%	4.2	39%	7.4	8.2	11%
Adj. EBITDA	4.5	3.2	4.2	-7%	4.2	28%	7.8	8.4	8%
Adj. EBITDA margin	10.6%	-1.6%	10.8%	2%	10.1%	-714%	9.0%	10.4%	16%
Depr., prov., write-downs	-1.3	-1.3	-1.7	36%	-1.6	23%	-2.6	-3.4	29%
EBIT	3.1	1.7	2.3	-27%	2.6	52%	4.8	4.8	1%
Margin (%)	7%	4%	6%		6%		6%	6%	
Net Financial Charges	-0.3	-0.3	-0.4		-0.3		-0.6	-0.8	
Other Charges/Income	1.1	0.8	0.8		0.9		1.9	1.7	
Net Operating Margin	3.9	2.2	2.6	-33%	3.1	44%	6.0	5.7	-5%
Taxes	-1.1	-0.5	-0.5		-1.0		-1.6	-1.5	
Tax Rate (%)	28%	22%	20%		31%		26%	26%	
Net Income	2.8	1.7	2.1	-25%	2.2	27%	4.5	4.3	-5%
Minorities	0.1	0.0	0.1		0.0		0.1	0.1	
Group Net Income	2.7	1.7	2.0	-26%	2.2	29%	4.4	4.2	-5%
Adj. Net Income	2.9	1.9	2.5	-16%	2.1	8%	4.9	4.6	-6%
Capex	2.7	1.2	0.3	-87%	6.7	461%	3.9	7.0	82%
Equity	49.0	49.0	49.9	2%	51.9	6%	49.0	51.9	6%
Net Debt	1.2	1.8	1.6	33%	8.1	344%	1.8	8.1	344%
CE	50.2	50.9	51.5		55.7		50.9	60.0	18%
D/E Ratio	0.02	0.04	0.0		0.16		0.04	0.16	

Source: Company data and Intermonte SIM estimates.

Financials

Ambienthesis – Income Statement

(Eu mn)	2017	2018	2019	2020E	2021E	2022E	2023E
Special waste treatment, recovery and disposal	40.1	50.1	57.9	55.0	68.9	70.3	71.7
Environmental remediations	14.3	27.9	25.1	22.0	25.3	29.1	33.5
Engineering and construction	3.1	2.2	1.4	1.4	1.6	1.9	1.9
Other revenues	1.5	1.8	2.2	2.0	2.0	2.0	2.0
Total Revenues	59.0	82.1	86.6	80.4	97.8	103.2	109.0
Total Operating Costs	-51.0	-70.0	-72.3	-65.2	-80.1	-84.8	-90.0
Value Added	8.0	12.1	14.3	15.2	17.7	18.4	19.1
Labor Cost	-6.5	-6.6	-6.9	-7.0	-7.2	-7.3	-7.5
EBITDA	1.6	5.5	7.4	8.2	10.5	11.1	11.6
Adj. EBITDA	2.6	6.3	7.8	8.4	10.5	11.1	11.6
% Adj. EBITDA Margin	4.4%	7.7%	9.0%	10.4%	10.7%	10.8%	10.6%
Special waste treatment, recovery and disposal	0.9	4.1	6.9	6.9	8.9	9.1	9.3
Environmental remediations	0.6	1.3	0.7	1.2	1.5	1.9	2.2
Others	0.1	0.1	-0.2	0.1	0.1	0.1	0.1
Depr. Prov's. and Write-downs	-4.1	-2.2	-2.6	-3.4	-3.7	-3.8	-3.8
EBIT	-2.5	3.3	4.8	4.8	6.9	7.4	7.8
% EBIT Margin	-4.3%	4.0%	5.5%	6.0%	7.0%	7.1%	7.2%
Net Financial Charges	-0.5	-0.5	-0.6	-0.8	-1.2	-1.1	-1.0
Other Charges and Income	0.6	0.6	1.9	1.7	1.3	1.4	1.6
Net Operating Margin	-2.4	3.4	6.0	5.7	7.0	7.6	8.4
Taxes	-0.2	-0.2	-1.6	-1.5	-1.9	-2.1	-2.3
Adj. Tax Rate %	-8.4%	5.7%	26.1%	26.0%	27.0%	27.0%	27.0%
Net Income	-2.6	3.2	4.5	4.3	5.1	5.6	6.1
Minorities	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Group Net Income	-2.7	3.2	4.4	4.2	5.0	5.5	6.0
Adj. Net Income	0.2	4.3	4.9	4.6	5.0	5.5	6.0

Source: company data and Intermonte SIM estimates

Ambienthesis – Balance Sheet

(Eu mn)	2017	2018	2019	2020E	2021E	2022E	2023E
Fixed assets	48.8	48.4	54.2	58.7	62.1	63.3	62.6
Net working capital	-4.5	-3.1	-2.4	2.3	4.1	4.9	5.1
Gross inv. capital	44.4	45.3	51.8	61.0	66.1	68.2	67.6
Severance provision	-1.0	-0.9	-1.0	-1.0	-1.1	-1.1	-1.1
Net invested capital	43.4	44.3	50.9	60.0	65.0	67.1	66.5
Group sharehold. equity	41.7	44.8	48.6	51.3	53.7	56.5	59.6
Minority interests	0.4	0.4	0.4	0.5	0.7	0.8	0.9
Net financial position	-1.4	0.9	-1.8	-8.1	-10.6	-9.9	-6.1
Total cover	43.4	44.3	50.9	60.0	65.0	67.1	66.5

Source: company data and Intermonte SIM estimates

Ambienthesis – Cash Flow Statement

(Eu mn)	2017	2018	2019	2020E	2021E	2022E	2023E
Net fin position beg of year	0.8	-1.4	0.9	-1.8	-8.1	-10.6	-9.9
Net income	-2.6	3.2	4.5	4.3	5.1	5.6	6.1
Depreciation	2.7	2.2	2.6	3.1	3.4	3.5	3.5
Change in working capital	-10.4	-1.5	-0.7	-4.6	-1.7	-0.8	-0.2
Operating cash flow	-10.4	4.0	6.4	2.7	6.7	8.2	9.4
Investments	-2.9	-2.0	-3.9	-7.0	-7.0	-5.0	-3.0
Free cash flow	-13.3	2.0	2.6	-4.3	-0.3	3.2	6.4
Dividends	0.0	0.0	-0.7	-0.9	-2.1	-2.5	-2.7
Other movements	11.1	0.2	-4.5	-1.1	-0.2	0.1	0.1
Cash flow	-2.2	2.2	-2.7	-6.3	-2.5	0.8	3.8
Net fin position end of year	-1.4	0.9	-1.8	-8.1	-10.6	-9.9	-6.1

Source: company data and Intermonte SIM estimates

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):	0.69
Date of report:	18/03/2021	Date of last report:	07/01/2021

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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 its 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.

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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

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As at 31 December 2020 IntermonTE's Research Department covered 124 companies. IntermonTE's distribution of stock ratings is as follows:

BUY:	10,57 %
OUTPERFORM:	50,41 %
NEUTRAL:	34,95 %
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 (49 in total) is as follows:

BUY:	18,37 %
OUTPERFORM:	55,10 %
NEUTRAL:	26,53 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

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IntermonTE SIM S.p.A. is acting as placement agent in Aedes' capital increase with an agreement with the company for the publication of an equity research regarding the company and the transaction. IntermonTE will receive fees from the company for its activity as placement agent.

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, Cellularine, Creval, ePrice, Falck Renewables, Guala Closures, H-Farm, IEG, Iervolino Entertainment, Mittel, Nova Re, OVS, Retelit, Saes Getters, Somec, SP5I (on Guala Closures shares), Tesmec, TXT, UBI Banca, and WIIT.

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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

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