

# AMBIENTHESIS

# OUTPERFORM

Price (Eu): **0.69**

Target Price (Eu): **0.90**

SECTOR: Utilities

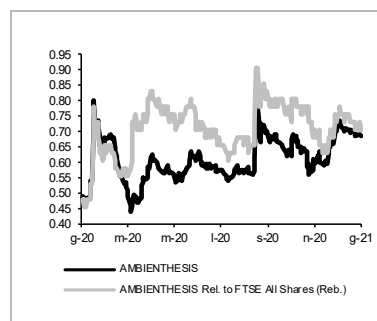
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## Emerging as a Leader in Special Waste Treatment

- 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 five waste treatment plants and has stakes in a further two landfills. ATH's key asset is the Orbassano (TO) platform for the treatment of hazardous and non-hazardous special waste (500k tons/y capacity), the largest in Italy. ATH also owns modular mobile systems for the treatment of both solid and liquid waste, allowing the implementation of on-site remediation measures.
- Waste reference market.** The Waste business value chain is composed of three main stages: collection, treatment and final use. Refuse is classified in two macro-categories: municipal waste and special waste. According to the latest available data from ISPRA, in 2018 Italian special waste output reached 144mn tonnes. The largest contributors were construction (42.5%), waste treatment and rehabilitation (26.5%) and manufacturing (19.9%). Over the last decade, total volumes have remained reasonably stable, showing a declining trend between 2008 and 2013 and a subsequent recovery in the following years. Final figures for 2019 are not yet available, but we expect a further increase vs. 2018, while for 2020 we expect a slight slowdown due to the pandemic.
- Key strengths.** The company can count on: 1) technological expertise in the waste treatment sector (Orbassano and Liscate platforms) and in environmental remediation; 2) varied plant assets (fixed, mobile, composting); 3) differentiation of the service offering; 4) track record in environmental remediation; 5) stability of the waste treatment business, even in periods of economic downturn; 6) a solid balance sheet.
- Growth strategy.** ATH's growth strategy is based on both internal and external opportunities, through M&A in the domestic market (it recently announced the acquisition of two waste treatment companies, Eureko and C.R.) and potentially also abroad. The company is aiming to expand its top line and increase profitability by strengthening its leadership in the Italian market, leveraging on innovation.
- Financials.** In 2019 ATH closed with revenues of Eu86.6mn, adj. EBITDA of Eu7.8mn and adj. net income of Eu4.9mn. Net debt amounted to Eu1.8mn. For 2020 we project revenues of Eu80.4mn, adj. EBITDA of Eu8.4mn and adj. net income of Eu4.6mn. Net debt is expected to rise to Eu8.1mn, factoring in M&A (Eu7.9mn). For 2021, we project significant top line and margin expansion thanks to a recovery in volumes and the roll-out of the M&A plan.
- Investment case:** OUTPERFORM. We initiate coverage on ATH with an OUTPERFORM recommendation; target Eu0.90ps. We believe the company has a solid competitive positioning and the 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.

### AMBIENTHESIS - 12m Performance



**RATING: New Coverage**

**TARGET PRICE (Eu): New Coverage**

Ch. in Adj. EPS est: **2020E 2021E**

#### STOCK DATA

Reuters code: ATH.MI  
Bloomberg code: ATH IM

Performance	1m	3m	12m
Absolute	-2.3%	10.3%	43.2%
Relative	-5.1%	-6.1%	46.7%
12 months H/L:	0.80/0.44		

#### SHAREHOLDER DATA

No. of Ord. shares (mn):	93
Total No. of shares (mn):	93
Mkt Cap Ord (Eu mn):	64
Total Mkt Cap (Eu mn):	64
Mkt Float - ord (Eu mn):	12
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:	1.2
Net Financial Position (Eu mn):	-11
Enterprise value (Eu mn):	68

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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.	14.9	13.1	13.9	12.7	11.7
Div. Yield	1.2%	1.5%	3.4%	4.1%	4.5%
EV/Ebitda Adj.	10.3	8.1	8.0	6.5	6.1
ROCE	7.5%	10.1%	8.7%	11.0%	11.2%

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**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
<b>PROFIT &amp; LOSS (Eu mn)</b>	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	
<b>PER SHARE DATA (Eu)</b>	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%
<b>CASH FLOW (Eu mn)</b>	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	
<b>BALANCE SHEET (Eu mn)</b>	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	
<b>ENTERPRISE VALUE (Eu mn)</b>	Average mkt cap - current	64	64	64	64	64
	Adjustments (associate & minorities)	6	6	6	6	6
	Net financial position	1	(2)	(8)	(11)	(10)
	Enterprise value	57	59	66	68	67
<b>RATIOS(%)</b>	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	1.3	1.2	1.2	1.1	1.0
	EV/Sales	0.7	0.7	0.8	0.7	0.7
	EV/Ebit	17.1	12.4	13.6	10.0	9.1
Free Cash Flow Yield	3.5%	4.4%	-7.0%	0.1%	6.1%	
<b>GROWTH RATES (%)</b>	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

## Summary

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## Executive Summary

**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 five waste treatment plants and has stakes in a further two landfills. ATH's key asset is the Orbassano (TO) platform for the treatment of hazardous and non-hazardous special waste (500k tons/y capacity), the largest in Italy. ATH also owns modular mobile systems for the treatment of both solid and liquid waste, allowing the implementation of on-site remediation measures.

**Waste reference market.** The Waste business value chain is composed of three main stages: collection, treatment and final use. Refuse is classified in two macro-categories: municipal waste and special waste. According to the latest available data from ISPRA, in 2018 Italian special waste output reached 144mn tonnes. The largest contributors were construction (42.5%), waste treatment and rehabilitation (26.5%) and manufacturing (19.9%). Over the last decade, total volumes have remained reasonably stable, showing a declining trend between 2008 and 2013 and a subsequent recovery in the following years. Final figures for 2019 are not yet available, but we expect a further increase vs. 2018, while for 2020 we expect a slight slowdown due to the pandemic.

**Key strengths.** The company can count on: 1) technological expertise in the waste treatment sector (Orbassano and Liscate platforms) and in environmental remediation; 2) varied plant assets (fixed, mobile, composting); 3) differentiation of the service offering; 4) track record in environmental remediation; 5) stability of the waste treatment business, even in periods of economic downturn; 6) a solid balance sheet.

**Growth strategy.** ATH's growth strategy is based on both internal and external opportunities, through M&A in the domestic market (it recently announced the acquisition of two waste treatment companies, Eureka and C.R.) and potentially also abroad. The company is aiming to expand its top line and increase profitability by strengthening its leadership in the Italian market, leveraging on innovation (collaboration with Circular Economy Lab). Sustainability, social and governance issues underpin the company's entire strategy.

**Financials.** In 2019 ATH closed with revenues of Eu86.6mn, adj. EBITDA of Eu7.8mn (a 9.0% margin) and adj. net income of Eu4.9mn. Net debt amounted to Eu1.8mn. For 2020 we project revenues of Eu80.4mn, adj. EBITDA of Eu8.4mn (a 10.4% margin), and adj. net income of Eu4.6mn. Net debt is expected to increase to Eu8.1mn, factoring in M&A (Eu7.9mn). For 2021 we project a significant top line and margin expansion thanks to a recovery in volumes and the roll-out of the M&A plan.

**Investment case:** OUTPERFORM. We initiate coverage on ATH with an OUTPERFORM recommendation; TP Eu0.90ps. We believe the company has a solid competitive positioning and the 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.

## SWOT Analysis

### Strengths

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- **Technological know-how** in the waste treatment sector (Orbassano and Liscate platforms) and in environmental remediation
- **Varied plant assets:** fixed, mobile, composting, etc.
- **Differentiation of the service offering**, above all in the environmental remediation sector
- **Track record** in environmental remediation
- **Stability of the waste treatment business**, including in economic downturns
- **Solid balance sheet**

### Opportunities

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- **Geographical expansion in Italy and abroad** to step up scale of turnover
- **Greater diversification** in order to reduce business cyclicalities
- **Expansion and regulation of the circular economy.** Refuse is an important opportunity for sustainable growth, thanks also to technological innovation (reduction of natural resource consumption)
- **Organisational and corporate rationalisation**, with possible shortening of the chain of control and expansion of the perimeter for market listing
- **Innovation and investment in more advanced technologies**, especially in the waste sector (collaboration with Circular economy Lab)

### Weaknesses

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- **Limited company size**
- **Competition** in the environmental remediation segment
- **Limited bargaining power** with larger clients, above all in environmental remediation
- **Volatility of the environmental remediation business**, with the risk of slowdown in economic downturns
- **Execution risk in environmental remediation**, typical on work to order

### Threats

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- **Failure to achieve economies of scale and synergies** could hamper top line growth and margin expansion
- **M&A execution.** Potential delays in integrating acquired companies
- **Demand for more advanced technological skills**, above all in waste treatment
- **Possible adverse outcomes of legal disputes in progress**

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Source: Intermonte SIM

## Ambienthesis at a glance

**Company description.** Ambienthesis is specialised in the treatment, recovery and disposal of special waste as well as environmental remediation and rehabilitation, carried out by the following business units:

- Treatment, recovery and disposal of industrial waste (67% of total revenues in 2019)
- Environmental remediation and rehabilitation (29% of total revenues in 2019)
- Environmental engineering (2% of total revenues in 2019)

**Main Assets:** The Group owns and manages five waste treatment plants at:

- Orbassano (TO): treatment and recovery of solid and liquid waste. The largest platform in Italy for the treatment of hazardous and non-hazardous special waste (permitted capacity 500,000 t/year).
- Liscate (MI): wastewater treatment for various types of household and industrial effluent.
- San Giuliano Milanese (MI): waste storage and treatment. Storage of a range of materials such as batteries, paint, T/F containers, medicines, acids, alkalis, and reagents. Specialised in the treatment of hazardous waste containing asbestos.
- Corte de' Frati (CR): treatment of organic sludge for use in agriculture. This plant belongs to Bioagritalia S.r.l, which is controlled by Ambienthesis with a 70% stake.
- Torrazza Piemonte (TO): landfill site for hazardous and non-hazardous special waste. This plant belongs to La Torrazza S.r.L., which is wholly owned by Ambienthesis.

The Group has stakes in a further two plants:

- Collegno (TO): landfill site for hazardous waste (Barricalla SpA, 35% stake);
- San Procopio (BT): landfill for non-hazardous special waste with inertisation plant (Daisy SRL, 50% stake).

Few weeks ago Ambienthesis announced the acquisition of two waste treatment companies, Eureka and C.R., the latter owning a multifunctional platform (PV) on an area of c.30,000m<sup>2</sup>.

**Milestones.** Ambienthesis dates back to 2007, when Sadi Servizi Industriali SpA was created from the merger of Sadi SpA (active in the environmental remediation and architectural sectors) and Servizi Industriali SpA (involved in the environmental sector and in waste treatment). During 2012, Sadi Servizi Industriali SpA focused its business exclusively on the environmental segment, devoting a large part of its resources to strengthening its national leadership in the waste treatment and environmental remediation sector. In 2013, the company changed its name from Sadi Servizi Industriali SpA to Ambienthesis and completed a rationalisation process involving the merger of a number of companies into the group for the purpose of integrated management of all activities in the environmental sector. The group is currently headquartered at Segrate (MI) and has been listed on the MTA segment of the Italian Stock Exchange since 1997.

### Ambienthesis – Milestones

Year	Event
1908	Sadi (Società Arti Decorative Interne) formed in Vicenza, specialised in decorative stuccos
1996	Sadi expands its business into asbestos abatement and increases focus on environmental sector
1997	The company is listed on the MTA market of the Milan stock exchange
2005	Letter of intent signed with Green Holding (leading Italian environmental company) aimed at evaluating a potential integration of the activities carried out by Sadi and Servizi Industriali (a Green Holding subsidiary among the leaders in the environment and waste treatment sectors)
2006	Approval of merger project between Sadi and Servizi Industriali
2007	Formation of Sadi Servizi Industriali
2012	Sadi Servizi Industriali focuses exclusively on environmental sector, Sadi Poliarchitettura sold
2013	Sadi Servizi Industriali changes name to Ambienthesis (ATH) Completion of the merger of five directly or indirectly owned companies into ATH

Source: Ambienthesis

**Financials.** In 2019, Ambienthesis reported a turnover of Eu86.6mn, an adj. EBITDA of Eu7.8mn (9.0% margin), and an adj. net income of Eu4.9mn. On the balance sheet, group equity was Eu48.6mn with net debt of Eu1.8mn. The backlog as at YE19 was Eu50mn.

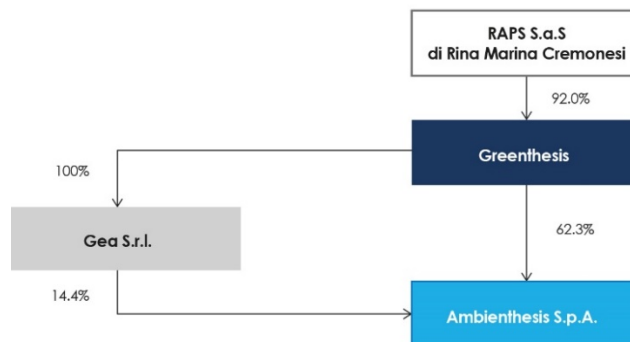
### Ambienthesis - Financial Trends (2016-19)

(Eu mn)	2016	2017	2018	2019
<b>Revenues</b>	<b>77.4</b>	<b>59.0</b>	<b>82.1</b>	<b>86.6</b>
<b>Adj. EBITDA</b>	<b>5.3</b>	<b>2.6</b>	<b>6.3</b>	<b>7.8</b>
% EBITDA Margin	6.8%	4.4%	7.7%	9.0%
<b>Net Income</b>	<b>-1.7</b>	<b>-2.7</b>	<b>3.2</b>	<b>4.4</b>
<b>Adj. Net Income</b>	<b>4.8</b>	<b>0.2</b>	<b>4.3</b>	<b>4.9</b>
<b>Net invested capital</b>	<b>44.8</b>	<b>43.4</b>	<b>44.3</b>	<b>50.9</b>
Equity	45.4	41.7	44.8	48.6
Net financial position	0.8	-1.4	0.9	-1.8
<b>Total cover</b>	<b>44.8</b>	<b>43.4</b>	<b>44.3</b>	<b>50.9</b>

Source: Company data.

**Ownership structure.** Current share capital consists of 88,188,227 ordinary shares, 62.3% of which owned by Greenthesis SpA, 14.4% by Gea Srl and 4.9% by Ambientthesis Spa. The remaining 18.5% is traded on the market.

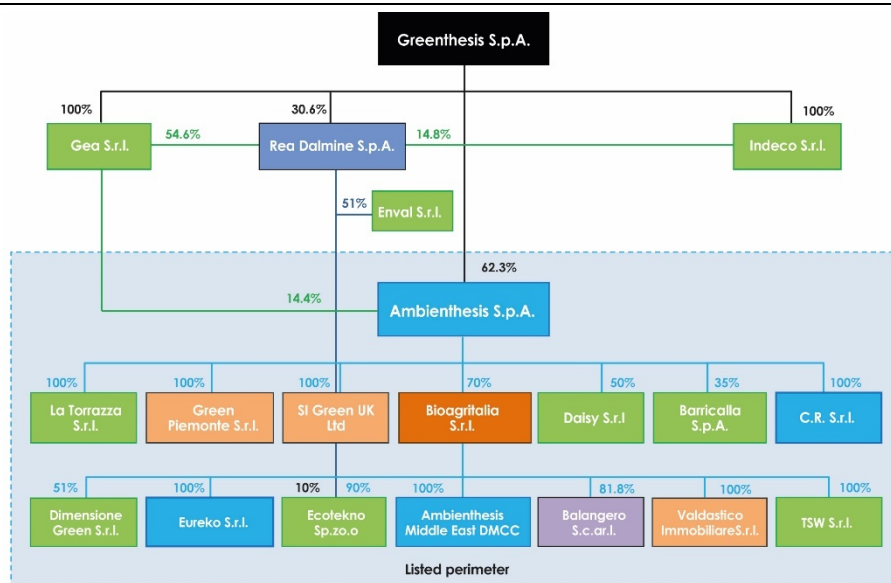
#### Ambientthesis - Ownership structure



Source: Ambientthesis

**Greenthesis Group** recorded comprehensive revenues in 2019 of Eu129.3mn, EBITDA of Eu29.2mn and net profit of Eu16.6mn. The Greenthesis S.p.A. parent company is directly controlled by RAPS S.A.S. of Rina Marina Cremonesi, the widow of group founder Giuseppe Grossi, who died in 2011

#### Greenthesis - Group structure



Source: Company data

Companies controlled by Greenthesis outside the perimeter of Ambientthesis are:

- **GEA** manages landfill sites at: S. Urbano (PD), municipal and / or special non-hazardous waste (3.8mn m<sup>3</sup> and installed capacity of 3,440 kW); and S. Martino di Venezze (RO), landfill in post-management stage – 2mn m<sup>3</sup> and installed capacity of 1,190 kW. 2019 revenues were Eu19.7mn, EBITDA Eu8.4mn.
- **REA Dalmine** manages a waste-to-power plant at Dalmine (BG), with two independent lines each able to treat 250t/day of waste, operative 333 days a year on average. 2019 revenues were Eu29.3mn, EBITDA Eu11.5mn.
- **Indeco** in the past managed landfills to receive non-hazardous municipal waste from municipalities in the province of Latina. The sites are now equipped with systems for the thermal treatment of the biogas extracted from the landfill tanks; recovered energy generated amounts to c.2MWh. 2019 revenues were Eu0.4mn, EBITDA Eu-1.2mn.
- **Enval.** Since 1<sup>st</sup> January 2020 the company has managed the treatment centre for the municipal solid waste and special assimilable waste produced in the Val d' Aosta region, through a concession that expires on 31<sup>st</sup> December 2036. The company purpose also includes the design and manufacture of the equipment required to carry out this activity, as well as structural adaptation works for the Regional Centre at Brissogne. During 2019 the company carried out activity in preparation for fulfilment of the concession, which became operational on 1<sup>st</sup> January this year.

## The Waste business in Italy

The **Waste business value chain** is composed of three stages

- **Collection.** The initial phase of the process is collection, both for municipal and special waste. The waste business is characterised by a high degree of product processing and margins are achieved mainly through optimisation of the operations involved.
- **Intermediate treatment** consists of processes that allow the waste to be recovered and / or disposed of. These are activities that require significant plant investments with a strong inclination towards technological innovation.
- **Final use.** This is the last link in the chain. In municipal solid waste, the entire cycle is partly or entirely regulated, while free market practices are the order of the day in industrial waste, where collection, intermediate treatment and disposal are more closely integrated.

Pursuant to legislative decree n.152/2006, art. 184 paras. 2 and 3, refuse is classified by origin in two macro-categories: municipal waste and special waste.

### Municipal waste:

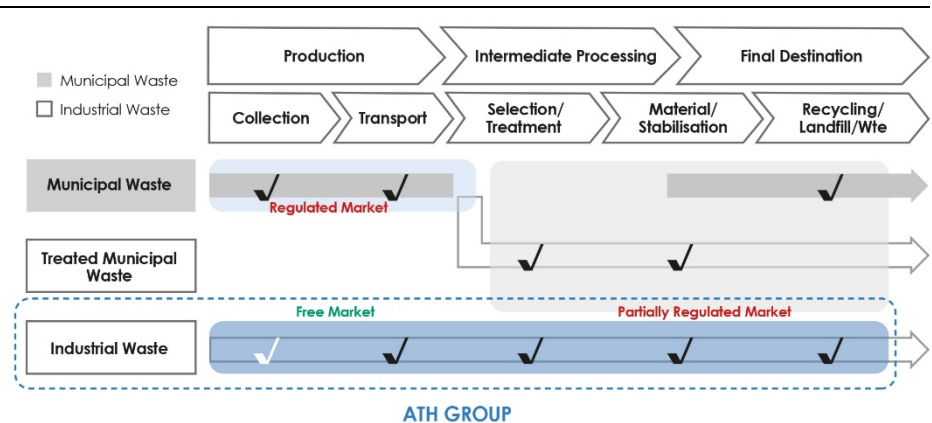
- household waste, including outside items;
- non-household non-hazardous waste;
- waste collected during street cleaning;
- waste of any kind or provenance collected from the roadside, public areas, streets or private areas open to the public, sea or lake shores or from beside water courses;
- vegetable waste from green areas such as gardens, parks or cemeteries;
- waste resulting from exhumations and disinterment, as well as other waste from cemeteries.

### Special waste:

- agricultural and agro-industrial waste;
- waste from demolition, construction, and excavation;
- industrial process waste;
- waste from craftworking;
- waste from commercial activities;
- waste from services;
- waste deriving from the recovery and treatment of other waste; sludge produced by drinking water purification and sewage treatment, and by fume reduction processes.
- medical waste;

Ambienthesis operates in a well-defined business model, as shown in the chart below, covering the entire value chain for integrated industrial waste management, excluding collection.

### Value chain in the waste sector



Source: Company report

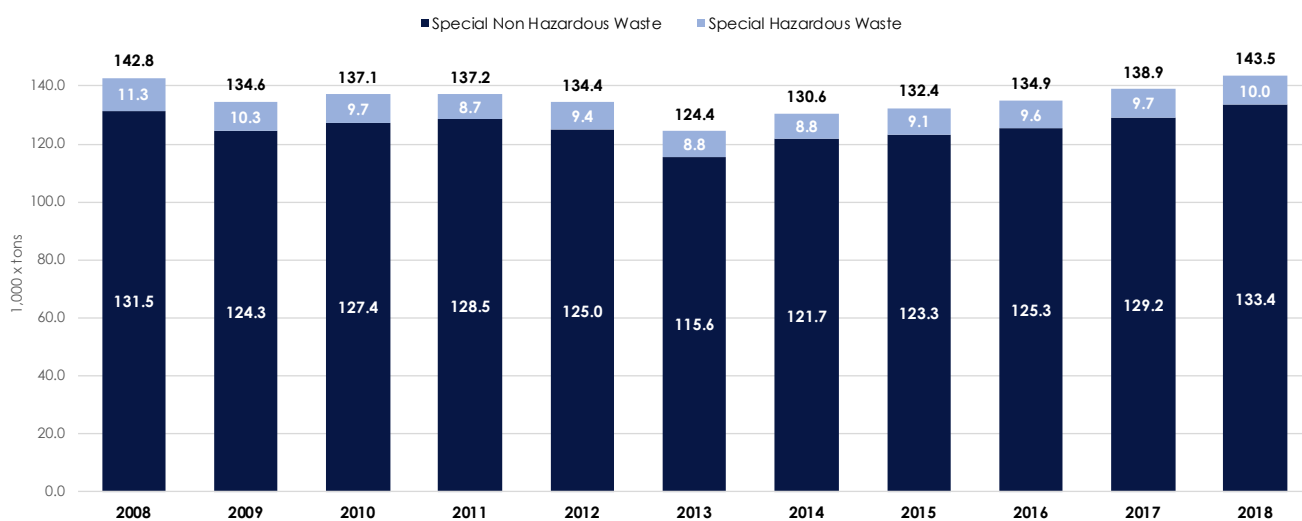


## Special waste output in Italy

**Production of special waste in Italy** is quantified using data collated from the annual declarations by organisations on the amount of waste produced, transported and recycled or disposed of in the previous year; these declarations are filed by organisations obliged to do so under art. 189 of Legislative-Decree n.152/2006. The latest available data on special waste generated by enterprises is from filings made in 2019 on waste produced in 2018. The data from Unified Environmental Declaration Forms is supplemented with the amounts estimated by the Higher Institute for Environmental Protection and Research (Italian acronym ISPRA) for those sectors partly or wholly exempt from obligatory filing under current regulations (e.g. construction).

In 2018, Italian special waste output was 143.5mn tonnes, up +3.3%, or 4.6mn tonnes on 2017; non-hazardous special waste output rose 4.6mn tonnes (+3.3% YoY) and hazardous special waste output increased 376k tonnes (+3.9% YoY). Final figures for 2019 are not yet available, but we expect a positive trend in line with those of previous years. For 2020 we estimate a slowdown in volumes due to the Covid-19 pandemic.

### Special waste output in Italy (mn tons)



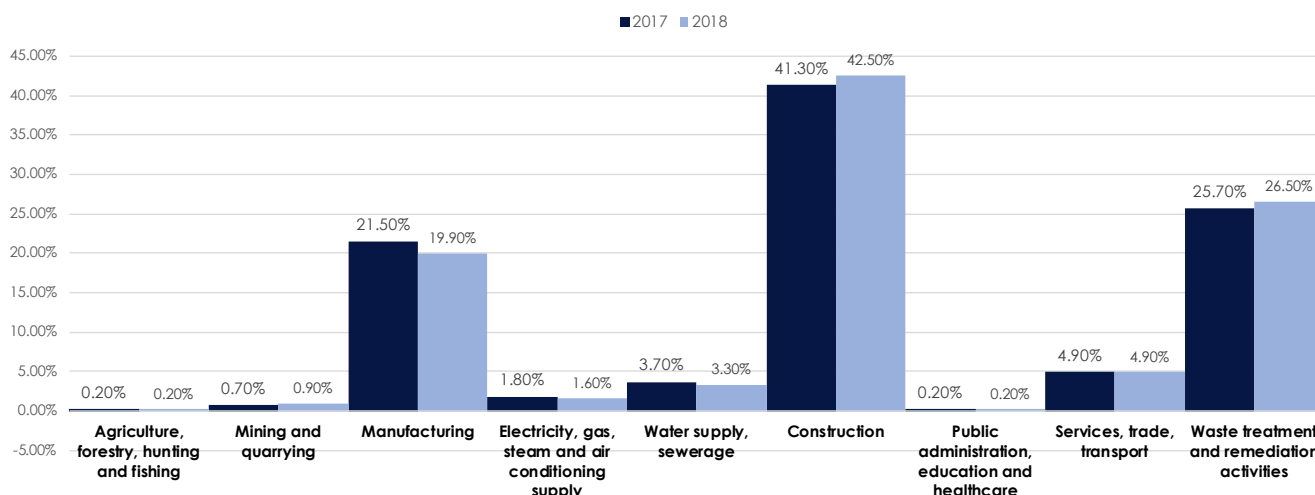
Source: Report ISPRA

In 2018, the largest contributors to special waste output were, in order:

- Construction: 61mn tonnes, 42.5% of the total;
- Waste treatment and rehabilitation: 38mn tonnes, 26.5%;
- Manufacturing: 28.6mn tonnes, 19.9% (down 4.4% from 21.50% in 2017);

Other economic activities (retail, services, offices) accounted for 15.8mn tonnes, or 11.1%; output was stable. Appendix II provides the percentage trends for special waste output (hazardous and non-hazardous) for 2017 and 2018, broken down by economic activity.

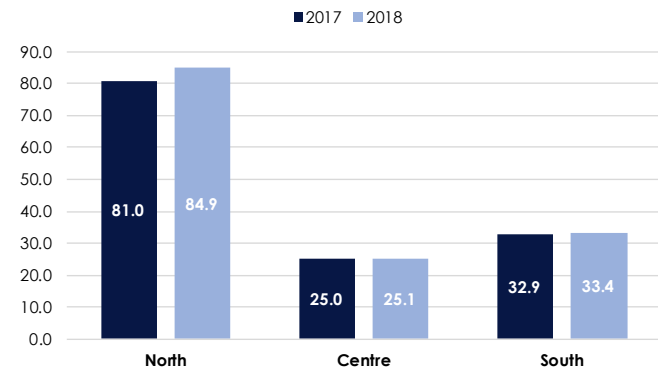
### Special waste output by economic activity (percentage)



Source: Report ISPRA

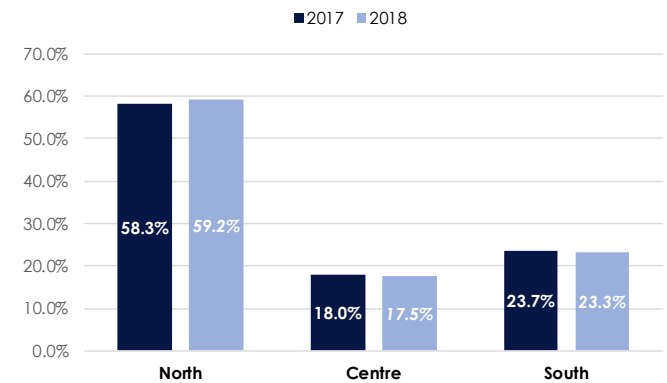
On a national basis, in 2018 production of special waste was concentrated in the north of Italy, with 84.9mn tonnes (59.2%). In second place was the south with 33.4mn tonnes (23.3%), followed by the centre with 25.1mn (17.5%). Output increased in the north of Italy (+4.8% YoY) and the south (+0.9% YoY) but remained stable in the centre (+0.4% YoY).

### National output of special waste by macro-area (mn tons)



Source: Report ISPRA

### National output of special waste by macro-area (%)



Source: Report ISPRA

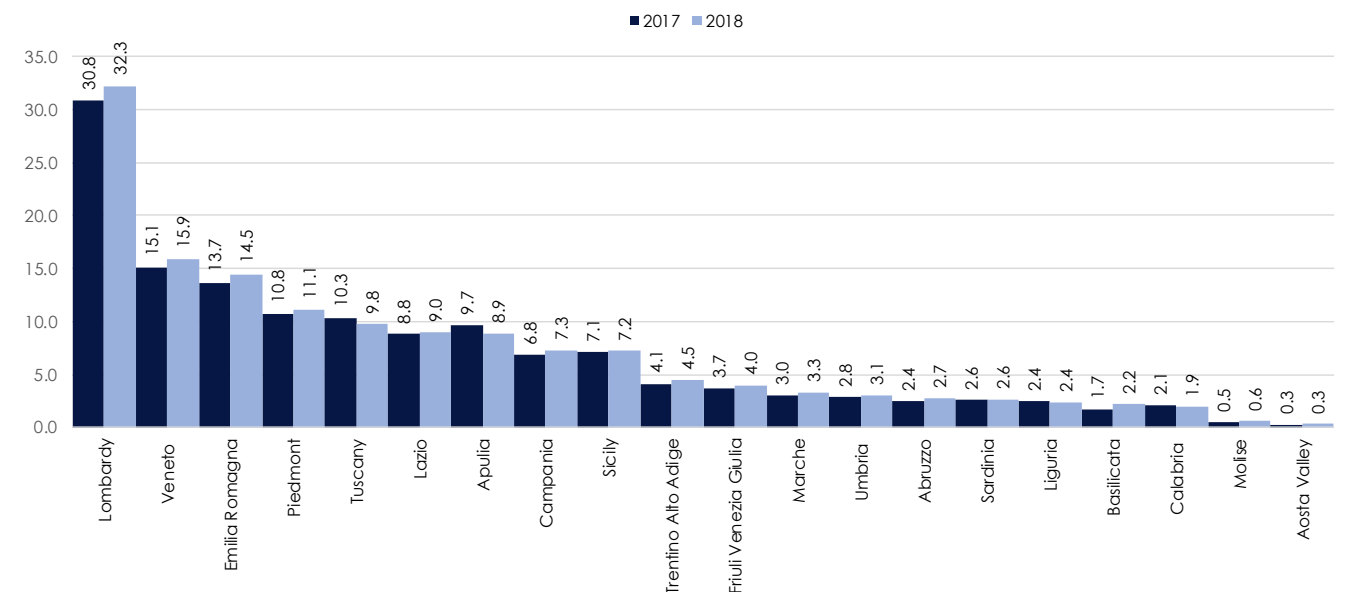
The top region for special waste was Lombardy with 32.3mn tonnes; it generated 38% of the total in the north of Italy and 22.5% of the figure for the whole country (2018 data). Veneto was in second place with 15.9mn tonnes (18.7% of special waste in the north of Italy, 11.1% of national total), followed by Emilia Romagna (included in the north of Italy) with 14.5mn tonnes (17.1% of north of Italy, 10.1% of national total). In fourth place was Piedmont with 11.1mn (13.1% of north and 7.7% of national).

Tuscany led in central Italy with 9.8mn tonnes (38.9% of special waste in central Italy, 6.8% of national total), followed by Lazio with 9.0mn tonnes (35.8% of central and 6.3% of national).

In the south, Puglia led with 8.9mn tonnes (26.5% of special waste in the south of Italy, 6.2% of the national total), followed by Campania with 7.3mn tonnes (21.7% of south and 5.1% national), then Sicily with 7.2mn tonnes (21.6% of south and 5% of national).

In 2018, national output of special waste increased in almost all Italian regions except Tuscany (-5.6% YoY), Puglia (-8.5% YoY), Liguria (-3.3% YoY), Calabria (-9.3%) and Molise (-18.7%).

### Regional output of special waste (mn tons)



Source: Report ISPRA

## Special waste management

**Special waste management.** In 2018, special waste managed in Italy amounted to 152.6mn tonnes (+3.7% YoY), of which 143mn tonnes (93.7%) were non-hazardous and 9.6mn (6.3%) hazardous. The difference between waste produced and managed depends on the balance between waste produced, imported and exported.

### Special waste handled by type in Italy (mn tons)

Special Waste	2017	2018	% 2017	% 2018
Non Hazardous	137.6	143.0	93.5%	93.7%
Hazardous	9.5	9.6	6.5%	6.3%
<b>Total</b>	<b>147.1</b>	<b>152.6</b>	<b>100.0%</b>	<b>100.0%</b>
Growth %		3.7%		

Source: Report ISPRA

### Special waste handled by type in Italy (mn tons)

Type	2017	2018	% 2017	% 2018
Other waste disposal operations	16.0	17.5	10.9%	11.5%
Landfill disposal	12.1	11.9	8.2%	7.8%
Incineration	1.3	1.2	0.9%	0.8%
Materials recovery	99.1	103.3	67.4%	67.7%
Waste storage	16.0	16.0	10.9%	10.5%
Co-incineration	2.1	2.0	1.4%	1.3%
Preliminary storage	0.6	0.6	0.4%	0.4%
<b>Total</b>	<b>147.2</b>	<b>152.6</b>	<b>100%</b>	<b>100%</b>
Growth %		3.7%		

Source: Report ISPRA

Recovery is the prevailing form of management, amounting to 103.3mn tonnes or 67.7%, followed by disposal at 17.5mn tonnes (11.5%), stockpiling at 16.0mn tonnes (10.5%), and landfill at 11.9mn (7.8%). Marginal amounts go to co-incineration (1.30%), incineration (0.80%) and preliminary storage (0.40%).

The following table shows the number of special waste treatment plants broken down by type and location. Most are in the north of Italy (57.6%), followed by the south (25%) and the centre (17.4%). Material recovery plants total 4,425 or 41% of national plants, followed by storage plants (1,762; 16.3% of the total), vehicle dismantling facilities (1,524; 14.1%) and manufacturing sites that carry out material recovery (1,341; 12.4%).

### Special waste treatment plants in Italy by type and location

Plant type	North	Center	South	Italy
Material recovery plant	2,655	674	1,096	4,425
Vehicle dismantling facility	653	281	590	1,524
Scrapyard	49	37	16	102
Crushing Plant	22	7	8	37
Manufacturing sites that carry out material recovery	845	231	265	1,341
Physico-chemical and biological treatment and	400	159	124	683
Storage plants	1,034	344	384	1,762
Coincineration facilities at manufacturing sites	235	66	52	353
Incineration facilities, WTE plants	47	9	26	82
Landfill sites	174	46	90	31
Composting and anaerobic digestion plants	118	26	50	194
<b>Total</b>	<b>6,232</b>	<b>1,880</b>	<b>2,701</b>	<b>10,813</b>

Source: Report ISPRA

## Special waste imports and exports

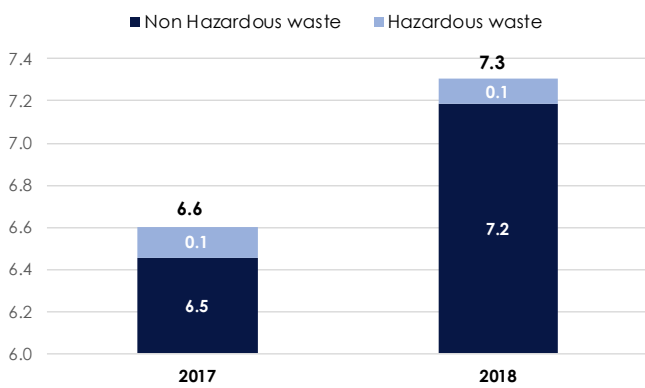
**Imports.** In 2018, Italy imported 7.3mn tonnes of special waste, of which 98.4% non-hazardous (7.2mn tonnes), and the remaining 1.6% hazardous (0.1mn tonnes). Imports increased 11% on 2017; specifically, non-hazardous rose 11% (0.7mn tonnes), while hazardous fell 20%.

The largest exporter to Italy of special waste in 2018 was Germany with 2.1mn tonnes (28.9% of the total), up +25.1% on 2017. In second place in 2018 was Switzerland (14.7%), followed by France (+13.7%), up 5% and 21.8% respectively on 2017. Appendix III contains a table showing imports by country of origin.

**Exports.** In 2018, total exports were 3.5mn tonnes, of which 64.3% non-hazardous (2.2mn tonnes) and 35.7% hazardous (1.2mn tonnes). Exports rose +13.7% on 2017, with non-hazardous up +7.6% and hazardous +26.7%.

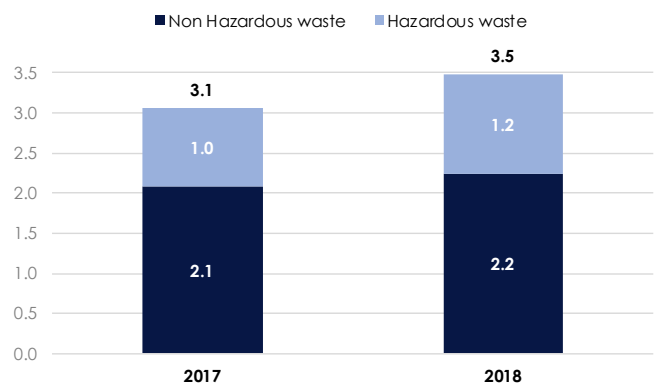
Germany was the most important export destination in 2018, taking 1.0mn tonnes (27.5%) up +18.3% on 2017. Appendix III contains a table showing exports by destination country.

**Special waste imports to Italy (mn tons)**



Source: Report ISPRA

**Special waste exports from Italy (mn tons)**



Source: Report ISPRA

## The Competitive Environment

Waste treatment features **medium-high** competition based on:

- Range of services ancillary to treatment;
- Efficiency of management;
- Modern plants compliant with regulations in force, bearing in mind the environmental impact of the materials treated.

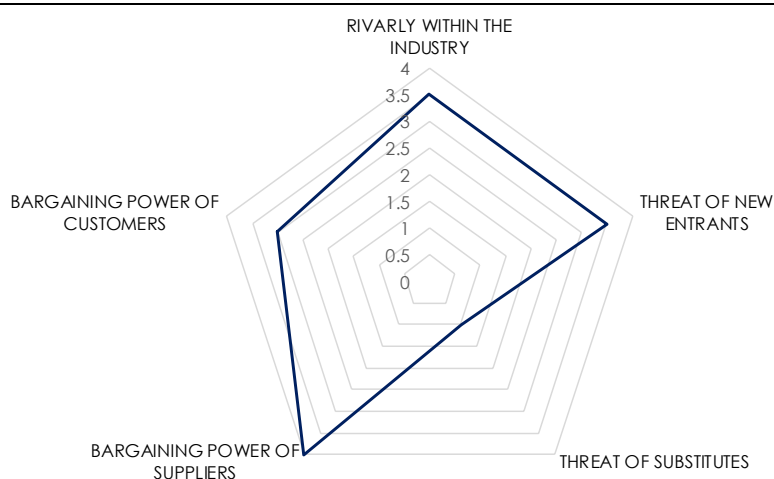
Overall, **barriers to entry** are medium to high. Investments for treatment and recovery need not be excessive, but are high for incinerators and landfill, as well as for obtaining the necessary permits.

It is inappropriate to talk about the **threat of substitutes** in waste management, rather of ongoing technological developments.

The **bargaining power of suppliers** in the waste treatment sector is high. Suppliers are plant producers or those in possession of treatment know-how. Leeway for bargaining on plant prices in particular is very limited.

Finally, the **bargaining power of clients** is of medium strength, with the size of the client an important factor in negotiations.

### Waste sector – Porter's five force analysis



Source: Intermonte SIM. Legend: 0 – No threat; 1 – Very low; 2 – Low; 3 – Moderate; 4 – High; 5 – Very high

## The Environmental Remediations business in Italy

**Definition of a contaminated site.** According to Legislative-Decree 152/06, a site is contaminated when the concentration of contaminants in the various environmental media (soil, subsoil, landfill content, underground water) poses a risk to health and / or the environmental that is unacceptable in regard to the end-use of the site.

**Remediation work.** Contaminated sites require remediation, i.e. work to remove the sources of contamination from environmental media, and to bring concentrations below the Contamination Concentration Thresholds laid down in regulations for the various site end-uses, or below the Concentration Risk Thresholds calculated using risk analysis procedures. The first action to take is the application of emergency safety measures aimed at containing contamination and stopping the spread. Usage limitations apply on a site until remediation work is complete in order to guarantee the health of users of the site, albeit with due regard to the end usage.

**Sites of national concern.** Pursuant to art. 252, para. 1 of Legislative-Decree 152/06, sites of national concern for remediation purposes are selected on the basis of the characteristics of the site, the amount of contamination and the degree of hazard it poses, the impact on the surrounding environment in terms of health and ecological risk, as well as the harm to cultural and environmental assets. The Ministry of the Environment is responsible for the remediation procedure. Most sites of national concern are located in major industrial areas, either in disuse or still active.

**National Register of Environmental Managers.** In order to work in the environmental remediation sector, membership of the register, maintained by the Environment Ministry, is obligatory. According to the latest ministry data, ca. 1,350 remediation operators are registered of which 20% in Lombardy, and ca. 7.5-8.5% each in other regions such as Lazio, Campania, Puglia, Sicily and Veneto.

According to the latest Environment Ministry figures, as of May 2018 there were 40 contaminated sites of national concern covering 242k hectares in total (of which 164k on land and 78k at sea), a marked reduction on 2012, when there were 57 sites covering 725k ha in total (of which 545k on land and 179k at sea).

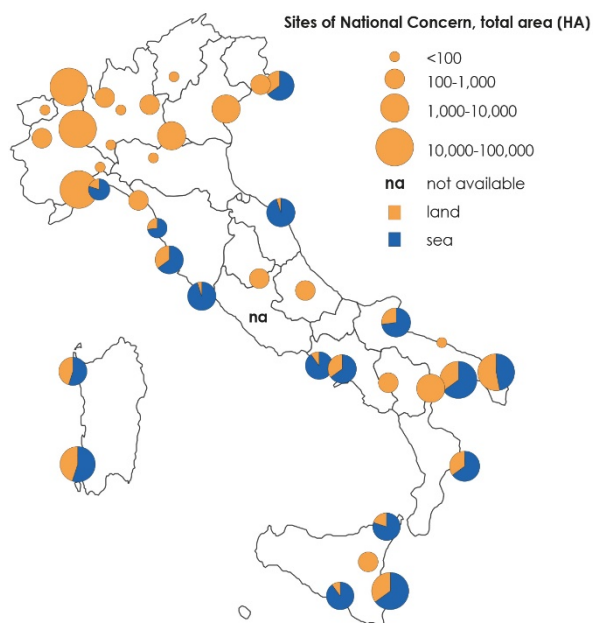
### Contaminated sites of national concern, area in h ('000), as of May 2018

Region	Number	Land	Sea	Total
Piedmont	4	89.97	0	89.97
Aosta Valley	1	0.02	0	0.02
Lombardy	5	1.64	0	1.64
Trentino-Alto Adige	1	0.02	0	0.02
Veneto	1	1.62	0	1.62
Friuli Venezia Giulia	2	0.71	1.20	1.90
Liguria	2	22.29	0	22.46
Emilia-Romagna	1	0.03	0	0.03
Tuscany	4	1.46	5	6.80
Umbria	1	0.66	0	0.66
Marche	1	0.11	1	1.27
Lazio	1	n.a.	0	-
Abruzzo	1	0.23	0	0.23
Molise	0	0	0	0
Campania	2	1.08	3	3.97
Apulia	4	10.55	13.46	24.01
Basilicata	2	3.65	0	3.65
Calabria	1	0.87	1	2.32
Sicily	4	7.49	17	24.40
Sardinia	2	21.63	35.16	56.79
<b>Italy</b>	<b>40</b>	<b>164.02</b>	<b>77.73</b>	<b>241.76</b>

Source: Company data, MATIM, ISPRA, ISTAT

The following map shows the geographical distribution of sites of national concern in Italy; such sites are identified using a variety of regulatory criteria and are delimited by Environmental Ministry decree, in accordance with the regions involved. No structured national regulations are in force for remediation work, although legislators are becoming more interested in the matter.

#### Geographical distribution of SNC



Source: ISPRA and company report

## Competitive Environment

Environmental remediation features **high** competition based on:

- price;
- the degree of specialisation and technological know-how of the company, which are also important factors in holding on to contracts.

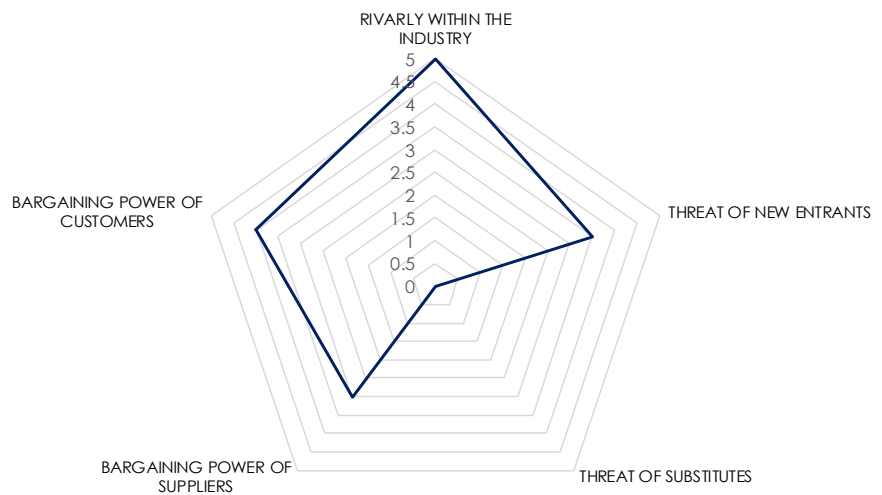
**Barriers to entry** are medium to high and depend on technological know-how, regulatory complexity, and the skills and training of personnel.

Regarding the **threat of substitutes**, the functional characteristics of remediation render this threat practically non-existent.

Company size is a discriminating factor in dealing with suppliers; large firms enjoy very high **bargaining power** with **suppliers** of components and materials used by plant operators.

**Bargaining power of clients** is high

### Environmental remediations – Porter's five force analysis



Source: Intermonte SIM Legend: 0 – No threat; 1 – Very low; 2 – Low; 3 – Moderate; 4 – High; 5 – Very high



## Main competitors

**Main competitors.** Ambientthesis operates in the waste and environmental remediation sectors and is the sole listed Waste pure play on the Italian Market.

The largest competitors are the subsidiaries of local utilities A2A, Hera, and Iren operating in the waste segment: A2A Ambiente, Iren Ambiente and Hera Ambiente.

- **A2A Ambiente:** Company specialised in the provision of waste management services and production of electricity and thermal energy. The firm offers in addition services for the disposal of hazardous and non-hazardous waste.
- **Iren Ambiente:** Company engaged in the provision of waste management services: urban waste collection and environmental hygiene, urban and special waste management, waste treatment plants, electricity and heat production facilities, and contaminated site remediation.
- **Hera Ambiente:** Company involved in the organisation and management of all operational and commercial activities for the treatment, recovery and disposal of waste. Active in environmental activities, marketing recovery services, development, implementation and coordination of integrated environmental services at major groups and medium-sized and large companies, and in reclamation services.

All the other players are mid-small private companies. Based on the Ambientthesis business model we have identified the following companies:

- **ACR Reggiani:** Company specialized in the provision of waste management and construction services. Its activities include environmental reclamation, on-shore and off-shore plant construction, and flowline production. It also supplies concretes and resins.
- **Electrometal:** Company engaged in the provision of industrial waste management services. Its activities include solid waste treatment, loose dust transport, big dust bag processing, and liquid waste treatment and recycling.
- **Navarra:** A private industrial company engaged in the operation and management of materials recovery facilities, principally in Italy. The company has the most modern technology for temporary storage and waste treatment, environmental protection, and worker healthcare.
- **Riccoboni:** Company engaged in the global services and environmental remediation, waste treatment services using authorised mobile equipment, and management of treatment and waste disposal plants owned by the company or third parties. It also carries out transport and disposal services for hazardous and non-hazardous industrial waste. The firm is a subsidiary of Riccoboni Holding.
- **Grassano:** Company specialized in the collection of used oils and emulsions and of traction batteries and filters. In 2004, the firm was acquired by the Riccoboni Group of Parma and this new alliance began offering broader and better solutions for the treatment, recovery and disposal of waste.
- **Furia:** Company engaged in the provision of refuse system services and sanitary services, as well as collection and treatment of waste services. It provides a wide range of services such as refuse collection and disposal, non-hazardous waste disposal, liquid waste treatment, hazardous waste disposal, refuse disposal and treatment, refuse treatment, and other related services.
- **Rosso:** A private firm involved in hazardous e non-hazardous waste management. It performs many different services in the world of waste including disposal, collection and transport, oil recovery, environmental remediation, asbestos removal, consultancy, recovery of lead batteries, and recovery of fluorescent tubes.
- **Semataf:** A private company involved in road freight transport. The firm primarily functions as a third-party logistics operator: it dispatches shipments through asset-based carriers and has multi-year experience in environmental services, providing services such as transport, treatment and disposal of hazardous and non-hazardous special waste.
- **Systema Ambiente:** Company specialized in the collection and treatment of household and industrial waste. The firm's business operations primarily involve the selection and recovery of municipal waste, composting organic waste, preliminary storage of special waste and hazardous waste, waste treatment and purification.
- **Sersys Ambiente:** Company engaged in the provision of environmental services including waste management, environmental consulting, and safety remediation.

**Local Utilities:** As anticipated, the largest players in Italy in the waste market are the three local Utilities A2A, Iren and Hera, which in total reached in 2019 an aggregate turnover of around Eu3.0bn and an EBITDA of around Eu700mn. Below we offer a quick recap of the revenues, EBITDA and EBIT generated by these three players in the Waste business, both at Group level and for the single parent companies.

#### Local Utilities: Exposure to the Waste market

(Eu mn)	A2A		Hera		Iren	
	A2A Ambiente	Waste division	Hera Ambiente	Waste division	Iren Ambiente	Waste division
<b>Revenues</b>	<b>460.4</b>	<b>1,047.0</b>	<b>664.9</b>	<b>1,190.0</b>	<b>329.8</b>	<b>715.0</b>
<b>EBITDA</b>	<b>190.8</b>	<b>271.0</b>	<b>178.9</b>	<b>264.3</b>	<b>58.7</b>	<b>158.0</b>
% EBITDA Margin	41.4%	25.9%	26.9%	22.2%	17.8%	22.1%
<b>EBIT</b>	<b>141.5</b>	<b>112.0</b>	<b>59.9</b>	<b>98.0</b>	<b>5.3</b>	<b>56.0</b>
% EBIT Margin	30.7%	10.7%	9.0%	8.2%	1.6%	7.8%

Source: Company data.

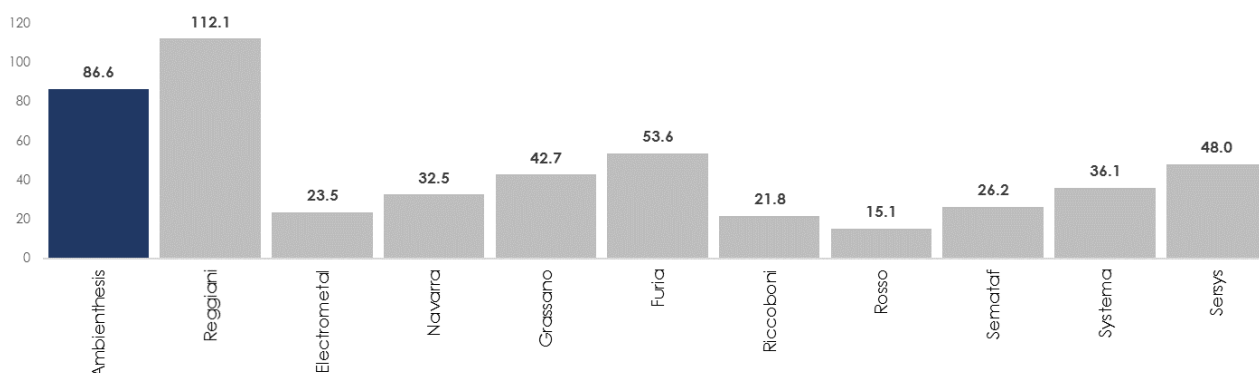
**Mid-small private companies.** Below we offer a snapshot of the revenues, EBITDA and EBIT generated by these companies in 2019.

#### Mid-small private companies

	Reggiani	Electrometal	Navarra	Grassano	Furia	Riccoboni	Rosso	Semataf	Systema	Sersys
<b>Revenues</b>	<b>112.1</b>	<b>23.5</b>	<b>32.5</b>	<b>42.7</b>	<b>53.6</b>	<b>21.8</b>	<b>15.1</b>	<b>26.2</b>	<b>36.1</b>	<b>48.0</b>
<b>EBITDA</b>	<b>14.6</b>	<b>4.6</b>	<b>3.8</b>	<b>7.6</b>	<b>5.3</b>	<b>1.4</b>	<b>2.3</b>	<b>11.9</b>	<b>10.3</b>	<b>1.7</b>
% Margin	13.0%	19.7%	11.6%	17.9%	9.9%	6.5%	14.9%	45.6%	28.6%	3.4%
<b>EBIT</b>	<b>14.0</b>	<b>4.4</b>	<b>1.8</b>	<b>6.5</b>	<b>4.5</b>	<b>0.3</b>	<b>1.6</b>	<b>7.6</b>	<b>8.0</b>	<b>-0.3</b>
% Margin	12.5%	18.6%	5.6%	15.3%	8.4%	1.2%	10.5%	29.2%	22.0%	-0.5%

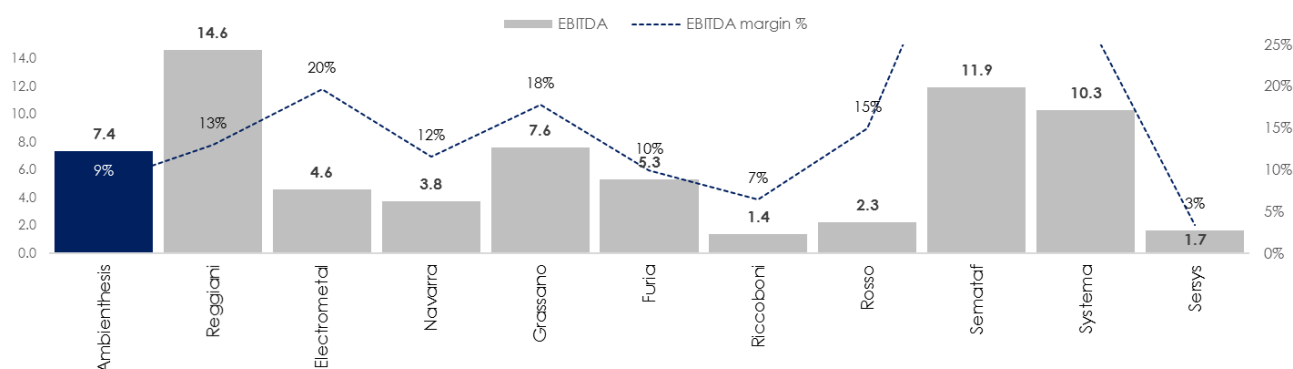
Source: Company data.

#### Mid-small private companies: Revenues (2019 data)



Source: Intermonte SIM.

#### Mid-small private companies: EBITDA and margin (2019 data)



Source: Intermonte SIM.

## Company description

**Company description.** Ambienthesis is specialised in the treatment, recovery and disposal of special waste as well as environmental remediation and rehabilitation, carried out by the following business units:

- Treatment, recovery and disposal of industrial waste (67% of total revenues in 2019)
- Environmental remediation and rehabilitation (29% of total revenues in 2019)
- Environmental engineering (2% of total revenues in 2019)

### Treatment, recovery and disposal of special waste

Ambienthesis has an extremely wide range of technological assets including stationary waste treatment and recovery plant, mobile plant, and facilities at associate companies. Here follows a summary of the plant assets broken down by type.

**Stationary plants for treatment/recovery of waste.** Ambienthesis owns and manages five waste treatment plants located at:

- Orbassano (TO): liquid and solid waste treatment. This is the largest Italian platform for the treatment of hazardous and non-hazardous special waste; treatment capacity 500k tons/y.
- Liscate (MI): management of trade and industrial water purification plants. Disposal service for various types of industrial effluent.
- San Giuliano Milanese (MI): waste storage and treatment. Storage of various kinds of products such as spent batteries and accumulators, T/F containers, expired medicines, paints and inks. Specialised in the disposal of asbestos waste obtained from free fibres, mineral wools and fibre cement.
- Corte de' Frati (CR): treatment of organic sludge for use in agriculture. This plant belongs to Bioagritalia S.r.l, which is controlled by Ambienthesis with a 70% stake.
- Torrazza Piemonte (TO): landfill site for hazardous and non-hazardous special waste. This plant belongs to La Torrazza S.r.L., which is wholly owned by Ambienthesis.

The Group has stakes in a further two plants:

- Collegno (TO): landfill site for hazardous waste (Barricalla SpA, 35% stake);
- San Procopio (BT): landfill for non-hazardous waste with inertisation plant (Daisy SRL, 50% stake).

Few weeks ago Ambienthesis announced the acquisition of two waste treatment companies, Eureko and C.R., the latter owning a multifunctional platform located in the municipality of Sannazzaro de' Burgondi (PV) on an area of c.30,000m<sup>2</sup>.

#### **Orbassano (TO): platform for the treatment of hazardous and non-hazardous special waste**

- liquid waste treatment capacity: 320k m<sup>3</sup>/y;
- solid waste treatment capacity: 200k tons/y.

The largest Italian platform for the treatment of hazardous and non-hazardous waste, with a treatment capacity of 520k tons/y. The plant configuration involves parallel and synergistic treatment lines:

- CFB (Circulating Fluidised Bed): pre-treatment of strongly acid solutions or bases containing chromates, cyanides or heavy metals; chemical, physical, biological treatment of water-based effluent: 250k tons/y;
- HS: recovery of oils from non-regenerable oil-based emulsions: 20k tons/y;
- SOLIDS: selection, dehydration, thickening, stabilisation, inertisation, volumetric reduction, conditioning (accumulation, selection of materials, unpacking, emptying and washing of containers and packaging): 170k tons/y;
- STORAGE: preliminary waste deposition, prior to dispatch to third-party disposal plants; nominal capacity of 9.2k m<sup>3</sup>;
- SIVAR (Recovery Activity): selection and holding for the enhancement and recovery of the remaining noble fraction in the waste: 80k tons/y.

#### **Liscate (MI): platform for the management of trade and industrial water purification plants.**

- Liquid waste treatment capacity: 180k m<sup>3</sup>/y.

The Liscate (MI) plant treats 750 m<sup>3</sup> per day of hazardous and non-hazardous liquid special waste from industrial and trade enterprises, delivered exclusively by tanker. The plant consists of several operating units:

- Unified waste reception and pre-treatment;
- Chemical-physical pre-treatment plant;
- Two biological treatment streams;
- Final filtration on sand and activated carbon;
- Final disinfection tank.

An advanced automated plant management system monitors plant, hydraulic and chemical-physical parameters in real time at every stage of the process.

The chemical laboratory checks the characteristics of the sewage at the various treatment phases and provides an analysis and certification service. The Liscate plant targets a

diversified market from industry (food, engineering, textile, chemical, pharmaceutical) to service activities in the environmental hygiene sector.

**San Giuliano Milanese (MI): platform for the storage and treatment of hazardous and non-hazardous special waste**

- authorised storage capacity: 950m<sup>3</sup>/d;
- storage area: 3,000m<sup>2</sup>.

The plant is permitted to store up to 950m<sup>3</sup>/d of hazardous and non-hazardous special waste. It is located in the industrial area of S. Giuliano Milanese (MI) and measures 2,930m<sup>2</sup>, of which approximately 2,100m<sup>2</sup> are covered. The range of liquid and solid waste that may be stored is very wide, including almost all CER codes. The plant is highly specialised in the treatment of waste from segregated collection and micro-collection and is equipped with cutting-edge technological solutions for the recovery of reusable materials. The most common waste materials are: spent batteries and accumulators, neon lamps containing mercury, T/F containers, polluting packaging, expired medicines, paints and inks, laboratory reagents, toner, and aqueous solutions.

**Corte de' Frati (CR): biological sludge treatment plant**

- treatment capacity: 20,500 tons/y;
- storage area: 6,000 m<sup>3</sup>.

Plant managed by Bioagritalia, 70% controlled by Ambienthesis. It carries out storage of sludge and its treatment for agricultural use (spreading on fields). The plant has annual authorised capacity of 20,500 tons and consists of an area for receiving and processing sludge and a storage area of 6,000m<sup>3</sup>.

**Torazza Piemonte (TO): landfill for hazardous and non-hazardous special waste**

- overall treatment capacity: 800k m<sup>3</sup>;
- residual treatment capacity: 100k m<sup>3</sup>;
- area: 125k m<sup>2</sup>.

100% owned by Ambienthesis, it manages landfill for hazardous and non-hazardous special waste, for special hazardous waste containing asbestos, and for stable and non-reactive hazardous special waste, and the post-operative management of spent cells, which contain hazardous and non-hazardous special waste. The current average daily transfer rate to the plant is about 350 tons.

**Collegno (TO): landfill for hazardous and non-hazardous special waste**

- residual capacity: 750k m<sup>3</sup>

Owned by Barricalla, 35% owned by Ambienthesis. The plant has an area of approximately 150,000m<sup>2</sup>, total volume of 912,000m<sup>3</sup> and is divided into four lots. Of these, two have been sold and redeveloped as a PV solar plant. The entire facility is designed to guarantee maximum reliability, with very high standards of structural safety.

**San Procopio (BT): landfill for non-hazardous special waste**

- authorised volume: 350,000m<sup>3</sup>
- area 25,000 m<sup>2</sup>.

The landfill is owned by Daisy (50% owned by Ambienthesis). This is a newly built landfill in the Municipality of Barletta for non-hazardous special waste, whose first lot was completed at the end of 2013. The total area of the landfill owned by Daisy is approximately eight hectares and contains a landfill basin authorised to hold multiple types of non-hazardous special waste.

**Ambienthesis – Orbassano, Liscate and San Giuliano Milanese plants**



Source: Company website

## Environmental Remediation

Ambienthesis has gained over 20 years of experience in remediation of contaminated sites, with 150 site remediations throughout Italy, including sites of national concern (SNC). This activity encompasses site decontamination, remediation of areas affected by illegal dumping, safety works at former landfill sites, rehabilitation of water courses, and decommissioning (demolition and regeneration) and restoration of land at disused industrial sites.

The company offers a full-spectrum service capable of identifying the best technologies currently available for fulfilling all phases of the remediation of contaminated sites through:

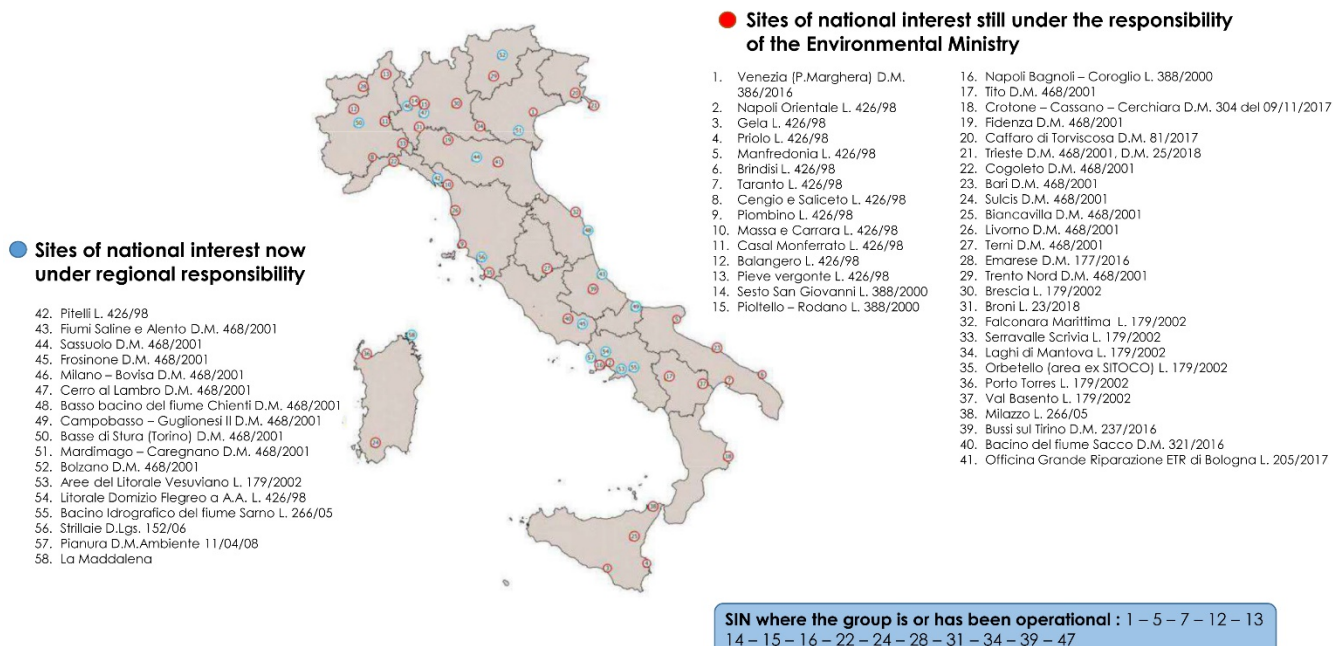
- Monitoring of affected areas;
- Remediation and environmental rehabilitation projects;
- Safety interventions;
- Treatment on and off site;
- Restoration and/ or rehabilitation of affected areas.

Remediation activity follows an environmental audit carried out by experienced technical staff who also work out of their own laboratories. Ambienthesis is also one of the leading companies in asbestos and rock wool abatement. Remediation of decommissioned production plants (such as steelworks, sugar factories and chemical plants) is carried out through the application of the technology and expertise amassed by the company over 20 years. The removal of insulation from materials manufactured using asbestos and rock wool requires a preliminary feasibility study that involves: making plants safe (gas free); any demolition work required in preparation for remediation using techniques that ensure the health and safety of workers (temporary works and widespread use of aerial platforms for work at height); and creation of large volume secure environments (remediation of fuel racks and/ or power plants).

**Mobile plants for the treatment of liquid and solid waste.** Ambienthesis also owns modular mobile systems authorised for the treatment of both solid and liquid waste. These systems allow the implementation of on-site remediation measures at the specific site areas, reducing the overall environmental impact and reducing off-site disposal.

### Ambienthesis – Environmental Reclamation – Sites of national interest and sites where Ambienthesis has operated

#### Allocation of responsibility for reclamation sites of national interest :



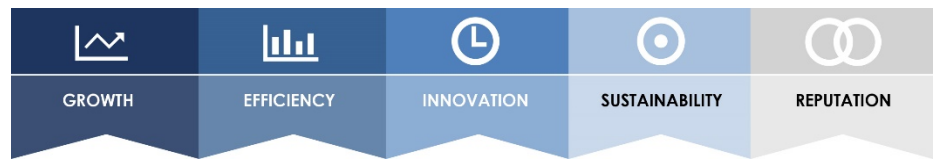
Source: MATTM



## Growth strategy

Ambienthesis Group has drawn up a strategic plan that aims to deliver turnover growth and improve profit margins. The Plan mainly focuses on internal growth, with external growth to be assessed as and when opportunities arise.

### Ambienthesis – New business plan key pillars



Source: Ambienthesis

### 2020-22 Business plan

The Ambienthesis industrial plan identifies five key macro-areas as shown in the figure above. The pillars of the plan are:

- **Growth**, whether organic through strengthening and supplementing plants, or external through M&A in the domestic market and potentially also abroad in Eastern Europe, the Middle East and the UAE.
- **Efficiency**, through constant improvement of the performance in each segment and company activity via the disposal of non-strategic and / or non-core assets; the elimination of overlapping company departments; reorganisation of operational activities and / or cost centres; and through company policies aimed at achieving operational and general cost savings objectives.
- **Innovation** through both the business model and company activities. Collaboration since May 2020 with Circular Economy Lab, an initiative promoted by Cariplo Factory and Intesa San Paolo Innovation Centre focused on the design, development and provision of specific innovation services connected to the circular economy.
- **Sustainability focus** (economic, social and environmental) in its approach to its business and assets, enhancing human capital. Publication of a Sustainability Report on a voluntary basis from 2019.
- **Reputation**: implementation of a broad and comprehensive communications programme aimed at all shareholder categories.

### Strategic Guidelines

The plan pursues the development of company strategies based on the following.

- development of internationalisation, especially through Ambienthesis Middle East DMCC, which aims to export the group's know-how in waste treatment, recovery and disposal as well as environmental remediation, built up over 20 years, to GCC countries and the UAE in particular.
- Achievement of specific innovation and efficiency goals in response to an ever more dynamic market.
- Maximising the commercial strength in combination with the development of new industrial initiatives in order to step up to new levels of turnover magnitude but also diversify operational activities geographically and in terms of services offered.
- Strengthening leadership in the Italian market through a selective approach to the order portfolio on the basis of quality.
- Environmental sustainability, social and governance issues underpin the company's entire strategy.

### Financial Targets:

**Financial targets: revenues above Eu85mn, EBITDA margin above 9%.** In line with the logic underlying the strategic guidelines, the new industrial plan for the 2020-22 3-year period envisages the following targets:

- Average annual turnover above Eu85mn;
- EBITDA margin above 9% for the plan period;
- A higher EBIT margin, in the 4-5% range for the plan period.

It is important to underline that the plan was presented on 13<sup>th</sup> March 2020 and the targets did not take account of any adverse impact due to Covid-19 and the contribution of the two recently acquired companies.

### Eu8mn Bond Issue

To support its industrial development plan, last March Ambienthesis issued a non-convertible, non-subordinated, unsecured bond for Eu8mn, entirely subscribed by Intesa San Paolo. The reimbursement period for the issue is 7 years including a 2-year grace period. Interest payments (annual rate 3.3%) will be made 6-monthly in arrears.

Covenants are stipulated for the bond regarding NFP/EBITDA, NFP/net equity and EBITDA/gross interest. In particular:

- leverage ratio no higher than 2.5x;
- interest cover ratio no lower than 4.0x;
- gearing ratio no higher than 0.75x.

### 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 (see Appendix IV), 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.

**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 is 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 is 4.8x.

This acquisition further reinforces Ambienthesis's positioning in the core treatment, recovery and disposal of industrial waste business, and is consistent with the growth strategy highlighted in the 2020-2022 business plan. 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 is Eu5.5mn (of which the payment of Eu0.5mn is 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 is 6.2x.

This new acquisition further strengthens Ambienthesis's positioning in the core treatment, recovery and disposal of industrial waste business, and as with the previous acquisition of Eureko, is consistent with growth strategy highlighted in the 2020-2022 business plan. The main benefits coming from the deal are:

- geographical expansion and expansion 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.

**Middle East.** On 9<sup>th</sup> December Ambienthesis announced that B&A Waste Management Co. LLC (the joint venture between the subsidiary company Ambienthesis Middle East DMCC and Bee'ah Sharjah Environment Co. LLC. Ambienthesis's business development strategic partner in the Middle East) has been awarded a remediation project in the Emirates with the multinational leading oil player Abu Dhabi National Oil Company (ADNOC). The project is 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.



## Financial Performance

### 2016-19 results

Before outlining our forecast in detail, we will provide investors with a brief analysis of Ambienthesis' historical results from 2016 to 2019.

#### Ambienthesis - Financial Trends (2016-19)

(Eu mn)	2016	2017	2018	2019
<b>Revenues</b>	<b>77.4</b>	<b>59.0</b>	<b>82.1</b>	<b>86.6</b>
<b>EBITDA</b>	<b>1.6</b>	<b>1.6</b>	<b>5.5</b>	<b>7.4</b>
<b>Adj. EBITDA</b>	<b>5.3</b>	<b>2.6</b>	<b>6.3</b>	<b>7.8</b>
% Adj. EBITDA Margin	6.8%	4.4%	7.7%	9.0%
<b>Net Income</b>	<b>-1.7</b>	<b>-2.7</b>	<b>3.2</b>	<b>4.4</b>
<b>Adj. Net Income</b>	<b>4.8</b>	<b>0.2</b>	<b>4.3</b>	<b>4.9</b>
<b>Net invested capital</b>	<b>44.8</b>	<b>43.4</b>	<b>44.3</b>	<b>50.9</b>
Equity	45.4	41.7	44.8	48.6
Net financial position	0.8	-1.4	0.9	-1.8
<b>Total cover</b>	<b>44.8</b>	<b>43.4</b>	<b>44.3</b>	<b>50.9</b>

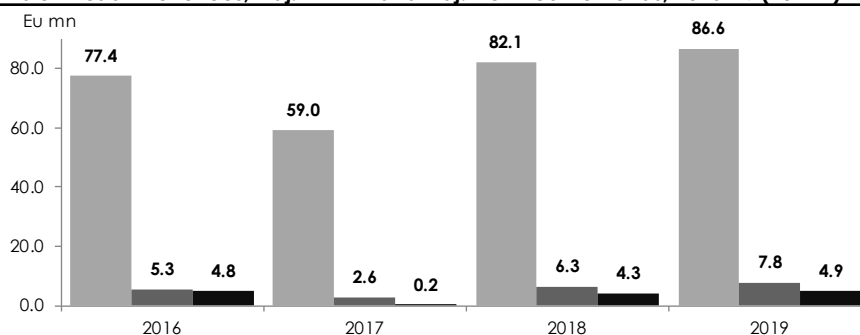
Source: Company data.

**Revenues:** Over the four years between 2016 and 2019 revenue growth profiles differed across the main business divisions: in 2017 net revenues came to Eu59.0mn, down 23.7% YoY. This decrease was due to: i) delay to the beginning of some new projects in the Environmental Remediation sector, with revenues down 54.7% YoY; ii) reduced brokerage activity in the Waste division, with revenues down 5.8% YoY. In 2018 revenues rebounded sharply, growing +39% YoY, thanks to excellent performances in both Environmental Remediation and Waste, where revenues surged by +94.7% and +25% YoY respectively. In 2019 revenues reached Eu86.6mn, up +5.5% YoY, mainly supported by steady growth in the Waste segment (revenues up +15.6% YoY).

**EBITDA:** profitability also varied greatly over the 2016-2019 period. EBITDA was substantially flat in 2016-2017 at Eu1.6mn. It is worth mentioning results in 2016 were penalised by a series of non-recurring negative items. The most significant one was a Eu4.3mn provision booked for the 'Jolly Rosso' contract. This provision related to the compensation received in 2014 by Ambienthesis for expenses incurred but not covered by the contract for the treatment of waste from the Jolly Rosso boat, that were subsequently cancelled by the Court of Cassation in 2017. Ambienthesis appealed against the decision. Excluding one-offs, adj. EBITDA came to Eu5.3mn in 2016 and Eu2.6mn in 2017. This downturn reflected the declining top line trend. In 2018 margins improved significantly, with adj. EBITDA reaching Eu6.3mn, an increase in the margin to 7.7%. The improvement in profitability continued in 2019, when the company closed with adj. EBITDA of Eu7.8mn, up 22% YoY, and a margin of 9.0%. This growth in both absolute values and profitability reflected the higher contribution of the Waste treatment segment, a business characterised by significantly higher margins than Environmental remediations (EBITDA margins of around 12 % and 3% respectively in 2019).

**Net Income:** In 2016 the group reported a net loss of Eu1.7mn, after Eu3.6mn in depreciation, provisions and write-downs and financial charges of Eu2.4mn. In 2017, the company again posted a net loss, this time of Eu2.7mn, following Eu4.1mn in depreciation, provisions and write-downs. Adj. net income in 2016 was Eu4.8mn, declining to Eu0.2mn in 2017. Over the last two years the company turned into black, reaching a net profit of Eu3.2mn (Eu4.3mn adj.) in 2018 and Eu4.4mn (Eu4.9mn adj.) in 2019. These positive results reflected primarily growing margins at operating level in the Waste treatment division, coupled with lower depreciation, provisions and write-downs (Eu2.2mn and Eu2.6mn in 2018 and 2019 respectively).

#### Ambienthesis – Revenues, Adj. EBITDA and Adj. Net Income trends, 2016-19 (Eu mn)



Source: Ambienthesis data.

**Backlog:** Environmental remediations and Engineering & Construction are businesses managed under contracts. In these two segments Ambienthesis recorded a backlog of Eu54mn at the end of 2016, of which Eu48mn in the former division and Eu6mn in the latter. At YE17 the order book slightly increased to Eu56mn, before declining to Eu39mn the year after, mainly due to a contraction in the Environmental remediation segment (Eu32mn vs. Eu47mn at the end of 2017). In 2019 the backlog recovered to at Eu50mn, of which Eu44mn in the Environmental sector and Eu6mn in the Engineering and Construction division.

**Balance sheet equity and net debt trends:** Over the 2016-19 period, shareholders' equity was quite stable, reaching Eu48.6mn in 2019, up Eu3.2mn from 2016, when it closed at Eu45.4mn. Net debt came to Eu1.4mn in 2017 and Eu1.9mn in 2019, while in 2016 and 2018 the company had a net cash position.

Below we give details of Ambienthesis's P&L and balance sheet evolution over the 2016-19 period.

#### Ambienthesis – Income Statement

(Eu mn)	2016	2017	2018	2019
Special waste treatment, recovery and disposal	42.5	40.1	50.1	57.9
Environmental remediations	31.7	14.3	27.9	25.1
Engineering and construction	0.6	3.1	2.2	1.4
Other revenues	2.5	1.5	1.8	2.2
<b>Total Revenues</b>	<b>77.4</b>	<b>59.0</b>	<b>82.1</b>	<b>86.6</b>
Total Operating Costs	-69.6	-51.0	-70.0	-72.3
<b>Value Added</b>	<b>7.8</b>	<b>8.0</b>	<b>12.1</b>	<b>14.3</b>
Labor Cost	-6.2	-6.5	-6.6	-6.9
<b>EBITDA</b>	<b>1.6</b>	<b>1.6</b>	<b>5.5</b>	<b>7.4</b>
<b>Adj. EBITDA</b>	<b>5.3</b>	<b>2.6</b>	<b>6.3</b>	<b>7.8</b>
% Adj. EBITDA Margin	6.8%	4.4%	7.7%	9.0%
Special waste treatment, recovery and disposal	0.5	0.9	4.1	6.9
Environmental remediations	1.1	0.6	1.3	0.7
Others	0.0	0.1	0.1	-0.2
Depr. Prov's. and Write-downs	-3.6	-4.1	-2.2	-2.6
<b>EBIT</b>	<b>-2.0</b>	<b>-2.5</b>	<b>3.3</b>	<b>4.8</b>
% EBIT Margin	-2.6%	-4.3%	4.0%	5.5%
Net Financial Charges	-2.4	-0.5	-0.5	-0.6
Other Charges and Income	1.4	0.6	0.6	1.9
<b>Net Operating Margin</b>	<b>-3.1</b>	<b>-2.4</b>	<b>3.4</b>	<b>6.0</b>
Taxes	1.3	-0.2	-0.2	-1.6
Adj. Tax Rate %	43.6%	-8.4%	5.7%	26.1%
<b>Net Income</b>	<b>-1.7</b>	<b>-2.6</b>	<b>3.2</b>	<b>4.5</b>
Minorities	0.0	0.1	0.1	0.1
<b>Group Net Income</b>	<b>-1.7</b>	<b>-2.7</b>	<b>3.2</b>	<b>4.4</b>
<b>Adj. Net Income</b>	<b>4.8</b>	<b>0.2</b>	<b>4.3</b>	<b>4.9</b>

Source: company data and Intermonte SIM estimates

#### Ambienthesis – Balance Sheet

(Eu mn)	2016	2017	2018	2019
Fixed assets	60.7	48.8	48.4	54.2
Net working capital	-14.9	-4.5	-3.1	-2.4
<b>Gross inv. capital</b>	<b>45.8</b>	<b>44.4</b>	<b>45.3</b>	<b>51.8</b>
Severance provision	-1.0	-1.0	-0.9	-1.0
<b>Net invested capital</b>	<b>44.8</b>	<b>43.4</b>	<b>44.3</b>	<b>50.9</b>
Group sharehold. equity	45.4	41.7	44.8	48.6
Minority interests	0.2	0.4	0.4	0.4
<b>Net financial position</b>	<b>0.8</b>	<b>-1.4</b>	<b>0.9</b>	<b>-1.8</b>
<b>Total cover</b>	<b>44.8</b>	<b>43.4</b>	<b>44.3</b>	<b>50.9</b>

Source: company data and Intermonte SIM estimates

## 1H20 Results and FY20 projections

**1H20 Results.** Ambientthesis 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 Ambientthesis 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 recently acquired companies, 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.

### Ambientthesis - 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%
<b>Revenues</b>	<b>42.7</b>	<b>44.0</b>	<b>39.1</b>	<b>-8%</b>	<b>41.3</b>	<b>-6%</b>	<b>86.6</b>	<b>80.4</b>	<b>-7%</b>
Operating costs	-38.3	-40.9	-35.1	-8%	-37.1	-9%	-79.2	-72.2	-9%
<b>EBITDA</b>	<b>4.4</b>	<b>3.0</b>	<b>4.0</b>	<b>-8%</b>	<b>4.2</b>	<b>39%</b>	<b>7.4</b>	<b>8.2</b>	<b>11%</b>
<b>Adj. EBITDA</b>	<b>4.5</b>	<b>3.2</b>	<b>4.2</b>	<b>-7%</b>	<b>4.2</b>	<b>28%</b>	<b>7.8</b>	<b>8.4</b>	<b>8%</b>
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%
<b>EBIT</b>	<b>3.1</b>	<b>1.7</b>	<b>2.3</b>	<b>-27%</b>	<b>2.6</b>	<b>52%</b>	<b>4.8</b>	<b>4.8</b>	<b>1%</b>
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	
<b>Net Operating Margin</b>	<b>3.9</b>	<b>2.2</b>	<b>2.6</b>	<b>-33%</b>	<b>3.1</b>	<b>44%</b>	<b>6.0</b>	<b>5.7</b>	<b>-5%</b>
Taxes	-1.1	-0.5	-0.5		-1.0		-1.6	-1.5	
Tax Rate (%)	28%	22%	20%		31%		26%	26%	
<b>Net Income</b>	<b>2.8</b>	<b>1.7</b>	<b>2.1</b>	<b>-25%</b>	<b>2.2</b>	<b>27%</b>	<b>4.5</b>	<b>4.3</b>	<b>-5%</b>
Minorities	0.1	0.0	0.1		0.0		0.1	0.1	
<b>Group Net Income</b>	<b>2.7</b>	<b>1.7</b>	<b>2.0</b>	<b>-26%</b>	<b>2.2</b>	<b>29%</b>	<b>4.4</b>	<b>4.2</b>	<b>-5%</b>
<b>Adj. Net Income</b>	<b>2.9</b>	<b>1.9</b>	<b>2.5</b>	<b>-16%</b>	<b>2.1</b>	<b>8%</b>	<b>4.9</b>	<b>4.6</b>	<b>-6%</b>
<b>Capex</b>	<b>2.7</b>	<b>1.2</b>	<b>0.3</b>	<b>-87%</b>	<b>6.7</b>	<b>461%</b>	<b>3.9</b>	<b>7.0</b>	<b>82%</b>
<b>Equity</b>	<b>49.0</b>	<b>49.0</b>	<b>49.9</b>	<b>2%</b>	<b>51.9</b>	<b>6%</b>	<b>49.0</b>	<b>51.9</b>	<b>6%</b>
<b>Net Debt</b>	<b>1.2</b>	<b>1.8</b>	<b>1.6</b>	<b>33%</b>	<b>8.1</b>	<b>344%</b>	<b>1.8</b>	<b>8.1</b>	<b>344%</b>
<b>CE</b>	<b>50.2</b>	<b>50.9</b>	<b>51.5</b>		<b>55.7</b>		<b>50.9</b>	<b>60.0</b>	<b>18%</b>
D/E Ratio	0.02	0.04	0.0		0.16		0.04	0.16	

Source: Company data and Intermonte SIM estimates.

## 2020-23 Projections

**2020-23 projections.** After the expected contraction in 2020, due to the pandemic, for 2021 and the following years we are projecting substantial revenue growth, reflecting: 1) the full year contribution of the two recently-acquired companies Eureko and C.R. in 2021; 2) recovering volumes after the slowdown recorded in 2020 due to the Covid-19; 3) acceleration of the environmental business thanks to new orders; 4) further external growth through M&A. The 2021 top line is foreseen growing by around 22% YoY, reaching around Eu97.8mn. In 2022 and 2023 revenues are expected to grow at a steady rate, by 5.5% and 5.6% respectively, closing at Eu103.2mn and Eu109.0mn. Adj. EBITDA is forecast to increase by 8.1% YoY in 2020 with a 10.4% margin, then further increasing in 2021 when it is expected to close at Eu10.5mn, +25.3% YoY. The adj. EBITDA margin is foreseen rising to 10.7% in 2021 and 10.8% in 2022. At bottom line, adj. net income is expected to increase gradually from Eu4.6mn in 2020 to Eu6.0mn in 2023.

On the balance sheet, we project an increase in the net financial position in 2020 and 2021, after assuming cash-outs of around Eu7mn for CapEx and M&A in both 2020 and 2021, a negative contribution from changes in working capital and dividend payments (50% payout). For 2023 net debt is projected to come down to Eu6.1mn, Eu4.5mn less than in 2021 (Eu10.6mn), assuming Eu3.0mn in CapEx in the long run and holding the dividend payout stable at 50%.

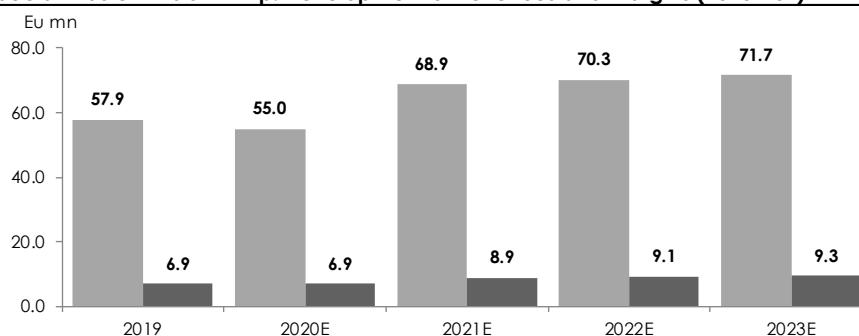
### Ambienthesis - Financial Trends (2018-23E)

(Eu mn)	2018	2019	2020E	2021E	2022E	2023E
<b>Revenues</b>	<b>82.1</b>	<b>86.6</b>	<b>80.4</b>	<b>97.8</b>	<b>103.2</b>	<b>109.0</b>
<b>EBITDA</b>	<b>5.5</b>	<b>7.4</b>	<b>8.2</b>	<b>10.5</b>	<b>11.1</b>	<b>11.6</b>
<b>Adj. EBITDA</b>	<b>6.3</b>	<b>7.8</b>	<b>8.4</b>	<b>10.5</b>	<b>11.1</b>	<b>11.6</b>
% Adj. EBITDA Margin	7.7%	9.0%	10.4%	10.7%	10.8%	10.6%
<b>Net Income</b>	<b>3.2</b>	<b>4.4</b>	<b>4.2</b>	<b>5.0</b>	<b>5.5</b>	<b>6.0</b>
<b>Adj. Net Income</b>	<b>4.3</b>	<b>4.9</b>	<b>4.6</b>	<b>5.0</b>	<b>5.5</b>	<b>6.0</b>
<b>Net invested capital</b>	<b>44.3</b>	<b>50.9</b>	<b>60.0</b>	<b>65.0</b>	<b>67.1</b>	<b>66.5</b>
Equity	44.8	48.6	51.3	53.7	56.5	59.6
Net financial position	0.9	-1.8	-8.1	-10.6	-9.9	-6.1
<b>Total cover</b>	<b>44.3</b>	<b>50.9</b>	<b>60.0</b>	<b>65.0</b>	<b>67.1</b>	<b>66.5</b>

Source: Ambienthesis data and Intermonte SIM estimates.

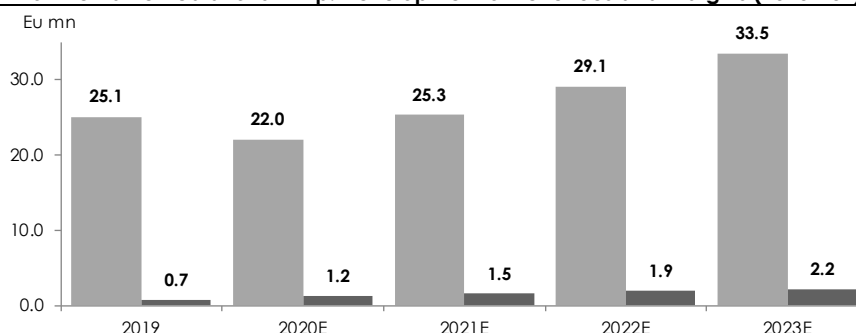
**Special waste treatment, recovery and disposal:** In the waste treatment segment, which is not particularly penalised by Covid-19 restrictions, we assume revenues of Eu55.0mn for 2020, down 5% YoY growth. Our 2021-2023 estimates are based on the assumption the company will pursue its strategy based on both internal and external growth opportunity through M&A. For 2021 we assume 25.3% growth to Eu68.9mn, taking into account the positive contribution of the two acquired companies Eureko and C.R.. For 2022 and 2023 turnover is expected to close at Eu70.3mn in 2022 and Eu71.7mn in 2023. EBITDA is projected to close at Eu6.9mn in 2020 in line with the previous year's result, with a 12.5% margin vs. 11.9% in 2019. In the coming years, profitability is expected to increase steadily and in 2023 EBITDA is foreseen at Eu9.3mn, factoring in a 50bp margin expansion with respect to the corresponding figure at the end of 2020.

### Special Waste Division – Exp. Development of Revenues and Margins (2020-23E)



Source: Ambienthesis data for 2019 and Intermonte SIM estimates for 2020-23E.

**Environmental remediations:** 2020 revenues in the environmental sector are expected to come to Eu22.0mn, down 12.3% YoY, penalised by the slowdown in some works due to the containment measures introduced by some clients in connection with the Covid-19 pandemic. We forecast a strong recovery in 2021, with revenues up +15% YoY to Eu25.3mn. For 2022-2023 we are projecting 15% YoY growth, reflecting an expected acceleration of the order intake in this segment. EBITDA is expected at Eu1.2mn in 2020, up +66% YoY and coming to Eu2.2mn in 2023, supported by higher turnover and improved profitability.

**Environmental remediations – Exp. Development of Revenues and Margins (2020-23E)**

Source: Ambienthesis data for 2019 and Intermonte SIM estimates for 2020-23E.

**Group revenues and EBITDA projections.** Our 2020-2023 revenues growth estimates are based on the analysis and assessment of company stated strategic plan: **i) Growth**, whether organic and external through M&A. **ii) Efficiency**, through constant performance improvement in each segment and company activity via the disposal of non-strategic non-core assets; the elimination of overlapping company departments; reorganisation of operational activities and cost centres; **iii) Innovation** through both the business model and company activities (collaboration with Circular Economy Lab). We assume a 2020-2023 revenues CAGR of 7.9% in order to reach Eu109.0mn in 2023. In projecting margin trends, we assume a robust improvement in profitability for the waste treatment divisions in the 2020-2021 years, thanks also to the two acquisitions of Eureko and C.R.. For 2022 and 2023 we estimate a further margin expansion and we expect EBITDA to come at Eu9.3mn, factoring in a 50bp margin expansion from the corresponding figure at the end of 2020. For the environmental remediation sector EBITDA is expected at Eu1.2mn in 2020, up +66% YoY and to come to Eu2.2mn in 2023, Eu1.0mn better than the corresponding figure at the end of 2020 and boosted by new orders that are expected in the foreseeable future.

**Net income projections.** Moving down the P&L adj. net income in 2020 is foreseen at Eu4.6mn, down 6.3% YoY, with higher EBITDA offset by higher depreciation and slightly higher net financial charges. In terms of tax rates, we estimate they will remain flat at around 27% in 2021 and in the following years. For 2021, we are projecting adj. net income of Eu5.0mn, up 9.6% YoY, then gradually rising to Eu6.0mn in 2023 (10% CAGR 2020-23).

**Ambienthesis – Income Statement**

(Eu mn)	2020E	2021E	2022E	2023E
Special waste treatment, recovery and disposal	55.0	68.9	70.3	71.7
Environmental remediations	22.0	25.3	29.1	33.5
Engineering and construction	1.4	1.6	1.9	1.9
Other revenues	2.0	2.0	2.0	2.0
<b>Total Revenues</b>	<b>80.4</b>	<b>97.8</b>	<b>103.2</b>	<b>109.0</b>
Total Operating Costs	-65.2	-80.1	-84.8	-90.0
<b>Value Added</b>	<b>15.2</b>	<b>17.7</b>	<b>18.4</b>	<b>19.1</b>
Labor Cost	-7.0	-7.2	-7.3	-7.5
<b>EBITDA</b>	<b>8.2</b>	<b>10.5</b>	<b>11.1</b>	<b>11.6</b>
<b>Adj. EBITDA</b>	<b>8.4</b>	<b>10.5</b>	<b>11.1</b>	<b>11.6</b>
% Adj. EBITDA Margin	10.4%	10.7%	10.8%	10.6%
Special waste treatment, recovery and disposal	6.9	8.9	9.1	9.3
Environmental remediations	1.2	1.5	1.9	2.2
Others	0.1	0.1	0.1	0.1
Depr. Prov's. and Write-downs	-3.4	-3.7	-3.8	-3.8
<b>EBIT</b>	<b>4.8</b>	<b>6.9</b>	<b>7.4</b>	<b>7.8</b>
% EBIT Margin	6.0%	7.0%	7.1%	7.2%
Net Financial Charges	-0.8	-1.2	-1.1	-1.0
Other Charges and Income	1.7	1.3	1.4	1.6
<b>Net Operating Margin</b>	<b>5.7</b>	<b>7.0</b>	<b>7.6</b>	<b>8.4</b>
Taxes	-1.5	-1.9	-2.1	-2.3
Adj. Tax Rate %	26.0%	27.0%	27.0%	27.0%
<b>Net Income</b>	<b>4.3</b>	<b>5.1</b>	<b>5.6</b>	<b>6.1</b>
Minorities	0.1	0.1	0.1	0.1
<b>Group Net Income</b>	<b>4.2</b>	<b>5.0</b>	<b>5.5</b>	<b>6.0</b>
<b>Adj. Net Income</b>	<b>4.6</b>	<b>5.0</b>	<b>5.5</b>	<b>6.0</b>

Source: company data and Intermonte SIM estimates

**Balance sheet.** On the balance sheet, we project an increase in the net financial position in 2020 and 2021, after assuming cash-outs of around Eu7mn for CapEx and M&A in both 2020 and 2021, a negative contribution from changes in working capital and dividend payments (50% payout). For 2023, net debt is projected to come down to Eu6.1mn, Eu4.5mn less than in 2021 (Eu10.6mn), assuming Eu3.0mn CapEx in the long run and keeping the dividend payout stable at 50%.

#### Ambienthesis – Balance Sheet

(Eu mn)	2020E	2021E	2022E	2023E
Fixed assets	58.7	62.1	63.3	62.6
Net working capital	2.3	4.1	4.9	5.1
<b>Gross inv. capital</b>	<b>61.0</b>	<b>66.1</b>	<b>68.2</b>	<b>67.6</b>
Severance provision	-1.0	-1.1	-1.1	-1.1
<b>Net invested capital</b>	<b>60.0</b>	<b>65.0</b>	<b>67.1</b>	<b>66.5</b>
Group sharehold. equity	51.3	53.7	56.5	59.6
Minority interests	0.5	0.7	0.8	0.9
<b>Net financial position</b>	<b>-8.1</b>	<b>-10.6</b>	<b>-9.9</b>	<b>-6.1</b>
<b>Total cover</b>	<b>60.0</b>	<b>65.0</b>	<b>67.1</b>	<b>66.5</b>

Source: company data and Intermonte SIM estimates

**Cashflow.** We estimate Eu27.0mn in cumulative operating cashflow in 2020-23, with Eu2.7mn forecast for 2020, rising to Eu6.7mn in 2021, Eu8.2mn in 2022 and Eu9.4mn 2023. We project a deterioration in the net financial position for 2020 and 2021, after assuming cash-outs for CapEx and M&A of around Eu7mn in both 2020 and 2021, a negative contribution from changes in working capital and dividend payments (50% payout). For 2023, net debt is projected to come down to Eu6.1mn, Eu4.5mn less than in 2021 (Eu10.6mn), assuming Eu3mn CapEx and the dividend payout remaining at 50%. Cumulative post-dividend cashflow should therefore be negative to the tune of around Eu4.2mn at the end of 2023.

#### Ambienthesis – Cash Flow Statement

(Eu mn)	2020E	2021E	2022E	2023E
<b>Net fin position beg of year</b>	<b>-1.8</b>	<b>-8.1</b>	<b>-10.6</b>	<b>-9.9</b>
Net income	4.3	5.1	5.6	6.1
Depreciation	3.1	3.4	3.5	3.5
Change in working capital	-4.6	-1.7	-0.8	-0.2
<b>Operating cash flow</b>	<b>2.7</b>	<b>6.7</b>	<b>8.2</b>	<b>9.4</b>
Investments	-7.0	-7.0	-5.0	-3.0
<b>Free cash flow</b>	<b>-4.3</b>	<b>-0.3</b>	<b>3.2</b>	<b>6.4</b>
Dividends	-0.9	-2.1	-2.5	-2.7
Other movements	-1.1	-0.2	0.1	0.1
<b>Cash flow</b>	<b>-6.3</b>	<b>-2.5</b>	<b>0.8</b>	<b>3.8</b>
<b>Net fin position end of year</b>	<b>-8.1</b>	<b>-10.6</b>	<b>-9.9</b>	<b>-6.1</b>

Source: company data and Intermonte SIM estimates

## Valuation

In terms of valuation, we have set a target price for Ambienthesis of Eu0.90ps, based on a mix of DCF (Eu0.95ps) and market multiples, peer comparison (Eu0.87ps). In this section we provide details of our two valuation methodologies.

### DCF model

The basic assumptions included in our DCF model are as follows: a) a risk-free rate of 2.0%, b) a 5.0% equity premium, c) beta of 0.94, d) cost of debt at 2.50%, and e) 6.7% cost of equity. These assumptions provide a weighted average cost of capital (WACC) of 6.1%. We also assume a terminal growth rate of 0.5%. Based on these assumptions, we estimate an enterprise valuation (EV) of Eu90.2mn. We then subtract the net financial debt as at YE20E, other liabilities (risks and charges provisions, NPV of the 1- 8 provision of La Torrazza landfill) and the minorities (1.2x P/BVPS), and add financial assets (including the asset held for sale, property complex of Casei Gerola, at 70% of the BV), obtaining an equity valuation of Eu88.1mn, corresponding to Eu0.95ps.

#### Ambienthesis – DCF Model

(eu mn)	2021E	2022E	2023E	2024E	2025E	2026E
EBITA	6.9	7.4	7.8	7.9	8.0	8.0
Taxes on EBITA	-1.9	-2.0	-2.1	-2.1	-2.2	-2.2
Depreciation/amortisation	3.4	3.5	3.5	3.6	3.6	3.7
Capex - acquisitions	-7.0	-5.0	-3.0	-3.0	-3.0	-3.0
<b>Operating cash flow</b>	<b>1.4</b>	<b>3.8</b>	<b>6.2</b>	<b>6.3</b>	<b>6.4</b>	<b>6.5</b>
<b>NOPAT</b>	<b>5.0</b>	<b>5.4</b>	<b>5.7</b>	<b>5.8</b>	<b>5.8</b>	<b>5.8</b>
NPV 2021-26	24.2					avg. NOPAT 2021-26
TV 2027	66.0					<b>5.6</b>
<b>EV</b>	<b>90.2</b>					
Net debt	-8.1	YE20E				
Financial assets	13.0	including the asset held for sale				
Other liabilities	-6.4	risks and charges provisions				
Minorities	-0.7	YE20E (1.2x P/BVPS)				
<b>Equity Value</b>	<b>88.1</b>					
<b>Equity Value per share</b>	<b>0.95</b>					

Source: Intermonte SIM estimates.

The following table shows our sensitivity analysis giving the equity value for different values of WACC and terminal growth rates.

#### Ambienthesis – DCF Sensitivity Model

Growth rate	0.00%				0.50%		1.00%		
Wacc	5.60%	6.10%	6.60%	5.60%	6.10%	6.60%	5.60%	6.10%	6.60%
NPV 2021-26	24.7	24.2	23.8	24.7	24.2	23.8	24.7	24.2	23.8
TV 2027	68.2	60.6	54.2	74.9	66.0	58.6	83.0	72.4	63.8
<b>EV</b>	<b>92.9</b>	<b>84.8</b>	<b>77.9</b>	<b>99.5</b>	<b>90.2</b>	<b>82.4</b>	<b>107.7</b>	<b>96.7</b>	<b>87.6</b>
Net debt	-8.1	-8.1	-8.1	-8.1	-8.1	-8.1	-8.1	-8.1	-8.1
Financials	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
Minorities	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
<b>Equity Value</b>	<b>90.7</b>	<b>82.7</b>	<b>75.8</b>	<b>97.4</b>	<b>88.1</b>	<b>80.3</b>	<b>105.6</b>	<b>94.5</b>	<b>85.5</b>
<b>per share</b>	<b>0.98</b>	<b>0.89</b>	<b>0.82</b>	<b>1.05</b>	<b>0.95</b>	<b>0.87</b>	<b>1.14</b>	<b>1.02</b>	<b>0.92</b>

Source: Intermonte SIM estimates.

### Market multiples (Peer comparison)

The limitations of this valuation approach mainly lie in the difficulty of selecting an appropriate peer group, as no company matches the business profile of the Group. In the waste segment and environmental remediation, Ambienthesis is the sole listed pure Waste sector player on the Italian Market. Since its largest competitors are the subsidiaries of local utilities A2A, Hera and Iren operating in the waste segment: A2A Ambiente, Iren Ambiente and Hera Ambiente, for the peer comparison we have chosen these three local utilities.

Below we recap the share price performance of these three companies and their market multiples at current prices.

#### Italian Local Utilities - Share Price Performance

Stock	Price	Mkt Cap	3 Months	6 Months	1 Year	YTD
A2A	1.34	4,198	8.3%	4.8%	-19.1%	2.7%
Hera	3.03	4,519	-2.1%	-9.2%	-21.2%	1.8%
Iren	2.16	2,815	-2.3%	-4.5%	-20.8%	1.8%
<b>Simple mean performance</b>			<b>0.1%</b>	<b>-2.5%</b>	<b>-16.4%</b>	<b>1.8%</b>

Source: Factset

These three companies are currently trading at an average 2021E EV/EBITDA of 6.7x, EV/EBIT of 13.5x and P/E of 12.6x. On 2022E numbers the multiples are as follows: 6.2x, 12.3x and 11.1x respectively.

#### Italian Local Utilities - Market Multiples at current prices

Stock	EV/EBITDA			EV/EBIT			P/E		
	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
A2A	7.1	6.9	6.2	14.1	13.6	11.6	13.2	12.6	10.1
Hera	7.0	6.6	6.3	13.9	13.0	12.3	14.9	13.9	13.2
Iren	6.9	6.7	6.2	15.3	13.8	12.9	13.1	11.3	10.1
<b>Median</b>	<b>7.0</b>	<b>6.7</b>	<b>6.2</b>	<b>14.4</b>	<b>13.5</b>	<b>12.3</b>	<b>13.7</b>	<b>12.6</b>	<b>11.1</b>

Source: Intermonte SIM estimates.

In the table below we highlight the multiples at our target prices for the three different stocks. The 2021E average EV/EBITDA is 8.0x, declining to 7.4x in 2022E; EV/EBIT of 16.1x and 14.7x respectively and P/E of 16.7x and 14.8x.

#### Italian Local Utilities - Market Multiples at Intermonte targets

Stock	EV/EBITDA			EV/EBIT			P/E		
	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
A2A	8.2	8.0	7.3	16.4	16.0	13.7	16.9	16.3	13.2
Hera	8.7	8.3	7.9	17.5	16.4	15.6	20.5	19.1	18.2
Iren	8.0	7.6	7.1	17.6	15.8	14.8	17.1	14.7	13.1
<b>Median</b>	<b>8.3</b>	<b>8.0</b>	<b>7.4</b>	<b>17.1</b>	<b>16.1</b>	<b>14.7</b>	<b>18.2</b>	<b>16.7</b>	<b>14.8</b>

Source: Intermonte SIM estimates.

For our market multiples valuation of Ambienthesis we have taken the median of the multiples for the three companies in the sample and then applied a 10% liquidity discount to take into account the fact that these multiples are for companies with much higher market capitalisation and liquidity. The comparison with the peer group yields a valuation range of Eu73.5-83.1mn, with a mean valuation of Eu80.4mn, corresponding to Eu0.87ps.

#### Ambienthesis – Valuation Based on Market Multiples

(Eu mn)	2020E	2021E	2022E	Avg. 20-22
<b>EV/EBITDA multiple valuation</b>				
<b>Ambienthesis EBITDA</b>	<b>8.2</b>	<b>10.5</b>	<b>11.1</b>	
EV/EBITDA peer group	7.5x	7.2x	6.7x	
fair EV based on multiples	61.1	75.4	74.4	
Net (debt) cash	-8.1	-10.6	-9.9	
Financials	13.0	13.0	13.0	
Other liabilities	-6.4	-6.4	-6.4	
Minorities	-0.7	-0.7	-0.7	
<b>Fair Equity value on multiples</b>	<b>59.0</b>	<b>70.8</b>	<b>70.5</b>	<b>66.8</b>
# of shares	92.7	92.7	92.7	
<b>Fair share price</b>	<b>0.64</b>	<b>0.76</b>	<b>0.76</b>	<b>0.72</b>
<b>EV/EBIT multiple valuation</b>				
<b>Ambienthesis EBIT</b>	<b>4.8</b>	<b>6.9</b>	<b>7.4</b>	
EV/EBIT peer group	15.4x	14.5x	13.2x	
fair EV based on multiples	74.6	99.1	97.4	
<b>Fair Equity value on multiples</b>	<b>72.5</b>	<b>94.4</b>	<b>93.5</b>	<b>86.8</b>
# of shares	92.7	92.7	92.7	
<b>Fair share price</b>	<b>0.78</b>	<b>1.02</b>	<b>1.01</b>	<b>0.94</b>
<b>P/E multiple valuation</b>				
<b>Ambienthesis Adj. Net Profit</b>	<b>4.6</b>	<b>5.0</b>	<b>5.5</b>	
P/E peer group	16.3x	15.0x	13.3x	
<b>Fair Equity value on multiples</b>	<b>74.5</b>	<b>75.1</b>	<b>72.7</b>	<b>74.1</b>
# of shares	92.7	92.7	92.7	
<b>Fair share price</b>	<b>0.80</b>	<b>0.81</b>	<b>0.78</b>	<b>0.80</b>
<b>Mean result</b>	<b>73.5</b>	<b>84.7</b>	<b>83.1</b>	<b>80.4</b>
<b>Mean result per share</b>	<b>0.79</b>	<b>0.91</b>	<b>0.90</b>	<b>0.87</b>

Source: 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
<b>Total Revenues</b>	<b>59.0</b>	<b>82.1</b>	<b>86.6</b>	<b>80.4</b>	<b>97.8</b>	<b>103.2</b>	<b>109.0</b>
Total Operating Costs	-51.0	-70.0	-72.3	-65.2	-80.1	-84.8	-90.0
<b>Value Added</b>	<b>8.0</b>	<b>12.1</b>	<b>14.3</b>	<b>15.2</b>	<b>17.7</b>	<b>18.4</b>	<b>19.1</b>
Labor Cost	-6.5	-6.6	-6.9	-7.0	-7.2	-7.3	-7.5
<b>EBITDA</b>	<b>1.6</b>	<b>5.5</b>	<b>7.4</b>	<b>8.2</b>	<b>10.5</b>	<b>11.1</b>	<b>11.6</b>
<b>Adj. EBITDA</b>	<b>2.6</b>	<b>6.3</b>	<b>7.8</b>	<b>8.4</b>	<b>10.5</b>	<b>11.1</b>	<b>11.6</b>
% 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
<b>EBIT</b>	<b>-2.5</b>	<b>3.3</b>	<b>4.8</b>	<b>4.8</b>	<b>6.9</b>	<b>7.4</b>	<b>7.8</b>
% 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
<b>Net Operating Margin</b>	<b>-2.4</b>	<b>3.4</b>	<b>6.0</b>	<b>5.7</b>	<b>7.0</b>	<b>7.6</b>	<b>8.4</b>
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%
<b>Net Income</b>	<b>-2.6</b>	<b>3.2</b>	<b>4.5</b>	<b>4.3</b>	<b>5.1</b>	<b>5.6</b>	<b>6.1</b>
Minorities	0.1	0.1	0.1	0.1	0.1	0.1	0.1
<b>Group Net Income</b>	<b>-2.7</b>	<b>3.2</b>	<b>4.4</b>	<b>4.2</b>	<b>5.0</b>	<b>5.5</b>	<b>6.0</b>
<b>Adj. Net Income</b>	<b>0.2</b>	<b>4.3</b>	<b>4.9</b>	<b>4.6</b>	<b>5.0</b>	<b>5.5</b>	<b>6.0</b>

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
<b>Gross inv. capital</b>	<b>44.4</b>	<b>45.3</b>	<b>51.8</b>	<b>61.0</b>	<b>66.1</b>	<b>68.2</b>	<b>67.6</b>
Severance provision	-1.0	-0.9	-1.0	-1.0	-1.1	-1.1	-1.1
<b>Net invested capital</b>	<b>43.4</b>	<b>44.3</b>	<b>50.9</b>	<b>60.0</b>	<b>65.0</b>	<b>67.1</b>	<b>66.5</b>
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
<b>Net financial position</b>	<b>-1.4</b>	<b>0.9</b>	<b>-1.8</b>	<b>-8.1</b>	<b>-10.6</b>	<b>-9.9</b>	<b>-6.1</b>
<b>Total cover</b>	<b>43.4</b>	<b>44.3</b>	<b>50.9</b>	<b>60.0</b>	<b>65.0</b>	<b>67.1</b>	<b>66.5</b>

Source: company data and Intermonte SIM estimates

### Ambienthesis – Cash Flow Statement

(Eu mn)	2017	2018	2019	2020E	2021E	2022E	2023E
<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>-8.1</b>	<b>-10.6</b>	<b>-9.9</b>
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
<b>Operating cash flow</b>	<b>-10.4</b>	<b>4.0</b>	<b>6.4</b>	<b>2.7</b>	<b>6.7</b>	<b>8.2</b>	<b>9.4</b>
Investments	-2.9	-2.0	-3.9	-7.0	-7.0	-5.0	-3.0
<b>Free cash flow</b>	<b>-13.3</b>	<b>2.0</b>	<b>2.6</b>	<b>-4.3</b>	<b>-0.3</b>	<b>3.2</b>	<b>6.4</b>
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
<b>Cash flow</b>	<b>-2.2</b>	<b>2.2</b>	<b>-2.7</b>	<b>-6.3</b>	<b>-2.5</b>	<b>0.8</b>	<b>3.8</b>
<b>Net fin position end of year</b>	<b>-1.4</b>	<b>0.9</b>	<b>-1.8</b>	<b>-8.1</b>	<b>-10.6</b>	<b>-9.9</b>	<b>-6.1</b>

Source: company data and Intermonte SIM estimates

## ESG at a glance

The company is not obliged to draw up a Non-Financial Statement pursuant to Legislative Decree 254/2016; nevertheless, since 2018, the company conducts voluntary non-financial reporting based on GRI (Global Reporting Initiative) Standards. The sustainability report forms part of the annual report and the reporting scope includes Ambientthesis S.p.A., La Torrazza S.r.l. and Bioagritalia S.r.l..

### Ambientthesis – Environmental Analysis

ENVIRONMENTAL	
<b>Strategy</b>	The company has a well-defined Quality, Health & Safety and Environmental Policy, whose guidelines are related to targets for containing consumption of energy and raw materials as well as the use of the best technologies for the purpose of reducing the environmental impact. The company has implemented numerous initiatives for safeguarding natural capital and using it in a sustainable manner. Overall, the company is aligned with circular economy activities and a business model for which sustainability is the hallmark.
<b>Emissions</b>	In 2019, Scope 1 Emissions were exclusively attributable to Orbassano plant and these are set to decrease in the next few years thanks to the gradual renewal of the company vehicle fleet with new generation low impact vehicles, an initiative that has already commenced. Regarding other emissions, commissioning was completed in 2019 of a regenerative thermal oxidiser at the Orbassano plant that enables the combustion of volatile organic substances in gaseous form, maximising heat recovery and minimising energy consumption. One initiative worth mentioning that is already underway is the programme to upgrade atmospheric emission abatement equipment through the installation of new bio-filters and washing towers at the Orbassano, Liscate and Bioagritalia plants.
<b>Energy Consumption</b>	Electric Energy consumption in 2019 was c.25,500 GJ. In recent years the company is exerting considerable efforts to reduce its environmental impact in terms of energy consumption, and as of 2019 the Greenthesis group obtains all of its electricity from renewable energy sources. Other initiatives in progress: i) Measures to upgrade energy efficiency through the replacement of the least-efficient machinery, leading to a reduction in the amount of energy required to treat a given amount of waste at the Liscate plant, from 14.8kWh in 2018 to 13.2kWh in 2019. ii) Installation in November 2019 of a trigeneration plant at Orbassano in order to generate power to support production cycles at the plant. The commissioning of this generation capacity means the Orbassano plant is now able to fulfil its own power requirements.
<b>Fuel Consumption</b>	Fuel consumption data only refers to the waste treatment platform and not to environmental activities. In 2019 fuel consumption was 14.558GJ, of which 71% from natural gas used to heat buildings and the rest from diesel for machinery at the plant. Ca. 92% of fuel consumption took place at the Orbassano plant.
<b>Water Management</b>	Total water consumption in 2019 was 94.827 m3, +9% YoY (only including water used in waste treatment and disposal; water consumption at reclamation sites is negligible). The group promotes the sustainable use of water resources and highlights the following initiatives: i) clean water leaving the Liscate plant has already been used several times (e.g. for cleaning machinery) so as to reduce groundwater extraction. ii) Installation of meters in order to map groundwater extraction. iii) installation of meters and drawing up a quarterly water usage statement at the Orbassano plant. Wastewater generated at the company's plants is released into the municipal sewage network and is subject to regular compliance checks.
<b>Certifications</b>	The environmental management systems for Ambientthesis, Biogritalia S.r.l. and La Torrazza S.r.l. are ISO 140001 certified, and the Liscate plant and waste disposal site managed by Torrazza S.r.l., have obtained EMAS certification.
<b>Our View</b>	<b>We think the company has a robust environmental management system and we have a very positive opinion of the quality of environmental reporting in regard to the accuracy and clarity of the information provided. The company's commitment to reducing its environmental impact through the implementation of numerous initiatives is evident; nevertheless, we think that for the purpose of greater transparency and credibility of the environmental policy, it should provide specific quantitative targets (e.g. in terms of reduction of emissions and of energy consumption) and show its progress towards meeting such targets over time.</b>

Source: Intermonte SIM and Company Data

## Ambienthesis – Social Analysis

SOCIAL	
Strategy	The company puts personnel at the heart of its business strategy and it has implemented a detailed programme for developing and safeguarding its human capital. Management policies in this regard reflect the principles in the company Ethical Code, ensuring dignity and equality of opportunity, and combating discrimination on the grounds of gender, religion, ethnicity or sexual orientation.
Employees breakdown: gender diversity / type of contracts	In 2019 the group has 116 employees, 32% were female and 94% of employees were on permanent contracts (95% in the last three years), bearing witness to the fact that employment continuity for company employees is a key objective. All company employees are covered by the national employment contract for the sector.
Employee Turnover	The employee cessation rate in 2019 was 9.5% (vs 6.14% in 2018), while the hiring rate was 12.1% in 2019 (vs 4.4% in 2018).
Workplace accidents and injuries	In 2019, the accident frequency index, calculated as (no. injuries/no. hours worked) x1mn, was 14.76, down from 24.93 in 2018. This measures the number of cases of workplace injuries reported per million hours worked. The severity index, calculated as (no. days absence for injury /no. hours worked) x1,000 was also lower than the previous year, coming to 0.23 in 2019 from 0.38 in 2018. This index reflects the seriousness of workplace injuries in terms of working days lost per thousand hours of work. The company has put several employee health and safety initiatives in place, the main ones being: i) implementation of the PG20 procedure "Analysis of accidents and near accidents", which involves a detailed case-by-case analysis through completion of dedicated forms and their inclusion in the main injury indices, which are periodically analysed; ii) Safety Day, held for the first time in April 2019, which saw the participation of all personnel in the remediation and construction divisions. The event alternated learning and team-building sessions, and was used as an opportunity to address issues such as employee health and safety, environmental protection and cross-department communications.
Training Policy	The Group has a training policy and the number of hours of per-capita training given in 2019 was 30, down on 41 in 2018 but unchanged on the figure for 2017. The 41 hours given in 2018 were a one-off due to the conclusion of training for personnel on the use of new accounting software. In 2019, 34% of training hours were for health and safety at work; 19% for professional development; 16% for English; and the remaining hours for software, soft skills and supplementary courses on safety.
Certifications	The system of worker health and safety management is OHSAS 18001 certified, and the application procedure was begun in summer 2020 for the upgrade to the more recent ISO 45001 standard.
Our View	<b>We think the quality of the Group's social agenda is satisfactory and we appreciate the detailed nature of the information provided.</b>

Source: Intermonte SIM and Company Data

## Ambienthesis-Governance Analysis

GOVERNANCE	
Corporate Governance System	The company has a traditional corporate governance system comprising shareholder meetings, a board of directors and a board of auditors. Statutory auditing of the financial statements is performed by an external audit company.
Board diversity and independence	There are 7 directors on the board: 42% are female and 42% are independent directors.
ESG Linked Remuneration	In the Remuneration Report it is specified that executive remuneration is related to sustainability performance over the medium/long term
Sustainability Committee	Given the increasing importance that the company is assigning to sustainability as the basis for all its strategies, it decided to entrust oversight of this area to the Advisory and Risk Committee as of March 2020. The BoD also appointed a CSR Manager on 28th June 2020.
Anti-corruption policy	The commitment to fighting corruption is implicit in the Ethical Code (the first version of which was drawn up in 2017) from which the company draws inspiration in the fulfilment of its activities; no instances of corruption have emerged. In 2007, the parent company adopted the Organisation, Management and Control Model pursuant to Legislative Decree 231/2003 (231 Model). Furthermore, Bioagritalia, Daisy and La Torrazza also adopted the 231 Model, have their own supervisory functions, and have embraced the principles of the parent company's Ethical Code.
Supplier code of conduct	Great attention is paid to the selection of suppliers, whose alignment with the values expressed in the company Ethical Code and the 231 Model is assessed (explicit reference to the latter is made in contracts). The Group has launched a specific assessment of the implementation of new Enterprise Resource Planning software for real-time monitoring of documentation shared with suppliers, including in regard to environmental aspects.
Our View	<b>Our analysis of Ambienthesis's corporate governance reveals that the company is acutely aware of sustainability issues and has integrated them into its business.</b>

Source: Intermonte SIM and Company Data

## Appendix I – Ambienthesis: The Orbassano Platform

### Orbassano (TO): platform for the treatment of hazardous and non-hazardous special waste

- liquid waste treatment capacity: 320k m<sup>3</sup>/y;
- solid waste treatment capacity: 200k tons/y.

The largest Italian platform for the treatment of hazardous and non-hazardous waste, with a treatment capacity of 520k tons/y. The plant configuration involves parallel and synergistic treatment lines:

- i) CFB (Circulating Fluidised Bed): pre-treatment of strongly acid solutions or bases containing chromates, cyanides or heavy metals; chemical, physical, biological treatment of water-based effluent: 250k tons/y;
- ii) HS: recovery of oils from non-regenerable oil-based emulsions: 20k tons/y;
- iii) SOLIDS: selection, dehydration, thickening, stabilisation, inertisation, volumetric reduction, conditioning (accumulation, selection of materials, unpacking, emptying and washing of containers and packaging): 170k tons/y;
- iv) STORAGE: preliminary waste deposition, prior to dispatch to third-party disposal plants; nominal capacity of 9.2k m<sup>3</sup>;
- v) SIVAR (Recovery Activity): selection and holding for the enhancement and recovery of the remaining noble fraction in the waste: 80k tons/y.

### Investments in the Orbassano Platform

In the first few months of 2019 the company brought the new Regenerative Thermal Oxidizer (RTO) plant up to speed. The RTO carries out thermal treatment of emissions captured from the plant's various operating lines, and in addition to the systems already in place, provides even greater efficiency in the abatement of volatile organic compost. The plant was developed in compliance with Industry4.0 requirements and is identified as using the best available technology (BAT) for the sector. It demonstrates Ambienthesis's innovative approach and commitment to applying the latest technological standards.

As part of its execution of a policy of constant technological renewal and improvement, in November 2019 the company completed the installation of a modern trigeneration plant, again at Orbassano. This plant has a methane-fuelled cogeneration engine combined with a refrigeration system, and allows the generation of both the electricity needed to support the plant's production cycle, and thermal energy used for increasing the overall efficiency of biological waste processing and to provide air conditioning for the offices and laboratories. The installation of this new equipment made the whole plant entirely energy self-sufficient.

Total investments made in 2019 for the RTO plant and the installation of the trigeneration plant came to Eu1.6mn.

### Ambienthesis – Orbassano Platform

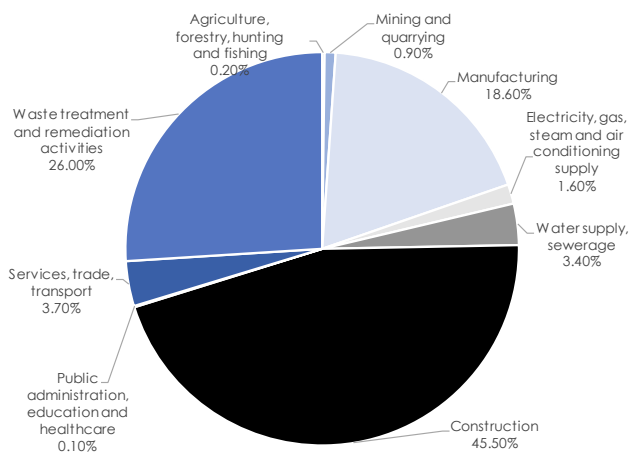


Source: Company website



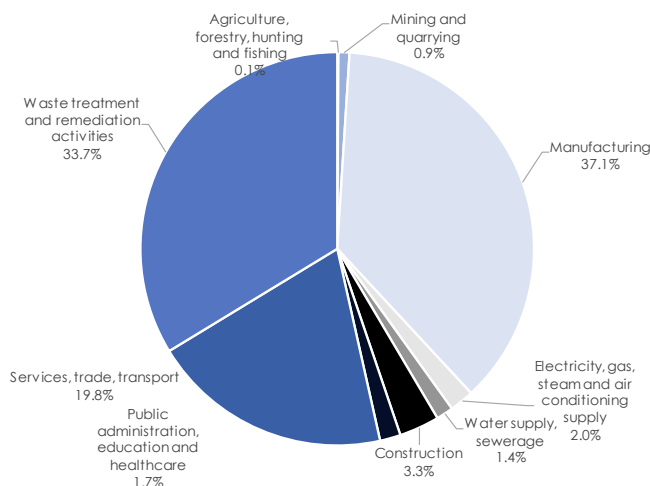
## Appendix II – Breakdown of Special Waste by Economic Activities

**Non-hazardous special waste by economic activity (%) - 2018**



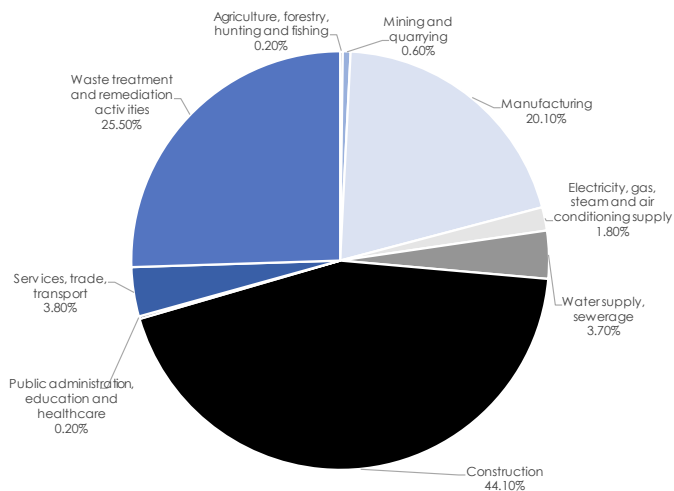
Source: Report ISPRA

**Hazardous special waste by economic activity (%) - 2018**



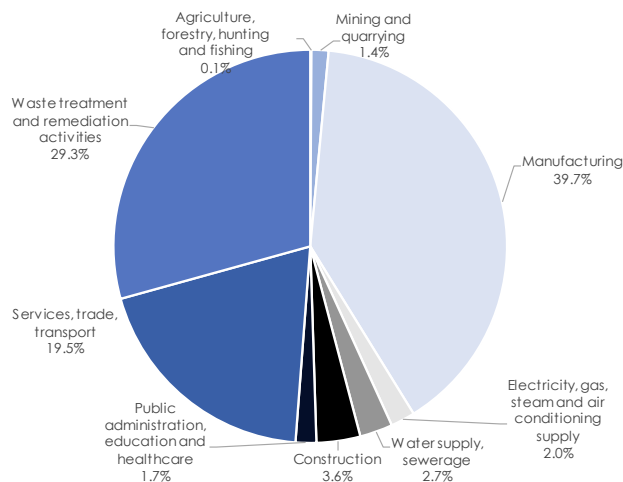
Source: Report ISPRA

**Non-hazardous special waste by economic activity (%) - 2017**



Source: Report ISPRA

**Hazardous special waste by economic activity (%) - 2017**



Source: Report ISPRA

## Appendix III – Special Waste Exports and Imports by Country

### Special waste exports by country (mn tons)

Country	2017				2018			
	Non Hazardous	Hazardous	Total	% over the total	Non Hazardous	Hazardous	Total	% over the total
Germany	0.235	0.574	0.809	26.5%	0.299	0.658	0.957	27.5%
Austria	0.180	0.064	0.243	8.0%	0.247	0.076	0.322	9.3%
France	0.125	0.132	0.256	8.4%	0.111	0.156	0.267	7.7%
Hungary	0.185	0.000	0.185	6.1%	0.212	0.001	0.213	6.1%
Spain	0.077	0.009	0.087	2.8%	0.110	0.086	0.196	5.6%
Slovenia	0.124	0.013	0.136	4.5%	0.145	0.010	0.155	4.5%
Switzerland	0.032	0.049	0.081	2.6%	0.049	0.060	0.109	3.2%
Portugal	0.024	0.036	0.061	2.0%	0.053	0.053	0.105	3.0%
China	0.204	-	0.204	6.7%	0.105	-	0.105	3.0%
Denmark	0.138	0.007	0.145	4.8%	0.083	0.019	0.102	2.9%
Belgium	0.041	0.023	0.064	2.1%	0.070	0.031	0.101	2.9%
Poland	0.024	0.025	0.049	1.6%	0.067	0.022	0.088	2.5%
Czech Republic	0.073	-	0.073	2.4%	0.072	-	0.072	2.1%
Turkey	0.075	-	0.075	2.5%	0.071	-	0.071	2.1%
Korea	0.041	-	0.041	1.3%	0.066	-	0.066	1.9%
Israel	0.048	-	0.048	1.6%	0.066	-	0.066	1.9%
Other Countries	0.449	0.047	0.496	16.2%	0.408	0.069	0.478	13.7%
<b>Total</b>	<b>2.0761</b>	<b>0.979</b>	<b>3.055</b>	<b>100.0%</b>	<b>2.235</b>	<b>1.240</b>	<b>3.475</b>	<b>100.0%</b>

Source: Report ISPra

### Special waste imports by country (mn tons)

Country	2017				2018			
	Non hazardous	Hazardous	Total	% over the total	Non Hazardous	Hazardous	Total	% over the total
Germany	1.675	0.013	1.688	25.6%	2.103	0.010	2.112	28.9%
Switzerland	1.013	0.010	1.023	15.5%	1.065	0.008	1.073	14.7%
France	0.800	0.024	0.824	12.5%	0.993	0.010	1.003	13.7%
Austria	0.772	0.001	0.773	11.7%	0.827	0.001	0.828	11.3%
Unghery	0.638	0.000	0.638	9.7%	0.587	-	0.587	8.0%
Slovenia	0.477	0.001	0.478	7.2%	0.464	0.001	0.465	6.4%
Czech Republic	0.423	0.001	0.423	6.4%	0.335	0.000	0.335	4.6%
Croatia	0.169	0.000	0.169	2.6%	0.159	0.000	0.160	2.2%
Slovakia	0.080	0.009	0.089	1.4%	0.111	0.001	0.112	1.5%
Netherlands	0.078	0.000	0.079	1.2%	0.088	0.009	0.097	1.3%
Great Britain	0.036	0.029	0.065	1.0%	0.060	0.018	0.078	1.1%
Poland	0.033	0.016	0.049	0.7%	0.077	0.000	0.077	1.1%
Spain	0.044	-	0.044	0.7%	0.044	0.028	0.072	1.0%
Belgium	0.036	0.001	0.037	0.6%	0.037	0.000	0.037	0.5%
Bosnia-Herzegovina	0.004	0.032	0.036	0.5%	0.034	0.000	0.034	0.5%
Other countries	0.185	0.004	0.189	2.9%	0.206	0.029	0.235	3.2%
<b>Total</b>	<b>6.461</b>	<b>0.142</b>	<b>6.603</b>	<b>100.0%</b>	<b>7.190</b>	<b>0.114</b>	<b>7.304</b>	<b>100.0%</b>

Source: Report ISPra

## Appendix IV – Circular Economy

- **New Circular Economy Action Plan**
- **A way to a climate-neutral, competitive economy of empowered consumers**
- **Focus on Waste recycling**

**European Green Deal.** The European Green Deal, presented by the Von der Leyen Commission on 11<sup>th</sup> December 2019, sets an ambitious roadmap towards a climate-neutral circular economy, where economic growth is decoupled from resource use. A circular economy reduces pressure on natural resources and is a precondition for achieving the climate-neutrality target by 2050 and halting biodiversity loss. Half of total greenhouse gas emissions and more than 90% of biodiversity loss and water stress come from resource extraction and processing. The circular economy will have net positive benefits in terms of GDP growth and job creation, since applying ambitious circular economy measures in Europe can increase the EU's GDP by an additional 0.5% by 2030 creating around 700,000 new jobs.

**New Circular Economy Action Plan.** At the beginning of March, the European Commission adopted a new Circular Economy Action Plan, one of the main building blocks of the European Green Deal, Europe's new agenda for sustainable growth. With measures along the entire life cycle of products, the new Action Plan aims to make our economy fit for a green future, strengthen our competitiveness while protecting the environment and give new rights to consumers. Building on the work done since 2015, the new Plan focuses on the design and production for a circular economy, with the aim to ensure that the resources used are kept in the EU economy for as long as possible. The plan and the initiatives therein will be developed with the close involvement of the business community and other key stakeholders.

**Make sustainable products the norm in the EU.** The Commission will propose legislation on Sustainable Product Policy, to ensure that products placed on the EU market are designed to last longer, are easier to reuse, repair and recycle, and incorporate as much as possible recycled material instead of primary raw materials. Single use will be restricted, premature obsolescence tackled, and the destruction of unsold durable goods banned.

**Empower consumers.** Consumers will have access to reliable information on issues such as the reparability and durability of products to help them make environmentally sustainable choices. Consumers will benefit from a true 'Right to Repair'.

**Focus on the sectors that use the most resources and where the potential for circularity is high.** The Commission will launch concrete actions on:

- **electronics and ICT** – a 'Circular Electronics Initiative' to have longer product lifetimes, and improve the collection and treatment of waste
- **batteries and vehicles** – new regulatory framework for batteries for enhancing the sustainability and boosting the circular potential of batteries
- **packaging** – new mandatory requirements on what is allowed on the EU market, including the reduction of (over)packaging
- **plastics** – new mandatory requirements for recycled content and special attention on microplastics as well as bio-based and biodegradable plastics
- **textiles** – a new EU Strategy for Textiles to strengthen competitiveness and innovation in the sector and boost the EU market for textile reuse
- **construction and buildings** – a comprehensive Strategy for a Sustainably Built Environment promoting circularity principles for buildings
- **food** – new legislative initiative to substitute single-use packaging, tableware and cutlery with reusable products in food services

**Focus on waste.** The focus will be on avoiding waste altogether and transforming it into high-quality secondary resources that benefit from a well-functioning market for secondary raw materials. The Commission will explore setting an EU-wide, harmonised model for the separate collection of waste and labelling. The Action Plan also puts forward a series of actions to minimise EU exports of waste and tackle illegal shipments. In 2018 the Environment Committee of the European Parliament approved an amendment to the waste package, including legislation on waste, landfills, packaging and vehicle, battery and electronic equipment recycling.

- Raise the share of **recycled waste** to 65% by 2035, with interim targets of 55% in 2025 and 60% in 2030 (currently around 50% of municipal solid waste in the EU is being recycled);
- 70% **recycling of packaging waste** by 2030 (paper and cardboard, plastics, glass, metal and wood);
- Limit **landfilling** to 10%. As many countries still have high rates of landfilling there will be an extension for countries with more than 60% landfilling;
- Introducing **separate collection for food waste** by 2023, textile by 2025 and household waste by 2022.

**DETAILS ON STOCKS RECOMMENDATION**

<b>Stock NAME</b>	<b>AMBIENTHESIS</b>		
Current Recomm:	OUTPERFORM	Previous Recomm:	
Current Target (Eu):	0.90	Previous Target (Eu):	
Current Price (Eu):	0.69	Previous Price (Eu):	
Date of report:	07/01/2021	Date of last report:	



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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.

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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

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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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Emittente	%	Long/Short
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IKF	0,57	SHORT
LIFE CARE CAPITAL	0,59	LONG
OLIDATA	0,74	SHORT

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