

AMBIENTHESIS

Sector: Utilities

OUTPERFORM

Price: Eu0.91 - Target: Eu1.35

FY21 Results and New Business Plan at a Glance

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Stock Rating

Rating: Unchanged

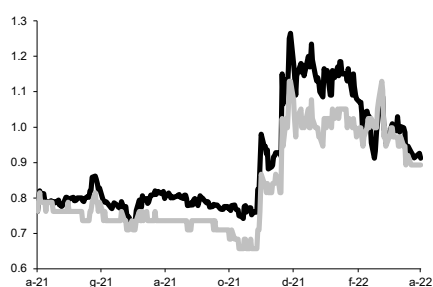
Target Price (Eu): Unchanged

	2022E	2023E	2024E
Chg in Adj EPS	2.3%	5.4%	3.2%

Next Event 1H22 Results

 Results Out 9th August 2022

AMBIENTHESIS - 12M Performance



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

Stock Data

Reuters code: ATH.MI

Bloomberg code: ATH IM

Performance	1M	3M	12M
Absolute	-4.2%	-21.0%	19.7%
Relative	-6.7%	-11.4%	16.6%
12M (H/L)		1.26/0.71	
3M Average Volume (th):		133.47	

Shareholder Data

No. of Ord shares (mn): 155

Total no. of shares (mn): 155

Mkt Cap Ord (Eu mn): 142

Total Mkt Cap (Eu mn): 142

Mkt Float - Ord (Eu mn): 16

Mkt Float (in %): 11.3%

Main Shareholder:

Planesys SpA (ex Greenthesys SpA) 85.8%

Balance Sheet Data

Book Value (Eu mn): 22

BVPS (Eu): 0.14

P/BV: 6.5

Net Financial Position (Eu mn): -60

Enterprise Value (Eu mn): 257

■ **FY21 results:** on 15th March 2021 Ambienthesis reported its full-year results, which included the impact of completion of the extraordinary transaction with Greenthesys. Consolidated revenues came in at Eu155.9mn, up +15.9% YoY on a pro-forma basis. Looking at the different business lines, sales from Waste Recovery and Transport reached Eu110.8mn, up 15.5% YoY. The Engineering and Construction and the Energy Production segments posted strong growth, mainly due to the contribution of Greenthesys assets. By contrast, the Environmental Remediation business was down 11.2%. Moving down the P&L, EBITDA closed at Eu25.7mn, with adj. EBITDA at Eu30.9mn (+11.5% YoY, vs. Eu32.0mn expected), a 19.8% margin. On the bottom line, net profit closed at Eu9.9mn, while adj. net income reached Eu14.0mn (-4.7% YoY, in line). Moving to the balance sheet, net debt closed at Eu69.3mn (vs. Eu47.4mn pro-forma at YE20, exp. Eu52.5mn). The difference vs. our projections is due to the inclusion of Eu17mn in net debt relating to the transaction between Rea Dalmine and the Dalmine municipality based on previous agreements. Finally, the BoD proposed a dividend of Eu0.0097 per share.

■ **New 2022-2026 strategic plan:** in addition to FY21 results, the Ambienthesis BoD has analysed and approved the new 2022-26 strategic plan, which rests on the following pillars: 1) reformulation of the business model thanks in part to the recent integration with GTH; 2) continuation of the growth trajectory, along both external and internal lines, also through the development of new Green Economy initiatives; 3) value creation based on a highly-selective order book focused on quality, an effective commercial push and a greater drive for internationalisation; 4) achievement of specific objectives relating to the introduction of innovation and efficiency all along the production cycle; 5) identification of overall business sustainability as a key driver. As for financial targets, management expects the company to deliver annual turnover to Eu200mn at the end of the plan in 2026, with an EBITDA margin in excess of 20% and a net profit margin of 9%. Around Eu60mn of cumulative investments are expected over the course of the business plan, focused on improving the ESG rating and developing specific economic initiatives within the Circular Economy.

■ **Estimates and target unchanged.** We recently updated our forecasts from 2021 onwards to include the contribution of Greenthesys assets. Following FY21 results we are leaving our P&L projections broadly unchanged, with EBITDA expected to reach Eu40.4mn in 2026. At balance sheet level, we have factored in the higher YE21 net financial position, which, we remind, included the additional Eu17mn related to Rea Dalmine. In terms of the valuation, we are confirming our Eu1.35ps target price.

■ **OUTPERFORM confirmed.** We confirm our positive view on the stock, as we believe ATH has a solid competitive positioning and value creation potential thanks to its advanced technological know-how in both waste treatment and environmental remediation. Additionally, the recently announced integration with GTH will significantly enhance profitability going forward, and the expected significant increase in size will make it the leading independent listed pure player in Italy specialising in the integrated management of environmental services.

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	85	156	170	184	188
EBITDA Adj (Eu mn)	7	31	34	36	39
Net Profit Adj (Eu mn)	3	14	14	16	17
EPS New Adj (Eu)	0.035	0.090	0.090	0.101	0.108
EPS Old Adj (Eu)	0.035	0.090	0.088	0.096	0.104
DPS (Eu)	0.008	0.010	0.012	0.014	0.017
EV/EBITDA Adj	17.9	8.1	7.5	7.0	6.1
EV/EBIT Adj	32.1	13.2	12.4	11.1	9.9
P/E Adj	26.1	10.1	10.1	9.0	8.5
Div. Yield	0.9%	1.1%	1.3%	1.5%	1.8%
Net Debt/EBITDA Adj	1.8	2.2	1.8	1.5	1.0

AMBIENTHESIS – Key Figures

Profit & Loss (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Sales	87	85	156	170	184	188
EBITDA	7	7	26	34	36	39
EBIT	5	4	14	21	23	24
Financial Income (charges)	-1	-1	-2	-3	-2	-2
Associates & Others	2	2	1	2	2	2
Pre-tax Profit	6	4	13	20	22	24
Taxes	-2	-1	-3	-5	-6	-6
Tax rate	26.1%	24.6%	23.4%	27.0%	27.0%	27.0%
Minorities & Discontinued Operations	-0	-0	-0	-0	-0	-0
Net Profit	4	3	10	14	16	17
EBITDA Adj	8	7	31	34	36	39
EBIT Adj	5	4	19	21	23	24
Net Profit Adj	5	3	14	14	16	17
Per Share Data (Eu)	2019A	2020A	2021A	2022E	2023E	2024E
Total Shares Outstanding (mn) - Average	93	93	155	155	155	155
Total Shares Outstanding (mn) - Year End	93	93	155	155	155	155
EPS f.d	0.047	0.033	0.062	0.090	0.101	0.108
EPS Adj f.d	0.052	0.035	0.090	0.090	0.101	0.108
BVPS f.d	0.524	0.544	0.062	0.141	0.230	0.322
Dividend per Share ORD	0.011	0.008	0.010	0.012	0.014	0.017
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	22.3%	24.3%	15.6%	12.9%	13.8%	15.6%
Cash Flow (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Gross Cash Flow	7	6	22	28	29	32
Change in NWC	-1	-3	-13	7	3	-4
Capital Expenditure	-5	-7	-28	-24	-24	-9
Other Cash Items	0	0	3	0	0	0
Free Cash Flow (FCF)	1	-3	-16	11	8	19
Acquisitions, Divestments & Other Items	-3	-7	-41	-0	-0	-0
Dividends	-1	-1	-1	-1	-2	-2
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	-3	-10	-57	9	6	17
Balance Sheet (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Total Fixed Assets	54	64	192	203	213	207
Net Working Capital	-3	-7	-12	-14	-20	-20
Long term Liabilities	0	6	-99	-104	-101	-96
Net Capital Employed	51	63	81	84	92	90
Net Cash (Debt)	-2	-12	-69	-60	-54	-37
Group Equity	49	51	11	24	38	53
Minorities	0	1	2	2	3	3
Net Equity	49	50	10	22	36	50
Enterprise Value (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Average Mkt Cap	37	56	126	142	142	142
Adjustments (Associate & Minorities)	-55	-55	-55	-55	-55	-55
Net Cash (Debt)	-2	-12	-69	-60	-54	-37
Enterprise Value	93	123	250	257	250	233
Ratios (%)	2019A	2020A	2021A	2022E	2023E	2024E
EBITDA Adj Margin	9.0%	8.0%	19.8%	19.4%	19.6%	20.5%
EBIT Adj Margin	6.0%	4.5%	12.1%	11.8%	12.3%	12.6%
Gearing - Debt/Equity	3.8%	24.2%	nm	nm	141.7%	70.1%
Interest Cover on EBIT	7.6	3.8	6.5	8.1	9.8	12.2
Net Debt/EBITDA Adj	0.2	1.8	2.2	1.8	1.5	1.0
ROACE*	10.1%	6.5%	19.1%	25.0%	25.6%	25.9%
ROE*	10.4%	6.5%	46.5%	88.7%	54.4%	39.0%
EV/CE	2.0	2.2	3.5	3.1	2.8	2.6
EV/Sales	1.1	1.4	1.6	1.5	1.4	1.2
EV/EBITDA Adj	12.0	17.9	8.1	7.5	7.0	6.1
EV/EBIT Adj	18.0	32.1	13.2	12.4	11.1	9.9
Free Cash Flow Yield	0.7%	-1.4%	-8.0%	5.4%	4.2%	9.8%
Growth Rates (%)	2019A	2020A	2021A	2022E	2023E	2024E
Sales	5.5%	-1.3%	82.5%	9.2%	7.8%	2.3%
EBITDA Adj	22.4%	-11.4%	349.7%	10.1%	5.8%	7.0%
EBIT Adj	24.4%	-25.6%	393.0%	9.2%	9.6%	4.3%
Net Profit Adj	37.7%	-30.1%	216.1%	45.0%	12.0%	6.8%
EPS Adj	14.3%	-33.3%	157.3%	0.1%	12.0%	6.8%
DPS	31.3%	-23.8%	21.3%	20.0%	20.0%	20.0%

*Excluding extraordinary items

Source: Intermonte SIM estimates

Ambienthesis in Brief

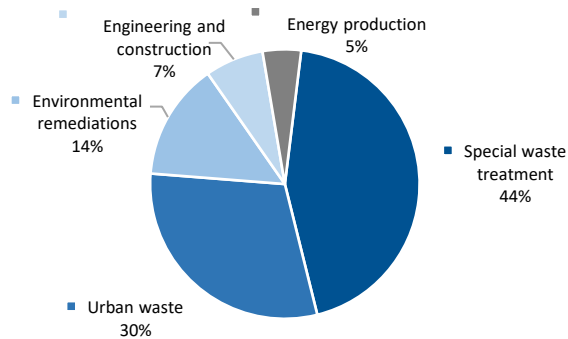
Company description

Ambienthesis specialises in remediation and industrial waste activities and in high value-added environmental services (waste-to-energy, urban and special waste disposal, green energy production). Its headquarters are at Segrate (MI) and it has been listed on MTA segment of Italian Stock Exchange since 2007.

Strengths/Opportunities

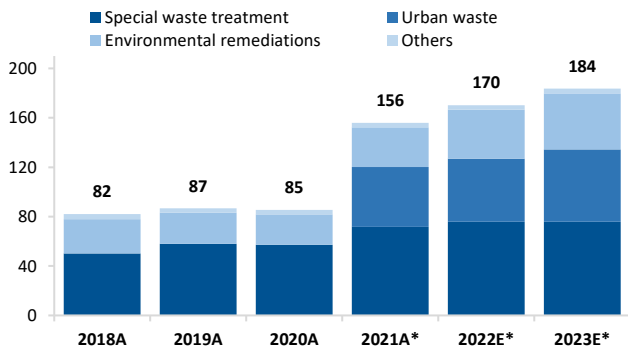
- Technological know-how and varied plant assets
- Differentiation of the service offering
- Solid balance sheet
- Geographical expansion and product diversification
- Expansion and regulation of the circular economy
- Innovation and investment in more advanced technologies

Ambienthesis: Revenue Breakdown (%) by Segment (2021A)



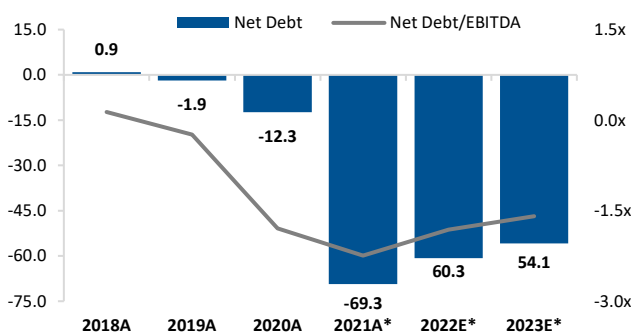
Source: Company Data & Intermonte SIM

Ambienthesis: Revenue Breakdown Evolution by Segment (Eu mn)



Source: Company Data & Intermonte SIM Estimates. *Post Integration with Greenthesis

Ambienthesis: Net Debt (Eu mn) and Net Debt/EBITDA (x)



Source: Company Data & Intermonte SIM Estimates. *Post Integration with Greenthesis

Management

CEO: Damiano Belli
Chairman: Giovanni Bozzetti
CFO: Vincenzo Cimini

Next BoD renewal: Spring, 2022
BoD independent members: 3/7
Women on BoD: 3/7

Shareholders*

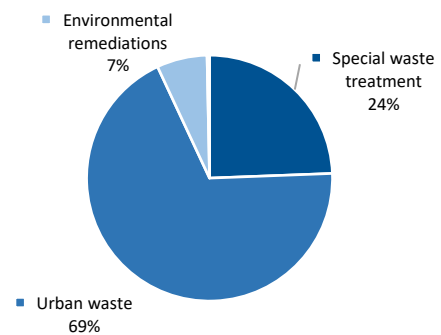
Planesys SpA	85.8%
Market	11.3%
Treasury Shares	2.9%

*Post transaction

Weaknesses/Threats

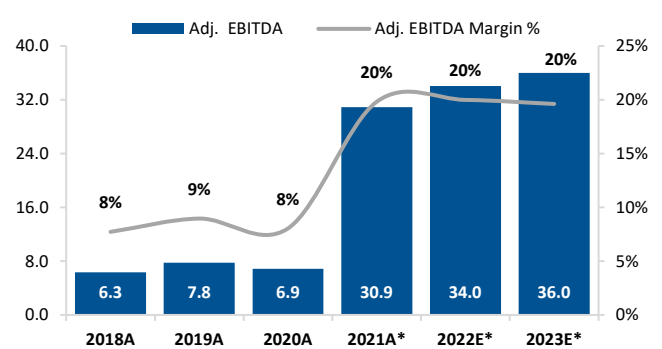
- Competition in the environmental remediation segment
- Limited bargaining power with larger clients
- Volatility of the environmental remediation business
- M&A execution: potential delays in integrating acquired companies
- Demand for more advanced technological skills

Ambienthesis: EBITDA Breakdown by Segment (2021A)



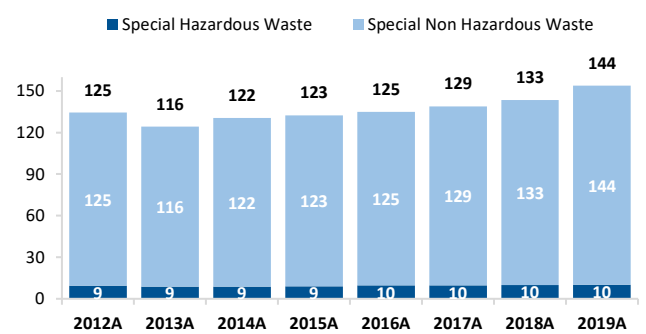
Source: Company Data & Intermonte SIM

Ambienthesis: EBITDA (Eu mn) and Margin (%) Evolution



Source: Company Data & Intermonte SIM Estimates. *Post Integration with Greenthesis

Ambienthesis: Special Waste Output in Italy (mn tons)



Source: Intermonte SIM Estimates

FY21 Results

FY21 Results. Ambienthesis reported its full-year results, which included the impact from completion of the extraordinary transaction with Greenthesis, on 15th March 2021. Consolidated revenues came in at Eu155.9mn, up +15.9% YoY on a pro-forma basis. Looking at the different business lines, still considering 2020 pro-forma data, sales from Waste Recovery and Transport grew 15.5% YoY to Eu110.8mn. The Engineering and Construction and Energy Production segments posted strong growth, mainly due to the contribution of Greenthesis assets. By contrast, the Environmental Remediation business was down 11.2%. Moving down the P&L, EBITDA closed at Eu25.7mn, with adj. EBITDA at Eu30.9mn (+11.5% YoY, vs. Eu32.0mn expected), a 19.8% margin. The difference of roughly Eu5mn between reported and adjusted EBITDA relates to Eu2.2mn of stamp duty and loan losses for the REA/ Dalmine municipality transaction, Eu2.2mn of provisions to the risk fund due to employment-related legal action and an Eu0.8mn adjustment to the risk fund related to arbitration on the liquidation of Aimeri and on SEAB. EBIT closed at Eu13.7mn, after booking Eu11.9mn in depreciation and amortisation, while adj. EBIT closed at Eu18.9mn (+6.1% YoY, vs. exp. Eu20.2mn). Finally, on the bottom line, net profit closed at Eu9.9mn, while adj. net income reached Eu14.0mn (-4.7% YoY, in line). Moving to the balance sheet, net debt closed at Eu69.3mn (vs. Eu47.4mn pro-forma at YE20, exp. Eu52.5mn). The difference vs. our projections is due to the inclusion of a Eu17mn net debt relating to the transaction between Rea Dalmine and the Dalmine municipality based on previous agreements. Finally, the BoD proposed the distribution of a DPS of Eu0.0097.

Below we show 2021 data vs. 2020 pro-forma data, which include the contribution from Greenthesis.

Ambienthesis – FY21 Results

(Eu mn)	pro-forma		2021A	2021E	Chg FY	
	2020A	2020A			YoY	AvE
Special waste treatment	57.2	96.0	110.8	115.0	15.5%	-3.6%
Environmental remediations	24.5	24.5	21.8	25.0	-11.2%	-12.9%
Engineering and construction	1.2	5.3	11.0	12.0	105.9%	-8.3%
Electricity production		6.2	8.3	9.0	35.5%	-7.3%
Other revenues	2.5	2.5	4.0	5.0	57.3%	-21.2%
Revenues	85.5	134.5	155.9	166.0	15.9%	-6.1%
Operating costs	-78.8	-108.2	-130.3	-134.1	20.3%	-2.8%
EBITDA	6.6	26.3	25.7	32.0	-2.2%	-19.7%
Adj. EBITDA	6.9	27.7	30.9	32.0	11.5%	-3.4%
Adj. EBITDA margin	8.0%	20.6%	19.8%	19.3%		
Depr., prov., write-downs	-2.9	-10.3	-12.0	-11.8	16.4%	1.1%
EBIT	3.7	16.0	13.7	20.2	-14.2%	-31.9%
Adj. EBIT	4.0	17.8	18.9	20.2	6.1%	-6.2%
Margin (%)	5%	13%	12%	12%		
Net Financial Charges	-1.0	-2.7	-2.1	-1.9		
Other Charges/Income	1.5	1.5	1.4	1.5		
Net Operating Margin	4.2	14.9	13.0	19.8	-12.5%	-34.2%
Taxes	-1.0	-4.3	-3.0	-5.3		
Tax Rate (%)	25%	29%	23%	27%		
Net Income	3.2	10.5	10.0	14.4	-5.3%	-30.9%
Minorities	0.1	0.4	0.3	0.4		
Group Net Income	3.0	10.1	9.6	14.0	-4.7%	-31.3%
Adj. Net Income	3.2	11.3	14.0	14.0	24.1%	-0.5%
Equity	51.0	6.8	11.3	19.8	65.8%	-42.8%
Net Debt	12.3	47.4	69.3	52.5	46.2%	32.1%
CE	63.3	54.3	80.7	72.3	48.7%	11.6%
D/E Ratio	0.2	6.9	6.1	2.7		

Source: Company data and Intermonte SIM estimates.

Covenants on March 2020 bond. Following the transfer of the Greenthesis division that was approved in December last year, Ambienthesis obtained the requested waiver (relating to 31st December 2021) and adjustment (for the 2022, 2023 and 2024 financial years) of the Gearing Ratio covenant with Intesa Sanpaolo for the Eu8mn bond issued in March 2020, which was entirely subscribed by the bank. The reformulation of the Gearing Ratio envisages that it will not be applied for 2021, and the following ratios will be applied for the following years: 2022: <2.5x; 2023: <2.0x; 2024: <1.5x; 2025 and subsequent years: <0.5x. The other two covenant ratios were met at the end of 2021, with the leverage ratio coming to 2.3x (vs. covenant < 2.5x) and the interest cover ratio at 9.4x (vs. covenant > 4.0x)

2022-2026 Strategic Plan: new strategic guidelines and financial targets

2022-2026 Strategic Plan: new strategic guidelines and financial targets. In addition to FY21 results, the Ambienthesis BoD has analysed and approved the new 2022-26 strategic plan, which rests on the following pillars: 1) reformulation of the business model thanks in part to the recent integration with GTH; 2) continuation of the growth trajectory, along both external and internal lines, also through the development of new Green Economy initiatives; 3) value creation based on a highly-selective order book focused on quality, an effective commercial push and a greater drive for internationalisation; 4) achievement of specific objectives relating to the introduction of innovation and efficiency all along the production cycle; 5) identification of overall business sustainability as a key driver. As for financial targets, management expects the company to bring annual turnover to Eu200mn at the end of the plan in 2026, with an EBITDA margin in excess of 20% and a net profit margin of 9%. Around Eu60mn of cumulative investments are expected over the course of the business plan, focused on improving the ESG rating and developing specific economic initiatives within the Circular Economy; by 2026 the group foresees c.35% of its turnover coming from “green” sources.

The new business plan is based on three paradigms: Profit, Planet and People (the 3 Ps Approach). The strategic drivers for the current plan are growth in size, technological innovation and convergence between different businesses, while the fundamentals underpinning these drivers are development, efficiency, the introduction of process and digital technology, training and corporate culture, sustainability and reputation, all of which will be combined to better tackle the challenges presented by the environmental, energy and digital transition, both within and without.

In continuation of what has already been put in place in recent years, the approved plan, relating to the new consolidation base that now includes a series of assets and business activities that were previously out of scope, the group’s development strategy is founded on the following fundamental conditions:

- **reformulation of the business model**, thanks to the recently-completed extraordinary transaction, aimed at combining the consolidation of more traditional, mature technologies with more innovative service/product solutions in supplementary and complementary sectors, consistent with the ongoing environmental, energy and digital transition;
- **continuation of the growth trajectory**, both externally, through the potential acquisition of other businesses whose production activity fits in closely with the Circular Economy, and internally, through the development of new initiatives featuring innovative content within the Green Economy;
- **value creation based on a highly-selective order book**, an effective commercial push and a greater drive for internationalisation;
- **achievement of specific objectives relating to the introduction of innovation and efficiency all along the production cycle**, in response to the increasingly dynamic market environment, through an operational approach focused on enhancing the integrated waste cycle chain on the one hand, and the implementation of further operational and organisational efficiencies on the other;
- **identification of overall business sustainability as a key driver**, the strategic foundation of the plan itself.

The above covers the elements and amounts expressed in the 2022-26 business plan, which briefly boils down, economically, to the generation of Eu200mn of turnover per year at the end of the plan, with an average gross margin in excess of 20% over the five-year period and a net margin of around 9%. Investments in the period – envisaged at around Eu60mn – will be targeted at improving the ESG rating and developing specific economic initiatives related to the Circular Economy; it is estimated that by 2026 roughly 35% of group turnover will be from “green” sources.

Valuation

In terms of the valuation, we confirm our target price for the new ATH of Eu1.35ps, still based on a mix of DCF and market multiples, i.e. a peer comparison. In this section we recap details of our two valuation methodologies.

DCF model

The basic assumptions included in our DCF model are a WACC of 5.43% and a terminal growth rate of 1.50%. Based on these assumptions, we estimate an enterprise valuation (EV) of Eu336mn. We then subtract the net financial debt as at YE21, other liabilities (provisions for risks and charges, at 90% of the BV) and the minorities (12.0x 2022E P/E) and add financial assets (including the assets held for sale, the Casei Gerola property complex, at 90% of the BV), obtaining an equity valuation of Eu212mn, corresponding to Eu1.41ps.

Ambientthesis: DCF Model

(Eu mn)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBITA	20.7	22.6	23.6	24.7	25.2	25.3	25.5	25.8	19.0
Taxes on EBITA	-5.6	-6.1	-6.4	-6.7	-6.8	-6.8	-6.9	-7.0	-5.5
Depreciation/amortisation	13.4	13.4	14.9	15.0	15.2	15.2	15.2	15.2	13.9
Capex - acquisitions	-24.0	-24.0	-8.6	-8.1	-8.1	-8.1	-8.1	-8.1	-7.5
Operating cash flow	4.4	5.9	23.6	25.0	25.5	25.6	25.8	25.9	19.9
NOPAT	15.1	16.5	17.2	18.0	18.4	18.5	18.6	18.8	13.5
NPV 2022-29	122.8								NOPAT 2030
TV 2030	213.4								13.5
EV	336.2								
Net debt	-69.3	YE21							
Financial assets	36.3	including the assets held for sale							
Other liabilities	-86.2	risks and charges provisions							
Minorities	-4.8	12.0x 2022E P/E							
Equity Value	212.1								
Equity Value per share	1.41								

Source: Intermonte SIM estimates.

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

Ambientthesis: DCF Sensitivity

Growth rate	1.00%				1.50%	2.00%			
Wacc	4.93%	5.43%	5.93%	4.93%	5.43%	5.93%	4.93%	5.43%	5.93%
NPV 2021-26	125.8	122.8	119.9	125.8	122.8	119.9	125.8	122.8	119.9
TV 2027	222.7	189.3	163.0	255.2	213.4	181.4	298.7	244.5	204.5
EV	348.5	312.1	282.9	381.0	336.2	301.3	424.5	367.3	324.4
Net debt	-69.3	-69.3	-69.3	-69.3	-69.3	-69.3	-69.3	-69.3	-69.3
Financials	36.3	36.3	36.3	36.3	36.3	36.3	36.3	36.3	36.3
Other liabilities	-86.2	-86.2	-86.2	-86.2	-86.2	-86.2	-86.2	-86.2	-86.2
Minorities	-4.8	-4.8	-4.8	-4.8	-4.8	-4.8	-4.8	-4.8	-4.8
Equity Value	224.5	188.0	158.8	256.9	212.1	177.2	300.5	243.2	200.3
per share	1.49	1.25	1.05	1.71	1.41	1.18	1.99	1.61	1.33

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 ATH business profile. In the waste segment and environmental remediation, ATH is the only listed pure Waste sector play on the Italian Market; its largest competitors are subsidiaries of local utilities A2A, Hera, Iren and ACEA, which operate in the waste segment.

These four companies are currently trading at average 2022E EV/EBITDA of 7.1x, EV/EBIT of 15.2x and P/E of 13.4x. On 2023E numbers, the multiples are as follows: 6.8x, 14.4x and 12.2x respectively.

Italian Local Utilities: Market Multiples at Current Prices

Stock	EV/EBITDA			EV/EBIT			P/E		
	2021	2022E	2023E	2021	2022E	2023E	2021	2022E	2023E
A2A	7.0	7.8	7.4	15.2	17.7	16.1	13.0	15.2	12.8
Hera	7.1	7.0	6.7	14.2	13.8	12.9	16.9	15.5	14.4
Acea	6.8	6.7	6.6	14.7	14.6	14.3	11.6	11.2	10.8
Iren	6.5	6.8	6.7	14.4	14.5	14.2	12.0	11.7	10.6
Median	6.8	7.1	6.8	14.6	15.2	14.4	13.4	13.4	12.2

Source: Intermonte SIM estimates.

In the table below we highlight the multiples at our target prices for the four different stocks. The 2022E average EV/EBITDA is 7.6x, declining to 7.3x in 2023E; EV/EBIT of 16.3x and 15.4x respectively, and P/E of 15.4x and 13.9x.

Italian Local Utilities: Market Multiples at Intermonte Targets

Stock	EV/EBITDA			EV/EBIT			P/E		
	2021	2022E	2023E	2021	2022E	2023E	2021	2022E	2023E
A2A	7.8	8.5	8.0	16.8	19.4	17.5	15.7	18.3	15.4
Hera	7.5	7.4	7.1	15.1	14.7	13.7	18.6	17.0	15.8
Acea	7.1	7.1	6.9	15.4	15.3	15.0	12.9	12.4	12.0
Iren	7.1	7.3	7.2	15.8	15.7	15.3	14.1	13.8	12.6
Median	7.4	7.6	7.3	15.8	16.3	15.4	15.3	15.4	13.9

Source: Intermonte SIM estimates.

For our market multiples valuation of Ambienthesis, we have taken the median of the multiples for the four companies in the sample. The comparison with the peer group yields a valuation range of Eu193-204mn, with a mean valuation of Eu199mn, corresponding to Eu1.32ps.

Ambienthesis: Peer Group Comparison

(Eu mn)	2022E	2023E	Avg. 22-23
EV/EBITDA multiple valuation			
Ambienthesis EBITDA	34.0	36.0	
EV/EBITDA peer group	7.6x	7.3x	
fair EV based on multiples	258.1	263.3	
Net (debt) cash	-60.3	-54.1	
Financials	36.3	36.3	
Other liabilities	-86.2	-86.2	
Minorities	-4.8	-4.8	
Fair Equity value on multiples	143.1	154.5	148.8
NOSH (mn)	150.7	150.7	
Fair share price	0.95	1.03	0.99
EV/EBIT multiple valuation			
Ambienthesis EBIT	20.7	22.6	
EV/EBIT peer group	16.3x	15.4x	
fair EV based on multiples	335.8	347.8	
Fair Equity value on multiples	220.8	239.0	229.9
NOSH (mn)	150.7	150.7	
Fair share price	1.47	1.59	1.53
P/E multiple valuation			
Ambienthesis Adj. Net Profit	14.0	15.7	
P/E peer group	15.4x	13.9x	
Fair Equity value on multiples	215.2	218.4	216.8
NOSH (mn)	150.7	150.7	
Fair share price	1.43	1.45	1.44
Mean result	193.0	204.0	198.5
Mean result per share	1.28	1.35	1.32

Source: Intermonte SIM estimates

Financials

Ambienthesis: Income Statement

(Eu mn)	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Total Revenues	59.0	82.1	86.6	85.5	155.9	170.2	183.6	187.7	189.4	191.1
Total Operating Costs	-51.0	-70.0	-72.3	-71.8	-123.1	-128.9	-140.1	-141.5	-141.9	-142.9
Value Added	8.0	12.1	14.3	13.6	32.8	41.3	43.5	46.2	47.4	48.2
Labor Cost	-6.5	-6.6	-6.9	-7.0	-7.2	-7.3	-7.5	-7.6	-7.7	-7.8
EBITDA	1.6	5.5	7.4	6.6	25.7	34.0	36.0	38.5	39.7	40.4
Adj. EBITDA	2.6	6.3	7.8	6.9	30.9	34.0	36.0	38.5	39.7	40.4
% Adj. EBITDA Margin	4.4%	7.7%	9.0%	8.0%	19.8%	20.0%	19.6%	20.5%	21.0%	21.1%
Depr. Prov's. and Write-downs	-4.1	-2.2	-2.6	-2.9	-12.0	-13.4	-13.4	-14.9	-15.0	-15.2
EBIT	-2.5	3.3	4.8	3.7	13.7	20.7	22.6	23.6	24.7	25.2
% EBIT Margin	-4.3%	4.0%	5.5%	4.3%	8.8%	12.1%	12.3%	12.6%	13.0%	13.2%
Net Financial Charges	-0.5	-0.5	-0.6	-1.0	-2.1	-2.6	-2.3	-1.9	-1.4	-0.8
Other Charges and Income	0.6	0.6	1.9	1.5	1.4	1.6	1.8	1.9	2.0	2.0
Net Operating Margin	-2.4	3.4	6.0	4.2	13.0	19.7	22.1	23.6	25.3	26.4
Taxes	-0.2	-0.2	-1.6	-1.0	-3.0	-5.3	-6.0	-6.4	-6.8	-7.1
Adj. Tax Rate %	-8.4%	5.7%	26.1%	24.6%	23.4%	27.0%	27.0%	27.0%	27.0%	27.0%
Net Income	-2.6	3.2	4.5	3.2	10.0	14.4	16.1	17.2	18.5	19.3
Results from discontinued op.	0	0	0	0	0	0	0	0	0	0
Minorities	0.1	0.1	0.1	0.1	0.3	0.4	0.4	0.5	0.5	0.5
Group Net Income	-2.7	3.2	4.4	3.0	9.6	14.0	15.7	16.7	18.0	18.8
Adj. Net Income	0.2	4.3	4.9	3.2	14.0	14.0	15.7	16.7	18.0	18.8

Source: Company data & Intermonte SIM estimates

Ambienthesis: Balance Sheet

(Eu mn)	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Fixed assets	48.8	48.4	54.2	64.4	191.9	202.5	213.1	206.8	199.9	192.8
Net working capital	-4.5	-3.1	-2.4	0.2	-107.0	-114.0	-116.7	-112.3	-108.1	-104.0
Gross inv. capital	44.4	45.3	51.9	64.6	84.8	88.5	96.5	94.5	91.8	88.8
Severance provision	-1.0	-0.9	-1.0	-1.3	-4.2	-4.2	-4.2	-4.2	-4.2	-4.2
Net invested capital	43.4	44.3	50.9	63.3	80.7	84.4	92.3	90.3	87.7	84.6
Group sharehold. equity	41.7	44.8	48.6	50.5	9.6	21.9	35.6	50.0	65.5	81.2
Minority interests	0.4	0.4	0.4	0.5	1.7	2.1	2.6	3.1	3.6	4.1
Net financial position	-1.4	0.9	-1.9	-12.3	-69.3	-60.3	-54.1	-37.2	-18.6	0.7
Total cover	43.4	44.3	50.9	63.3	80.7	84.4	92.3	90.3	87.7	84.6

Source: Company data & Intermonte SIM estimates

Ambienthesis: Cash Flow Statement

(Eu mn)	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Net fin position beg of year	0.8	-1.4	0.9	-1.9	-12.3	-69.3	-60.3	-54.1	-37.2	-18.6
Net income	-2.6	3.2	4.5	3.2	10.0	14.4	16.1	17.2	18.5	19.3
Depreciation	2.7	2.2	2.6	2.9	12.0	13.4	13.4	14.9	15.0	15.2
Cash flow from operations	0.1	5.4	7.1	6.1	21.9	27.7	29.5	32.1	33.5	34.5
Change in working capital	-10.4	-1.5	-0.7	-2.3	-9.9	6.9	2.7	-4.3	-4.3	-4.0
Operating cash flow	-10.4	4.0	6.4	3.9	12.0	34.7	32.2	27.8	29.2	30.5
Investments	-2.9	-2.0	-5.0	-6.5	-27.7	-24.0	-24.0	-8.6	-8.1	-8.1
Free cash flow	-13.3	2.0	1.4	-2.7	-15.7	10.7	8.2	19.2	21.1	22.4
Dividends	0.0	0.0	-0.7	-0.9	-0.7	-1.5	-1.8	-2.1	-2.5	-3.0
Other movements	11.1	0.2	-3.4	-6.9	-40.6	-0.2	-0.2	-0.2	0.0	0.0
Cash flow	-2.2	2.2	-2.7	-10.5	-57.0	9.0	6.2	16.9	18.6	19.3
Net fin position end of year	-1.4	0.9	-1.9	-12.3	-69.3	-60.3	-54.1	-37.2	-18.6	0.7

Source: Company data and Intermonte SIM estimates

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	AMBIENTHESIS		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	1.35	Previous Target (Eu):	1.35
Current Price (Eu):	0.91	Previous Price (Eu):	1.16
Date of report:	21/04/2022	Date of last report:	21/01/2022

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- 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)

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- 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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OUTPERFORM:	55.88 %
NEUTRAL:	23.53 %
UNDERPERFORM	03.92 %
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NEUTRAL:	16.98 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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