

ESPE

Euronext Growth Milan | Energy & Renewables | Italy

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Rating
BUYTarget Price
€ 4,15

Risk

Medium

Upside potential
33,5%

Stocks performance relative to FTSE Italia Growth



Stock Data

Price	€ 3,11
Target price	€ 4,15
Upside/(Downside) potential	33,5%
Ticker	ESPE IM
Market Cap (€/mln)	€ 36,85
EV (€/mln)	€ 38,62
Free Float (% on Ordinary Shares)	24,0%
Share Outstanding	11.849.500
52-week high	€ 4,28
52-week low	€ 1,00
IPO Price (22/02/2024)	€ 1,00

Key Financials (€/mln)	FY23A	FY24E	FY25E	FY26E
Value of Production	59,38	80,00	106,75	124,60
EBITDA	4,16	5,00	8,25	11,75
EBIT	2,85	4,20	7,40	10,85
Net Income	1,63	2,90	5,15	7,55
NFP	1,77	3,00	1,70	(3,00)
EBITDA margin	7,0%	6,3%	7,7%	9,4%
EBIT margin	4,8%	5,3%	6,9%	8,7%
Net Income margin	2,7%	3,6%	4,8%	6,1%

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1. Company Overview

1.1 The Business

ESPE SpA (“ESPE”, or the “Company”) was founded in 1974, in Grantorto, in the Province of Padua, Italy, as an artisan company in the industrial plant engineering sector, and then embarked on a growth path in the field of renewable energies, technological systems and automations. To date, the Company is active in the renewable energy sector, specializing in the design and construction of innovative, high efficiency and high performance eco-sustainable electrical systems, including small wind power systems, biomass cogenerators, and ground and roof photovoltaic solutions. Furthermore, the Company is one of the first Energy Systems Integrators at the national level in Italy.

ESPE is able to design and build various kinds of plants, covering all the key phases of the renewable energy value chain, from project development and plant engineering through to actual construction, according to financial sustainability planning. The business is organized in two divisions: Production, and Plant Engineering. For the small wind power and biomass market, the Production division designs and develops a series of proprietary technology systems and solutions, including wind turbines for small wind farms, and biomass cogenerators, ready for installation at the customer’s site. The Plant Engineering division, on the other hand, realizes turnkey photovoltaic systems as an EPC Contractor, and installs industrial electrical systems as Energy Systems Integrator.¹

Over the course of its almost 50 years of history, the Company has installed over 1,500 industrial electrical systems, 200 wind turbines for a total installed power of 13 MW, 60 cogenerators for a total installed power of 3 MW, and over 700 ground-mounted (180) and roof-mounted (520) photovoltaic systems for a total installed power of over 560 MWp. It has a client base of medium-large industrial groups, who use the plants for self-consumption, and Italian and international investors, who see photovoltaic systems as an investment for regular cash flows through the sale of energy to the electrical grid. ESPE’s significant market presence, track record and relationships built up over the years, in Italy and abroad, make the Company a recognized and reliable player, as it is confirmed also by a backlog of orders amounting to € 97.00 million as of the beginning of April 2024.

Despite ESPE’S adaptability and experience in various fields relating to renewable energy, it is the photovoltaic sector that is the fulcrum of the core business, and the main source of

¹ A company that installs technological systems, integrating various components to assemble them in an integrated system.

revenue (75.0% in 2022). Thanks to the strong growth in the photovoltaic market over the recent years, and the Company's solid track record, ESPE has seen its results grow exponentially, particularly through activities focused on the installation of photovoltaic systems, initially on small roofs, and then in large ground-based plants.

The market trend, driven by legislative carbon neutrality targets and the simplification of bureaucratic procedures, continues to generate growing demand for the Company, with 98.0% of its order backlog, as of April 5, 2024, coming from the photovoltaic segment. This has led to considerable organizational investments. To date, ESPE boasts two corporate sites and a warehouse, employing over 80 in-company resources, and 200+ contractors at construction and installation sites. ESPE itself, in relation to environmental sustainability, has been carbon neutral since 2012, thanks to the use of photovoltaic and geothermal systems in its production activities.

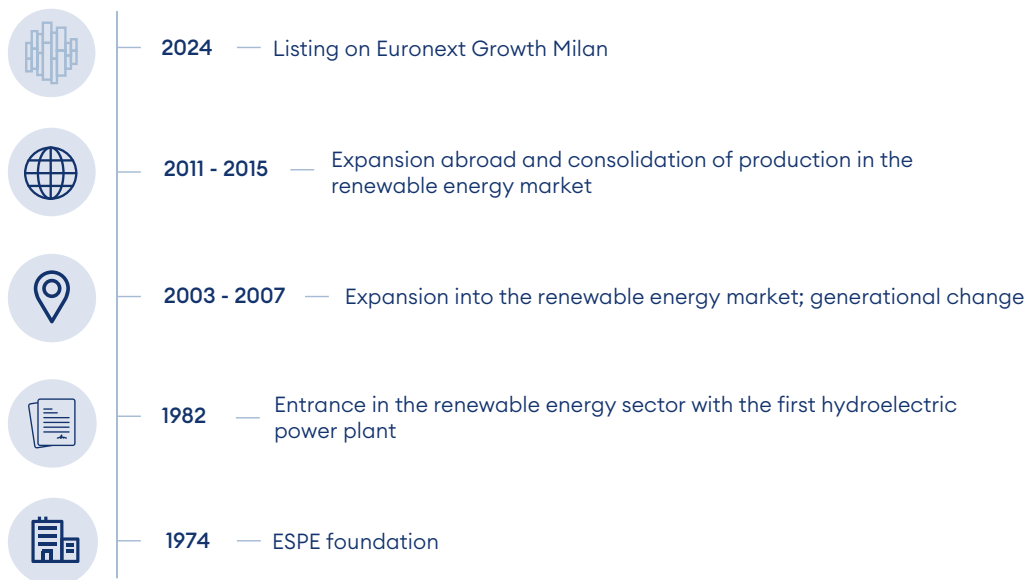
CHART 1 – ESPE HEADQUARTER IN GRANTORTO, IN THE PROVINCE OF PADUA, ITALY



Source: ESPE

1.2 Company Story

CHART 2 – COMPANY STORY



Source: ESPE

The current organizational status and success of ESPE are the fruit of continuous growth and the experience acquired in over almost 50 years of business. There have been three fundamental phases in the history of the Company: its establishment and initial growth; its entry into the renewables market and the generational change; and, finally, its expansion abroad and the consolidation of its production.

Foundation:

- **1974:** ESPE was established in Grantorto, in the Province of Padua, Italy, thanks to the initiative of four partners wanting to start an artisan company specialized in the production of industrial electrical systems;
- **1982:** The Company acknowledged the potential of the renewables sector, and marked its entry into the market by designing and building its first hydroelectric power plant.

Expansion in the renewables market and the generational change:

- **2003:** The Company expanded its organizational structure, consolidating its entry into the renewables market, particularly in the photovoltaic and hydro-

electric segments, with the realization of its first turnkey photovoltaic plant for the production of 17 kWp;

- **2007:** The progressive generational transition began with the partners opening up participation in the capital to four young employees, who became members of the Board of Directors, and the heads of important company departments: Simone Mariga as Head of the Design and Technical Office, Cristian Bernardi as Head of Construction Site Management, Luigino Sambugaro as Head of Testing and After-sales Management, and Franco Favero as Head of Production. In addition, two new partners joined the corporate structure, brothers Enrico and Fabio Meneghetti, sons of one of the founding members;
- **2011 - 2013:** ESPE, riding the strong sector growth, consolidated its presence in the renewables segment, reaching the milestones of 100 MWp installed in 2009, and a value of production of over € 140.00 million in 2010. With a view to diversification, the development and production of wind energy production plants began with a first series of cutting-edge wind turbines and a new biomass cogenerator plant.

Expansion abroad and consolidation of production:

- **2015:** The expansion policy began with the first strategic partnerships in the United Kingdom and Japan, consolidated in 2017 with the production and installation of 50 ChiP50 biomass cogenerators and 170 wind turbines;
- **2019 - 2020:** The generational transition phase was concluded with the departure of the founding members. SPV Icaro Srl was established, controlled 100.0% by ESPE, as the owner of a small wind farm in Calabria. In the same period, the Company launched on the market a new biomass cogenerator, in addition to latest-generation, high-efficiency wind turbines;
- **2022:** SPV ESPE East One Srl was established in September, controlled 52.0% by ESPE, and based in Romania, with a view to development and investments in the country's renewable energy market;
- **2023:** The company Academy was established, in partnership with GiGroup, with the aim of integrating young human resources as technicians specialized in the maintenance of photovoltaic plants. ESPE completed its transformation into a SpA, and began the process for its listing on the Euronext Growth Milan segment of the Italian Stock Exchange, with a view to finding the resources necessary to accelerate growth;
- **2024:** on February 20th, ESPE shares were admitted on the EGM segment, with February 22nd as the first trading day. The admission took place with the placement of 1,849,500 mln newly issued shares at a price of € 1.00, for a total fundraising of € 1.85 million.

1.3 Shareholding and corporate structure

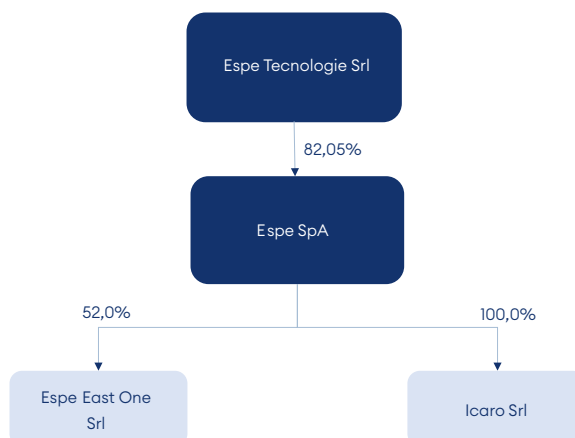
TABLE 1 – ESPE SPA SHAREHOLDERS

Shareholders	# Ordinary Shares	% Shares	# Total Shares*	% Shares
Espe Technologie Srl	6.722.500	75,96%	9.722.500	82,05%
Free Float	2.127.000	24,04%	2.127.000	17,95%
Total	8.849.500	100,0%	11.849.500	100,0%

Source: ESPE
*includes multiple voting shares

The share capital of ESPE is entirely held by the holding ESPE Technologie Srl, with a majority held by the two Meneghetti brothers, with 26.5% each. Enrico Meneghetti is President and CEO, while Fabio Meneghetti presides over the Procurement Office and is an Executive Director of the Company. The remaining share of the capital is equally divided between the other 4 partners, who hold 11.8% each: Simone Mariga, Franco Favero, Luigino Sambugaro, and Cristian Bernardi. The shareholders are all executive directors in charge of specific areas within the Company.

CHART 3 – GROUP STRUCTURE

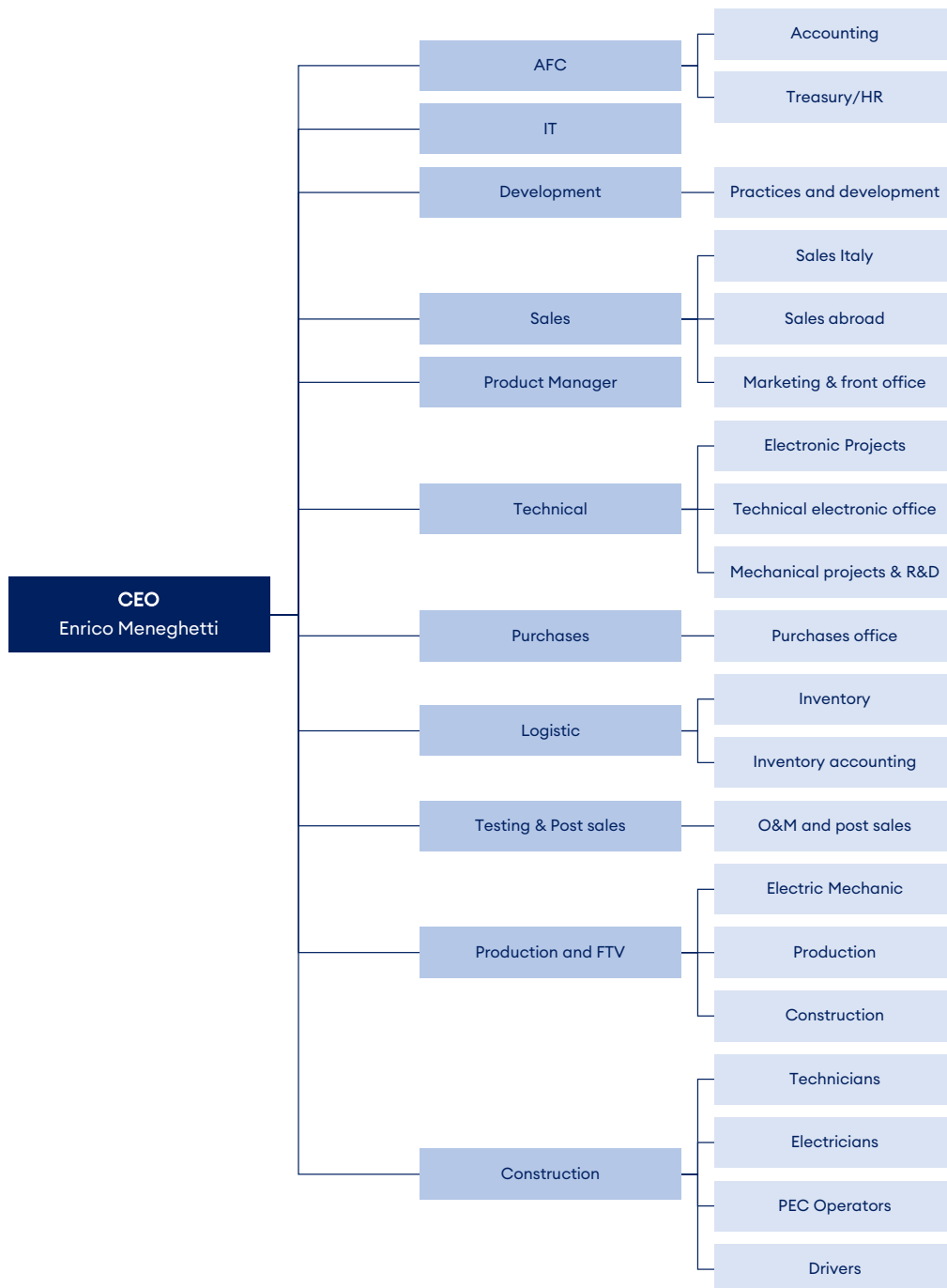


Source: ESPE

At the head of the operating companies is ESPE Technologie Srl, a financial holding controlled entirely by the aforementioned six partners. The holding has total control of ESPE SpA, which, in turn, controls two SPVs: ESPE East One Srl, 52.0% owned, and Icaro Srl, 100.0% owned. The activities of ESPE East One, based in Romania, have not yet been launched, while Icaro Srl manages a small wind farm in Calabria.

1.4 Corporate Governance

CHART 4 - CORPORATE GOVERNANCE



Source: ESPE

ESPE's corporate structure is functionally organized into eleven different areas, subdivided into different functions, each led by a specific departmental head. The most complex and articulated area in terms of resources is that relating to construction sites, namely Construction, which comprises company technicians, electricians and drivers, and employs 14 resources out of the total of 73 (09/2023). The Company also makes use of subcontractors (via subcontracting contracts), who carry out construction site activities, including construction works, mechanical and electrical assembly, testing of systems and certain maintenance activities.

Furthermore, as mentioned above, the Company launched, in February 2023, a corporate Academy, in partnership with GiGroup, a leader in HR services and consultancy. The aim of Academy is to integrate young human resources as technicians specialized in the maintenance of both ground and roof mounted photovoltaic plants. The Academy program offers theoretical training at the company headquarters and practical training in the field, is led by a dedicated instructor, and is structured as 80 full-time classroom hours and 12 months of practical training supervised by engineers and specialists. The objective is to integrate as many resources as possible in the Company, and demonstrates a firm belief in the talent of young people and in the development of renewables in Italy and abroad.

The Board of Directors is made up of 7 members, who will remain in office until approval of the financial statements ending on December 31, 2025. In particular:

- Enrico Meneghetti is President of the Board of Directors and CEO;
- Fabio Meneghetti, Simone Mariga, Franco Favero, Luigino Sambugaro and Cristian Bernardi are Directors of the Board;
- Arturo Lorenzoni holds the role of Independent Director.

The Board of Auditors is composed, in addition to the Chair, of 2 Statutory Auditors and 2 Alternate Auditors, who will also remain in office until approval of the financial statements for the year ending December 31, 2025. In particular:

- Andrea Benetti is the Chairperson of the Board of Statutory Auditors;
- Pierantonio Dal Lago and Lorenzo Pegorin hold the role of Standing Auditors;
- Roberto Peruffo and Giovanni Brunello hold the role of Alternate Auditors.

1.5 Key People

Enrico Meneghetti – President and CEO

Having graduated in Mechanical Engineering from the University of Padua, he joined ESPE in 2005, taking on various positions, including Project Manager, Business Development Manager and Operations Director, and bringing a boost to corporate growth through development strategies and continuing the process of internationalization. Since 2016, he has held the role of CEO of the Company, and is a 26.47% shareholder of the holding ESPE Technologies Srl.

Alberto Stocco – CFO & Investor Relations Manager

Having graduated in Economics and Business Management from the University of Padua, he began his career in 2006, taking on various roles, including Statutory Auditor, Consolidation Specialist, Finance Manager and CFO, at various companies. Since September 2022, he has held the role of CFO at ESPE. He can boast various professional achievements, including extraordinary operations such as the establishment and management of a group holding, and the establishment, management and closure of businesses abroad (in the UK and the USA).

Franco Favero – Executive Director, with responsibility for Production

He joined ESPE in 1985, starting a professional path that has had him to take on various roles, from Installation Technician through to Site Manager and his current position as Production Manager and Photovoltaic Park Manager. He can boast considerable experience of construction sites at an international level. He has been a Director of the Company since 2009.

Simone Mariga – System Manager & Plant Manager

He joined ESPE in 1991 as a Technical Designer, and strengthened his skills and expertise over the years, becoming Design Manager and Project Manager for the construction of renewable energy production systems (photovoltaic, hydroelectric, and wind). He currently holds the position of Technical Director, and has been a Director of the Company since 2009.

Cristian Bernardi – Executive Director, with responsibility for Construction

He joined ESPE in 2000 as Head of Construction Site Management, after holding an important position as Electrical Manager for two production plants. He currently holds the position of Site Manager for the Plant Engineering division. He has been a Director of the Company since 2009.

Luigino Sambugaro – Executive Director, with responsibility for After-sales

He joined ESPE in 1987 as an Installer Technician for industrial systems. His professional growth saw him manage international construction sites, with residency abroad for the three-year period from 2006 to 2008, in companies affiliated with ESPE. He currently holds the role of Director of After-sales Services, Management and Supervision of Testing, and O&M. He has been a Director of the Company since 2009.

Fabio Meneghetti – Executive Director, with responsibility for Operations

He joined ESPE in 2010, after finishing his scientific studies. In his career, he has had the opportunity to experience various job rotations, which have allowed him to quickly acquire a broad range of knowledge and technical skills. Since 2013, he has presided over the Procurement Office and the Marketing and IT Department. He has been a Director of the Company since 2020.

1.6 Authorizations and Certifications

ESPE has various certifications that attest to its great commitment to sustainability, which has always distinguished its business, and boasts various important results regarding the continuous improvement of product and process quality standards. Among its most important certifications there are those related to ISO Standards, which are non-mandatory and prove the conformity of corporate process management systems to the high standards of the major global authority for the definition of technical standards. The choice of submitting corporate processes to this authority attests to the Company's commitment to a strategic adherence to these quality standards.

Given the peculiarities of its activities, the Company also holds certain mandatory certifications for operations in specific sectors, including, in particular, the wind turbine market. In this segment, certifications are, in fact, necessary to allow the Company to expand and consolidate the presence of its wind turbines abroad. Currently, ESPE has obtained Class NK certification in Japan, and is in the process of obtaining the equivalent in Greece (envisaged in 2023) and the USA (envisaged in 2024).

TABLE 2 – CERTIFICATIONS

Certifications	Description
ISO 9001	Quality Management
ISO 14001	Environmental Management
UNI CEI 11352	Public Institutions dealing
Class NK Small Wind Turbine Type	Small size wind turbine
UNI ISO 45001	Medium size wind turbine

Source: ESPE

In particular:

- **ISO 9001:2015:** This standard establishes fundamental requirements for quality management, aimed at guaranteeing that an organization meets the needs and expectations of customers and other stakeholders in terms of the quality of products and services;
- **ISO 14001:2015:** This standard underlines the importance of a proactive approach to environmental management, and is therefore essential for companies wishing to demonstrate their commitment to responsible environmental management. ESPE has specifically designed its production process in such a way as to guarantee high standards of sustainability, and a detailed attention to the environmental impact of all of its activities;

- **UNI CEI 11352:** This standard is an essential requirement in offering energy services to public administrations. Certification of this standard guarantees the quality, competence and reliability of the companies that obtain it;
- **Class NK Small Wind Turbine Type Certification:** The standard establishes technical requirements and test procedures for small wind turbines, i.e. those with a nominal power of less than 50 kW. The purpose of the certification is to guarantee the safety, reliability and performance of small wind turbines, used either in isolated applications or connected to the electricity grid. The certification is issued by ClassNK, a Japanese naval classification and industrial certification company, and is therefore valid for the Japanese market, in which the company has been present for several years now with a 20 kW turbine;
- **IEC 61400 - 1:** This international standard establishes design requirements for wind turbines, in order to guarantee their safety and reliability. The Company has not yet obtained but has successfully started the process of obtaining this certification.

CHART 5 – TURBINE FX EVO 16-20-OK



Source: ESPE

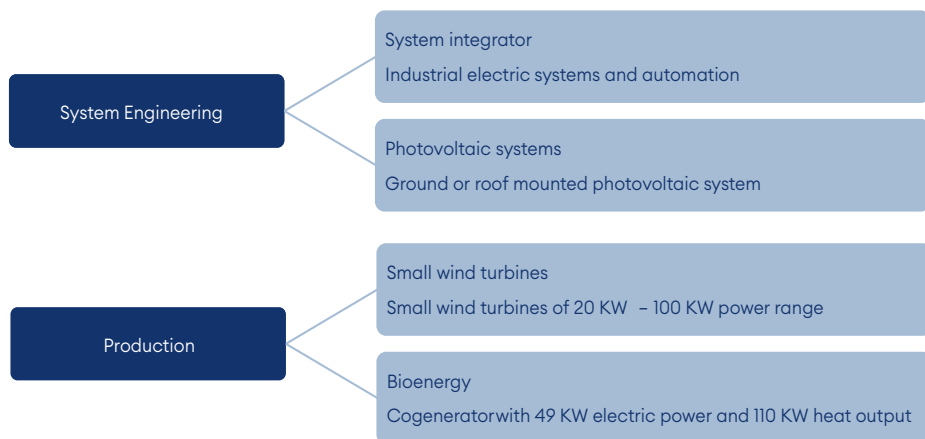
* the turbine received Small Wind Turbine Certification Class NK

2. Business overview

2.1 Industry Business System

ESPE operates in the renewable energy sector, distinguishing itself with the design and construction of photovoltaic and traditional plants, by the Plant Engineering division, and the production of wind turbines and biomass cogenerators, by the Production division.

CHART 6 – ESPE BUSINESS MODEL



Source: ESPE

Despite the affinities between the two divisions, it is important to highlight their specific characteristics, particularly concerning the subjects involved in the various production chain phases. The supply chains of the different industry segments are summarized in the following figure, but have obvious differences in relation to the peculiarities of components used, suppliers involved, and reference customers.

CHART 7 – INDUSTRY BUSINESS SYSTEM



Source: ESPE

Considering the high level of technological innovation in both segments, research and development activities are fundamental for operations and all operators involved. R&D activities are carried out differently for each segment, according to the different subjects involved and specific objectives. Component manufacturers aim to offer better and more technologically advanced products. Engineering firms support the supply chain by identifying suitable sites for the construction of plants, whether wind or photovoltaic. In the latter case, they help the Company to obtain permits necessary to start the plant construction works. Finally, through collaboration with universities and research centers, sector companies, including ESPE, carry out research into technical solutions and models for the small wind energy sector and performance analyzes of photovoltaic plants.

The reference suppliers are manufacturers of components and materials used in production. For both divisions, these are mainly manufacturers of silicon-based products, modules, cells, inverters and other electrical components. In the case of the photovoltaic segment, supplies also include plant fixing structures and safety, security and protection systems. In some cases, particularly in relation to plant engineering, suppliers include makers of accessory tools to the main system, such as monitoring software, environmental sensors, and specialist IT portals.

The assembly phase of components can take place in different ways. Regarding the plant engineering segment, and therefore EPC activities, independent power producers (IPPs) - companies specialized in energy production with internal project management structuring - purchase and assemble individual components, with support provided, throughout the process, from third parties or from specialist operators, who assemble the entire project independently, as EPC contractors, such as ESPE.

CHART 8 – PHOTOVOLTAIC PLANT BUILT IN ROVIGO IN 2022



Source: ESPE

Regarding production, on the other hand, the assembly phase involves certain finished products, such as small wind turbines and biomass cogenerators. The products assembled on the various construction sites or at ESPE's facilities are transported by specialist logistics operators.

Commercial and marketing activities mainly involve participation in trade fairs and sector conferences, as well as sponsorship campaigns in specialist magazines, which represent an important share of marketing investments. For companies highly known in the sector, as in the case of ESPE, experience, technological quality, knowledge of the local market and reliability in meeting deadlines are the main factors that customers consider in choosing partners for the implementation of particularly complex projects, such as large ground-mounted photovoltaic plants. In this case, customers are often represented by large industrial groups or IPPs, which compare different offers from candidate contractors. This dynamic also provides the opportunity to create lasting relations with IPP customers, which tend to invest in medium to large projects with a certain regularity. Both the Production and Plant Engineering divisions of the Company typically have a B2B clientele, while the Production division also addresses communities and public bodies.

As a core activity of ESPE, the production of photovoltaic plants can be broken down into four phases:

- **Permits:** This legal-administrative phase concerns all permits necessary for the construction and works on the selected site. This activity is carried out by local technical firms, independent companies or internal technical divisions of large national utilities;
- **EPC:** This is a very level market, with comparable offers between the various operators. ESPE sees its competitive advantage in its effective coverage of the main phases of the realization chain, from the development of the specific project and plant engineering through to the supply and installation of components and final construction and testing;
- **Asset/Plant Management:** This is the activity of managing and improving the efficiency of plants. This activity can also be carried out by the companies commissioning the procurement of permits and plant construction;
- **Energy trading/reselling:** Generally, this is a service provided to utility companies, and organized with high financial resources to cover and guarantee market demands. The current trend highlights the interest of utilities in developing and owning their own energy parks for the generation and sale of energy from renewable sources.

2.2 Value Proposition

CHART 9 – VALUE PROPOSITION



Source: ESPE

The value proposition of the Company's business model has four fundamental levers: attention to the customer; control of the value chain; attention to innovation; and continuous testing of products.

First of all, thanks to its many years of experience in the renewable energy sector, the Company is able to offer a rapid, effective and competitive service. ESPE pays great attention to forming a close one-to-one relationship with the customers, providing project management and site management support through an internal team of professional experts. Furthermore, the Company's products stand out for their reliability, safety and durability in adverse weather and climate conditions, resulting in a lower number of extraordinary maintenance interventions, the certainty of costs and production times, and a careful and sustainable cash flow management. ESPE therefore positions itself in the reference market as a premium operator, allowing it to maintain a high price point, consistent with the service and product quality, and good relationships with customers, which reflect positively on the image of the Company.

Another peculiarity of ESPE is its ability to adapt its offer to customer needs, and therefore deliver a tailor-made and efficient product. This advantage derives from the internalization of all the main phases of the value chain, from the identification of opportunities through to after-sales activities. Continuous collaboration with important research centers and universities also allows the Company to constantly improve its offer, while contributing to the technical evolution of the renewable energy sector, which, in recent years, has taken remarkable steps forwards, especially in relatively new markets, such as that of small wind turbines.

Finally, the two owned small wind farms, located in Sardinia, are particularly strategic for the Company, allowing it to constantly carry out tests on products and on solutions developed internally, before placing them on the market. The opportunity to carry out such improvement tests significantly facilitates the process of obtaining new certifications.

2.3 Business Model

2.3.1 Plant Engineering

CHART 10 – BUSINESS MODEL SYSTEMS ENGINEERING



Source: ESPE

The Plant Engineering division sees ESPE offering the following services:

- **Energy Systems Integrator:** Involving the design and construction of medium voltage transformation cabins, electrical distribution systems, and industrial production line services;
- **EPC Contractor:** Involving the research, development, design and turnkey construction of small to medium sized rooftop photovoltaic plants (> 500 MWp), for the self-consumption of industrial customers, and large ground-mounted photovoltaic plants (> 1 MWp) on behalf of IPPs, which sell the energy produced on to the electricity grid;
- **O&M Contractor:** Involved in offering integrated maintenance services for plants built throughout the country, remotely monitoring performance, and guaranteeing safety and security.

In terms of turnover, the Plant Engineering division contributed the greater share of 82.0% in 2022, which then increased to 97.5% in the first half of 2023. This contribution can, in turn, be divided into photovoltaic EPC (95.8%) and Systems Integrator (1.7%) activities. Therefore, net of the Energy Systems Integrator activity, which has a relatively marginal role, it can be said that ESPE is mainly active as an EPC Contractor, alongside its Operations & Maintenance (O&M) activities.

CHART 11 – ELECTRICITY DISTRIBUTION SYSTEM

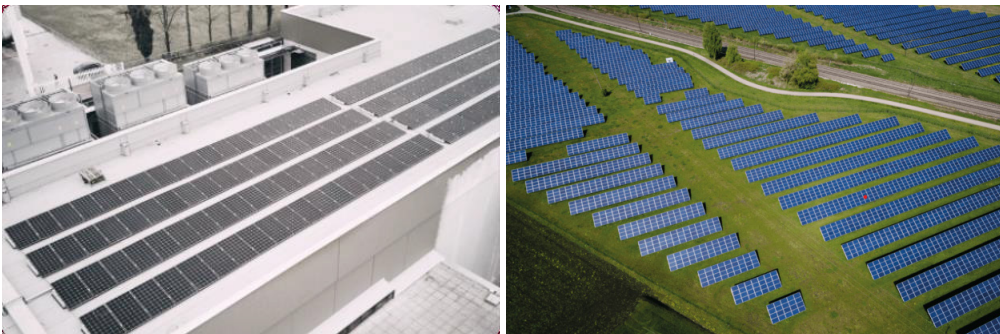


Source: ESPE

The first phase of the value chain for the construction of a photovoltaic plant is the identification of potential opportunities. ESPE generates a commercial pipeline through contact and direct negotiations with energy sector investors, which turn to the Company for its experience and technological quality, through the aforementioned marketing activities, including international trade fairs and campaigns in sector magazines.

The modus operandi involves participation in the project from the very first stages of development, in order to ensure continuous collaboration and establish a preferential relationship with the customer, and therefore increase the chances of winning the contract. The negotiation and acquisition phase of the project is fundamental in determining the order margin. ESPE draws added value from project engineering and cost analyses, carried out by an internal team of specialist technicians, which identifies innovative solutions and technological applications to put together the best possible technical and economic to satisfy the various needs of customers, obtaining, in exchange, guarantees on the payment of milestones, for effective management, with positive cash flows.

CHART 12 – GROUND AND ROOF MOUNTED PHOTOVOLTAIC PLANTS



Source: ESPE

This transparency is guaranteed by the ability to define all the investments necessary to complete the project already at the negotiation phase and to contractualize production costs for the customers and suppliers from the very start, therefore avoiding financial difficulties for the Company. In particular, larger plant projects involve milestones related to advance payments on signing and on goods, allowing ESPE to avoid having to advance sums for the purchase of materials and construction site preparation and management activities. To these are added work progress milestones and the final payment quota following commissioning of the plant.

Once the various conditions and procedures with the client are outlined, the contractualization of the agreement proceeds, managed by ESPE's internal legal department, which, among other things, also identifies various risk profiles related to warranties and contractual obligations. The contract thus defined is then included in the existing backlog, only once signed. As mentioned in previous chapters, as of April 5, 2024, ESPE reports an order portfolio of €97.00 million, of which approximately 98.0% are attributable to orders and contracts related to the photovoltaic business line. The entirety of the orders will likely be fulfilled by the first half of 2025, almost entirely (>99.0%) within Italian territory.

All the phases following negotiation are instrumental in achieving and maintaining the margin through to the end of all activities, according to the conditions established at the start. In the case of ground-based plants, the identification of suitable construction sites is generally managed by engineering/development companies other than ESPE and selected by the customer, considering that this activity presupposes a series of accessory processes and systems not applied in the installation of roof plants, such as geological investigations, ground preparation, civil works and the installation of anti-intrusion systems. This phase usually takes place before the customer chooses a contractor to build the plant. However, in some cases, ESPE collaborates with the customer already at the stage of evaluation of the investment and feasibility planning.

The construction and commissioning phase begins with the procurement of electrical and specialist materials, essential for procuring high-quality products that respect certain technical standards. For this purpose, suppliers are selected through a rigorous supplier assessment process, based on technical, financial and track record characteristics. The tendency, in this case, is to address component manufacturers, and therefore cut out intermediate distributors to obtain more advantageous prices at the procurement phase, and then apply a mark-up on resale to the customer. Two cases apply: for smaller roof-top systems, ESPE is generally awarded the total management of the supply during the negotiation phase, particularly regarding photovoltaic modules, and can therefore obtain higher margins from resale of components; otherwise, and this is the case for ground-based plants and IPP customers, the customer supplies the materials, and therefore does not allow the Company to apply a mark-up.

In the first case, direct and consolidated relationships with manufacturers allow the Company to have foresight on possible price variations in the coming months regarding items such as modules, inverters, panels, etc. This allows the variations to be promptly passed on to the end customer, correcting the price before signing the contract, and blocking the price conditions in the supply chain.

Subsequently, the Technical Department takes care of the executive design, optimizing choices to customer needs and therefore obtaining a greater level of customization compared to competitors, which usually outsource this activity. Furthermore, thanks to the consolidated multi-year relationships with the main manufacturers of relevant technologies and a mutual exchange of information, ESPE continuously receives updates from suppliers, increasing its competitive advantage over competitors. The design of the layout and structure of the plant and the assembly of modules, inverters and structures is usually carried out on the construction site, while the production, assembly and testing activities of power stations are carried out in the workshops of the Company's facilities, and followed up by shipping to the construction site via either third-party or internal transporters.

The last phase of the value chain concerns O&M services, which the Company provides for photovoltaic plants, to complete its offer. In this case, contracts usually have an annual duration, providing for a package of scheduled interventions for the technical-functional management of the plants, and for resolving any faults or damage, also due to weather phenomena, identified via inspections. Plants are also monitored remotely, through licensed use of two dedicated IT portals developed by specialist suppliers. The service is offered against a payment of fixed amounts, collected periodically, or at the end of the year, depending on the size of the plant. O&M activities allows relationships with customers to be continuous, increasing the likelihood of new orders, guaranteeing the performance of plants over time, and allowing valuable information to be gathered for the development of potential improvements.

Indicatively, the process of acquiring an order and the construction phase of the plant demand timescales from 6 to 12 months, depending on whether the plants are ground-based or roof-mounted, on the size of the plant, and various other specifics.

CHART 13 – PHOTOVOLTAIC SYSTEM REALIZED IN ORTONA IN 2022



Source: ESPE

2.3.2 Production

CHART 14 – BUSINESS MODEL PRODUCTION

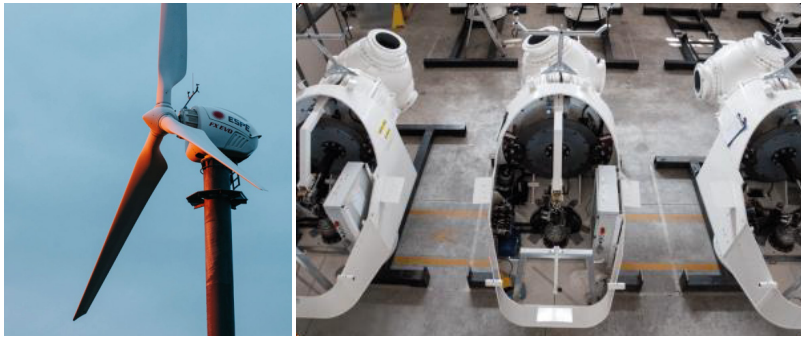


Source: ESPE

The Production division is focused on:

- **Small wind turbines:** ESPE designs, develops and produces small wind turbines, with power ratings between 20 kW and 100 kW, for both self-consumption and the transfer of produced energy to the electricity grid, in addition to related after-sales services;
- **Biomass cogenerators:** ESPE designs, develops and produces 49 kW biomass cogenerators, using wood products as an energy source, for the self-consumption of the electrical and thermal energy produced, again in addition to related after-sales services.

CHART 15 – WIND TURBINES



Source: ESPE

In terms of turnover, the Production division accounted for 14.7% of the total, an impact that fell to 0.9% in the first half of 2023, penalized by a concentration of wind orders mainly in the second half of the year.

The business model for this division is characterized by a scalable and flexible production process that mitigate the cyclicity of production by outsourcing non-strategic activities of the value chain. The initial phase of identifying opportunities takes place as described previously, with ESPE acting to support potential customers in evaluating investments and the feasibility of the project, in order to then obtain a preferential channel for acquiring orders. This support involves an evaluation of the commissioning of a batch of products, whether turbines or co-generators, in order to optimize fixed cost structures and achieve economies of scale. Once a contract has been acquired, with the support of the internal team, it is included in the existing backlog. To date, the backlog of the Production division is worth approximately € 1.50 million, regarding the sale of turbines for a total installed power of 200 kW.

CHART 16 – CHIP50



Source: ESPE

The production and testing of products covered by the contracts involve phases similar to those described above, particularly regarding the careful selection of suppliers according to the quality and technical characteristics of raw materials and semi-finished products.

These components are subsequently processed by partner companies to specifications provided by ESPE, avoiding internal processing that would burden the fixed cost structure, and remaining flexible in managing seasonality and high and low market demand.

Once the work on the components has been completed, in order to guarantee technical and performance monitoring that minimizes future problems, the systems and machinery are tested internally by a dedicated team, despite it being common in the industry to have this activity carried out by third-parties. The after-sales service, on the other hand, involves performance monitoring and scheduled maintenance, as well as the resolution of any issues or faults.

2.4 Main Projects and Track Record

Over the course of approximately 50 years of business, ESPE has participated in various high-standing projects. Following below, we note some of these relating to each division.

2.4.1 Plant Engineering

- In 2008, the Company participated in the first Italian project financing for a major group in the real estate sector, for an amount totaling over € 23.00 million. This project involved the supply and installation of photovoltaic systems for 4 ground-based solar parks in the municipalities of Soleto and Squinzano, in the Province of Lecce, Italy, for a total installed power of 4 MWp, laying the foundations for the development of this financing method;
- In 2012, ESPE built the first photovoltaic plant for a first nation community in Canada called Alderville First Nation, for a total installed power of 5.7 MWp. The project created various new jobs in the community, contributing to the installation of the 23,000 photovoltaic modules that make up the plant;
- In 2022, ESPE built a photovoltaic plant with a power rating of 8.7 MWp in Ortona, in the Province of Chieti, in Italy's Abruzzo Region, on behalf of a major international industrial group active in the adult care sector. The plant offers the customer the on-site production, sale and consumption of approximately 11,600 MWh of electricity per year, equivalent to the consumption of more than 3,500 domestic customers;
- Again in 2022, the Company completed construction work on a photovoltaic park capable of providing 25 MWp of power in Badia Polesine, in the Province of Rovigo, in Italy's Veneto Region, on behalf of a major French independent energy production group. The ground plant, built in approximately 8 months, covers an area of 30 hectares, and is the largest plant built in the Veneto Region in the last 10 years, as well as the largest ever built by ESPE;
- In 2023, the Company completed 5 ground-mounted solar plants with a total power capacity of approximately 32 MW. Specifically, 2 ground-mounted plants in Oviglio (AL), Italy, were completed with a capacity of 13 MWp, 2 ground-mounted plants in Timisoara, Romania, with a capacity of 9 MWp, and one ground-mounted plant in Monselice (PD), Italy, with a capacity of 10 MWp;
- Two plants with a total capacity of 13 MWp were completed in Oviglio (AL) for a major Italian group active in the energy sector, a ground-mounted plant in Monselice (PD) with a total capacity of 10 MWp for a significant client who

has invested in renewable energies with the goal of selling energy to the grid; and 2 ground-mounted plants in Timisoara, Romania, with a total capacity of 9 MWp on behalf of a significant Romanian client.

CHART 17 – PHOTOVOLTAIC SYSTEM AT BADIA POLESINE



Source: ESPE

2.4.2 Production

- In 2018, ESPE installed a wind turbine at Passo Pennes, in the Province of Bolzano, Italy, and located at an altitude of more than 2,200 meters. This is the highest altitude off-grid wind turbine in Italy, and demonstrates the ability to adapt wind power to extreme operating conditions, by customizing the turbine and blades to guarantee safe use even throughout the winter months. The installed system, integrating a photovoltaic plant, provides clean energy without the need for any connection to the grid;
- In 2019, ESPE delivered a biomass cogenerator and integrated software, for use as an emergency power system, in Okayama Prefecture, Japan.



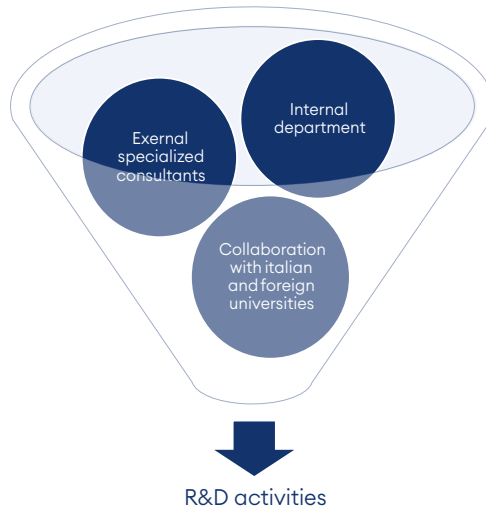
Source: ESPE

2.5 R&D

Being relatively recent and therefore characterized by a high rate of technological growth, the renewable energy sector demands a continuous flow of investments. In positioning itself competitively within the market, ESPE leverages innovations from three different sources.

First of all, the Company is equipped with an internal R&D department, made up of a team specialized in the development of technologies for the renewables sector, and focused in particular on the wind and biomass segments. Furthermore, in 2011, the Company decided to outsource certain specialist research activities to specialized consultants and Italian and European universities, with a view to developing products and obtaining specific certifications. In particular, small wind energy sector research has been carried out in collaboration with the universities of Padua, Naples and Edinburgh on the development of technical solutions, simulations and theoretical models, which have led to the creation of the cutting-edge wind turbines that make up the current product portfolio. Collaborations have also been developed with other research centers for the performance analysis of photovoltaic systems, and for the development of new solutions for the biomass sector.

CHART 19 – R&D INTERNAL AND EXTERNAL PLAYERS



Source: ESPE

The internal R&D department studies and proposes feasibility analyzes for new products, for both current and potential new markets segments. ESPE therefore possesses a wide variety of different yet transversal skills, ranging from fluid dynamics to materials science, plant engineering and electronics. Thanks to its high level of technical expertise, the Company can offer cutting-edge systems to the market, such as:

- **Innovative, two-bladed configuration**, latest generation small wind turbines, which, with two blades instead of the traditional three, bring greater efficiency and resistance to adverse weather and climatic conditions, as well as economic benefits by reducing the cost of materials.
- A **high-temperature biomass cogenerator gasifier**, which guarantees a more stable and cleaner gasification process, improving the reliability and durability of the system.

2.6 Customers and Suppliers

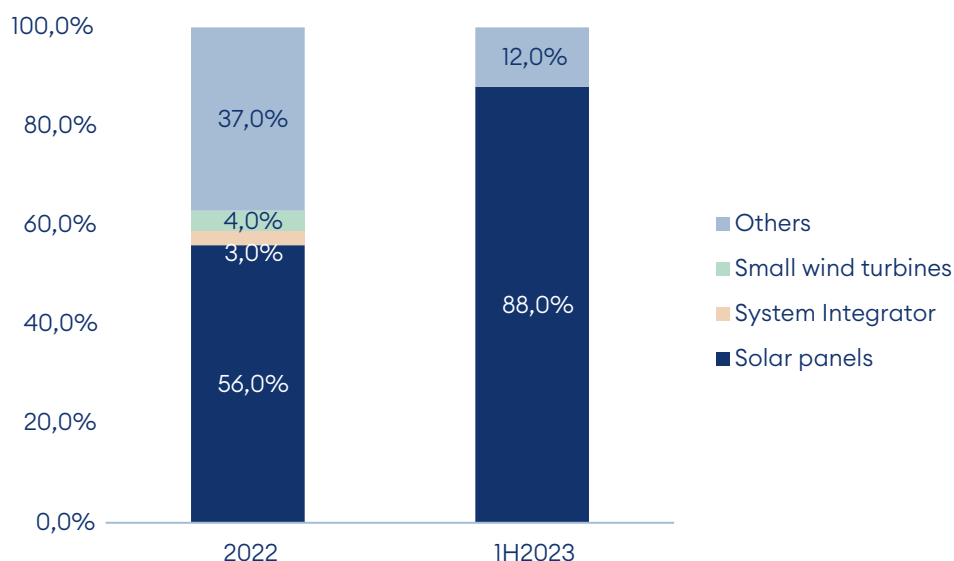
2.6.1 Customers

As mentioned above, ESPE addresses, via the B2B channel, a clientele including: industrial companies wanting to become energy independent, and IPPs and utility companies wanting to integrate renewable sources and specialist investment funds into their offerings. The Production division also extends its offer to communities and public bodies.

63.0% of the 2022 turnover is attributable to the top 10 customers, with a notable impact coming from the largest customer, which generated approximately 22.0% of the total annual turnover. This is obviously influenced by different types of orders: the main customer is the client of the plant built in Badia Polesine, in the Province of Rovigo, while the others in the top 10 were those for which other large-scale plants were built. Net of these data, in 2022 alone, over 100 orders were closed, with an average value of approximately € 0.25 million each, demonstrating the heterogeneous composition of ESPE's customers.

Similarly, in the first half of 2023, the impact of the first 10 customers on turnover was approximately 88.0%, with the first two customers generating as much as 39.0% and 22.0%. For the first customer, 3 construction sites were completed for € 11.00 million and approximately 14 MWp of installed power, and, for the second, a 10 MWp plant was built for € 10.00 million. During the first six months, 61 contracts were closed with an average value of € 0.50 million each, almost double the value of the previous year, and indicative of a corporate strategy that is increasingly oriented to the realization of larger-scale projects.

CHART 20 – TOP 10 CLIENTS BREAKDOWN BY SEGMENT FY22A VS 1H23A



Source: ESPE, Integræe SIM elaboration

The relationship with the customer is often of a one-shot type, that is, it ends with the completion of a single order. ESPE, nonetheless, has a high retention rate, as it happens that some important customers, such as large industrial companies, turn to the Company again for the execution of further projects.

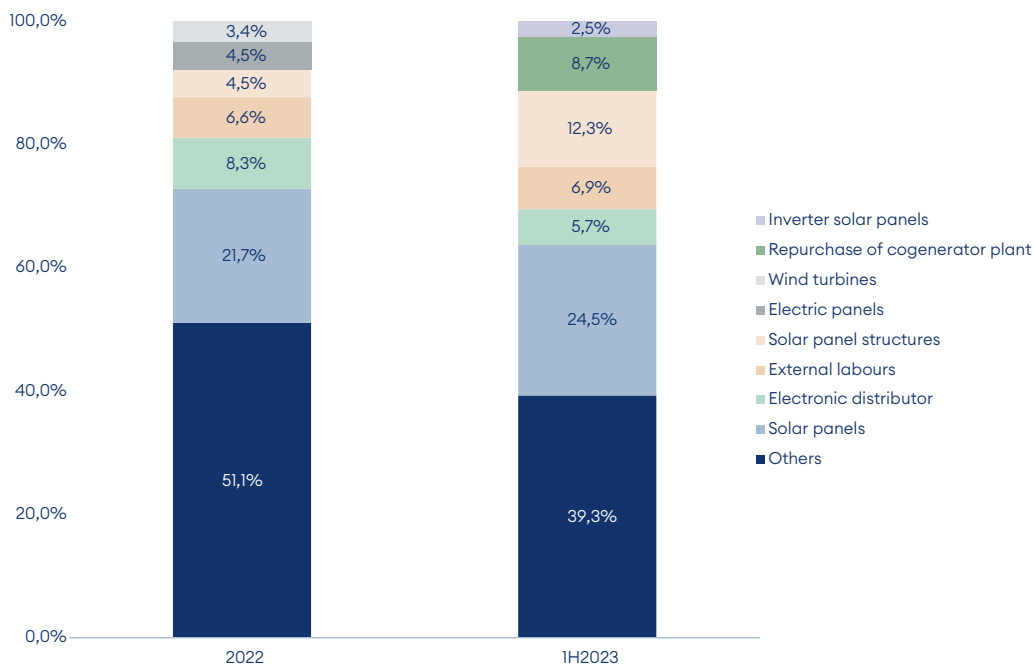
2.6.2 Suppliers

ESPE makes use of a series of long-term partnerships with operators concerning both the construction of plants and their subsequent monitoring. However, the main expense items refer to the procurement of raw materials and accessories for the assembly of components. Regarding plant construction contracts, the Company aims to supply materials sourced from suppliers and applying a mark-up to the various projects. However, in some cases, particularly concerning larger orders, it is the customer that supplies the main components, such as photovoltaic panels and inverters.

Although ESPE boasts an extensive list of over 600 suppliers, there is a fair amount of concentration in the procurement market. Indeed, in the first half of 2023, approximately 60.7% of purchases came from the 10 largest suppliers, marking an increase in concentration compared to the 2022 financial year, for which the figure was 48.9%. This variation, similarly to the variation in the type of customers, is attributable to the increase in the number of ground-based plant orders, which are associated with greater turnover volumes, and therefore require more significant purchases from individual suppliers compared to roof-top plant orders and other business lines.

Accordingly, while, in the previous year, the most relevant supplier (again regarding photovoltaic modules) accounted for 8.8% of overall purchases, in the first half of 2023, this figure rose to 17.9%.

CHART 21 – TOP 10 SUPPLIERS BREAKDOWN BY SEGMENT FY22A VS 1H23A



Source: ESPE, Integrae SIM elaboration

Despite the dynamics highlighted above, in the procurement process of higher value materials, the Company manages to diversify purchases for items such as photovoltaic modules, inverters, structures, and trackers. Consequently, ESPE always manages to negotiate the most favorable purchasing conditions within the market, while still maintaining high quality premium range standards.

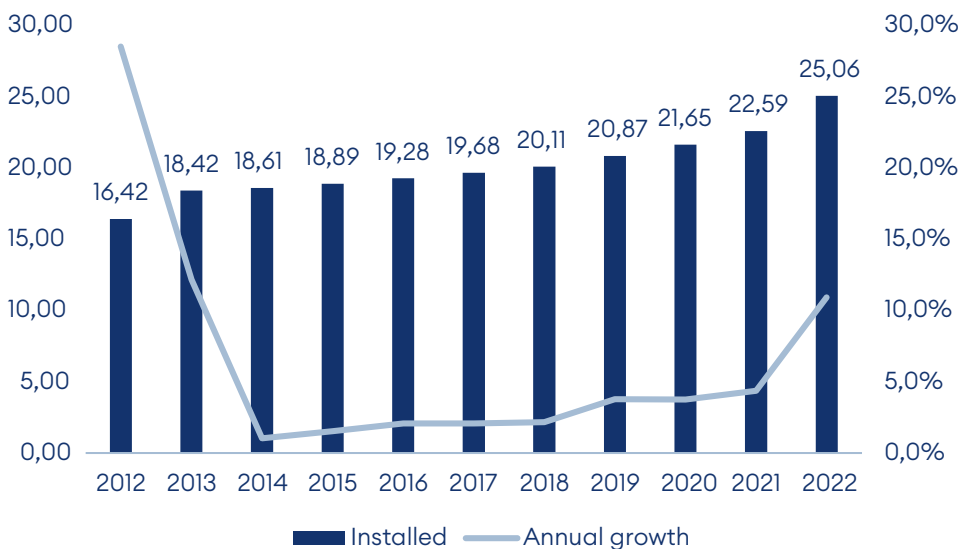
3. The Market

ESPE operates in various areas within the energy sector, with a specific focus on renewable energy. Three different markets are distinguishable, and have their peculiar characteristics: solar power (photovoltaic), wind power, and bio-energy.

3.1 The Solar Energy Market in Italy

The total photovoltaic capacity in Italy was around 25.06 GW in 2022, with a total of 1.22 million plant units installed. Regarding the trend in the sector, over the last 10 years there was an initial boom, with an extraordinary growth of 28.5% and 12.2% respectively in 2012 and 2013, and then a stabilization of growth during a subsequent period at a rate of around 4.0% per annum. Nonetheless, 2022 was a year characterized by huge investments, with new plants totaling 2.50 GW of installed power, equivalent to a growth of 10.9% compared to the previous year.

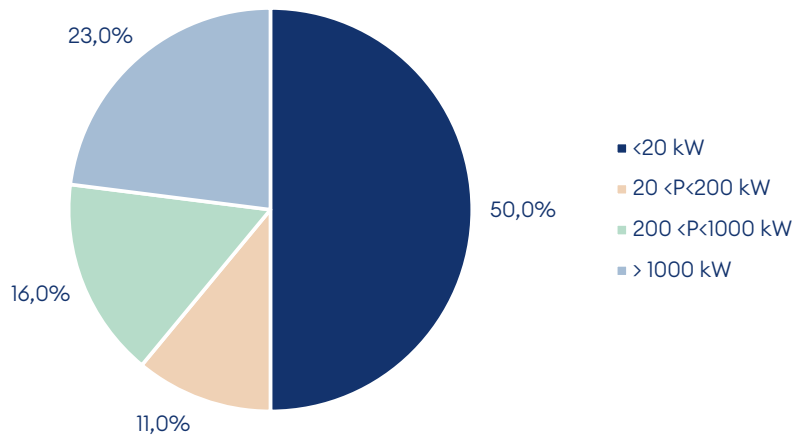
CHART 22 – TOTAL POWER OF SOLAR PANELS INSTALLED IN ITALY (GW)



Source: Terna, Integrae SIM elaboration

Regarding the size of installed structures, approximately half of the plants in the country are of an intermediate size or power rating, that is, between 20 kW and 1 MW, while the other half is equally divided between small-sized plants (< 20 kW) and large-sized plants (> 1 MW). However, over the last few years, the weight of smaller sized plants has been increasing, due to a greater number of installations of private consumers, who increasingly prefer to invest in this type of energy source compared to traditional ones, also due to the impact of Italy's Superbonus 110% incentive. Indeed, in 2022, half of new installations were small-sized plants, 23.0% were large-sized plants, 16.0% were medium to large plants (between 200 and 1000 kW), and 11.0% were medium to small systems (between 20 and 200 kW).

CHART 23 – BREAKDOWN BY SIZE OF NEW SOLAR PANELS INSTALLED IN ITALY IN 2022



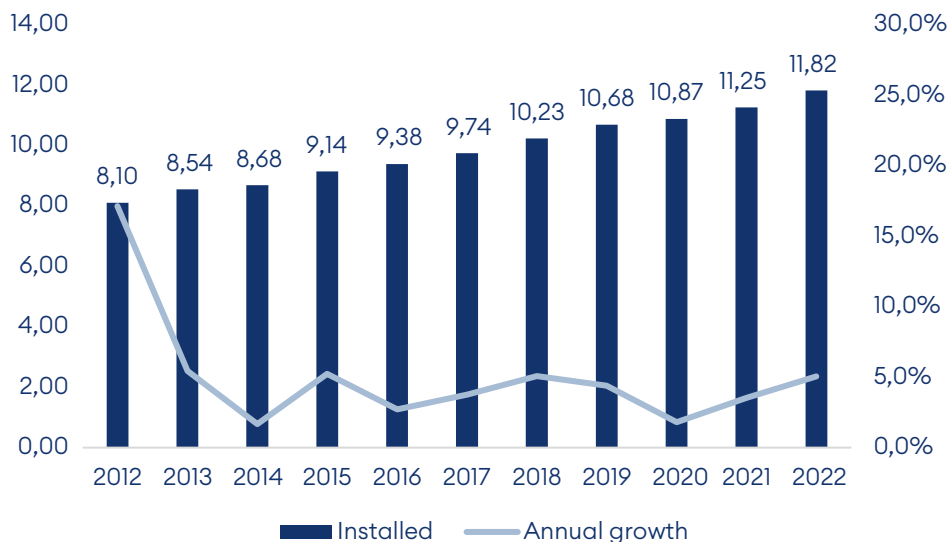
Source: Renewable Energy Report 2023, Politecnico di Milano, Integrae SIM elaboration

Regarding the territorial distribution of new installations, as much as 56.1% of new plants were installed in Northern Italy, while Southern and Central Italy accounted for 26.6% and 17.3% respectively.

3.2 The Wind Energy Market in Italy

The wind segment is more modest in terms of volumes, with just 11.82 GW of installed power in 2022, approximately half of the installed power of photovoltaic energy. Nonetheless, a stable trend has been seen over the last ten years, with growth standing at around 4.0%, after an initial growth spurt of 17.1% in 2012.

CHART 24 – TOTAL POWER OF WIND TURBINES INSTALLED IN ITALY (GW)



Source: Terna, Integrae SIM elaboration

In the Italian wind energy market, the number of plants is far lower than in the photovoltaic sector, with just 5,985 units at the end of 2022, implying, nonetheless, a much higher average size of plant. 92.4% of wind plants have a power rating larger than 10 MW, and are installed mainly in the southern part of the country and on the islands, where geographical characteristics are particularly suitable for this type of plant. The remaining 7.6% of plants is equally divided between Central and Northern Italy.

Also in this sector, however, there has been a recent similar trend of reduction in the average size of plants. Of 208 new plants installed in 2022, almost all onshore plants, 187 (89.9%) had a power rating of less than 1 MW, 4 plants had a medium rating of between 1 MW and 10 MW, and 17 plants (8.2%) had a high rating of more than 10 MW. In this market, there is still a considerable lag behind other European countries such as Germany, Spain and France, where investments in the sector are larger, also due to decidedly more favorable geographical conditions.

3.3 The Bio-energy Market in Europe

Through its biomass cogenerator production activities, the Company is well-positioned in the Italian bio-energy market. However, due to a lack of specific sector legislation, the segment has an overall impact on the renewables market much lower than the more mature photovoltaic and wind segments, with only 4.05 GW of installed power as of 2022.

Compared to other European countries, Italy ranks third in terms of overall capacity, after the United Kingdom and Germany, which produce 9.00 GW and 17.00 GW respectively. Other European countries have much lower production capacities, and have seen growth of less than 1.0%, with the exception of the United Kingdom, which has seen a growth rate of around 2.0%.

3.4 Market Drivers: Energy Policies

ESPE operates in a sector strongly influenced by national and European energy policies aimed, particularly over the last few years, at addressing environmental and climate challenges. Naturally, these policies have enormous effects on the energy market, which structures its supply in line with political policy decisions. Given the relevance of the topic, and the need for joint action between various states, both national objectives and European Community objectives need to be considered.

3.4.1 Italian Energy Policies

In Italy, national reference targets are expressed by two specific regulatory documents:

- **Plan for the Ecological Transition:** This is a strategic plan, approved by the Council of Ministers in June 2022, aimed at addressing environmental and climate challenges through a transition of the growth model of the country to make it more sustainable, resilient and competitive. In particular, the Plan for the Ecological Transition defines Italy's actions and objectives to achieve climate neutrality, greater environmental protection and sustainable development by 2050. The Plan is divided into ten different thematic areas, covering various sectors of the economy and society, among which the theme of decarbonization is of particular note. In this context, the ultimate goal is to continue the process of eliminating anthropogenic greenhouse gas emissions right up to net zero by 2050, while the intermediate goal is cutting emissions by 55.0% by 2030.
- The **National Long-Term Strategy (NLTS):** This is the strategy that Italy has adopted to respect its commitments to the Paris Agreement and to European Union objectives concerning energy and climate action. The NLTS defines actions and

objectives for achieving climate neutrality by 2050, reducing greenhouse gas emissions and increasing resilience to the impacts of climate change. In particular, starting from a baseline reference scenario, projections of current energy and environmental trends, exogenous GDP and population dynamics indicate an emissions gap compared to the target scenario. Therefore, to offset this gap, the strategy is aimed at developing a decarbonization scenario. The NLTS is configured as a dynamic, flexible tool, which will be updated periodically according to progress and the evolving needs of the country.

TABLE 3 – ITALIAN CURRENT VS TARGET GHG EMISSIONS AND RENEWABLES DATA

	Current (2022)	2030 Objectives - PTE	2050 Objectives - NLTS
GHG emissions (net)	418 mln Ton CO ₂ e	-55,0%	0
Renewables % on total energy consumes	31,0%	72,0%	80,0% - 90,0%
Energy production from renewables	63,6 GW	125,5 - 130,5 GW	240 GW - 350 GW

Source: Renewable Energy Report 2023, Politecnico di Milano

These objectives are particularly ambitious, considering the projections for the future, and this is even more evident considering the European objectives set out in the following section. Accordingly, over the last few years, further legislative interventions have been necessary as support mechanisms to bring about a significant turning point in the installation of photovoltaic systems, particularly medium to large power rated installations, which will better support the achievement of targets.

In particular, the Renewable Energy Sources Decree (Decreto FER, Fonti Energetiche Rinnovabili) was issued in 2019, and enhanced three years later, in 2022, by the Renewable Energy Sources Decree 2 (FER 2), issued by the Ministry of Ecological Transition and the Ministry of Economy, in order to promote, through dedicated incentives, electricity production from innovative and high-power renewable plants. Both decrees promote the construction and distribution of both small and large-scale photovoltaic systems, on- and off-shore wind farms, and biogas and biomass power plants. The incentives are not only of an economic nature, but also concern reformulations and simplifications to permit processes for such plants.

All the measures are implemented in line with the National Recovery and Resilience Plan (PNRR), which considers the ecological transition as a priority, and similarly aims to reduce greenhouse gas emissions, improve energy efficiency, and promote renewable energy sources.

Various opportunities related to renewable sources are identified in the second Mission of the National Recovery and Resilience Plan, called “The Green Revolution and Ecological Transition”, which allocates a total of € 68.60 billion for future investments.

3.4.2 European Energy Policies

To address current climate and environmental challenges, the action of individual states is not sufficient, a community approach is needed and is much more effective. Therefore, for a number of years now, the European Union has proposed various medium and long-term objectives related to decarbonization and energy efficiency.

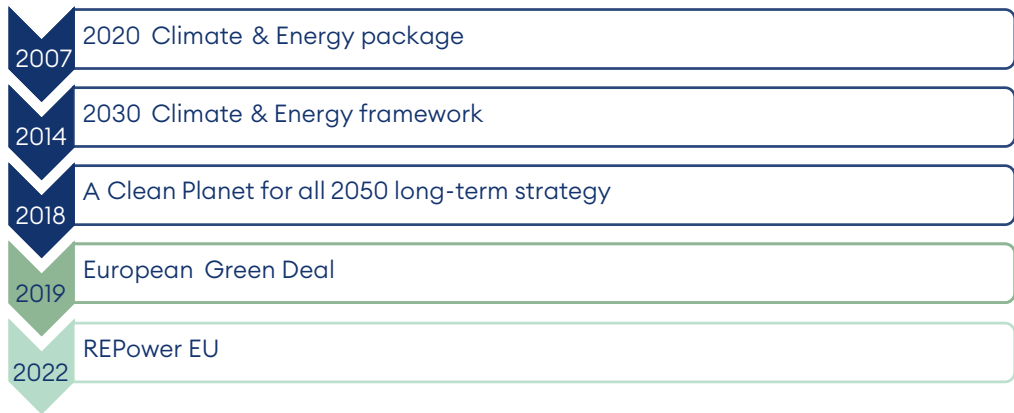
The first significant package of energy measures dates back to 2007, with the Climate & Energy Package approved with a view to improving the EU's energy security and promoting green growth. Subsequently, the time horizon of subsequent measures gradually increased, first with the 2030 Climate & Energy Framework, adopted in 2014, and then with the "A Clean Planet for All" 2050 Long-term Strategy, presented in 2018.

To date, the reference program for the EU is the European Green Deal, launched by the European Commission in 2019, and defining EU strategy to achieve the objective of climate neutrality by 2050. This is a package of strategic initiatives that aims to put the EU on the path to the green transition, aimed at a fair and prosperous society, with a modern and competitive economy, and a holistic and cross-sectoral approach, in which all strategic sectors contribute to the ultimate climate goal.

Subsequently, several reform packages were introduced by the European Commission in support of the objectives of the Green Deal, including:

- **The Fit for 55 Package** (2021): This targets a reduction in greenhouse gas emissions of 55.0% by 2030, compared to the 1990 value. The program uses a series of tools, including: the Emission Trading System, made more efficient by the package through extension to various production sectors, and by reducing the necessary permits for companies; the Carbon Border Adjustment Mechanism, which forces international companies active in highly polluting sectors to pay special duties if they want to import goods produced outside the EU into the EU; and the Effort Sharing Regulation, which forces EU member states to work to meet national targets across a variety of sectors, including those that are not subject to the Emission Trading System, such as agriculture or waste management.
- **RePowerEU** (2022): This plan is aimed at energy savings, clean energy and a diversification of the energy portfolio through a series of financial and legislative measures aimed at providing the necessary infrastructure. The plan includes measures to be implemented in the short term and others to be implemented in the medium term, including the introduction of new governance systems and performance indicators aimed at monitoring progress towards the targets.

TABLE 4 – STEPS IN EUROPEAN ENERGY POLICY



Source: The Council of the European Union – Consilium, Integræ SIM elaboration

4. Competitive Positioning

TABLE 5 – MAIN COMPETITORS (2022 DATA)

Company (€/mln)	VoP 2022	Ebitda 2022	Ebitda % 2022	Net Income 2022	Net Income % 2022	NFP 2022
STE Energy	31,70	1,65	5,2%	(0,13)	n.m.	3,01
Comal	77,76	6,93	8,9%	3,36	4,3%	7,35
Sunnerg Group	8,62	0,52	6,0%	0,57	6,6%	(0,96)
Tonello Energie	28,89	2,33	8,1%	1,19	4,1%	(2,46)
CMC Europe	93,26	0,76	0,8%	1,08	1,2%	n/a
Median	31,70	1,65	6,0%	1,08	0,04	1,03
ESPE	45,09	1,18	2,6%	0,22	0,5%	4,83
ESPE (FY23A)	59,38	4,16	7,0%	1,63	2,7%	1,77

Source: Orbis, Integrae SIM elaboration

Among the main competitors in the photovoltaic sector there are companies active in both national and European markets. Among these, of note are the following:

- STE Energy Srl:** This is an Italian company that operates internationally as a general contractor in the renewable energy and electrical infrastructure sector. It designs, builds and manages energy production plants, and is active in four different segments: hydroelectric, photovoltaic, cogeneration, and plant engineering. The company, based in Padua, Italy, was founded in 2006, and is part of the Sorgent.e. Group;
- Comal SpA:** This is an Italian company active in both Italy and abroad. Comal builds cutting-edge, high-power photovoltaic systems, using a EPC-M and O&M formula, and covering all phases of the production chain. It therefore deals with the design and construction of structural and robotic plant components, installation, testing, commissioning and maintenance, and therefore offers a complete turnkey service. The company, based in Viterbo, was founded in 2001;
- Sunnerg Group Srl:** This is a general contractor and service provider specialized in the design and realization of turnkey projects in the B2B renewable energy market, with a particular focus on the photovoltaic segment. Sunnerg Group offers integrated solutions for the production, storage, distribution and use of clean energy, such as micro-grids, smart grids and electric vehicles, and is active in several European and South American countries. The company is based in Milan, and was founded in 2017;

- **Tonello Energie Srl:** This Italian company is active as an EPC contractor in the renewables sector, and is specialized in the photovoltaic and hydroelectric segments and in the innovative treatment of waste, with the generation of bio-methane. The company offers a turnkey service to businesses and private entities that want to build photovoltaic systems. The company, based in Vicenza, was founded in 2008, and is part of the Tonello Srl Group;
- **CMC Europe AG:** This is a Hungarian company operating internationally in the renewable energy and electrical infrastructure sector. The company is involved in a number of activities, including: the development, construction and operation of clean energy projects in several countries, such as Hungary, Italy and Spain; the provision of multidisciplinary engineering solutions and project management for hydroelectric, photovoltaic, wind and biogas plants; collaboration with local partners and financial institutions to promote the energy transition and industrial cooperation. CMC Europe, part of the CMC Group, was founded in 2019, and is headquartered in Budapest. The data shown in the table refers to the results within the scope of the Italian territory.

The main characteristic of ESPE's direct competitors is broad diversification across various energy and non-energy sectors, reflected in greater margins compared to that of the Company. Indeed, ESPE produces revenues largely through the photovoltaic sector, spends huge resources on research and development for activities that are not yet profitable, and has, in general, lower margins than those of its competitors. However, through the expected increase in volumes and stability of costs, associated with the expected normalization of raw materials prices, and the expected increase in the average size of orders, a significant increase in margins is expected over the coming years.

Regarding ESPE's positioning in the competitive context, the Company intends to distinguish itself as a premium operator, by offering the highest quality service. Accordingly, compared to direct competitors, the Company put together in a better way all the necessary elements of a project thus being able to offer a complete service and to satisfy every potential customer need. In particular, ESPE offers both roof-top and ground-mounted plants, and has internal project management and R&D departments, which are fundamental in dealing with the complexities of projects and the rolling innovation of the sector. Finally, ESPE stands out for its international track record, with projects in Romania and various partnerships in the United Kingdom and Japan, and for the diversification of its background, fruit of its many years of experience in the energy sector.

4.1 SWOT Analysis

Strengths:

- Historic, successful track record that makes ESPE a point of reference in Italy in the businesses it covers;
- Organizational flexibility and the ability to provide rapid responses to the market, thanks to the know-how and expertise of professional figures;
- Visibility over turnover, thanks to an order backlog of more than € 97.00 million;
- Consolidated and continuous professional relationships with important customers and suppliers in the sector across the national territory;
- Ability to purchase directly from component manufacturers, disintermediating distributors;
- Control of the main phases of the value chain;
- Synergies between divisions and the integration of solutions to maximize economies of scale;
- Presence of an internal R&D department for the development of cutting-edge solutions.

Weaknesses:

- Size of the Company still small compared to large competitors and growth objectives;
- Unexploited margins in the project development phase;
- Difficulties in the search and selection of qualified technical personnel, due to the complexity of the labor market;
- Product market (small wind turbines and cogeneration) not very constant.

Opportunities:

- Great growth expected in the renewable energy market, particularly regarding the photovoltaic business, followed by small wind power;
- Commercial penetration of the small wind business in countries with high development potential, such as the USA;
- The introduction of regulations that promote the use of renewable energy sources, with measures increasingly oriented to improving authorization processes, rather than simply applying subsidies.

Threats:

- High competitiveness in the EPC market;
- Evolution of the global macroeconomic context, affected by geopolitical instabilities and inflation and interest rate trends;
- Increases in structural costs, related to increases in the average size of orders;
- Financial risks from the development of large renewable parks;
- Potential changes in the reference regulatory framework, introducing obstacles in authorization processes for renewable energy plants.

5. Economics & Financials

TABLE 6 – ECONOMICS & FINANCIALS

INCOME STATEMENT (€/mln)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Revenues	18,27	36,52	42,74	70,00	96,55	113,40
Work in progress	0,24	8,26	16,12	9,30	10,00	11,00
Other Revenues	0,49	0,31	0,52	0,70	0,20	0,20
Value of Production	19,00	45,09	59,38	80,00	106,75	124,60
COGS	10,32	28,05	30,45	43,60	58,20	67,00
Services	5,43	12,66	20,01	26,50	35,00	40,00
Use of Asset owned by others	0,27	0,31	0,48	0,50	0,50	0,50
Employees	2,35	2,72	3,78	3,90	4,30	4,85
Other operating costs	0,21	0,18	0,51	0,50	0,50	0,50
EBITDA	0,43	1,18	4,16	5,00	8,25	11,75
<i>EBITDA Margin</i>	<i>2,3%</i>	<i>2,6%</i>	<i>7,0%</i>	<i>6,3%</i>	<i>7,7%</i>	<i>9,4%</i>
D&A	0,23	0,68	1,31	0,80	0,85	0,90
EBIT	0,20	0,50	2,85	4,20	7,40	10,85
<i>EBIT Margin</i>	<i>1,0%</i>	<i>1,1%</i>	<i>4,8%</i>	<i>5,3%</i>	<i>6,9%</i>	<i>8,7%</i>
Financial Management	(0,08)	(0,13)	(0,32)	(0,30)	(0,25)	(0,20)
EBT	0,12	0,37	2,53	3,90	7,15	10,65
Taxes	0,04	0,14	0,90	1,00	2,00	3,10
Net Income	0,07	0,22	1,63	2,90	5,15	7,55

BALANCE SHEET (€/mln)	FY21A	FY22A	FY22A	FY24E	FY25E	FY26E
Fixed Assets	2,02	2,63	3,98	5,65	5,80	5,90
Account receivable	9,14	13,18	6,96	29,00	35,40	41,55
Inventories	7,56	20,07	41,17	26,50	29,00	31,00
Account payable	5,48	12,28	14,86	19,00	22,35	25,80
Operating Working Capital	11,23	20,97	33,26	36,50	42,05	46,75
Other receivable	2,60	4,11	4,35	3,75	3,40	2,85
Other payable	5,77	16,69	30,53	28,50	29,80	31,00
Net Working Capital	8,06	8,40	7,09	11,75	15,65	18,60
Severance Indemnities & Other Provisions	0,61	0,82	0,80	1,15	1,35	1,55
NET INVESTED CAPITAL	9,47	10,21	10,27	16,25	20,10	22,95

Share Capital	0,50	0,50	2,00	2,37	2,37	2,37
Reserves	4,58	4,66	4,88	7,98	10,88	16,03
Net Income	0,07	0,22	1,63	2,90	5,15	7,55
Equity	5,15	5,38	8,50	13,25	18,40	25,95
Cash & Cash Equivalent	1,56	1,60	3,20	1,70	2,30	6,60
Short Term Financial Debt	5,22	5,36	3,28	3,20	3,00	2,80
M/L Term Financial Debt	0,66	1,07	1,69	1,50	1,00	0,80
Net Financial Position	4,32	4,83	1,77	3,00	1,70	(3,00)
SOURCES	9,47	10,21	10,27	16,25	20,10	22,95

CASH FLOW (€/mln)	FY22A	FY23A	FY24E	FY25E	FY26E
EBIT	0,50	2,85	4,20	7,40	10,85
Taxes	0,14	0,90	1,00	2,00	3,10
NOPAT	0,35	1,95	3,20	5,40	7,75
D&A	0,68	1,31	0,80	0,85	0,90
Change in receivable	(0,33)	1,31	(4,66)	(3,90)	(2,95)
Change in inventories	(4,04)	6,23	(22,04)	(6,40)	(6,15)
Change in payable	(12,50)	(21,10)	14,67	(2,50)	(2,00)
Change in others	6,80	2,59	4,14	3,35	3,45
<i>Change in NWC</i>	<i>9,42</i>	<i>13,60</i>	<i>(1,43)</i>	<i>1,65</i>	<i>1,75</i>
Change in provisions	0,21	(0,02)	0,35	0,20	0,20
OPERATING CASH FLOW	0,91	4,55	(0,31)	2,55	5,90
Capex	(1,29)	(2,7)	(2,5)	(1,0)	(1,0)
FREE CASH FLOW	(0,38)	1,89	(2,78)	1,55	4,90
Financial Management	(0,13)	(0,32)	(0,30)	(0,25)	(0,20)
Change in Debt to Bank	0,54	(1,46)	(0,27)	(0,70)	(0,40)
Change in Equity	0,01	1,50	1,85	(0,00)	0,00
FREE CASH FLOW TO EQUITY	0,03	1,61	(1,50)	0,60	4,30

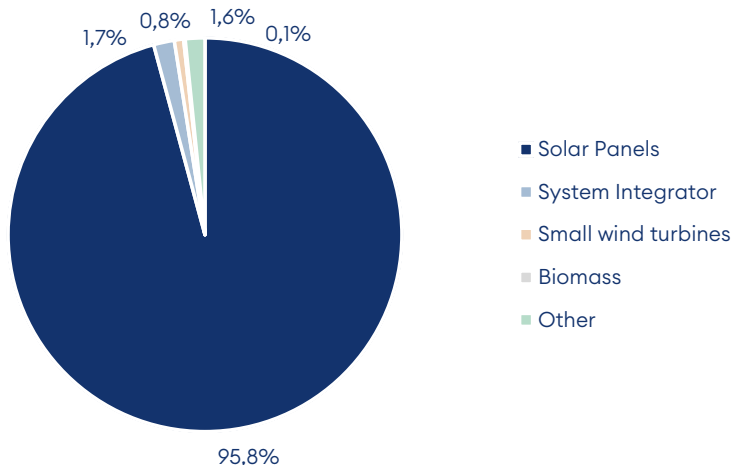
Source: Integrae SIM

5.1 1H23A Results

The first half of 2023 saw ESPE successfully continue on its growth path, with results once again driven by the photovoltaic sector. Revenues from 1H23A sales came in at € 29.24 million, compared to € 12.76 million (+129.1%) in 1H22A, with 95.8% (€ 28.01 million, higher than the 2022 year-end value) coming from the construction of photovoltaic plants.

The value of production, on the other hand, amounted to € 26.83 million (up 89.0% vs. €14.20 million in 1H22A), considering the reduction in work in progress on order of approximately € 4.70 million, due to the closure in the first half of the year of work on sizable contracts started in 2022.

CHART 25 – REVENUES BREAKDOWN BY SEGMENT 1H23A



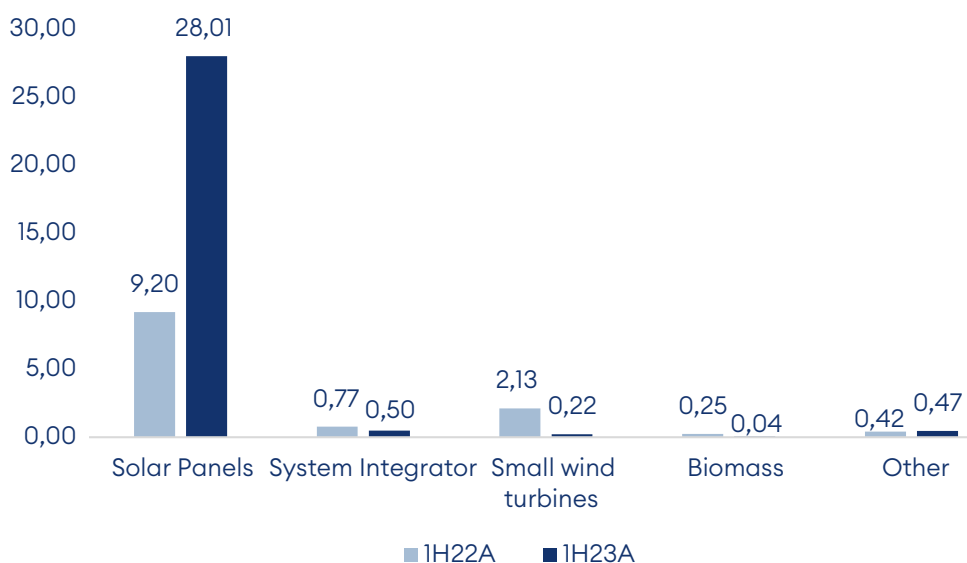
Source: ESPE

The graph confirms the good performance of ESPE's commercial and corporate strategy, focused, in particular, on the realization of rooftop self-consumption plants for large industrial groups and ground-based plants for IPP customers for the sale of energy to third parties.

On the contrary, the contribution of the other business lines fell significantly reduced, not only in percentage but also in absolute terms. The small wind power line's contribution fell from € 2.13 million in 1H22A to € 0.22 million in 1H23A, the biomass line's from € 0.25 million to € 0.04 million, and the Systems Integrator line's from € 0.77 million to € 0.50 million, in the first half of 2023.

We note, however, that, especially in the case of small wind turbines, this difference can be attributed to seasonal phenomena, which see the vast majority of orders for wind turbines concentrated in the second half of the year. Therefore, the expected results are nonetheless largely in line with the previous year. In the case of biomass, new growth is expected following the introduction of new technical regulations for energy self-consumption.

CHART 26 – REVENUES BREAKDOWN BY SEGMENT 1H23A VS 1H22A (€/MLN)



Source: ESPE

In general, despite the evolution of the business ever more towards the photovoltaic sector, the Company sees market diversification as one of its cornerstone strategies, allowing it to stay updated on technological and commercial developments in sectors and countries that present good growth opportunities in the medium to long term. The Systems Integrator activity, in particular, remains of additional strategic importance in commercial terms, as it demonstrates to customers the transversal competence of ESPE technicians, as well as providing a management service that can cover any type of intervention, without the need to resort to third parties, therefore confirming the message of reliability and guarantees.

EBITDA for the period was partly affected by strong increases in the prices of raw materials (primarily aluminum and steel), and by the use of third-party contractors to complete sizable photovoltaic constructions, though came in at € 1.38 million, higher than the 2022 end-of-year figure of €1.18 million, and up 334.8% compared to the 1H22A figure, equal to € 0.32 million. The increase in margins, from 2.5% 1H22A to 5.1% in the first half of 2023, confirms the Company's ability to exploit economies of scale as it increases turnover, to benefit from synergies between various departments and the optimization of processes, and to leverage savings from a careful monitoring of construction sites.

EBIT, after depreciation and amortization of € 0.79 million, came in equal to € 0.59 million (vs. €0.13 million in 1H22A), with an EBIT margin of 2.0%. Net Income, on the other hand, amounted to € 0.43 million, despite the increase in costs related to financial charges.

During the period, the Company paid the deposit for the purchase of approximately 11,000 square meters of land in the municipality of Carmignano di Brenta, in the Province of Padua, which will be used for the construction of an industrial warehouse of approximately 5,800 square meters for the storage of materials. The purchase of the land was then finalized in July, just after the end of the first half-year. The Company also acquired a 0.8% stake in the Greek company Bio-Based Energy Technology PC (BIO2CHP), with the aim of developing a new cogenerator powered by poor quality biomass, such as waste from the agricultural sector. The envisaged implementation times are relatively long, but the project offers promising perspectives for ESPE in the biomass sector.

Regarding Shareholders' Equity, on the other hand, we note a free capital increase of approximately € 1.50 million, deriving from a waiver of reimbursement by ESPE Tecnologie Srl (the 82.05% parent company of ESPE) for a financing credit amounting to € 2.40 million. The credit was initially claimed from ESPE by the related company Rinnovabili Holding Srl, owner of the Grantorto site on which the Company has its main headquarters. Following the partial reimbursement of € 0.80 million, the credit was then purchased by ESPE Tecnologie Srl, which formally expressed a waiver of reimbursement, therefore producing an equity reserve. The share capital therefore currently amounts to € 2.00 million.

The capital structure maintains the prevalence of investments in working capital necessary to guarantee the fulfillment of large photovoltaic orders. Here, we note only a decreasing difference in advances received from customers, due to the closure of works at several construction sites, and a consequent discharge of advances. Net of these changes, there was a slight worsening in NFP, from € 4.83 at the end of 2022 to € 6.29 million as of June 30, 2023.

During the period, among other orders, the following important orders were completed:

- 2 ground-based plants in Oviglio, in the Province of Alessandria, Italy, with a total installed power of 13 MWp, on behalf of a large Italian group operating in the energy sector;
- 1 ground-based plant in Monselice, in the Province of Padua, Italy, with a total installed power of 10 MWp, on behalf of an important customer investing in renewable energy with the aim of selling it to the grid;
- 2 ground-based plants in Timisoara, Romania, with a total installed power of 9 MWp, on behalf of an important Romanian customer.

5.2 FY23A Results

The 2023 financial statements mark the first full year closed by the company following its stock market listing: indeed, on February 20, 2024, ESPE shares were admitted for trading on the Euronext Growth Milan segment, with February 22 set as the first day of trading. The admission occurred with the placement of 1,849,000 newly issued ordinary shares at a unit price of €1.00, to which were added 277,500 existing shares, corresponding to approximately 15.0% of the placement, coming from the exercise of the greenshoe option granted by Espe Technologie Srl.

As of December 31, 2023, ESPE generated a value of production of € 59.38 million, marking an increase of 31.7% compared to € 45.09 million in FY22A, thanks to the growth of the photovoltaic business, which benefited from several new orders for the installation of ground-mounted photovoltaic systems. Sales revenues, amounting to € 42.74 million, also saw an increase of 17.0% compared to 2022 and were primarily generated in Italy (95.0%). The plant engineering division, as anticipated, had a positive impact on the results with revenues of € 40.80 million, up 35.9% compared to 2022, thanks to the photovoltaic business line.

EBITDA follows the evolution of revenues and also benefits from optimization in the internal management of orders and the acquisition of new, larger, multi-year orders, amounting to € 4.16 million, more than tripling the figure as of December 31, 2022, which was € 1.18 million. Consequently, the EBITDA margin increases from 2.6% to 7.0%. It is worth noting that if the EBITDA margin were calculated on revenues, it would be higher, reaching 9.7% for FY23A (vs. 3.2% for FY22A). However, given the multi-year nature of some of the orders being executed as of December 31, 2023, it is preferable to consider the value of production as the basis for calculation, in order to provide a more accurate representation of the economic reality.

EBIT, after depreciation and amortization amounting to € 1.31 million, stands at € 2.85 million (compared to € 0.50 million in FY22A) with an EBIT margin of 4.8%. Net Income is also positive, amounting to € 1.63 million compared to € 0.22 million.

Referring to the balance sheet, there is a significant improvement in the Net Financial Position (NFP), which reaches a value of € 1.77 million (debt) compared to € 4.83 million at the end of 2022. This improvement has benefited from cash generation over the course of the financial year, resulting from the company's core activities.

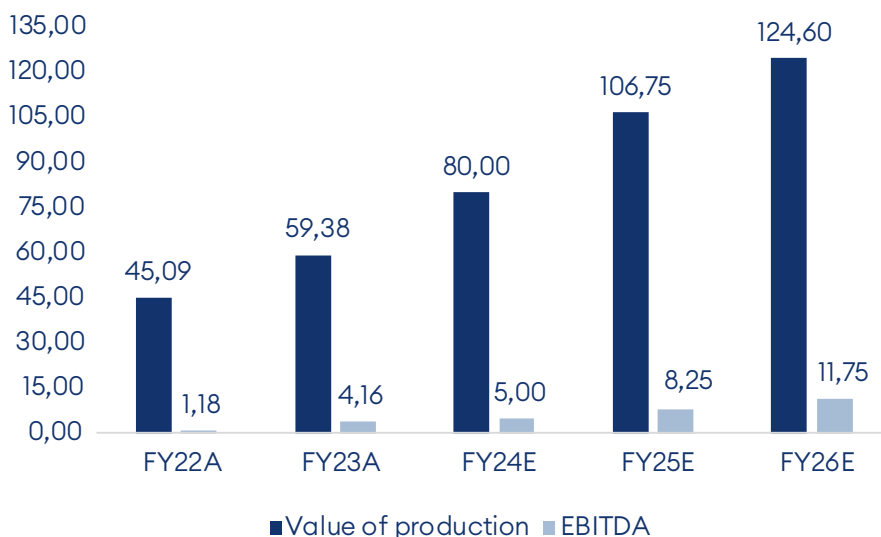
The year 2023 closes very positively for ESPE, which begins 2024 with a successful stock market operation and the acquisition of several important contracts that foreshadow further improvement in 2024. In addition to those mentioned in the previous paragraph concerning work completed in the first half of the year, the company has secured:

- An order valued at €17.80 million for the construction of 5 photovoltaic plants in northern Italy, on behalf of an Italian Independent Power Producer (IPP). The plants will have a total capacity of 36 MWp and will be completed by the first half of 2025;
- An order worth €7.20 million for the construction of 2 photovoltaic plants in the provinces of Macerata and Sassari, for a client who is among the leading producers and marketers of renewable energy in Italy. The plants will have a total capacity of 11 MWp and are expected to be completed by 2024;
- An order valued at €6.10 million for the construction of a photovoltaic plant in the province of Bari, on behalf of a foreign Independent Power Producer (IPP). The plant will have a capacity of 12 MWp and is expected to be completed by the end of 2024;
- An order valued at €11.30 million for the construction of a ground-mounted photovoltaic plant in the province of Rome, on behalf of an Italian Independent Power Producer (IPP). The plant will have a capacity of 20.6 MWp and is expected to be completed by the first half of 2025.

These agreements, secured in the early months of 2024, bring the company's order book to a value of €97.00 million (as of April 5, 2024), compared to €49.7 million at the end of 2023. This demonstrates the excellent evolution of the business, which is increasingly moving towards the construction of large-scale plants.

5.3 FY24E - FY26E Estimates

CHART 27 – VOP AND EBITDA FY22A – FY26E (€/MLN)



Source: ESPE

In the coming years, we expect an increase in the value of production, which, according to our estimates, will rise from € 45.09 in 2022 to € 124.60 million in FY26E, with a CAGR on FY23E-FY26E revenues equal to 28,0%, in line with the photovoltaic market, which is growing with a projected CAGR of 21.2% (Renewable Energy Report, Politecnico di Milano).

This estimate is largely justified by the development plans and strengthening strategies initiated by ESPE, as well as by the acceleration in the activity of constructing ground and rooftop photovoltaic systems that continues the trend of recent years: revenue growth related to this line of business was +171.1% between 2021 and 2022, and over 100.0% between 2022 and 2023, also considering the strong visibility on 2024 results, guaranteed by a backlog of orders amounting to approximately €97.00 million to be delivered by the end of the first quarter of 2025.

With a continuing focus on its EPC activities, the Company's objective is to accelerate growth in all relevant business areas, from its historic Systems Integrator business through to the Production division, covering the development of proprietary technology.

The preponderance of the photovoltaic line, however, suggests that we should take a prudential approach in evaluating revenue volumes over the course of the years of the bu-

business plan. Accordingly, FY24E-FY26E forecasts consider revenues for the Wind, Biomass and Systems Integrator lines substantially down on the 2022 results, and growth primarily attributed to the photovoltaic side, which we estimate will have an ever-increasing impact on turnover, up to as much as 90.0%.

Regarding this division, the results will have the following drivers:

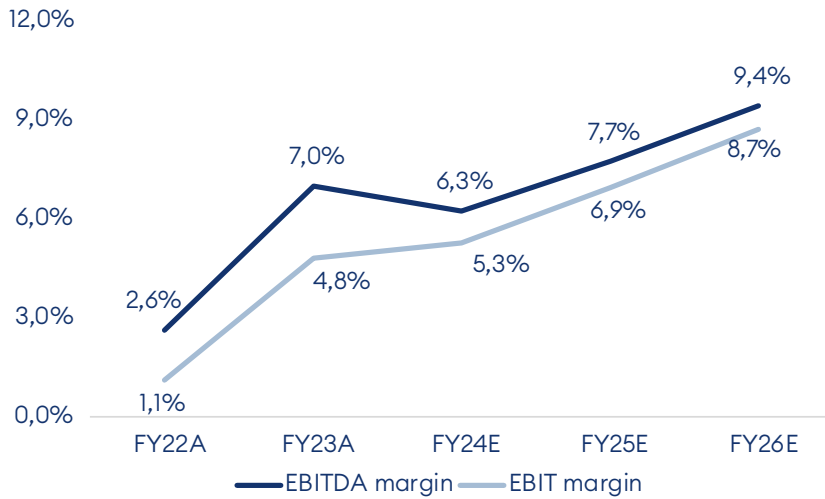
- A market oriented towards a higher use of energy from renewable sources (primarily wind and solar power) compared to energy from traditional sources;
- An important backlog of orders already confirmed and expected to grow;
- An increase in the average size of plants on order;
- An increase of organizational and personnel resources;
- The construction of the new warehouse, to further develop the business.

The revenue trend will be driven by a growth of acquired orders, following the growing trend of offers requested from ESPE, and considering the Customer Retention Policy and consolidated relationship with customers, including local industrial groups across different sectors, and, above all, IPP type customers, who invest with a certain regularity in medium to large scale projects (>3 MWp). The Customer Retention Policy continues to produce growth in the average size of orders, and, consequently, in greater sales volumes and greater visibility over revenues through to a time horizon of 9-12 months, guaranteed by contracts signed and included in the backlog.

This is accompanied by the growing impact of the O&M activity, estimated to be practically constant over the course of the business plan, yet offering high potential for customer loyalty and the maintenance of commercial relationships.

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CHART 28 – EBITDA AND EBIT MARGIN FY22A – FY26E



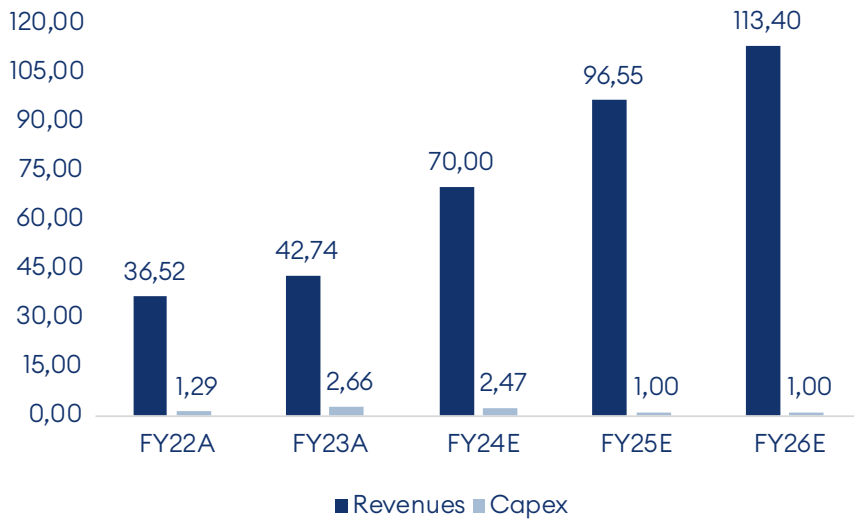
Source: ESPE

We expect EBITDA to grow more than proportionally compared to the value of production, with a figure rising from € 5.00 million at the end of 2024 to an estimated € 11.75 million in FY26E.

In terms of marginality, this translates to an EBITDA margin of 7.0% in 2023, growing to 9.4% in FY26E, with an annual increase following the historical trend of profitability growth of ESPE. The improvement in margins will be due to the efficiency of all cost items, initially due to the normalization of prices for raw materials, accessories, and semi-finished products, whose increase has slowed growth over the last two years, and subsequently due to the exploitation of economies of scale resulting from the growth in volumes related to photovoltaics, especially starting from 2024.

Additionally, there is a reduction in the impact of personnel costs: the Company has worked recently on strengthening the organizational and production structure both operationally and commercially, by expanding the staff in order to address the increase in demand and the growing size of construction sites being developed promptly and efficiently, along with the exploitation of insourcing strategies for certain high-value-added stages.

CHART 29 – REVENUES AND CAPEX FY22A – FY26E (€/MLN)

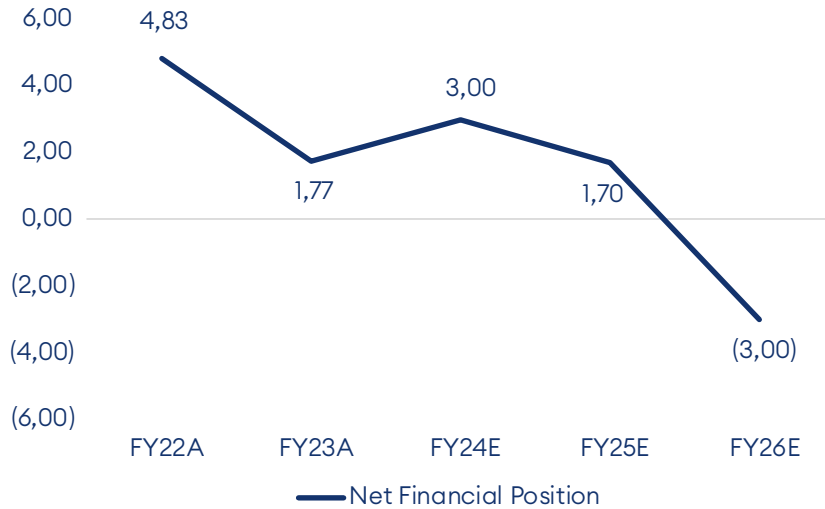


Source: ESPE

The investment plan for the 2024-2026 period amounts to a total of approximately € 4.50 million, and concerns investments functional to supporting the Company’s various activities. We have estimated a need to dedicate the majority of investments to the purchasing of material goods, in light of the growth in volumes, including operating machines, equipment and trucks, added to which is the aforementioned investment for the purchase of land to be used for the construction of a warehouse.

Investments in intangible assets, on the other hand, are focused on small wind power and particularly on obtaining necessary certifications for the distribution of wind turbines in countries where the Company would like to expand its activities, including Greece, the USA and Northern Europe.

CHART 30 - NFP FY22A - FY26E



Source: ESPE

Finally, we estimate that ESPE can improve its net financial position (NFP) in the coming years, reaching a cash positive value of approximately €3.00 million by FY26E. The improvement results from the positive cash flows generated by typical operations, assuming the renewal of all short-term exposures and no recourse to new long-term debt sources.

5.4 Use of Proceeds

The Company has been listed on the Euronext Growth Milan segment of Borsa Italiana in order to raise funds aimed at continuing its growth trajectory. Specifically, ESPE has planned, as a post-fundraising objective, a strategy to consolidate its competitive position in the photovoltaic segment, through the acceleration of organic growth driven by:

- Investments in specialist construction site equipment, functional to operating successfully in the energy market, and making plant engineering activities more efficient;
- The construction of a warehouse to accelerate business development;
- The development of O&M activities, also through partnerships with sector operators;
- An expansion of offerings for the biomass cogeneration market;
- Entry into the US small wind market, for the local production and distribution of small wind turbines.

In addition to these strategic guidelines for internal growth, the Company intends to use the funds raised to also foster growth through external lines, via M&A operations. The Company's long-term goal is strategic integration of the supply chain, through expanding the business to the activity of developing authorizations with the aim of proposing new projects already equipped with a construction contract. An acquisition of this type would ensure that ESPE covers the entire photovoltaic supply chain, in addition to achieving much higher margins.

6. Valuation

We conducted our valuation of the equity value of ESPE based on the DCF method and multiples of a sample of comparable companies.

6.1 DCF Method

TABLE 7 – WACC

WACC				9,7%
D/E 17,6%	Risk Free Rate 3,2%	β Adjusted 0,6	α (specific risk) 2,5%	
K_d 5,5%	Market Premium 7,8%	β Relevered 0,5	K_e 10,7%	

Source: Integrae SIM

In particular:

- The Risk-Free Rate is represented by the Rendistato Index as of March 2024, with a maturity between 3 years and 7 months and 4 years and 6 months;
- The Market Premium coincides with the risk premium for the Italian market, as calculated by Professor A. Damodaran;
- D/E is calculated based on Integrae SIM estimates;
- K_e was calculated by CAPM;
- Alpha is the specific additional risk, typical of equity investments in companies characterized by small operating dimensions. Since the operating dimensions are small, the additional small cap risk was assumed to be equal to 2.5%, the average value among those suggested by leading studies on the subject (Massari Zanetti, Valutazione Finanziaria, McGraw-Hill, 2004, page 145, A. Damodaran, Cost of Equity and Small Cap Premium in Investment Valuation, Tools and Techniques for Determining the Value of Any Assets, III edizione 2012, Guatri Bini, Nuovo Trattato sulla Valutazione delle Aziende, 2009, page 236);
- Beta was calculated on the basis of competitors' 5-year unlevered Beta;

- Kd coincides with the Company's current cost of debt.

Using these data, a WACC of 9.7% was calculated.

TABLE 8 – DCF VALUATION

DCF		% of EV
FCFO Actualized	6,94	11,1%
TV Actualized DCF	55,50	88,9%
Enterprise Value	62,44	100,0%
NFP (FY23A)	1,77	
Equity Value	60,67	

Source: Integrae SIM

With the above data and taking our estimates and assumptions as a reference, the result is an equity value of **€ 60.7 million**.

TABLE 9 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mln		WACC						
		8,2%	8,7%	9,2%	9,7%	10,2%	10,7%	11,2%
Growth Rate (g)	3,0%	97,2	87,7	79,8	73,1	67,3	62,3	58,0
	2,5%	89,1	81,1	74,2	68,4	63,3	58,9	54,9
	2,0%	82,3	75,4	69,4	64,3	59,8	55,8	52,2
	1,5%	76,6	70,5	65,3	60,7	56,6	53,0	49,8
	1,0%	71,6	66,3	61,6	57,5	53,8	50,6	47,6
	0,5%	67,3	62,6	58,4	54,6	51,3	48,3	45,7
	0,0%	63,5	59,3	55,5	52,1	49,1	46,3	43,8

Source: Integrae SIM

6.2 Multiples Method

6.2.1 Panel Composition

- **Comal SpA**

Comal is a company founded in 2001, and based in Italy, which designs and builds cutting-edge, high-power photovoltaic systems, using an EPC-M and O&M formula, and covering all phases of the production chain, from plant design through to installation, testing, commissioning and maintenance, and therefore offering a turnkey service. In addition to its plant construction line, the Company boasts a factory for the production of its own brand sun-trackers, and carries out ordinary and extraordinary maintenance interventions on traditional energy power plants, mostly thermoelectric power plants. Comal is currently the leading manufacturer of plants in Italy in the production range from 5MW up to 80-100MW, and is a pioneer in the construction of grid parity plants, that is, plants with a profitable yield without the need for public incentive policies.

- **Innovatec SpA**

Innovatec is an investment holding company based in Italy and active in the energy efficiency and environmental sustainability services sector. The company offers innovative end-to-end solutions that respond, in a tailored and comprehensive way, to the needs of its customers in the circularity and sustainability sector. Through its Energy Efficiency and Renewables business unit, Innovatec manages a pipeline of large-scale photovoltaic projects under development, and the authorization processes for turnkey post-construction transfers and the production of energy from renewable sources for future resale. Furthermore, through its Environment and Circular Economy business unit, Innovatec supports customers in improving waste management waste, energy efficiency, the sustainable use of resources, and environmental protection.

- **ESI SpA**

ESI is a renewable energy sector company specialized in the construction of photovoltaic plants, civil works for wind farms and substations, and the realization of mini and off-grid systems and energy storage solutions. The Company operates as an EPC Contractor and Systems Integrator, covering all phases of the renewable energy value chain from development through to plant construction. In the photovoltaic segment, its core business, ESI operates a turnkey model, combining the construction of plants with the realization of substations, the design of lighting systems, the maintenance of photovoltaic plants, and revamping activities, that is, the technological modernization technology of obsolete photovoltaic systems.

- **Iniziativa Bresciane SpA**

Initiatives Bresciane is an independent energy producer that has been producing electricity from renewable sources since 1996, with a particular focus on the identification of suitable sites, and the design, construction and management of small to medium-sized hydroelectric plants. The company directly or indirectly manages 43 hydroelectric plants, benefiting from incentives from the Italian Energy Services Manager (GSE). In 2023, the Group started preparatory activities for the development of energy production from photovoltaic plants, and established the company Castelsolar Srl precisely for this purpose.

TABLE 10 – COMPARABLES MARKET DATA (€/MLN)

Company	Country	Market Cap	EV	NFP	EV/ EBITDA	P/E	NFP/ EBITDA
Comal SpA	Italy	40,48	70,65	30,17	7,1 x	9,8 x	3,0 x
ESI SpA	Italy	13,14	14,39	0,86	n/a	n/a	n/a
Iniziativa Bresciane SpA	Italy	108,02	168,89	54,63	5,5 x	1.600,0 x	1,8 x
Innovatec SpA	Italy	71,29	176,23	103,43	14,5 x	19,0 x	8,5 x
Peer Median		55,89	119,77	42,40	7,1 x	19,0 x	3,0 x
ESPE	Italy	36,85	38,62	1,77	9,3x	22,7x	0,4x

Source: FactSet, companies Financial Statements

TABLE 11 – FINANCIAL HIGHLIGHTS FY23A (€/MLN)

Company	VoP	EBITDA	EBIT	Net Profit	EBITDA Margin	EBIT Margin	Net Profit Margin
Comal SpA	136,19	9,96	8,33	4,13	16,8%	14,1%	7,0%
ESI SpA	17,01	(1,59)	(1,96)	(1,73)	-9,4%	-11,7%	-10,3%
Iniziativa Bresciane SpA	215,82	30,92	16,39	0,06	14,2%	7,5%	0,0%
Innovatec SpA	25,52	12,17	3,01	3,75	51,6%	12,8%	15,9%
Peer Median	41,43	11,06	5,67	1,91	15,5%	10,1%	3,5%
ESPE	59,38	4,16	2,85	1,63	7,0%	4,8%	2,7%

Source: FactSet, companies Financial Statements

6.2.2 Market Multiples Valuation

TABLE 12 – MARKET MULTIPLES (BUSINESS)

Company Name	EV/EBITDA		EV/EBIT		P/E	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Comal SpA	5,0x	4,5x	5,8x	5,0x	n/a	n/a
ESI SpA	7,0x	3,5x	7,4x	4,3x	13,5x	6,5x
Innovatec SpA	6,0x	5,0x	8,5x	7,0x	12,0x	10,0x
Iniziativa Bresciane SpA	8,5x	8,1x	22,4x	22,6x	10,4x	10,6x
Peer Median	6,5x	4,8x	8,0x	6,0x	12,0x	10,0x

Source: InFinancials

TABLE 13 – MARKET MULTIPLES VALUATION

€/mln	FY24E	FY25E
Enterprise Value (EV)		
EV/EBITDA	32,5	39,2
EV/EBIT	33,4	44,4
P/E	34,8	51,5
Equity Value		
EV/EBITDA	29,5	37,5
EV/EBIT	30,4	42,7
P/E	34,8	51,5
Average	31,6	43,9

Source: Integrae SIM

Using the average of the market multiples of EV/EBITDA, EV/EBIT and P/E of the two panels, the equity value of ESPE is **approximately € 37.7 million**.

7. Equity Value

TABLE 14 – EQUITY VALUE

Equity Value (€/mln)	49,2
Equity Value Multiples	60,7
Equity Value DCF	37,7
Target Price (€)	4,15

Source: Integrae SIM

Observing the values obtained with the DCF method and those derived using the multiples method, an **average equity value of €49.2 million is achieved. Therefore, the target price is €4.15 million**

TABLE 15 – TARGET IMPLIED MULTIPLES

Multiples	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	12,3x	10,2x	6,2x	4,3x
EV/EBIT	17,9x	12,1x	6,9x	4,7x
P/E	30,2x	17,0x	9,6x	6,5x

Source: Integrae SIM elaboration

TABLE 16 – CURRENT IMPLIED MULTIPLES

Multiples	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	9,3x	7,7x	4,7x	3,3x
EV/EBIT	13,6x	9,2x	5,2x	3,6x
P/E	22,7x	12,7x	7,2x	4,9x

Source: Integrae SIM elaboration

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Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
BUY	ETR \geq 7.5%	ETR \geq 10%	ETR \geq 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR \leq -5%	ETR \leq -5%	ETR \leq 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

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