

ErreDue

Sector: Capital Goods



On the runway to Energy Transition in 2025E

ErreDue - player in on-site gas generation & purification customized solutions, including H₂ electrolyzers for green energy transition - is listed on EGM since Dec 2022 and is investing most of IPO proceeds to boost its output capacity. ErreDue is a “small” public company, with 22 employees cumulatively holding 70% of the Company.

FY24 Financials slightly ahead of expectations

ErreDue's **FY24 results are slightly above our estimates**, mainly on better EBIT, net profit and net cash, while the top line is broadly aligned to our expectations. In particular, we highlight: i) **VoP broadly flat at €19.1mn** (-1.2% y/y); ii) **EBITDA at €5.1mn** (vs €5.9mn in FY23), +3% above our estimates, with margin down 270bps to 32.0% (on revenues); iii) **Net Cash up to €17.3mn** (from €16.3mn in Dec-23), despite a €1.4mn dividend and higher capex, exceeding our forecast, due to lower investments in the Gigafactory and solid NWC management; iv) Proposed DPS at €0.16.

Additionally, order intake over FY24 suggests a strong outlook, driven by energy transition, with the **Dec 2024 backlog** (at €22.5mn, vs. €17.7mn and €22.0mn as of June and August, resp.) **already covering >70% of our FY25E revenues**.

Fine-tuning of 2025E-26E estimates

We are fine-tuning our 2025E–2026E estimates, as follows:

- ◆ Top-line revised downward (~5% p.a.), reflecting weak demand and slowing order conversion in traditional industrial applications, while momentum in Energy Transition applications is improving and we expect order intake to keep accelerating;
- ◆ EBITDA and EBIT adjusted down by 4-8% average over FY25-26E on lower revenues and assuming startup inefficiencies in the Giga Factory to weigh on next quarters. Yet, we see FY26E EBITDA at €11.2mn vs €5.1mn of FY24;
- ◆ Net Cash projection is unchanged and due to remain solid (€15.3mn net cash at FY26E), despite sizeable capex and dividend pay-out.

Fair Value confirmed at €13.8 p/s

We confirm ErreDue's **Fair Equity Value at €13.8 p/s**, based on the average outcome of a **Relative Valuation**, applying peer multiples to a Sum-of-the-Parts (SOTP) model that values separately the two business segments, and **Discounted Cash Flow**. At fair value the stock would trade at **3.1x EV/Sales, 10.2x EV/EBITDA, 23.3x P/E Adj.** on **2025E** figures, in line with sales multiples of electrolyzers manufacturers and still at some discount vs. EBITDA and earnings multiples of global industrial gas suppliers.

Valentina Romitelli

valentina.romitelli@value-track.com

Tommaso Martinacci

tommaso.martinacci@value-track.com

Fair Value (€) **13.8**
Market Price (€) **7.75**
Market Cap. (€m) **48.4**

KEY FINANCIALS (€mn)	2024A	2025E	2026E
VALUE OF PRODUCTION	19.1	26.4	39.1
EBITDA	5.1	7.4	11.2
EBIT	3.0	4.5	8.1
NET PROFIT	2.7	3.7	6.4
EQUITY	32.2	34.9	40.2
NET FIN. POS.	17.3	11.5	15.3
EPS ADJ. (€)	0.43	0.59	1.02
DPS (€)	0.16	0.16	0.16

Source: ErreDue (historical figures)

Value Track (2025E-26E estimates)

KEY RATIOS	2024A	2025E	2026E
EBITDA MARGIN (% on VoP)	27%	28%	29%
EBIT MARGIN (% on VoP)	16%	17%	21%
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (x)	0.0	0.0	0.0
EV/SALES (x)	2.0	1.5	0.9
EV/EBITDA (x)	6.1	5.0	3.0
EV/EBIT (x)	10.3	8.2	4.1
P/E ADJ. (x)	17.9	13.1	7.6

Source: ErreDue (historical figures)

Value Track (2025E-26E estimates)

STOCK DATA	
MARKET PRICE (€)	7.75
SHS. OUT. (m)	6.3
MARKET CAP. (€m)	48.4
ENTERPRISE VALUE (€m)	31.1
FREE FLOAT (%)	18.3
AVG. -20D VOL. ('000)	6,380
RIC / BBG	RDUE.MI / RDUE IM
52 WK RANGE	6.20 – 10.40

Source: Stock Market Data



Business Description

ErreDue is a well-known Italian player in R&D, production, and commercialization of an extensive array of on-site gas generation and purification customized solutions, ranging from H₂ electrolyzers, oxygen generators, gas purifiers and mixers, hydrogen refuelling stations, and N₂ generators. ErreDue has emerged as a central player across various sectors, i.e., industrial, laboratory and more recently solutions for green energy transition, such as power-to-gas technologies, hydrogen-fuelled mobility and industrial decarbonization. ErreDue is investing €12mn over 2023-2025 to boost its electrolyzers output capacity from 8MW to 60MW. ErreDue is a “small” public company, with 22 employees holding 70% of the Company.

Key Financials

€mn	2024A	2025E	2026E
Value of Production	19.1	26.4	39.1
y/y (%)	-1.2%	38.4%	48.3%
EBITDA	5.1	7.4	11.2
EBITDA Margin (% on VoP)	26.7%	27.9%	28.6%
EBIT	3.0	4.5	8.1
EBIT Margin (% on VoP)	15.8%	17.1%	20.8%
Net Profit	2.7	3.7	6.4
y/y (%)	nm	36.6%	72.2%
Adjusted Net Profit	2.7	3.7	6.4
y/y (%)	nm	36.6%	72.2%
Net Fin. Position [Net debt (-) / Cash (+)]	17.3	11.5	15.3
Net Fin. Pos. / EBITDA (x)	nm	nm	nm
Capex	-2.8	-9.7	-2.5
OpFCF b.t.	2.8	-4.0	6.7
OpFCF b.t. as % of EBITDA	55.0%	-54.6%	59.4%

Source: ErreDue (historical figures), Value Track (estimates)

Investment case

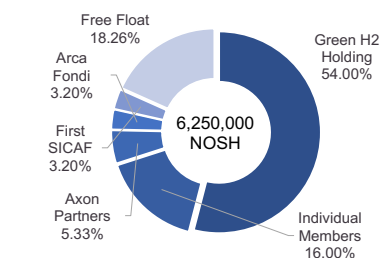
Strengths / Opportunities

- ◆ In-depth expertise in alkaline technology and R&D, focus on after sales
- ◆ Fully vertically integrated business model, with recurring revenues
- ◆ Increasing demand for electrolyzers, due to switch to on-site production and applications for green energy transition
- ◆ Profitable business (>30% EBITDA margin) and solid B/S (net cash).

Weaknesses / Risks

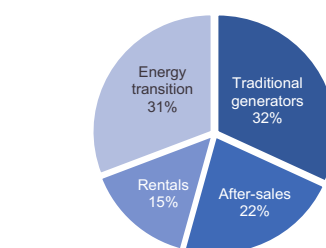
- ◆ Competitive threat from Chinese and potentially Indian markets
- ◆ Uncertain outlook for demand/supply balance of electrolyzes

Shareholders Structure



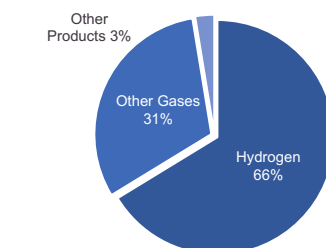
Source: ErreDue

FY24 Sales b.down by Category



Source: ErreDue

FY24 Sales b.down by Products



Source: ErreDue

Stock multiples @ €13.8 Fair Value

	2025E	2026E
EV / SALES (x)	3.1	2.0
EV / EBITDA (x)	10.2	6.3
EV / EBIT (x)	16.5	8.7
EV / CAP.EMP. (x)	3.2	2.8
OpFCF Yield (%)	6.8	12.0
P / E (x)	23.3	13.6
P / BV (x)	2.5	2.1
Div. Yield. (%)	1.2	1.2

Source: Value Track

FY24's Financials

Key Financials

ErreDue's **FY24 results are slightly above our estimates for FY24**, mainly on better EBIT, net profit and net cash, while top line is broadly aligned to our expectations, with Revenue from Sales a touch below our forecast and Value of Production slightly higher - driven by the partial capitalization of the extraordinarily high R&D costs on new products.

Additionally, order intake over FY24 suggests a strong outlook, driven by energy transition, with the Dec 2024 backlog already covering >70% of our FY25E revenues: during Sept-Dec 2024, the Company secured new orders for more than €6mn, we estimate, mostly in the Energy Transition segment.

As regards **FY24 financials**, we flag the following:

- ◆ **VoP almost flat at €19.1mn (-1.2% y/y)**, driven by: i) a 26% **surge in the H₂ segment**, driven by EU energy transition projects and strategic partnerships in power-to-gas, H₂ mobility, and industrial decarbonization, which almost offset the **negative trend faced by traditional generators**, linked to decreasing investments in capital goods in the manufacturing segment (-37% y/y; ii) within all the applications **steady recurring revenues (37% of FY24)** with rentals supported by multi-year contracts and inflation-linked price adjustments (revenues +6.5% y/y) and aftermarket up by 4.1% y/y, leveraging a solid installed base; iii) within generators **robust lab generator sales** in resilient markets (+53.7% y/y).
- ◆ **EBITDA at €5.1mn** (vs €5.9mn in FY23) and 3% above our estimates, with EBITDA Margin falling 270bps to 32.0% of revenues because of higher costs driven by increased R&D in large-scale generators for the energy transition (only partially capitalized), material labour expenses for hiring and training the Megawatt line team ahead of its mid-2025 launch of the new production line, and rising inventory levels to support the expanding backlog;
- ◆ **EBIT at ca. €3.0mn** (vs. €4.1mn in FY23), due to lower EBITDA and rising D&A, but 4% above expectations, while **Net Profit** was reported **at €2.7mn** approx. €300k higher than expected, supported by more efficient financial management;
- ◆ **Net Cash improved to €17.3mn from €16.3** (Dec 2023), despite €1.4mn dividend and rising capex, and above our forecast, due to lower investments in the Gigafactory (thanks to SIMEST grant and to some delays in the project execution) as well as to better NWC management;
- ◆ A **Dividend per Share** has been proposed at **€0.16** (for a total of €1mn, 37% pay-out);
- ◆ **Backlog at €22.5mn as of end-December** (vs. €17.7mn and €22.0mn as of June and August, respectively), ca. 80% attributable to 2025E (o/w ca. €15.9mn in generator sales, ca. €6.6mn in spare parts, maintenance interventions, and rental activities) and confirming strong growth prospects. Approximately 60% of orders are tied to the energy transition market.

ErreDue: Key Financial Items FY22 – FY23 – FY24

(€mn)	FY22	FY23	FY24	y/y	2024E	A vs E
Value of Production	13.8	19.3	19.1	-1.2%	18.4	+3.8%
EBITDA	4.0	5.9	5.1	-13.6%	5.0	+2.7%
<i>EBITDA Margin (% on VoP)</i>	<i>28.7%</i>	<i>30.5%</i>	<i>26.7%</i>	<i>-382bps</i>	<i>27.0%</i>	<i>-28bps</i>
EBIT	2.2	4.1	3.0	-25.7%	2.9	+4.3%
<i>EBIT Margin (% on VoP)</i>	<i>16.0%</i>	<i>21.0%</i>	<i>15.8%</i>	<i>-519bps</i>	<i>15.7%</i>	<i>+8bps</i>
Net Profit	1.7	3.4	2.7	-20.4%	2.4	+12.1%
OpFCF b.t. (before dev. Capex and IPO)	0.6	-0.4	2.8	nm	3.6	0.8
Net Fin. Position [Net debt (-) / Cash (+)]	17.4	16.3	17.3	1.0	15.4	-1.9

Source: ErreDue, Value Track Analysis,

Top Line holding well despite considerable trials, thanks to Hydrogen

FY24 Revenues from Sales came in at €15.9mn, declining -3.7% y/y (vs. €16.5mn in FY23), while VoP was down by ca. -1.2% y/y (at €19.1mn vs €19.3mn in FY23). Going more in details:

- ◆ The **hydrogen segment** surged by +26% year-on-year, boosted by energy transition projects for the EU market, thanks to strategic partnerships with key Italian and European players in power-to-gas, hydrogen mobility, and industrial decarbonization;
- ◆ The "**traditional business**" associated with on-site gas production across various industrial sectors suffered from the headwinds related to the capital good market, hammered by weakening global demand, rising interest rates, uncertainty on domestic fiscal support (Industry 5.0). Revenues for generators and services related to other gases were down by 37%;
- ◆ The only area with rising trend in the traditional business was the booming **lab generators** sold in resilient, countercyclical markets (+53.7% y/y);
- ◆ Within all the applications, the top line was supported by steadily **growing recurring revenues (37% of FY24)**, with steady rental growth, anchored by multi-year contracts and ISTAT-driven price adjustments (+6.5% in 2024) and aftermarket expansion (+4.1% y/y), fueled by a solid installed base, where the company's role as original manufacturer ensures a strong competitive edge.

In terms of outlook, management suggests ErreDue's performance in traditional business may remain affected by macro and geopolitical uncertainties, slowdown in key sectors (as mechanical engineering, automotive, textiles) and uncertain fiscal incentives, at least over 1H 2025. Despite this, the **backlog is solid (1.4x FY24 Revenues)** and demand for hydrogen generators remains strong, supported by ongoing energy transition and Governments' commitment. Hence, ErreDue continues to invest in R&D and strengthen partnerships with research institutions and universities to drive innovation and improve product performance and management also indicates a jump in the number of requests of offers and ongoing negotiations.

ErreDue: Revenues Breakdown by Products / Services Offered FY23-FY24

(€mn)	FY23	FY24	y/y
Generators and other products	10.9	5.1 (*)	nm
As a % of Revenues	65.9%	31.9%	//
Service and spare parts	3.4	3.5	+4.0%
As a % of Revenues	20.7%	22.3%	//
Rental of generators	2.2	2.4	+6.6%
As a % of Revenues	13.5%	14.9%	//
Generators for Energy Transition	0.0	4.9 (*)	nm
As a % of Revenues	0.0%	30.8%	//
Revenues from Sales	16.5	15.9	-3.7%

Source: ErreDue, Value Track Analysis, (*) Split of generators is a Value Track Estimate

ErreDue: Revenues Breakdown by Gas FY23-FY24

(€mn)	FY23	FY24	y/y
Hydrogen	8.4	10.5	+25.9%
As a % of Revenues	50.7%	66.3%	//
Other gases	7.9	4.9	-37.0%
As a % of Revenues	47.6%	31.1%	//
Other products	0.3	0.4	+44.9%
As a % of Revenues	1.7%	2.6%	//
Revenues from Sales	16.5	15.9	-3.7%

Source: ErreDue, Value Track Analysis

As for the other components of VoP, the Company posted i) €320k related to Other Revenues, ii) €1.3mn to change in inventories and iii) €1.6mn due to the capitalization of costs for internally manufactured fixed assets (i.e. generators for rental), and capitalized R&D (ca. €690k). Such a capitalization of R&D costs represents a new practice for ErreDue, but this was justified by the extraordinarily strong effort required to enter the new applications of Energy Transition and we assume it to remain a one-off.

ErreDue: Value of Production breakdown from FY22 to FY24

(€, mn)	FY22	FY23	FY24	y/y
Revenues from Sales	12.3	16.5	15.9	-3.2%
Other Revenues	0.3	0.4	0.3	-24.7%
Δ Inventory (including WIP)	0.5	1.0	1.3	+23.2%
Δ Fixed Assets	0.7	1.4	1.6	+18.0%
o/w generators for rentals	0.7	1.4	0.9	-33.0%
R&D capitalization	0.0	0.0	0.7	nm
Value of Production	13.8	19.3	19.1	-1.2%

Source: ErreDue, Value Track Analysis

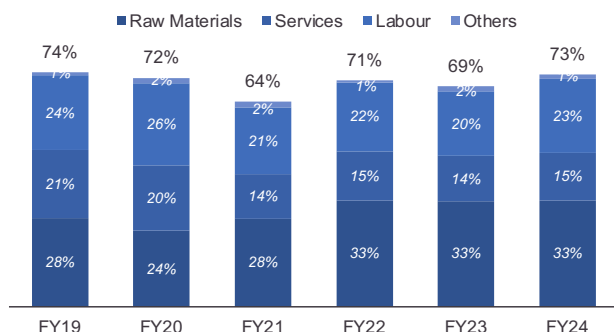
EBITDA suffered by few temporary factors, as expected

EBITDA was down -13.6% y/y at €5.1m (vs. €5.9mn in FY23) and EBITDA Margin (on VoP) down by 382bps to 26.7% (vs. 30.5% in FY23) after Total Opex at €14.0mn (+4.2% y/y). However, the margin gap can be largely attributed to a combination of temporary factors, including:

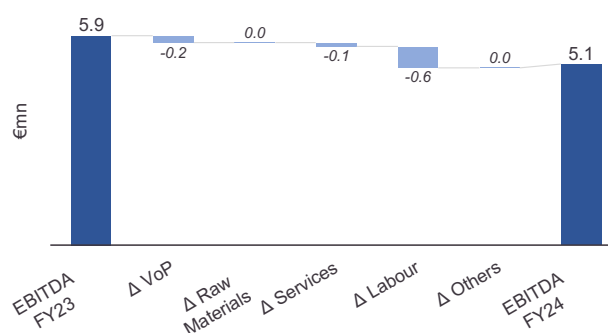
- ◆ higher R&D expenses related to the development, construction, and testing of large-scale generators for the energy transition. Despite part of these costs has been capitalized as described above (in particular those related to the PEM technology), the overall costs linked new products for Energy Transition (under alkaline technology) have also been particularly high and were charged to the P&L;
- ◆ increased labour costs driven by the hiring and training of personnel dedicated to the new Megawatt line (the Giga Factory), scheduled to commence operations in mid-2025;
- ◆ build-up of semi-finished and finished goods inventory — without associated margins — aimed at supporting the company's expanding order backlog.

In terms of outlook, we believe that the above-mentioned temporary factors are likely to persist in the current year (FY25E), as new products' launch and production reorganization (mostly in Energy Transition, but not only) will be the key focus of the next quarters.

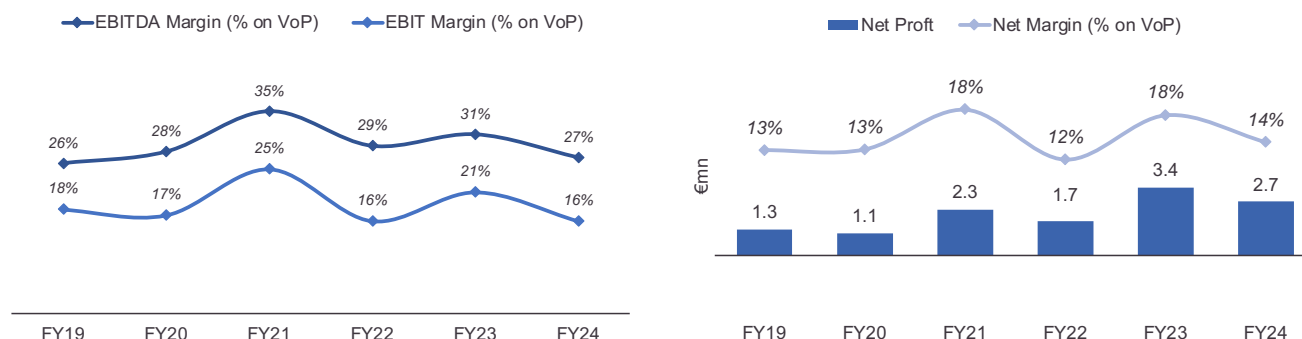
ErreDue: Costs Structure and EBITDA Bridge



Source: ErreDue, Value Track Analysis



ErreDue: EBITDA/EBIT Margin and Net Profit Evolution



Source: ErreDue, Value Track Analysis

EBIT and bottom line a touch above expectations

Below EBITDA, the uptrend of D&A charges by ca. €240k (+13.1% y/y), mainly due to capex associated with R&D activities and the expansion of manufacturing facilities, drove **EBIT at €3.0mn** (-25.7% y/y), but again this was very much expected.

Thanks to a) the positive financial income generated by the available cash (> ca. €650k), temporarily invested in liquid securities such as BTPs, bonds, funds, and deposit accounts, pending Gigafactory investments, and b) a ~26% tax rate, FY24 **Net Profit stood at €2.7mn** (vs. €3.4mn in FY23) with Net Margin still at a healthy 14.2%.

ErreDue: P&L from FY22 to FY24

(€, mn)	FY22	FY23	FY24	y/y
Revenues from Sales	12.3	16.5	15.9	-3.7%
Δ Inventory (WIP)	0.5	1.0	1.3	23.2%
Δ Fixed Assets	0.7	1.4	1.6	18.0%
Other Revenues	0.3	0.4	0.3	-24.7%
Value of Production	13.8	19.3	19.1	-1.2%
Raw Materials Costs	-5.2	-7.4	-6.6	-10.0%
Δ Inventory (Raw Materials)	0.6	1.0	0.3	-72.2%
Gross Profit	9.2	12.9	12.7	-1.6%
Gross Margin (%)	66.7%	67.0%	66.7%	-26bps
Costs of Services	-2.1	-2.8	-2.8	2.8%
Costs of Rent & Others	-0.1	-0.4	-0.4	-10.4%
Labour Costs	-3.0	-3.9	-4.5	14.3%
EBITDA	4.0	5.9	5.1	-13.6%
EBITDA Margin (%)	28.7%	30.5%	26.7%	-382bps
D&A	-1.8	-1.8	-2.1	13.1%
EBIT	2.2	4.1	3.0	-25.7%
EBIT Margin (%)	16.0%	21.0%	15.8%	-519bps
Interest Expenses / Other Non-Op. Items	0.0	0.4	0.7	57.0%
Pre-Tax Profit	2.2	4.5	3.7	-17.9%
Taxes	-0.5	-1.1	-1.0	-9.9%
Net Profit	1.7	3.4	2.7	-20.4%
Net Profit Margin (%)	12.0%	17.6%	14.2%	-341bps

Source: ErreDue, Value Track Analysis

OpFCF b.t. > 85% of EBITDA due to delay in capex

As for the Balance Sheet / Cash Flow Statement, we note:

- ◆ Net Fixed Assets stood ~€12.0mn, up by around €690k compared to FY23 (€11.3mn), driven by €2.8mn in tangible and intangible investments. These were split across development capex (24%, and excluding the €907k non-repayable grant provided by SIMEST), electrolyzers for the rental business (33%), and capitalized R&D (25%), with the remaining portion allocated to maintenance capex;
- ◆ Net Working Capital stood at roughly €4.2mn (lower by ~€100k vs. FY23 and ~€200k vs. 1H24), due to a year-end inventory build-up (€7.2mn vs. €5.6mn in FY23, in “preparation” for the Energy Transition) and increase in trade receivables (from €3.7mn in FY23 to €4.7mn in FY24), more than offset by a uptrend in Trade Payables (from €2.6mn to €3.7mn) and in other liabilities and accrued expenses and deferred income and down payments (€3.4mn to €5.4mn).

As a result, **OpFCF b.t. (and before development Capex) stood at more than 85% of the EBITDA**, still stressing the strong cash generation capacity of ErreDue business.

Net Cash Position improved to €17.3mn from €16.3 (Dec 2023) and broadly in line with June 2024 level.

ErreDue: Cash Flow from FY22 to FY24

(€ mn)	FY22	FY23	FY24
EBITDA	4.0	5.9	5.1
Δ NWC / Δ Provisions	-0.6	-1.5	0.5
Maintenance Capex	-0.4	-0.4	-0.5
Electrolyzers for Rentals	-0.7	-1.4	-0.9
OpFCF b.t. (before dev. Capex and IPO)	2.2	2.6	4.4
As a % of EBITDA	56.7%	44.6%	87.0%
Cash Taxes	-0.5	-1.1	-1.0
OpFCF a.t. (before dev. Capex and IPO)	1.7	1.5	3.5
Development Capex	-0.4	-3.0	-0.7 (*)
IPO Costs/ R&D cost capitalization	-1.2	0.0	-0.7
Capital Injections	15.0	0.0	0.0
Other (incl. Financial Inv.)	0.0	0.0	-0.1
Net Financial Charges	0.0	0.4	0.7
Dividends Paid	-1.7	0.0	-1.4
Δ Net Financial Position	13.4	-1.1	1.0

Source: ErreDue, Value Track Analysis, (*) This excluded the €907k grant from SIMEST, received as a non-repayable contribution

ErreDue: Balance Sheet from FY22 to FY24

(€ mn)	FY23	1H24	FY24
Inventories	5.6	6.6	7.2
Trade Receivables	3.7	3.3	4.7
Other Current Assets	1.0	0.9	1.4
Trade Payables	2.6	2.5	3.7
Other Payables	3.4	4.2	5.4
o/w Down Payments	1.0	1.4	3.9
Others	2.4	2.8	1.6
Net Working Capital	4.3	4.0	4.2
Net Fixed Assets	11.3	10.4	12.0
Provisions	1.0	1.1	1.3
Total Capital Employed	14.6	13.3	14.9
Group Net Equity	30.9	30.6	32.2
Net Fin. Position [Net debt (-) / Cash (+)]	16.3	17.3	17.3

Source: ErreDue, Value Track Analysis

Some fine-tuning on 2025-26E

FY24A results were broadly in line with our forecasts, slightly ahead in terms of margins and net cash position, the latter mainly driven by the postponement of capex related to both the rental business (affected by a marked slowdown in domestic capital goods demand) and the Gigafactory. To date, ca. €4.5mn has been invested in the Gigafactory (€3.6mn net of SIMEST support), with a further €8.3mn expected in FY25E and only marginal spending projected for 2026E.

As a result, we are fine-tuning our 2025E–2026E estimates, with key revisions as follows:

- ◆ Top-line revised downward (~5% p.a.), reflecting:
 1. Although ongoing negotiations increased, widespread mistrust triggered by the industrial crisis and delays in the implementation of the new 5.0 incentives led many entrepreneurs to postpone investment decisions, slowing order conversion;
 2. Traditional businesses (generators sales and rentals) are facing sluggish growth through, due to weak investment sentiment and regulatory uncertainty. However, order backlog is supportive, with ca. €2.6mn to be delivered over 1H25E and with a similar performance potentially expected for 2H25E, before a gradual recovery starting in 2026E, and this would imply a small but positive growth;
 3. The rental segment faced a significant halt in FY24A, with growth expected to resume only from 2H25E. As a result, the pace of internally built generators for rental should remain low;
 4. On the other hand, we reckon momentum in the Energy transition applications is improving and expect order intake to keep accelerating, also due to the 2026 deadlines imposed by PNRR related projects getting closer;
- ◆ EBITDA and EBIT estimates revised downward, with margins above our expectations but weaker than FY24A as we incorporate: i) startup inefficiencies in the energy transition segment, which remains in a ramp-up phase, and due to the re-organization of the production facilities at the end FY25-beginning of FY26; ii) higher personnel costs as several employees have already been hired in anticipation of the Gigafactory been partially active from mid-2025E; iii) lower contribution from traditional businesses than originally expected (including some highly profitable model for hyper pure gas production);
- ◆ FCF may turn negative in 2025E as Gigafactory capex accelerates, albeit this may be partially offset by public grants already requested and currently under review, amounting to ca. €1.5mn.

Porto Aviation Group: New vs. Old estimates

(€ mn)	2025E			2026E		
	Old	New	Change	Old	New	Change
<i>Traditional generators and other</i>	10.6	5.3	-50.0%	11.7	6.1	-47.5%
<i>After-sales services</i>	4.3	4.2	-3.6%	5.2	5.0	-3.6%
<i>Rentals of generators</i>	2.4	2.4	0.1%	2.6	2.1	-18.2%
<i>Energy transition</i>	7.8	12.2	55.8%	18.2	22.5	23.6%
Revenues from Sales	25.1	24.0	-4.5%	37.6	35.7	-5.0%
Other Revenues	0.5	0.4	-28.3%	0.6	0.4	-36.9%
Δ Inventory (Finished Goods) and WIP	1.3	1.1	-11.2%	1.9	1.5	-18.7%
Δ Internally Generated Fixed Assets	1.7	0.9	-47.1%	2.6	1.5	-42.3%
Value of Production	28.6	26.4	-7.7%	42.7	39.1	-8.4%
EBITDA	7.7	7.4	-4.3%	12.2	11.2	-8.5%
EBITDA Margin (% on VoP)	26.9%	27.9%	100bps	28.7%	28.6%	-5bps
EBITDA Margin (% on Revenues)	30.6%	30.7%	6bps	32.5%	31.4%	-120bps

Source: Value Track Analysis

Porto Aviation Group: New vs. Old estimates (cont.)

(€ mn)	2025E			2026E		
	Old	New	Change	Old	New	Change
D&A	-2.8	-2.8	1.8%	-3.3	-3.0	-8.6%
EBIT	4.9	4.5	-7.8%	8.9	8.1	-8.5%
EBIT Margin (% on VoP)	17.1%	17.1%	-1bps	20.8%	20.8%	-3bps
EBIT Margin (% on Revenues)	19.5%	18.8%	-68bps	23.7%	22.8%	-86bps
Net profit	4.0	3.7	-6.5%	6.9	6.4	-8.3%
Net Fin. Pos. [Net Debt (-) Cash (+)]	11.6	11.5	-0.1	15.5	15.3	-0.1
OpFCF a.t. (before dev. Capex and IPO)	2.7	3.1	14.4%	5.1	5.1	1.7%
Capex	-7.4	-9.7	31.1%	-2.8	-2.5	-10.7%

Source: Value Track Analysis

Here's a snapshot of our updated 2025E–2026E forecasts:

- ◆ Top-line growth accelerating, with Value of Production expected to rise from €19.1mn in 2024 to ca. €39.1mn by 2026E — reflecting a robust ~+40% CAGR over the FY24A–26E, driven by Energy Transition demand and supported by the increased production capacity (Giga Factory);

ErreDue: Revenues Breakdown by Products / Services Offered FY24–FY26E

(€mn)	FY24	FY25E	FY26E
Generators and other products	5.1	5.3	6.1
<i>As a % of Revenues</i>	31.9%	22.2%	17.2%
Service and spare parts	3.5	4.2	5.0
<i>As a % of Revenues</i>	22.3%	17.4%	14.0%
Rental of generators	2.4	2.4	2.1
<i>As a % of Revenues</i>	14.9%	9.8%	5.8%
Generators for Energy Transition	4.9 (*)	12.2	22.5
<i>As a % of Revenues</i>	30.8%	50.6%	63.0%
Revenues from Sales	15.9	24.0	35.7
<i>Other Revenues</i>	0.3	0.4	0.4
<i>Δ Inventory (incl. WIP)</i>	1.3	1.1	1.5
<i>Δ Fixed Assets (incl. R&D capitalization)</i>	1.6	0.9	1.5
Value of Production	19.1	26.4	39.1

Source: ErreDue, Value Track Analysis, (*) Split of generators is a Value Track Estimate

- ◆ Stable operating profitability, with EBITDA and EBIT margins projected to hold steady at 31.4% and 22.8% of Sales, respectively, by 2026E;
- ◆ Solid cash generation, despite negative NWC dynamics, i.e., OpFCF before development capex is expected to average around 60% of EBITDA across FY25E–26E;
- ◆ Net Cash Position unchanged if we exclude dividend pay-out, reaching approx. €15.3mn by end-2026 - despite significant investments in the Gigafactory, with EBITDA more than covering residual development capex.

ErreDue: 2024A-26E P&L Forecasts

(€mn)	2024A	2025E	2026E
Value of Production	19.1	26.4	39.1
Raw Materials, Δ Inventory (Raw Materials)	-6.3	-8.8	-13.2
Costs of Services	-2.8	-3.8	-5.7
Costs of Rent & Others	-0.1	-0.1	-0.1
Labour Costs	-4.5	-5.9	-8.3
EBITDA	5.1	7.4	11.2
EBITDA Margin (% on VoP)	26.7%	27.9%	28.6%
EBITDA Margin (% on Revenues)	32.0%	30.7%	31.4%
D&A and Provisions	-2.1	-2.8	-3.0
EBIT	3.0	4.5	8.1
EBIT Margin (% on VoP)	15.8%	17.1%	20.8%
EBIT Margin (% on Revenues)	19.0%	18.8%	22.8%
Interest Expenses and Other Non-Operating Inc./Exp.	0.7	0.3	0.2
Pre-Tax Profit	3.7	4.9	8.4
Taxes	-1.0	-1.2	-2.0
Net Profit	2.7	3.7	6.4

Source: ErreDue, Value Track Analysis

ErreDue: 2024A-26E Balance Sheet

(€mn)	2024A	2025E	2026E
Net Fixed Assets	12.0	18.9	18.3
Net Working Capital	4.2	6.0	8.2
Provisions	1.3	1.5	1.6
Total Capital Employed	14.9	23.4	24.9
Group Net Equity	32.2	34.9	40.2
Net Fin. Pos. [Net Debt (-) Cash (+)]	17.3	11.5	15.3

Source: ErreDue, Value Track Analysis

ErreDue: 2024A-26E Cash Flow Statement

(€mn)	2024A	2025E	2026E
EBITDA	5.1	7.4	11.2
Δ NWC / Δ Provisions	0.5	-1.7	-2.0
Maintenance Capex	-0.5	-0.5	-0.5
Electrolyzers for Rentals	-0.9	-0.9	-1.5
OpFCF b.t. (before dev. Capex and IPO)	4.2	4.3	7.2
As a % of EBITDA	81.6%	58.1%	63.9%
Cash Taxes	-1.0	-1.2	-2.0
OpFCF a.t. (before dev. Capex and IPO)	3.2	3.1	5.1
Development Capex	-0.7 (*)	-8.3	-0.5
R&D Costs	-0.7	0.0	0.0
Other (incl. Financial Inv.)	-0.1	0.0	0.0
Net Financial Charges	0.7	0.3	0.2
Dividends Paid	-1.4	-1.0	-1.0
Δ Net Financial Position	1.0	-5.8	3.9

Source: ErreDue, Value Track Analysis, (*) Including €907k grant from SIMEST, received as a non-repayable contribution

Valuation

Fair Equity Value unchanged at €13.8 p/s

We confirm ErreDue's **Fair Equity Value at €13.8 p/s**, based on the average outcome of the valuation methodologies outlined below:

- ◆ **Relative Valuation**, applying peer multiples to a Sum-of-the-Parts (SOTP) model that values separately the two business segments: the traditional gas generators and the segment focused on Energy Transition. This approach yields a fair value range of €12.3–€15.2 p/s, with an average of **€13.7 p/s**. The SOTP model also provides insight into the relative contribution of each segment to overall value;
- ◆ **Discounted Cash Flow**, applied at Group level, considering the business as a whole and incorporating scenarios based on different capital structures. The resulting valuation range is €13.3–€14.3 p/s, with an average of **€13.8 p/s**.

At €13.8 p/s, ErreDue stock would trade at **3.1x EV/Sales, 10.2x EV/EBITDA, 23.3x P/E Adj.** on **2025E** figures, in line with sales multiples of electrolyzers manufacturers and still at some discount vs. EBITDA and earnings multiples of global industrial gas suppliers.

The table below illustrates the sensitivity of key trading multiples at different fair value levels.

ErreDue: Multiples Sensitivity at Various Stock Price Levels

Fair Equity Value p/s (€)	EV/Sales (x)		EV/EBITDA (x)		EV/EBIT (x)		P/E Adj. (x)	
	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E
€9.80	2.1	1.3	6.8	4.1	11.0	5.6	16.6	9.6
€10.80	2.3	1.5	7.6	4.7	12.4	6.4	18.3	10.6
€11.80	2.6	1.6	8.5	5.2	13.8	7.2	20.0	11.6
€12.80	2.9	1.8	9.3	5.8	15.2	7.9	21.6	12.6
€13.80	3.1	2.0	10.2	6.3	16.5	8.7	23.3	13.6
€14.80	3.4	2.2	11.0	6.9	17.9	9.5	25.0	14.5
€15.80	3.6	2.3	11.9	7.5	19.3	10.2	26.7	15.5
€16.80	3.9	2.5	12.7	8.0	20.7	11.0	28.4	16.5
€17.80	4.2	2.7	13.6	8.6	22.1	11.8	30.1	17.5

Source: Value Track Analysis

#1 – Relative Valuation

Our valuation is based on a **SOTP approach**, leveraging a **peers' multiple analysis with 2025E–2026E** as reference years, thus capturing the early scaling of the energy transition business, which is expected to become an increasingly significant contributor to the Group's performance.

For the traditional business, we have used EV/EBITDA multiples drawn from a relevant peer set. However, given that most electrolyser manufacturers are not yet profitable, the valuation of the green hydrogen segment relies primarily on EV/Sales multiples, consistent with prevailing market practice in high-growth, early-stage sectors.

It is important to note that **FY25E–26E represent transition years** for the Company. On one side, the traditional core is expected to experience muted growth, reflecting a slowdown in capital goods demand amid elevated interest rates and macroeconomic and global trading uncertainty. On the other, these years will be shaped by the investment and operational ramp-up of the Gigafactory, whose partial launch is scheduled for mid-2025 and full commissioning expected by 1Q26.

In this context, valuation metrics for FY25E may temporarily understate the Group's potential, penalized by transitional inefficiencies and front-loaded costs. Conversely, FY26E begins to reflect a more normalized run-rate, supported by a gradual recovery in industrial investments and the initial deliveries of green hydrogen systems, as the Gigafactory progressively comes online.

Stock Market Multiples Benchmark

All our clusters trade at demanding multiples (*the whole list of peers' multiples and the detailed valuation multiples used in our analysis can be found in the Appendix*). Going more in details:

- ◆ Industrial **Gas Suppliers** vaunts exceptional operating profitability (EBIT Margin above 15%) and trade at median 5.1x EV/Sales, **13.9x EV/EBITDA**, 21.3x EV/EBIT and 24.8x P/E 2024E;
- ◆ Given the strong potentiality of H₂ in the global energy transition and the expected growth profile, both **Electrolysers Manufacturers and Fuel Cells** producers trade at demanding **EV/Sales** multiples, even if they are still far from positive operating profits (inside these clusters, only De Nora, Bloom Energy and Doosan Fuel Cells have meaningful EV/EBITDA, EV/EBIT and P/E multiples, driving high median values). Within this cluster, **we have excluded Green Hydrogen Systems** due to its very limited size and recently erratic trading, which may distort the comparability of multiples.

That said, **ErreDue looks very cheap vs. all clusters (40%-70% discounts** on 2025E EV/Sales and EV/EBITDA, respectively). While on the one hand the discount is justified vs. industrial gas global leaders or large players such as De Nora and Thyssenkrupp, we believe the stock deserves some rerating.

ErreDue: Peers Trading Multiples

Peers	EV/Sales (x)		EV/EBITDA (x)		EV/EBIT (x)		P/E Adj. (x)	
	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E
Industrial Gas Suppliers								
Average	4.9	4.6	13.6	12.7	20.6	18.9	24.5	22.4
Median	5.1	4.9	13.9	13.0	21.3	19.5	24.8	22.4
Electrolysers Manufacturers								
Average	1.8	1.5	6.8	12.8	8.9	19.6	15.7	15.2
Median	1.9	1.6	6.8	11.2	8.9	19.6	15.7	15.2
Other Hydrogen Players								
Average	2.3	2.0	24.6	18.7	nm	34.0	nm	44.9
Median	2.5	2.0	24.6	18.7	nm	34.0	nm	44.9
Total Average	2.7	2.4	15.8	13.9	18.3	22.8	22.7	24.9
Total Median	2.6	2.1	14.6	14.9	19.2	22.4	23.4	22.4
ErreDue	1.5	0.9	5.0	3.0	8.2	4.1	13.1	7.6
Discount vs. Total Average. (%)	-43%	-61%	-68%	-79%	-55%	-82%	-42%	-69%
Discount vs. Total Median. (%)	-40%	-56%	-66%	-80%	-57%	-82%	-44%	-66%

Source: Market Consensus, Value Track Analysis

Sum of The Parts

Through a simplified SOTP model, we provide a separate valuation for: i) the traditional and consolidated business, focused on industrial and laboratory applications; and ii) the "Energy Transition" segment, dedicated to large-scale hydrogen generators for energy transition use cases.

While the methodology remains based on market multiples of comparable peers, it allows for greater flexibility in applying differentiated multiples and/or valuation discounts to better reflect the risk-return profile of each business line. Hence:

- ◆ **Traditional business** is valued using EV/EBITDA multiples for FY25E–26E, based on the median of industrial gas suppliers, with a 25% discount applied to account for differences in size, liquidity, and competitive positioning;
- ◆ **“Energy Transition” segment** is valued using EV/Sales multiples (FY25E–26E median) of electrolyser manufacturers. In this case, no discount is applied, as the cluster is much more fragmented and most of larger peers remain comparable in scale and often present weaker financial fundamentals than ErreDue.

The table below summarizes the outcome of this exercise, which provides a range of value of €12.3-€15.2 per share and a mid-point of **€13.7 p/s**.

Our SOTP analysis highlights the shifting weight between ErreDue’s two core business lines, a trend that has already started to emerge in FY24, with the **energy transition segment gaining ground on the traditionally dominant on-site gas generation business** for industrial and laboratory applications.

Based on FY2025E estimates, the traditional segment still accounts for the majority of value — ca. 60% of total equity — while the Megawatt line contributes the remaining 40%. This represents a meaningful rebalancing compared to the prior 70% / 30% split, underscoring the momentum of the energy transition business.

By FY2026E, the contribution is expected to invert to 45% (traditional) and 55% (Megawatt), reflecting the latter’s increasing commercial deliveries and improved financial visibility.

On average, we estimate that the **traditional business represents around 53% of the Group’s equity value, vs. 47% for the Megawatt line, i.e., €7.2 p/s and €6.5 p/s, respectively.**

ErreDue: Sum of the Parts Valuation (based on peers’ multiples)

Sum of the Parts Valuation	Traditional Business		Energy Transition		ErreDue Group	
	2025E	2026E	2025E	2026E	2025E	2026E
Fair EV/Sales (x)			1.9	1.6		
Fair EV/EBITDA (x) – Discount 25%	10.5	9.8				
Enterprise Value (€mn)	39.1	36.2	26.1	43.6	65.1	79.8
<i>As a % of total</i>	60%	45%	40%	55%	100%	100%
Net Financial Position (€mn)					11.5	15.3
Fair Equity Value (€mn)					76.7	95.1
NOSH (mn)					6.3	
Fair Equity Value p/s (€)					12.3	15.2
Average Fair Equity Value p/s (€)					13.7	

Source: Market Consensus, Value Track Analysis

#2 – Discounted Cash Flow

Differently from previous updates, **we now conduct our DCF analysis exclusively at Group level**, combining the traditional and Energy Transition business segments into a single free cash flow profile. This approach reflects the Group’s increasingly integrated trajectory, as the Megawatt line continues to scale and align with the core business in terms of both operations and financial outlook.

The DCF is run under two capital structure scenarios: the current unlevered (cash-positive) position and a target structure with moderate leverage. The resulting **fair equity value stands at €13.8 p/s**, within a €13.3–€14.3 range, depending on the capital structure applied.

WACC Assumptions

Our DCF model is based on a **Rolling WACC of 11.3%**, derived using a Capital Asset Pricing Model (CAPM) approach and assuming the current unlevered capital structure. Under a **target capital structure**, with Net Debt accounting for 20% of Capital Employed, the resulting **WACC stands at 10.6%**.

The model includes explicit financial forecasts from 2025E through 2030E, with Terminal Value calculated as of 2030E using a 1.0% perpetuity growth rate. Key assumptions include a 2.0% risk-free rate, consistent with the ECB's medium-term inflation target, and an unlevered beta of 1.08x, in line with European Machinery peers (source: *Damodaran*). The Italian ERP is set at 5.37% (up from 5.19%), while a 3.5% company-specific risk premium accounts for the Company's small-cap size and limited liquidity. We also assume a pre-tax cost of debt of 4.5% and a corporate tax rate of 24%.

Group DCF model

That said, the results of our DCF analysis are summarized in the tables below. Based on the current unlevered capital structure, which incorporates an unlevered beta and a Rolling WACC, the implied fair equity value stands at **€13.3 p/s**. Under a target capital structure with moderate leverage, the fair value increases to **€14.3 p/s**.

ErreDue: Group DCF Model with Rolling WACC

(€mn, g = 1.0%)	(€mn)
PV of Future Cash-Flows 2025E-2030E	15.8
PV of Terminal Value 2030E (implied TV/EBITDA at 4.8x)	50.0
Fair Enterprise Value	65.7
Net Financial Position 2024A	17.3
Minorities, Other Liabilities / Assets	0.0
Fair Equity Value	83.0
Number of Shares (mn)	6.3
Fair Equity Value p/s	13.3

Source: Value Track Analysis

ErreDue: Group DCF Model with WACC @ Target Capital Structure

(€mn, g = 1.0%)	(€mn)
PV of Future Cash-Flows 2025E-2030E	16.3
PV of Terminal Value 2030E (implied TV/EBITDA at 5.1x)	55.6
Fair Enterprise Value	71.9
Net Financial Position 2024A	17.3
Minorities, Other Liabilities / Assets	0.0
Fair Equity Value	89.2
Number of Shares (mn)	6.3
Fair Equity Value p/s	14.3

Source: Value Track Analysis

ErreDue: Sensitivity of Group DCF Model @ Target Capital Structure

Fair Equity Value (€mn)		Perpetuity Growth (%)				
		0.50%	0.75%	1.00%	1.25%	1.50%
WACC (%)	9.6%	15.4	15.7	16.0	16.3	16.7
	10.1%	14.5	14.8	15.1	15.4	15.7
	10.6%	13.8	14.0	14.3	14.5	14.8
	11.1%	13.1	13.3	13.5	13.8	14.0
	11.6%	12.5	12.7	12.9	13.1	13.3

Source: Value Track Analysis

Appendix 1: Peers' profile

ErreDue: Industrial Gas Suppliers

Sol (SOL) – Italian multinational active in the production, applied research and sale of technical, pure and medical gases and homecare services, with operations in Europe, Brazil, Morocco, India and Turkey.

Air Liquide (AI) – French multinational supplying industrial gases and services to various industries including medical, chemical and electronic manufacturers. Second-largest supplier of industrial gases with operations in >80 countries.

Linde (LIN) – Global multinational chemical company founded in Germany and, since 2018, domiciled in Ireland and headquartered in the United Kingdom. Linde is the world's largest industrial gas company by market share and revenue.

Air Products & Chemicals (APD) – American international corporation whose principal business is selling essential industrial gases and chemicals to customers in dozens of industries.

ErreDue: Electrolysers Manufacturers

Industrie De Nora (DNR) – Largest global supplier of high-performing coatings and electrodes & electrochemical services. It should also materially benefit from the uptick in green hydrogen via its newly set energy transition segment.

Thyssenkrupp Nucera (NCH2) – Multinational company that designs industrial scale, high current density electrolysers for the chlor-alkali and hydrogen sectors. De Nora and Thyssenkrupp as strategic investors.

Nel Hydrogen (NEL) – Norwegian but global company providing solutions for the production (electrolysers), storage and distribution of hydrogen from renewable energy sources.

Plug Power (PLUG) – American company offering end-to-end green hydrogen ecosystem, from production (electrolysers), storage, and delivery to energy generation (fuel cells).

ITM Power (ITM) – Energy storage and clean fuel UK company that designs, manufactures, and integrates electrolysers based on proton exchange membrane technology to produce green hydrogen using renewable electricity and tap water.

McPhy Energy (MCPHY) – French company that specializes in manufacturing and marketing hydrogen production and storage equipment from water electrolysis. The group also provides electrolysers and storage containers.

HydrogenPro (HYPRO) – Norwegian technology company and an OEM for high-pressure alkaline electrolyser systems for large-scale green hydrogen plants.

Enapter (H2O) – German-based company developing plug-and-play Anion Exchange Membrane (AEM) electrolysers to be manufactured at scale, enabling solutions in refueling, energy storage, industry, power-to-x, and research.

ErreDue: Other Hydrogen Peers

Ceres Power (CWR) – United Kingdom-based developer of clean energy technology, electrolysis for the creation of green hydrogen, and fuel cells for power generation.

Bloom Energy (BE) – American company manufacturing and marketing solid oxide fuel cells for the distributed generation of electricity on-site.

Ballard Power Systems (BLDP) – Canadian company that develops and manufactures proton exchange membrane fuel cell products for markets such as heavy-duty motive, portable power, material handling as well as engineering services.

Powercell Sweden (PCELL) – Swedish company that specializes in the development and production of hydrogen electric fuel cell stacks and systems for aviation, marine, power generation, off & on road industries.

FuelCell Energy (FCEL) – US-based company, global leader in designing, manufacturing, operating and servicing direct fuel cell power plants.

Doosan Fuel Cell (336260) – South Korean company that develops environment-friendly fuel cell with high efficiency for power generation facilities.

Nikola Corporation (NKLA) – American manufacturer of heavy-duty commercial battery-electric vehicles, fuel-cell electric vehicles, and energy solutions.

Appendix 2: Peers' multiple

ErreDue: Peers Trading Multiples

Peers	EV/Sales (x)		EV/EBITDA (x)		EV/EBIT (x)		P/E Adj. (x)	
	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E
Industrial Gas Suppliers								
SOL-IT	2.2	2.1	8.7	8.1	14.7	13.5	20.1	18.6
AI-FR	3.9	3.7	13.2	12.1	19.2	17.3	26.2	23.4
LIN-US	7.0	6.6	17.7	16.7	23.4	21.7	28.2	26.2
APD-US	6.3	6.0	14.6	13.9	25.3	23.0	23.4	21.3
Average	4.9	4.6	13.6	12.7	20.6	18.9	24.5	22.4
Median	5.1	4.9	13.9	13.0	21.3	19.5	24.8	22.4
Electrolysers Manufacturers								
DNR-IT	1.2	1.2	6.8	6.6	8.9	8.8	15.7	15.2
NCH2-DE	0.6	0.6	>30	15.8	<0	30.3	>50	>50
NEL-NO	2.9	2.1	<0	<0	<0	<0	<0	<0
PLUG-US	2.6	2.2	<0	<0	<0	<0	<0	<0
ITM-GB	0.8	0.8	<0	<0	<0	<0	<0	<0
ALMCP-FR	3.0	3.1	<0	<0	<0	<0	<0	<0
HYPRO-NO	0.3	0.2	<0	6.0	<0	<0	<0	<0
H2O-DE	3.3	2.2	<0	22.9	<0	>40	<0	<0
Average	1.8	1.5	6.8	12.8	8.9	19.6	15.7	15.2
Median	1.9	1.6	6.8	11.2	8.9	19.6	15.7	15.2
Other Hydrogen Players								
CWR-GB	0.7	0.9	<0	<0	<0	<0	<0	<0
BE-US	3.4	2.6	27.9	16.6	>40	32.1	>50	>50
BLDP-CA	<0	<0	<0	<0	<0	<0	<0	<0
PCELL-SE	4.0	3.2	<0	>30	<0	>40	<0	>50
FCEL-US	1.2	1.3	<0	<0	<0	<0	<0	<0
336260-KR	2.5	2.0	21.3	20.7	>40	35.8	>50	44.9
NKLA-US	nm	nm	<0	<0	nm	nm	nm	nm
Average	2.3	2.0	24.6	18.7	nm	34.0	nm	44.9
Median	2.5	2.0	24.6	18.7	nm	34.0	nm	44.9
Total Average	2.7	2.4	15.8	13.9	18.3	22.8	22.7	24.9
Total Median	2.6	2.1	14.6	14.9	19.2	22.4	23.4	22.4
ErreDue	1.5	0.9	5.0	3.0	8.2	4.1	13.1	7.6
Discount vs. Total Average (%)	-43%	-61%	-68%	-79%	-55%	-82%	-42%	-69%
Discount vs. Total Median (%)	-40%	-56%	-66%	-80%	-57%	-82%	-44%	-66%

Source: Market Consensus, Value Track Analysis

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