

## ErreDue

### Topline and Margin Pause due to Orders' Shift, Backlog Ahead

Interim results show core revenues and profitability margin softening (-2% yoy and 25.7% EBITDA margin), mainly due to some orders' delivery shift into 2H and some slowdown in traditional gases, which suffered from weakening industrial production. Orders' backlog registered a noticeable 69% acceleration, with further progress achieved over the summer. NFP remained solid.

#### Orders' delivery shift puts a pause in growth path

1H24 results showed softening trends in core revenue and operating margin, despite strong increase in sales volumes of hydrogen (+40% yoy), due to two orders' delivery shift in 2H and slowdown in technical gases (-22% yoy). Profitability declined by 30% yoy to approx. EUR 2M (vs. EUR 2.8M in 1H23), although the decline would have been much softer (-11% yoy) if including the two orders. Backlog jumped to EUR 17.7M at the end of June, driven by foreign markets' demand, with approx. 65% of to be delivered during next year.

#### Outlook and estimates

The company does not release a precise quantitative FY24-25 guidance; nevertheless, they confirm that the objective is to expand the production unit before end-25. Given current challenging macroeconomic conditions potentially prolonging the negative impact on revenue of Oxygen/Nitrogen, we revisit 2024-25E core revenues by 6% and 7% respectively, with a corresponding reduction of 2024-25E EBITDA of 17% and 20%, due to negative operating leverage. We note our new 2025E core revenue estimate is more than 55% covered by company current backlog.

#### Valuation

We value ErreDue on DCF and multiples methodologies (2024E EV/sales and EV/EBITDA), obtaining a target price of EUR 10.5 (unchanged mainly thanks to peers' re-rating), calculated as the average of each valuation approach, applying a 20% discount to reflect the stock's low capitalisation. We **confirm our BUY rating**.

#### ErreDue – Key data

Y/E Dec (EUR M)	2022A	2023A	2024E	2025E	2026E
Revenues	13.77	19.31	19.49	30.32	49.23
EBITDA	3.95	5.89	4.93	7.82	14.54
EBIT	2.20	4.05	2.06	4.75	11.24
Net income	1.65	3.40	1.56	3.62	8.62
Adj. EPS (EUR)	0.26	0.54	0.25	0.58	1.38
Net debt/-cash	-17.38	-16.30	-7.96	-10.79	-19.38
Adj P/E (x)	45.0	18.2	35.0	15.1	6.3
EV/EBITDA (x)	14.4	7.7	9.5	5.6	2.4
EV/EBIT (x)	25.9	11.2	22.7	9.2	3.1
Div ord yield (%)	2.3	2.3	2.6	0.6	1.3
FCF Yield (%)	0.3	0.5	-12.7	5.7	17.2

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 02/10/2024

4 October 2024: 10:19 CET  
Date and time of production

## BUY

Target Price: EUR 10.5

Italy/Capital Goods  
Company Results

#### EGM

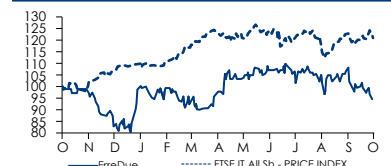
#### ErreDue - Key Data

Price date (market close)	02/10/2024
Target price (€)	10.5
Target upside (%)	20.00
Market price (€)	8.75
Market cap (EUR M)	54.69
52Wk range (€)	10.1/7.4

#### EPS – DPS changes

(€)	2024E	2025E	2024	2025
	EPS ▼	EPS ▼	chg%	chg%
Curr.	0.250	0.579	-34.29	-30.47
Prev.	0.380	0.833	-	-
	DPS =	DPS ▼	chg%	chg%
Curr.	0.224	0.050	0	-34.29
Prev.	0.224	0.076	-	-

#### Price Perf. (RIC: RDUE.MI BB: RDUE IM)



Source: FactSet and Intesa Sanpaolo Research estimates

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## 1H24 Results

ErreDue announced 1H24 results (after having released some preliminary data at end of July), showing slightly lower revenues from sales and services ('core') to EUR 7.7M (vs. EUR 7.9M in 1H23A), falling by 2% yoy, mainly due to some clients' request to postpone two production orders (worth EUR 0.95M) to 2H24. Including this amount, core revenues would have been EUR 8.7M, i.e. 10% yoy, supportive of our current FY24E +6% revenue estimates.

EBITDA declined by 30% yoy to approx. EUR 2M (vs. EUR 2.8M in 1H23), with a corresponding margin on core revenues of 25.7%, lower than 35.9% reported in 1H23. Including the two abovementioned orders, EBITDA would have been EUR 2.5M, declining approx. 11% yoy with a corresponding margin well above 30%.

Orders' backlog grew much stronger to EUR 17.7M at end-June, up 69% yoy vs. EUR 10.5M in 1H23. The company's press release highlights that backlog has risen a further 24% since then, reaching EUR 22M at end-August; 35% referred to orders to be delivered in 2024 (EUR 5M from Generators' sale, EUR 2M from After sales, and EUR 1M from Generators' rent), while the rest should be processed next year.

**2 orders' delivery shift into 2H leads a slight revenue fall**

**Backlog up 69% yoy in 1H24, with further progress by end of August**

### ErreDue – 1H24 results

EUR M	1H23A	2H23A	FY23A	1H24A	Yoy (%)	2H24E	FY24E
Value of Production	9.1	10.2	19.3	9.1	0	11.4	20.5
Core Revenues	7.9	8.6	16.5	7.7	-2	9.8	17.5
EBITDA	2.8	3.1	5.9	2.0	-30	4.0	5.9
EBITDA margin (%)	35.9	35.5	35.7	25.7		40.5	33.9
EBIT	1.9	2.1	4.1	1.1	-43	1.3	2.4
EBIT Margin	24.4	24.7	24.6	14.3		13.2	13.6
Net income	1.5	1.9	3.4	1.0	-35	1.4	2.4
Net Debt	-14.9		-16.3	-17.3			

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Taking a closer look at core revenue, we highlight:

- Generators' sales declined by 8% yoy, representing 62.2% of 1H24 core revenue (vs. 66.4% in 1H23);
- After-sales grew by 11% yoy, representing 22.3% of 1H24 core revenue (19.7% in 1H23);
- Sales from generators' rentals were up more modestly by 8.5% yoy, now representing 15.4% of core revenues (13.9% in 1H23).

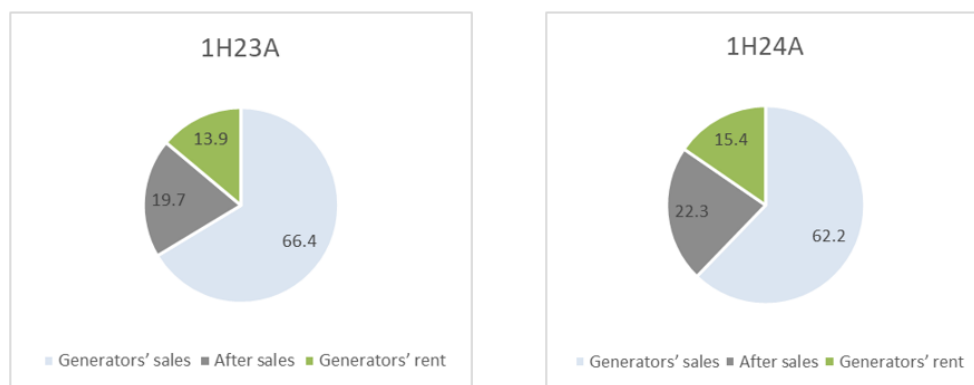
**Closer look at core revenues...**

### ErreDue – 1H24 revenue by activity

EUR M	1H23A	1H24A	Chg. (%)
Generators' sales	5.2	4.8	-8
After sales	1.5	1.7	11
Generators' rent	1.1	1.2	8.5
<b>Core Revenues</b>	<b>7.9</b>	<b>7.7</b>	<b>-2.2</b>

A: actual; Source: Company data

## ErreDue – 1H24 revenue by activity (%)



A: actual; Source: Company data

In terms of products' breakdown, we highlight a substantial increase in sales volumes of hydrogen, which grew by 40% yoy to EUR 4.8M vs. EUR 3.4M in 1H23, representing 62.1% of core revenue (vs. 43.3% in 1H23), with hydrogen generators' sales representing 70% of all generators' revenue (vs. 52% in 1H23). Here the company benefitted from the widening of products' range, with the first sale of PEM electrolyser equipment, to be delivered in 1H25.

**Hydrogen represented 62% of Core Revenue in 1H24**

## ErreDue – 1H24 revenue by products

EUR M	1H23A	1H24A	Chg. (%)
Hydrogen	3.4	4.8	40
Nitrogen/Oxygen	3.3	2.6	-22
Other products	1.1	0.3	-74
<b>Core Revenues</b>	<b>7.9</b>	<b>7.7</b>	<b>-2.2</b>

A: actual; Source: Company data

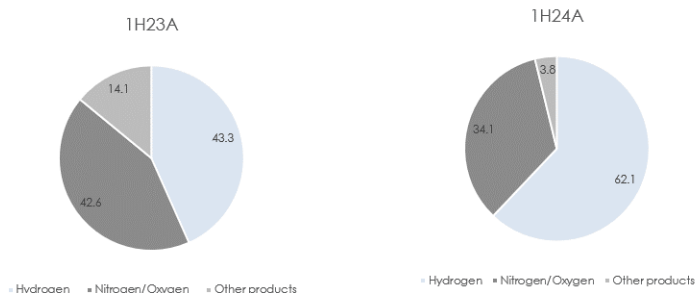
## ErreDue – 1H24 Generators' sales by products

EUR M	1H23A	%	1H24A	%
Hydrogen	2.7	52.3	3.4	70
Nitrogen/Oxygen	2.5	47.7	1.4	30
<b>Total</b>	<b>5.2</b>	<b>100.0</b>	<b>4.8</b>	<b>100.0</b>

A: actual; Source: Company data

Nitrogen/Oxygen fell by 22% yoy to EUR 2.6M, representing 34.1% of core revenue (vs. 42.6% in 1H23), while other products fell by 74% yoy to EUR 0.3M, now representing 3.8% of core revenue (vs. 14.1% in 1H23). It should be noted that, considering the increase in sales volumes of PEM hydrogen generators, from 2024 the revenues previously included in the "other products" item have been reclassified into the corresponding gases to which they belong; thus, the yoy comparison should consider the different perimeter.

**ErreDue – 1H24 revenue by product (%)**

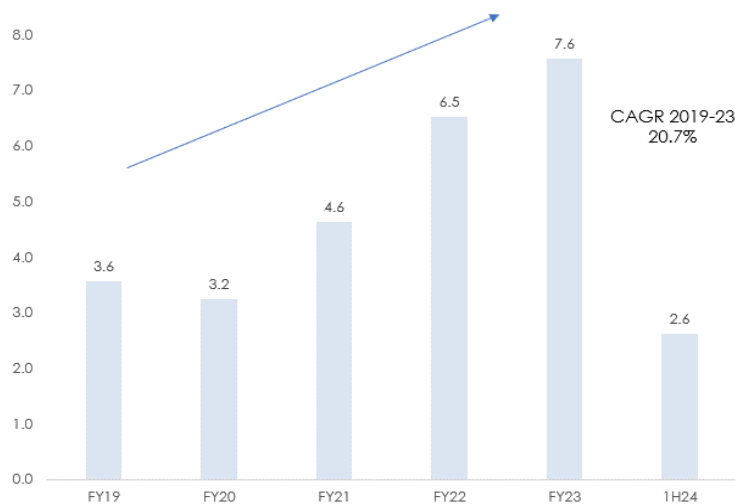


A: actual; Source: Company data

We notice the company's press release mentioning a significant slowdown in domestic demand for traditional on-site other gases (with Nitrogen equipment falling 58% yoy in 1H24), identifying weakening industrial production (especially in the automotive and textile industries) as the main reason behind this, along with uncertainties in the implementation of government 5.0 fiscal incentives. Despite an increase in ongoing negotiations, the press release still refers to a significant slowdown in contracts' signings at the time of 1H publication. We would highlight that the company's revenue performance in other gases has been resilient over recent years, however.

**Slowdown in Other Gases**

**ErreDue – Other gases 2019-1H24 revenue**



A: actual; Source: Company data

Overall performance in other gases has been supported by:

- Generators for laboratories, which experienced +13% yoy growth, being anticyclical by definition;
- Generators' rental, which benefited from inflation-linked multi contracts;
- Aftermarket sales, which experienced +10.8% yoy growth.

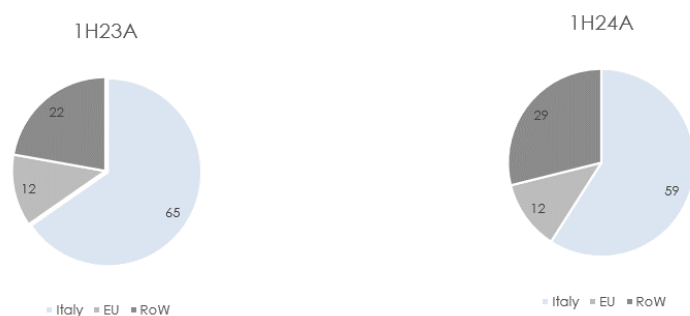
From a geographical standpoint, 1H24 showed strong growth from RoW (+27% yoy), further raising the share of core revenue to 29% vs. 22% in 1H23, while Italy and EU registered a contraction of 12% and 5% respectively.

#### ErreDue – 1H23-24 Core Revenue by geographies

EUR M	1H23A	1H24A	Chg. (%)
Italy	5.1	4.5	-12
EU	1.0	0.9	-5
RoW	1.7	2.2	27
<b>Total</b>	<b>7.9</b>	<b>7.7</b>	<b>-2</b>

A: actual; Source: Company data

#### ErreDue – 1H23-24 Core Revenue by geographies (%)



A: actual; Source: Company data

Looking at costs, raw materials (net of the impact of unsold stock) increased by 20.2% yoy in 1H24, with an incidence on core revenue, due to inflationary trends, worsening from 35.2% in 1H23 (and 38.6% reported in FY23) to 43.3% in 1H24. Services costs were broadly stable in 1H24, with an incidence on core revenues approx. of 18.7%, whereas personnel costs were up by 12.3% yoy in 1H24, with its incidence on core revenue rising to 28.8% (from 25.1% in 1H23), due to new hirings (+10 FTE since YE23) required to cope with expected higher production activity.

#### ...and cost performance

#### ErreDue – 1H24 costs breakdown

EUR M	1H23A	1H24A	Chg. (%)
Raw materials	2.8	3.3	20.2
Services	1.4	1.4	-0.7
Rent	0.0	0.0	13.9
Personnel	2.0	2.2	12.3
<b>Total Cost</b>	<b>6.2</b>	<b>7.0</b>	<b>12.8</b>
<b>Weighting on core revenue (%)</b>			
Raw materials	35.2	43.3	
Services	18.4	18.7	
Rent	0.5	0.5	
Personnel	25.1	28.8	

A: actual; Source: Company data

The EBITDA margin fell to 25.7% from 35.9% in 1H23 and 35.7% in FY23. The main reasons behind this were:

- The abovementioned shift in delivery of some orders in 2H due to clients' requests, generating a temporary disconnect between costs and revenue recognition. The company highlights that those orders have now been delivered (at the time of the release date of 1H publication);
- A shift in product mix in favor of higher capacity generators, which require higher R&D, fully expensed in the P&L;
- The rise in personnel costs.

We understand that EBITDA margin might have been also negatively impacted by lower sales of highly profitable Nitrogen onsite generator product Saturn.

EBIT fell by 42.7% yoy to approx. EUR 1.1M (vs. EUR 1.9M in 1H23A), or a margin on core revenue of 14.3%, lower than 24.4% reported in 1H23A and FY23's 24.6%, reflecting the dynamics of EBITDA described above. Amortisation increased slightly to EUR 0.87M vs. EUR 0.84M in 1H23A.

Net income came in at EUR 1.0M in 1H24 vs. EUR 1.5M recorded in 1H23A, due to the operating performance dynamic and a slightly higher tax rate of 26.7% (vs. 24.8% in 1H23A).

NWC fell from EUR 4.3M at the end of December to EUR 4.0M, by 7% yoy, notwithstanding higher level of inventories, which were affected by inflationary trends and by a safety-stock. Capex amounted to almost EUR 1M in 1H24, partly related to the establishment of new production unit focused on gas generators' equipment of bigger size, which will be completed by the end of 2025 (with the optionality to be ready already in June).

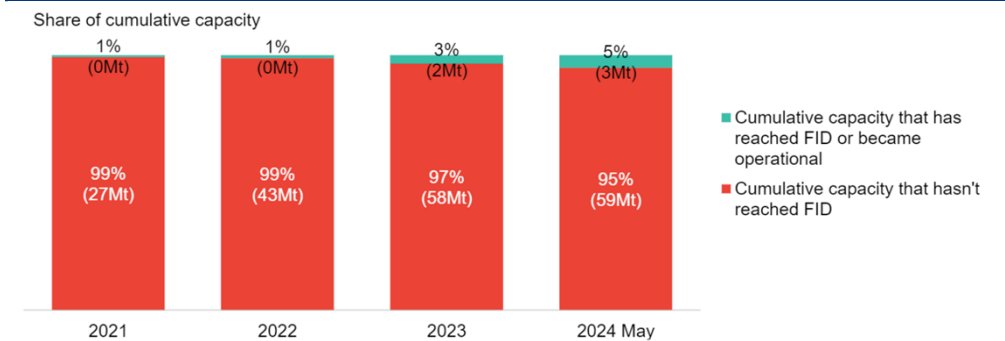
Net cash amounted to EUR 17.3M (vs. EUR 16.3M net cash at FY23A), including the distribution of EUR 1.4M in dividends in May.

#### **EBITDA margin softens to 25.7%**

## Hydrogen Market Update

Recent industry research analysis (BloombergNEF) has flagged that only 5% of cumulative clean Hydrogen production capacity has reached a Final Investment Decision (FID) or became operational (albeit improving from 3% at the end of 2023).

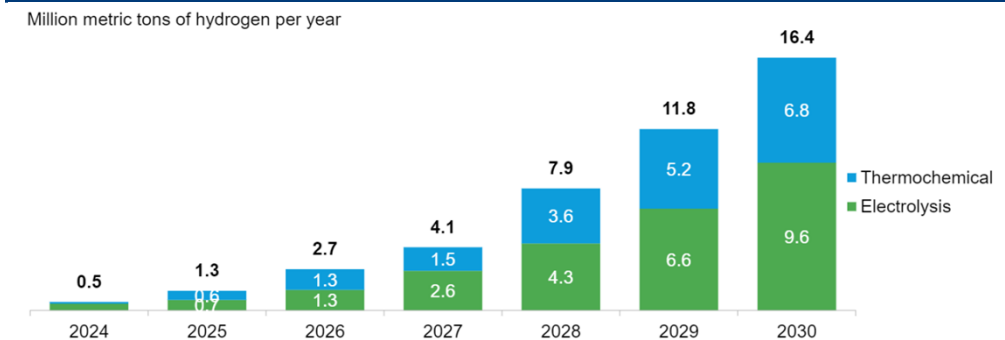
### Hydrogen production volume announced by 2030



Source: BloombergNEF

Around 60% of the Hydrogen supply until 2030 is expected to come from Electrolysis.

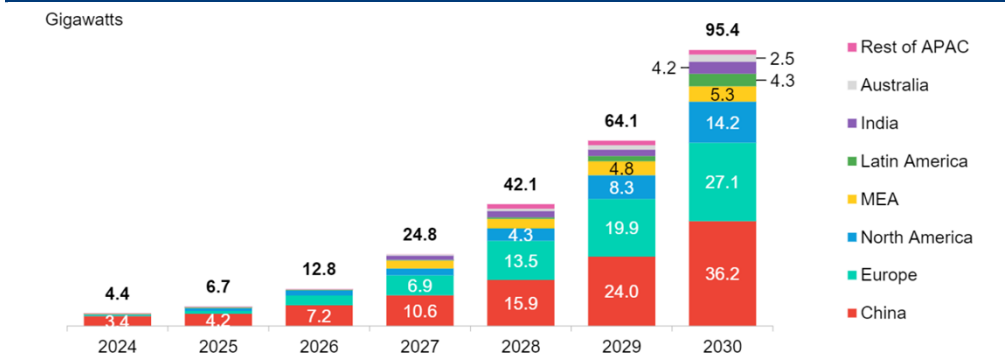
### Hydrogen supply by production method until 2030



Source: BloombergNEF

From a regional perspective, current electrolysers' capacity is dominated by China, although European markets will gradually rise in relevance.

### Cumulative Electrolyser capacity by markets 2024-30



Source: BloombergNEF. Note: 'MEA' refers to Middle East and Africa. 'APAC' refers to Asia-Pacific.

Source: BloombergNEF

## Earnings Outlook and Estimates Revision

1H24 results, despite showing softening revenue and profits margin, have been characterised by good performance of Hydrogen generators' sale, with orders' backlog rising strongly, driven by foreign markets (70% of the backlog), leading company management to confirm objective of expanding production to bigger size electrolysers' equipment (>1MW) next year.

On that basis, management expects revenue from Hydrogen should be growing by over 60% yoy by YE24 (accelerating from +40% yoy recorded in 1H24).

Despite the strong EUR 22M orders' backlog reported at the end of August (of which 35% coming from orders to be delivered this year), we conservatively reduce our 2024E core revenue estimates by 6% to EUR 16.5M, with a corresponding -17% reduction in EBITDA to EUR 4.9M due to negative operating leverage.

Looking into next year, considering macroeconomic uncertainties potentially prolonging the negative impact on revenue of Oxygen/Nitrogen, we conservatively reduce our 2025E core revenue and EBITDA estimates by 7% and 20% respectively. We highlight that our new 2025E core revenue estimates is more than 55% covered by current orders' backlog.

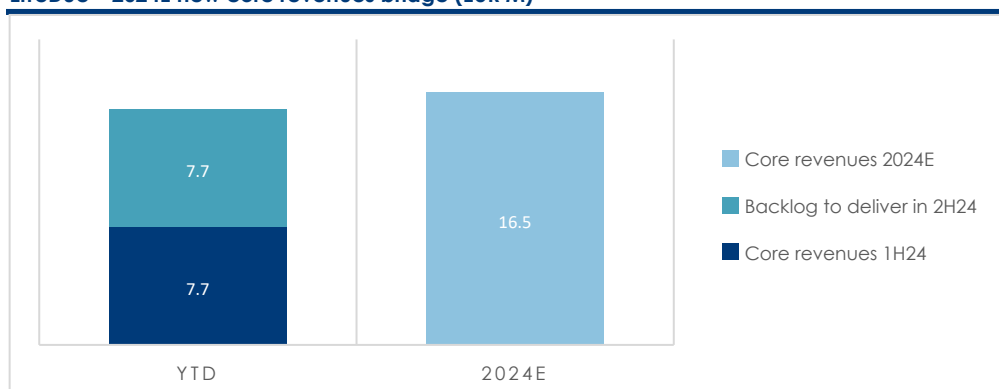
### ErreDue - 2024-26E estimates' revision

EUR M	FY24E old	FY24E new	Chg. (%)	FY25E old	FY25E new	Chg. (%)	FY26E old	FY26E new	Chg. (%)
Value of Production	20.5	19.5	-5	32.3	30.3	-6	49.2	49.2	0
<b>Core Revenue*</b>	<b>17.5</b>	<b>16.5</b>	<b>-6</b>	<b>27.3</b>	<b>25.3</b>	<b>-7</b>	<b>39.3</b>	<b>39.3</b>	<b>0</b>
EBITDA	5.9	4.9	-17	9.8	7.8	-20	14.5	14.5	0
EBITDA margin (%)**	34	30		36	31	-14	36.9	36.9	0
Net income	2.4	1.6	-32	5.2	3.6	-30	8.6	8.6	0
Net Debt	-9.6	-8.0	-17	-12.2	-10.8	-12	-19.4	-19.4	0

\* Core Revenues do not include: i) internal constructions relating to generators intended for rental; ii) the change in inventories of semi-finished and finished products in progress; and iii) the operating contributions and the contributions relating to the tax credit; \*\*EBITDA margin is calculated on Core Revenue, according to ErreDue.

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

### ErreDue – 2024E new core revenues bridge (EUR M)



Source: Intesa Sanpaolo research estimates



## Valuation

We value ErreDue on DCF and multiples-based methodologies (EV/sales and EV/EBITDA). We derive a target price of EUR 10.5 (unchanged), from the average of the equity values returned by each valuation approach, still applying a 20% discount to reflect the stock's relatively low capitalisation. **We confirm our BUY rating.**

**TP EUR 10.5, mostly due to peers' re-rating**

### ErreDue - Target price calculation and implied multiples

	EUR M	EUR/share	(x)	2024	2025	2026
DCF-based	74.2	11.9	EV/SALES	3.6	2.3	1.5
EV/Sales 2024E Multiples	78.9	12.6	EV/EBITDA	11.9	7.5	4.0
EV/EBITDA 2024E Multiples	93.3	14.9	P/E	47.5	20.5	8.6
Average	87.1	13.9				
Discount %	20	20				
<b>Target Price</b>	<b>65.6</b>	<b>10.5</b>				

Source: Intesa Sanpaolo Research estimates

## DCF valuation

In our DCF valuation, we calculate ErreDue's enterprise and equity value range using a three-stage DCF model, according to which: 1) we determine the net present value of the net cash flows over the forecast period (2024E-27E); 2) we run a three-year DCF valuation over the 2028-30E period, to which we applied declining, though still relatively high, EBITDA growth rates; and 3) we calculate the NPV of the terminal value derived as the average net cash flow beyond the forecast period, assuming a 1% terminal growth rate (unchanged). Our model returns an equity value of EUR 11.9/share.

We set our WACC at 12.1% (from 12.6%) on the back of: 1) a 100% equity weighting in the company's total capital sources; 2) a risk-free rate of 3.75% as per our current equity valuation models (vs 4% previously); 3) an equity risk premium equal to 6.5%, broadly in line with the 20-year average implied in the Euro Stoxx index; and 4) a Beta calculated as the 10-year average for ErreDue's closest peers (NEL Asa, ITM Power PLC, McPhy Energy SA; Source: Bloomberg), amounting to 1.28x.

### ErreDue - WACC calculation

Debt (%)	0.0
Equity (%)	100.0
Terminal Growth Rate	1.0
Tax Rate (%)	23.0
Interest cost after tax (%)	0.8
Risk free Interest rate	3.75
Beta (x)	1.28
Market Risk Premium (%)	6.50
<b>WACC (%)</b>	<b>12.1</b>
g	1.0

Source: Intesa Sanpaolo Research estimates

**ErreDue – DCF-based EV calculation**

EUR M	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	TV
EBITDA	4.9	7.8	14.5	22.0	25.2	27.9	29.7	
Yearly Growth rate (%)	-16	59	86	51	15	11	6	
Investments	-8.9	-1.8	-2.7	-5.3	-6.1	-6.7	-7.1	
D&A	-2.9	-3.1	-3.3	-3.5	-4.1	-4.5	-4.8	
WC change	-5.0	-2.9	-3.1	-4.5	-5.2	-5.7	-6.1	
Taxes	-0.5	-1.1	-2.6	-4.2	-4.9	-5.4	-5.7	
M&A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net cash flow	-9.5	2.1	6.1	7.9	9.1	10.1	10.7	8.6
Cash Flow NPV	-9.5	1.8	4.9	5.6	5.8	5.7	5.4	78
Total Cash Flow NPV								
Discounted Terminal Value								
<b>DCF-based Enterprise Value</b>	<b>59</b>							

Source: Intesa Sanpaolo Research estimates

**ErreDue – DCF-based equity value calculation**

	EUR M	FY24E	FY25E	FY26E	FY27E
			<b>Implied EV/sales</b>		
ErreDue	59	3.6	2.3	1.5	0.8
Peripherals	0		<b>Implied EV/EBITDA</b>		
-Net debt/+Cash (FY23A)	16.3	11.9	7.5	4.0	2.7
-Minorities/Funds (FY23A)	-1.0		<b>Implied P/E</b>		
Equity Value	74.2	47.5	20.5	8.6	5.2
<b>Eq. Value (EUR / sh)</b>	<b>11.9</b>				

Source: Intesa Sanpaolo Research estimates

**Multiples' valuation**

We identify some peers operating in the market as hydrogen electrolyzers' manufacturers and/or in the hydrogen value chain and suppliers of gas systems for our multiples-based valuation. Adopting 2024E EV/sales (3.8x) and 2024E EV/EBITDA (13.2x) multiples in our valuation, which we think better reflect the value of both the hydrogen-related prospects and the current footprint, we derive an equity value of EUR 12.6/share and EUR 14.9/share for ErreDue, respectively.

**ErreDue – EV/sales valuation**

(x)	EV/sales 2024E	EUR M	FY24E	FY25E	FY26E	FY27E
				<b>Implied EV/sales</b>		
ErreDue	3.8	63.4	3.8	2.5	1.6	0.9
Peripherals		0.0		<b>Implied EV/EBITDA</b>		
-Net debt/+Cash (FY23A)		16.3	12.9	8.1	4.4	2.9
-Minorities/Funds (FY23A)		-1.0		<b>Implied P/E</b>		
Equity value		78.7	23.2	50.4	21.7	9.1
<b>Eq. Value (EUR/ sh)</b>	<b>12.6</b>					

E: estimates; Source: Intesa Sanpaolo Research

## ErreDue – EV/EBITDA valuation

(x)	EV/EBITDA 2024E	EUR M	Implied EV/sales			
ErreDue	13.2	77.8	4.7	3.1	2.0	1.1
Peripherals		0.0		<b>Implied EV/EBITDA</b>		
-Net debt/+Cash (FY23A)		16.3	15.8	9.9	5.3	3.5
-Minorities/Funds (FY23A)		-1.0		<b>Implied P/E</b>		
Equity value		93.1	59.6	25.7	10.8	6.6
<b>Eq. Value (EUR/ sh)</b>	<b>14.9</b>					

E: estimates; Source: Intesa Sanpaolo Research

## Peers' multiples' comparison – 2024-26E EV/sales, EV/EBITDA and P/E

x	Mkt price (EUR)	Mkt Cap. (EUR M)	EV/sales			EV/EBITDA			P/E		
			2024	2025	2026	2024	2025	2026	2024	2025	2026
<b>Electrolysers' Manufacturers</b>											
ITM Power PLC	0.5	365	5.5	3.3	2.2	NA	NA	NA	NA	NA	NA
McPhy Energy SA	2.1	60	1.7	1.0	0.4	NA	NA	13.0	NA	NA	NA
NEL ASA	4.7	647	3.3	2.8	2.2	NA	NA	160.3	NA	NA	NA
Average			3.5	2.4	1.6	NA	NA	NA	NA	NA	NA
<b>Other Hydrogen players</b>											
Ceres Power Holdings plc	2.7	627	7.2	6.9	6.0	NA	NA	NA	NA	NA	NA
Plug Power Inc.	2.1	1,653	2.5	2.2	1.9	NA	NA	NA	NA	NA	NA
FuelCell Energy, Inc.	0.4	186	0.7	0.9	1.2	NA	NA	NA	NA	NA	NA
Doosan Fuel Cell Co., Ltd.	18,980.0	873	3.1	2.5	2.3	28.1	18.6	20.5	106.0	55.9	44.4
Average			3.4	1.9	1.8	NA	NA	NA	NA	NA	NA
<b>Gas Systems' suppliers</b>											
Air Liquide SA	170.9	98,510	3.9	3.7	3.5	13.7	12.6	11.6	27.0	24.5	22.4
Linde plc	475.0	205,761	7.3	6.9	6.5	18.9	17.8	16.7	30.7	27.9	25.3
Air Products and Chemicals, Inc.	291.4	58,449	6.3	6.1	5.7	15.2	14.1	13.5	23.6	21.7	19.9
Nippon Sanso Holdings Corporation	5,254.0	14,016	2.2	2.1	2.0	9.7	9.0	8.4	19.6	18.6	17.6
Sol S.p.A.	35.2	3,170	2.2	2.0	1.9	8.6	8.1	7.5	19.7	18.5	17.7
Average			4.4	4.7	4.4	13.2	13.4	12.6	24.1	23.2	21.3

Source: FactSet; NA: not available; Priced at market close on 01/10/2024

## Valuation and Key Risks

### Valuation basis

We value ErreDue using an average of the equity values returned by each valuation approach (DCF and multiples-based methodologies (EV/sales and EV/EBITDA), applying a 20% discount to reflect the stock's relatively low capitalisation

### Key Risks

#### Company specific risks:

- Projects' and delivering execution risk;
- Competitive pressure;
- Technological reliability;

#### Sector generic risks:

- Slower adoption of a hydrogen-based economy;
- Inflationary effect affecting projects' profitability;

## Company Snapshot

### Company Description

ErreDue SpA engages in the research and development, manufacture, and sale of gas generation and engineering products. It offers electrolyzers for on-site generation of clean hydrogen and generators of other technical gases (nitrogen and oxygen) for various industrial applications, laboratory, medical applications and new energy transition applications such as power-to-gas, sustainable mobility (small hydrogen re-fuelling stations) and industrial de-carbonization. The company was founded by Enrico D'Angelo on February 14, 2000 and is headquartered in Livorno, Italy.

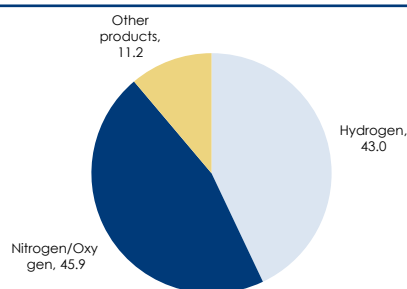
### Key data

Mkt price (€)	8.75	Free float (%)	30.0
No. of shares	6.25	Major shr	Green H2
52Wk range (€)	10.1/7.4	(%)	56.0
Reuters	RDUE.MI	Bloomberg	RDUE IM
<b>Performance (%)</b>	<b>Absolute</b>		<b>Rel. FTSE IT All Sh</b>
-1M	-12.1	-1M	-10.4
-3M	-6.4	-3M	-6.8
-12M	-4.9	-12M	-21.1

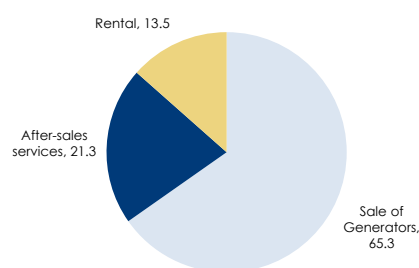
### Estimates vs. consensus

EUR M (Y/E Dec)	2023A	2024E	2024C	2025E	2025C	2026E	2026C
Sales	19.31	19.49	19.00	30.32	29.30	49.23	43.75
EBITDA	5.89	4.93	5.91	7.82	9.36	14.54	14
EBIT	4.05	2.06	3.46	4.75	6.40	11.24	10.7
Pre-tax income	4.47	2.03	3.64	4.70	6.48	11.19	10.7
Net income	3.40	1.56	2.79	3.62	4.95	8.62	8.21
Adj. EPS (€)	0.54	0.25	0.44	0.58	0.79	1.38	1.38

### Core Revenues breakdown by gas type (FY23 %)



### Core Revenues breakdown by source (FY23 %)



Source: Company data, Intesa Sanpaolo Research estimates and Bloomberg consensus data (priced at market close of 02/10/2024)

## ErreDue – Key Data

Rating BUY	Target price (€/sh) Ord 10.5		Mkt price (€/sh) Ord 8.75			Sector Capital Goods
<b>Values per share (EUR)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
No. ordinary shares (M)	5.00	6.25	6.25	6.25	6.25	6.25
Total no. of shares (M)	5.00	6.25	6.25	6.25	6.25	6.25
Market cap (EUR M)	NA	74.29	61.81	54.69	54.69	54.69
Adj. EPS	0.45	0.26	0.54	0.25	0.58	1.38
BVPS	2.5	4.4	5.0	5.0	5.5	6.8
Dividend ord	0.08	0.27	0.22	0.22	0.05	0.12
<b>Income statement (EUR M)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Revenues	12.32	13.77	19.31	19.49	30.32	49.23
EBITDA	4.35	3.95	5.89	4.93	7.82	14.54
EBIT	3.08	2.20	4.05	2.06	4.75	11.24
Pre-tax income	3.07	2.19	4.47	2.03	4.70	11.19
Net income	2.25	1.65	3.40	1.56	3.62	8.62
Adj. net income	2.25	1.65	3.40	1.56	3.62	8.62
<b>Cash flow (EUR M)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Net income before minorities	2.3	1.7	3.4	1.6	3.6	8.6
Depreciation and provisions	-1.3	-1.8	-1.8	-2.9	-3.1	-3.3
Others/Uses of funds	1.1	-0.8	-0.3	1.5	0	0
Change in working capital	0.1	0.2	-1.7	-3.9	-1.8	0.2
Operating cash flow	2.1	-0.7	-0.4	-3.7	-1.2	5.5
Capital expenditure	-1.3	-2.6	-2.9	-8.9	-1.8	-2.7
Financial investments	0	0	0	0	0	0
Acquisitions and disposals	0.3	0	0	0	0	0
Free cash flow	1.1	-3.3	-3.3	-12.7	-3.0	2.8
Dividends	-0.4	-1.7	-1.4	-1.4	-0.3	-0.7
Equity changes & Non-op items	0.1	14.9	0	0	0	-0.1
Net change in cash	0.8	9.9	-4.7	-14.1	-3.3	2.0
<b>Balance sheet (EUR M)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Net capital employed	8.6	9.6	14.6	23.1	23.6	22.8
of which associates	0.0	0.0	0.0	0.0	0.0	0.0
Net debt/-cash	-4.0	-17.4	-16.3	-8.0	-10.8	-19.4
Minorities	0	0	0	0	0	0
Net equity	12.6	27.5	30.9	31.1	34.4	42.3
Minorities value	0	0	0	0	0	0
Enterprise value	NA	56.9	45.5	46.7	43.9	35.3
<b>Stock market ratios (x)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Adj. P/E	NA	45.0	18.2	35.0	15.1	6.3
P/CFPS	NA	21.8	11.8	12.4	8.2	4.6
P/BVPS	NA	2.7	2.0	1.8	1.6	1.3
Payout (%)	18	103	41	90	9	8
Dividend yield (% ord)	NA	2.3	2.3	2.6	0.6	1.3
FCF yield (%)	NA	0.3	0.5	-12.7	5.7	17.2
EV/sales	NA	4.1	2.4	2.4	1.4	0.72
EV/EBITDA	NA	14.4	7.7	9.5	5.6	2.4
EV/EBIT	NA	25.9	11.2	22.7	9.2	3.1
EV/CE	NA	5.9	3.1	2.0	1.9	1.5
D/EBITDA	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
D/EBIT	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
<b>Profitability &amp; financial ratios (%)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
EBITDA margin	35.3	28.7	30.5	25.3	25.8	29.5
EBIT margin	25.0	16.0	21.0	10.6	15.7	22.8
Tax rate	26.6	24.4	24.1	23.0	23.0	23.0
Net income margin	18.3	12.0	17.6	8.0	11.9	17.5
ROCE	35.9	22.9	27.7	8.9	20.1	49.3
ROE	19.3	8.2	11.6	5.0	11.1	22.5
Interest cover	-205.3	-146.7	9.6	-60.6	-111.7	-220.4
Debt/equity ratio	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
<b>Growth (%)</b>		<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Sales		11.8	40.3	0.9	55.6	62.4
EBITDA		-9.2	48.9	-16.3	58.8	85.9
EBIT		-28.6	84.1	-49.1	NM	NM
Pre-tax income		-28.7	NM	-54.7	NM	NM
Net income		-26.6	NM	-54.0	NM	NM
Adj. net income		-26.6	NM	-54.0	NM	NM

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

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### Equity rating key: (long-term horizon: 12M)

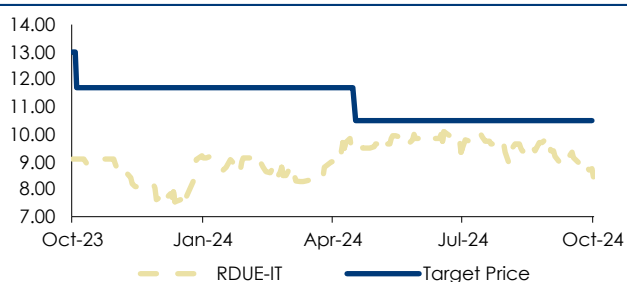
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**Equity Rating Key (long-term horizon: 12M)**

Long-term rating	Definition
BUY	If the target price is 10% higher than the market price.
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**ErreDue:****Target price and market price trend (-1Y)****Historical recommendations and target price trend (-1Y)**

Date	Rating	TP (EUR)	Mkt Price (EUR)
19-Apr-24	BUY	10.5	9.5
06-Oct-23	BUY	11.7	9.1

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Number of companies considered: 158	BUY	HOLD	SELL
Total Equity Research Coverage relating to last rating (%)*	69	31	0
of which Intesa Sanpaolo's Clients (%)**	64	41	0

\* Last rating refers to rating as at end of the previous quarter; \*\* Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months; percentage of clients in each rating category

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- Intesa Sanpaolo acts as Specialist relative to securities issued by ErreDue

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