

ErreDue

Solid FY23 Results

FY23 results were a solid confirmation, in our view, of the company's financial discipline in expanding the business. 2H23 showed a profitability margin in line with 1H23, despite the significant investments in opex and capex to increase production capacity. The BoD proposed a DPS of EUR 0.224 (payout of 41%).

Still robust growth in 2H23; margin still at a high level

2H23 showed a solid +26% yoy growth in core revenue, driven by accelerating growth in high margin 'service and spare parts' revenue (+41% yoy), a still strong contribution of Hydrogen products (+43% yoy) and stronger growth in 'Other products' revenue (+49% yoy). The EBITDA margin remained above 35%, a notable level in the listed green hydrogen electrolysis space, according to management, despite the still rising inflationary cost environment and the company's investments in headcount to bolster production. NFP was cash positive for EUR 16.3M. Backlog stood at EUR 13.6M at end-February.

Outlook and estimates' revision

NRRP development is a key driver for the large generators market, according to the company, with delays in implementation by government institutions hampering the market's short-term growth prospects. Based on FY23 results and management's outlook, we revise our 2024-25E core revenue estimates by -29% and -37%, respectively, and our 2024-25E EBITDA estimates by -34% and -40%.

Valuation

We value ErreDue on DCF and multiples methodologies (2024E EV/sales and EV/EBITDA), obtaining **a new target price of EUR 10.5**, 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	20.49	32.32	49.23
EBITDA	3.95	5.89	5.92	9.82	14.47
EBIT	2.20	4.05	3.12	6.81	11.25
Net income	1.65	3.40	2.38	5.21	8.62
Adj. EPS (EUR)	0.26	0.54	0.38	0.83	1.38
Net debt/-cash	-17.40	-16.30	-9.60	-12.21	-19.36
Adj P/E (x)	45.0	18.2	25.0	11.4	6.9
EV/EBITDA (x)	14.4	7.7	8.4	4.8	2.8
EV/EBIT (x)	25.9	11.2	16.0	6.9	3.6
Div ord yield (%)	2.3	2.3	2.4	0.8	1.8
FCF Yield (%)	0.3	-1.6	-9.1	5.2	15.5

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 16/04/2024

19 April 2024: 11:56 CET

Date and time of production

BUY

Target Price: EUR 10.5
(from EUR 11.7)

Italy/Capital Goods
Company Results

EGM

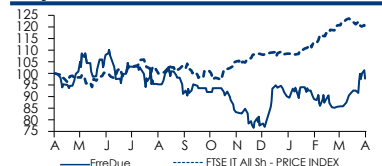
ErreDue - Key Data

Price date (market close)	16/04/2024
Target price (€)	10.5
Target upside (%)	10.53
Market price (€)	9.50
Market cap (EUR M)	59.38
52Wk range (€)	10.7/7.4

EPS – DPS changes

(€)	2024E	2025E	2024	2025
	EPS ▼	EPS ▼	chg%	chg%
Curr.	0.380	0.833	-48.66	-48.16
Prev.	0.740	1.608	-	-
	DPS ▲	DPS ▼	chg%	chg%
Curr.	0.224	0.076	145.75	-48.66
Prev.	0.091	0.148	-	-

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



Source: FactSet and Intesa Sanpaolo Research estimates

Intesa Sanpaolo Research Dept.

Daide Rimini - Research Analyst
+39 02 4127 9025
daide.rimini@intesaspaolo.com

Solid FY23 Results

ErreDue reported solid FY23 results, beating our estimates at both the top line and profitability level, with core revenue of EUR 16.5M (up 34% yoy) and EBITDA of EUR 5.9M (up 49% yoy), with a corresponding EBITDA margin of 35.7%, over 300bps above the 32.5% level in FY22. In detail:

Strong revenue growth with over 300bps margin expansion

- **2H23 core ('Sales & Services') revenue grew by +26% yoy to EUR 8.6M** vs. EUR 6.9M in 2H22 and vs. our EUR 6.8M estimate, driven by the Hydrogen sector (which grew by 42% yoy in 2H23, representing 43% of total revenue). 2H23 generators' sales rose by 25% yoy, outpaced by after-sales (which surged by 41% yoy in 2H23), while rental of generators gained 10% yoy, mostly in line with 1H23;
- **2H23 EBITDA grew by +34% yoy to EUR 3.1M**, exceeding our EUR 2.5M estimate, with an EBITDA margin of 35.5% in 2H23A vs 33.3% in 2H22. Margin expanded thanks to an improved sales mix and higher after-market services' high-margin revenue contribution, which more than offset the rising personnel costs, primarily attributed to headcount expansion (+21 units in production departments);
- **2H23 EBIT grew by +69% yoy to EUR 2.1M**, better than our EUR 1.8M estimate, with a corresponding EBIT margin of 24.7% vs. 18.4% in 2H22;
- **2H23 net income jumped by +90% yoy to EUR 1.9M** vs. our EUR 1.3M estimate;
- **NFP at YE23 was positive for EUR 16.3M vs. EUR 17.4M at YE22**, despite NWC rising 64% to EUR 4.3M in order to meet the important orders and EUR 4.7M in investments in tangible fixed assets in order to expand production capacity;

ErreDue – FY23 results

EUR M	1H22A	2H22A	FY22A	1H23A	yoy %	2H23A	2H23E	A/E %	yoy %	FY23A	FY23E	yoy %
Value of Production	6.0	7.8	13.8	9.1	50.7	10.2	7.9	29.3	31.6	19.3	17.0	39.9
Core Revenue	5.4	6.9	12.3	7.9	44.4	8.6	6.8	27.5	26.0	16.5	14.6	34.1
EBITDA	1.7	2.3	4.0	2.8	69.2	3.1	2.5	20.9	34.0	5.9	5.4	49
EBITDA margin (%)	30.7	33.3	32.5	35.9		35.5	37.4			35.7	31.5	
EBIT	0.9	1.3	2.2	1.9	104.8	2.1	1.8	18.1	69.0	4.1	3.7	84
EBIT Margin	17.2	18.4	17.9	24.4		24.7	26.7			24.6	25.4	
Net income	0.7	1.0	1.7	1.5	127.5	1.9	1.3	42.2	90.1	3.4	2.8	106
Net Debt			-17.4	-14.9						-16.3	-12.2	

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

Taking a closer look at Core revenue, we highlight the following composition by type of contract:

A closer look at revenue performance...

- Generators' sales grew by +37% yoy, representing 65% of total revenue (vs 64% in FY22);
- After-sales increased by +46% yoy, representing 21% of total revenue (20% in FY22);
- Generators' rent rose by +8.7% yoy, representing 13% of revenue vs. 17% in FY22.

ErreDue – FY21-23 revenues by contracts

EUR M	FY21A	FY22A	Var. (%)	FY23A	Var. (%)
Generators' sales	5.8	7.9	34.6	10.8	37.0
After-sales	3.2	2.4	-25.8	3.5	46.3
Generators' rent	2.0	2.0	2.9	2.2	8.7
Core Revenues	11.1	12.3	11.2	16.5	34.1

A: actual; Source: Company data

Looking at Core revenue by type of product, the breakdown is as follows:

- FY23 Hydrogen gained +62.5%, accounting for 43% of total core revenue vs. 35% in FY22;
- Other gases rose +16% yoy, representing 46% of the core revenue (vs. 53% in FY22);
- Other products and Maintenance increased +30% yoy, accounting for 11% of the core revenue (unchanged vs. FY22).

ErreDue – FY21-23 revenues by products

EUR M	FY21A	FY22A	Var. (%)	FY23A	Var. (%)
Hydrogen	5.6	4.4	-22.2	7.1	62.5
Other gases	4.6	6.5	40.8	7.6	16.0
Other products / Generic Maintenance	0.8	1.4	72.2	1.8	30.4
Core Revenues	11.1	12.3	11.2	16.5	34.1

A: actual; Source: Company data

Looking at costs, raw materials (net of change in raw materials) increased by 39.4%, with a weighting on revenues deteriorating to 38.6% in FY23 vs. 37.2% yoy due to persistent inflationary trends (over 15%, according to the company). Services' costs and personnel costs decreased their weighting in revenues by 40bps and 70bps vs. FY22, despite rising by +31% yoy and +30.3% yoy, respectively.

...and cost performance**ErreDue – FY21-23 costs breakdown**

EUR M	FY21A	FY22A	Var. (%)	FY23A	Var. (%)
Raw materials	3.4	4.6	34.5	6.4	39.4
Services	1.7	2.1	21.8	2.8	31.0
Rent	0.0	0.0	-31.1	0.1	109.7
Personnel	2.5	3.0	17.2	3.9	30.3
Total costs	7.7	9.7	25.6	13.1	35.0
Weighting on core revenues (%)					
Raw materials	30.7	37.2		38.6	
Services	15.6	17.1		16.7	
Rent	0.4	0.3		0.4	
Personnel	23.0	24.3		23.6	

Source: Company data

The FY23 EBITDA margin rose by over 300bps to 35.7% from to 32.5% yoy, driven by the higher Contribution margin (which rose from 74.8% in FY22 to 79% in FY23) thanks to the stronger higher-margin after-sales' contribution and the lower weighting on revenue of Personnel and Services costs.

ErreDue – 2021-23 key financials

EUR M	FY21A	FY22A	Var. (%)	FY23A	Var. (%)
Core revenues	11.1	12.3	11	16.5	34
EBITDA	4.4	4.0	-9	5.9	49
EBITDA margin	39.3	32.5		35.7	
EBIT	3.1	2.2	-29	4.1	84
EBIT margin	27.8	17.9		24.6	
Net income	2.3	1.7	-27	3.4	106
Net Debt	-4.0	-17.4	335	-16.3	-6

A: actual; Source: Company data

EBIT stood at EUR 4.1M vs. EUR 2.2M in FY22, reflecting the EBITDA dynamics and slightly higher amortisation (around EUR 0.102M, mainly related to the EUR 1.3M increase in the equipment to be rented, produced during the year).

Net income more than doubled to EUR 3.4M vs. EUR 1.7M yoy.

The net working capital (NWC) increased from EUR 2.6M to EUR 4.3M, with a weighting on revenues at 26.2%, around 480bps higher than in FY22. The increase in NWC weighting is mainly attributable to the growth in inventory, raw materials and finished products, which are needed to meet the important orders in progress. Inventory also includes the newly built H-MW generator.

ErreDue – 2022-23 NWC evolution

EUR M	FY22A	FY23A	Var. (%)
Inventories	3.6	5.6	56
Receivable	3.2	3.8	17
Payables	-3.7	-3.6	-3
Other receivables and accrued income	0.9	1.0	21
Other payables and accrued liabilities	-1.4	-2.5	84
Net working capital	2.6	4.3	64
Net working capital on core revenue (%)	21.4	26.2	

A: actual; Source: Company data

Capex amounted to EUR 4.7M (vs. EUR 1.4M in FY22), with around EUR 3M for the purchase of a large industrial factory (6,000 sqm to be renovated and expanded to up to 10,000 sqm), EUR 1.4M for the plant and machineries, and EUR 0.212M mainly attributable to technical equipment.

NFP amounted to positive EUR 16.3M (vs. EUR 17.3M net cash at FY22), mainly reflecting the higher financial resources spent on acquiring and equipping the new industrial area, incurring higher warehouse costs.

Earnings Outlook and Estimates' Revision

In January 2024, ErreDue won the tender by Enea to supply a hydrogen generator with a PEM electrolytic cell worth over EUR 0.2M.

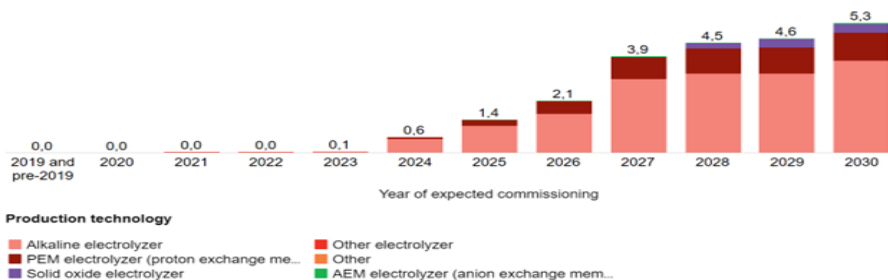
In February 2024, the company completed and charged the delivery of a 500kW electrolyser to Snam, a top player in gas infrastructure in Italy and Europe.

Total backlog amounted to EUR 13.6M at the end of February (approx. 85% attributed to the current year), with approx. EUR 7.65M from sales and rentals of generators, EUR 4M from spare parts and maintenance services and EUR 2M from rents.

The company still considers NRRP initiatives as the main market driver for the energy transition. The market's growth is currently hindered by delays to the development plans' implementation by government institutions, according to management, which expects to deliver its first pilot plants not before 2025.

Recent research analysis (BNEF) still points to a strong increase in hydrogen production in the years ahead, with alkaline electrolyzer technology by far the main one adopted.

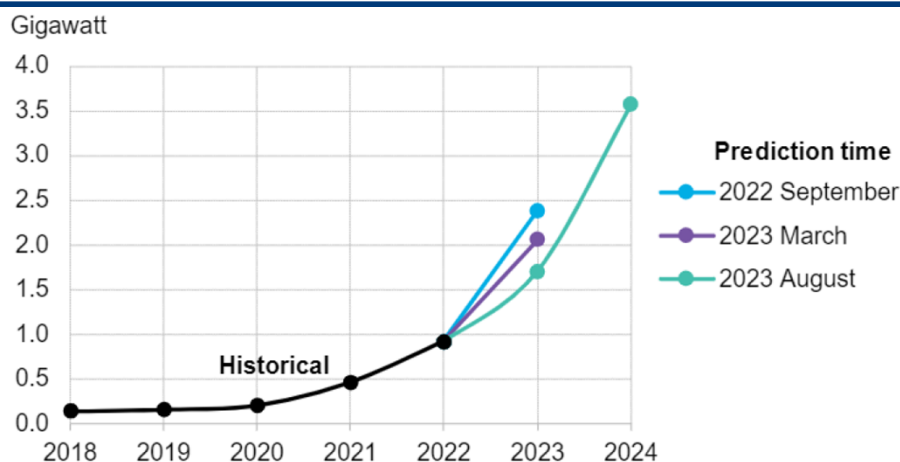
Hydrogen production volume 2024-30E by technology (M tons/ Year)



Source: BNEF

Nonetheless ErreDue's outlook looks aligned with BNEF's analysis, signaling how the slower policy actions and a weaker macroeconomic environment have curbed short-term growth rates in water electrolysers' shipments.

Historical and forecast annual shipment of water electrolyzers



Source: BNEF January 2024

Considering management's outlook, we revise our 2024-25E estimates, also introducing our 2026E estimates:

ErreDue - 2024-26E estimates' revision

EUR M	FY24E old	FY24E new	var. (%)	FY25E old	FY25E new	var. (%)	FY26E new
Value of Production	27.9	20.5	-27	49.0	32.3	-34	49.2
Core Revenue *	24.5	17.5	-29	43.6	27.3	-37	39.3
EBITDA	9.0	5.9	-34	16.2	9.8	-40	14.5
EBITDA margin (%) **	36.6	33.9		37.2	36.0	-3	36.8
Net income	4.6	2.4	-49	10.0	5.2	-48	8.6
Net Debt	-8.7	-9.6	10	-15.2	-12.2	-20	-19.4

* Core Revenue does 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 definition; E: estimates; Source: Intesa Sanpaolo Research

Valuation

We value ErreDue on DCF and multiples-based methodologies (EV/sales and EV/EBITDA). We derive a **new target price of EUR 10.5** (EUR 11.7 previously) 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.**

ErreDue - Target price calculation and implied multiples

	EUR M	EUR/share	(x)	2024	2025	2026
DCF-based	89.5	14.3	EV/SALES	2.9	1.8	1.3
EV/Sales 2024E Multiples	70.2	11.2	EV/EBITDA	8.5	5.1	3.4
EV/EBITDA 2024E Multiples	86.0	13.8	P/E	27.5	12.6	7.6
Average	83.3	13.1				
Size discount	20%	20%				
Target Price	65.5	10.5				

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 14.3/share.

We set our WACC at 12.6% (unchanged) on the back of: 1) a 100% equity weighting in the company's total capital sources; 2) a risk-free rate of 4% as per our current equity valuation models (unchanged); 3) an equity risk premium equal to 6.5% (as per our equity valuation models), broadly in line with the 20-year average implied in the Euro Stoxx index; and 4) a Beta calculated as the 2-year average for ErreDue's closest peers (NEL Asa, ITM Power PLC, McPhy Energy SA; Source: Bloomberg), amounting to 1.32x.

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	4.00
Beta	1.32
Market Risk Premium (%)	6.50
WACC (%)	12.6
g	1.00

Source: Intesa Sanpaolo Research estimates

ErreDue – DCF-based EV calculation

EUR M	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	TV
EBITDA	5.9	9.8	14.5	22.0	25.2	27.9	29.7	
Yearly Growth rate (%)	1%	66%	48%	51%	15%	11%	6%	
Investments	-7.7	-1.8	-2.6	-5.3	-6.1	-6.7	-7.1	
D&A	-2.8	-3.0	-3.2	-3.5	-4.0	-4.4	-4.7	
WC change	-1.9	-3.1	-3.3	-2.9	-3.3	-3.6	-3.9	
Taxes	-0.7	-1.6	-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	-4.5	3.4	6.1	9.6	11.0	12.2	13.0	10.4
Cash Flow NPV	-4.5	3.0	4.8	6.7	6.9	6.7	6.4	89
Total Cash Flow NPV	30.0							
Discounted Terminal Value	43.9							
DCF-based Enterprise Value	74.0							

E: estimates; Source: Intesa Sanpaolo Research

ErreDue – DCF-based equity value calculation

EUR M	EUR M	FY 24E	FY 25E	FY 26E	FY 27E
			Implied EV/Sales x		
ErreDue EV	74.0	4.2	2.7	1.9	1.1
Peripherals	0		Implied EV/EBITDA x		
-Net debt/+Cash (FY23A)	16.3	12.5	7.5	5.1	3.4
-Minorities/Funds (FY23A)	-0.8		Implied P/E x		
Equity Value	89.5	26.3	37.5	17.2	10.3
Eq. Value (EUR/sh)	14.3				

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 (3.3x) and 2024E EV/EBITDA (12.0x) 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 11.2/share and EUR 13.8/share for ErreDue, respectively.

ErreDue – EV/sales valuation

(x)	EV/Sales 2024E	EUR M	FY 24E	FY 25E	FY 26E	FY 27E
ErreDue EV	3.3	54.7		Implied EV/Sales		
Peripherals		0.0	3.1	2.0	1.4	0.8
-Net debt/+Cash (FY23A)		16.3	9.2	5.6	3.8	2.5
-Minorities/Funds (FY23A)		-0.8		Implied P/E		
Equity value		70.2	20.7	29.5	13.5	8.1
Eq. Value (EUR / sh)	11.2					

E: estimates; Source: Intesa Sanpaolo Research estimates

ErreDue – EV/EBITDA valuation

(x)	EV/EBITDA 2024E	EUR M	FY 24E	FY 25E	FY 26E	FY 27E
ErreDue EV	12.0	70.5				
Peripherals		0.0	4.0	2.6	1.8	1.0
-Net debt/+Cash (FY23A)		16.3	11.9	7.2	4.8	3.2
-Minorities/Funds (FY23A)		-0.8				
Equity value		86.0	25.3	36.1	16.5	9.9
Eq. Value (EUR/sh)	13.8					

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		
			2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Electrolysers' Manufacturers											
ITM Power PLC	0.51	369	4.2	3.0	1.6	NM	NM	NM	NM	NM	NM
McPhy Energy SA	1.84	51	1.8	1.6	0.9	NM	NM	NM	NM	NM	NM
NEL ASA	5.14	665	2.6	2.2	1.6	NM	NM	278.1	NM	NM	NM
Average			2.9	2.3	1.4	NM	NM	NM	NM	NM	NM
Other Hydrogen players											
Ceres Power Holdings plc	1.33	309	3.3	3.6	3.8	NM	NM	NM	NM	NM	NM
Plug Power Inc.	2.70	1738	2.2	1.8	1.5	NM	NM	20.1	NM	NM	NM
FuelCell Energy, Inc.	1	425	3.5	2.8	2.6	NM	NM	82.8	NM	NM	NM
Doosan Fuel Cell Co., Ltd.	18250	846	2.7	2.1	2.0	25.9	16.6	15.9	78.1	41.2	33.0
Average			2.9	2.2	2.0	NM	NM	NM	NM	NM	NM
Gas Systems' suppliers											
Air Liquide SA	185.72	98121	3.8	3.6	3.4	13.4	12.3	11.4	26.9	24.3	22.2
Linde plc	445.78	201926	6.7	6.3	6.0	17.9	16.8	15.6	28.9	26.3	23.5
Air Products and Chemicals, Inc.	227.76	47624	4.9	4.8	4.5	12.2	11.7	11.1	18.5	16.9	15.5
Nippon Sanso Holdings Corporation	4409	11609	2.0	1.9	NM	8.8	8.2	NM	18.3	17.4	15.0
Sol S.p.A.	35	3175	1.8	1.7	NM	7.5	7.0	NM	16.2	15.5	NM
Average			3.8	4.1	NM	11.9	12.2	NM	21.8	21.2	19.0

Source: FactSet; NM: not meaningful; Priced at market close on 17/04/2024

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.

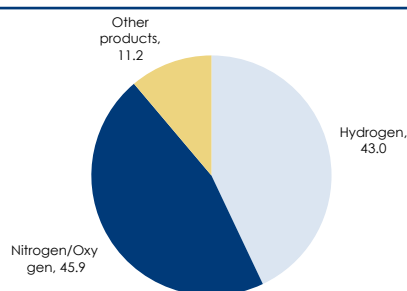
Key data

Mkt price (€)	9.50	Free float (%)	30.0
No. of shares	6.25	Major shr	Green H2
52Wk range (€)	10.7/7.4	(%)	56.0
Reuters	RDUE.MI	Bloomberg	RDUE IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	14.5	-1M	16.3
-3M	7.7	-3M	-1.6
-12M	-4.2	-12M	-18.9

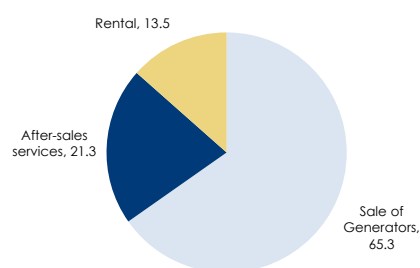
Estimates vs. consensus

EUR M (Y/E Dec)	2023A	2024E	2024C	2025E	2025C	2026E	2026C
Sales	19.31	20.49	13.77	32.32	NA	49.23	NA
EBITDA	5.89	5.92	3.95	9.82	NA	14.47	NA
EBIT	4.05	3.12	2.20	6.81	NA	11.25	NA
Pre-tax income	4.47	3.09	2.18	6.76	NA	11.20	NA
Net income	3.40	2.38	1.65	5.21	NA	8.62	NA
Adj. EPS (€)	0.54	0.38	0.26	0.83	0.46	1.38	NA

Core Revenues breakdown by gas type (FY23 %)



Core Revenues breakdown by source (FY23 %)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 16/04/2024)

ErreDue – Key Data

Rating	Target price (€/sh)		Mkt price (€/sh)			Sector
BUY	Ord 10.5		Ord 9.50			Capital Goods
Values per share (EUR)	2021A	2022A	2023A	2024E	2025E	2026E
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	59.38	59.38	59.38
Adj. EPS	0.45	0.26	0.54	0.38	0.83	1.38
BVPS	2.5	4.4	5.0	5.1	5.9	7.1
Dividend ord	0.08	0.27	0.22	0.22	0.08	0.17
Dividend SAV Nc	NA	NA	NA	NA	NA	1.00
Income statement (EUR M)	2021A	2022A	2023A	2024E	2025E	2026E
Revenues	12.32	13.77	19.31	20.49	32.32	49.23
EBITDA	4.35	3.95	5.89	5.92	9.82	14.47
EBIT	3.08	2.20	4.05	3.12	6.81	11.25
Pre-tax income	3.07	2.19	4.47	3.09	6.76	11.20
Net income	2.25	1.65	3.40	2.38	5.21	8.62
Adj. net income	2.25	1.65	3.40	2.38	5.21	8.62
Cash flow (EUR M)	2021A	2022A	2023A	2024E	2025E	2026E
Net income before minorities	2.3	1.7	3.4	2.4	5.2	8.6
Depreciation and provisions	-1.3	-1.8	-1.8	-2.8	-3.0	-3.2
Others/Uses of funds	1.1	-0.3	-0.6	-0.1	0	0
Change in working capital	0.1	-0.3	-2.7	-2.7	-3.3	-1.1
Operating cash flow	2.1	-0.7	-1.7	-3.3	-1.1	4.3
Capital expenditure	-1.3	-2.6	-2.9	-7.7	-1.8	-2.6
Financial investments	0	0	0	0	0	1.0
Acquisitions and disposals	0.3	0	0	0	0	0
Free cash flow	1.1	-3.3	-4.6	-11.0	-2.9	2.7
Dividends	-0.4	-1.7	-1.4	-1.4	-0.5	-1.0
Equity changes & Non-op items	0.1	14.9	0	0	0	0
Net change in cash	0.8	9.9	-6.0	-12.4	-3.4	1.7
Balance sheet (EUR M)	2021A	2022A	2023A	2024E	2025E	2026E
Net capital employed	8.6	10.1	16.3	22.3	24.4	24.9
of which associates	0.0	0.0	0.0	0.0	0.0	0.0
Net debt/-cash	-4.0	-17.4	-16.3	-9.6	-12.2	-19.4
Minorities	0	0	0	0	0	0
Net equity	12.6	27.5	30.9	31.9	36.6	44.2
Minorities value	0	0	0	0	0	0
Enterprise value	NA	56.9	45.5	49.8	47.2	40.0
Stock market ratios (x)	2021A	2022A	2023A	2024E	2025E	2026E
Adj. P/E	NA	45.0	18.2	25.0	11.4	6.9
P/CFPS	NA	21.8	11.8	11.5	7.2	5.0
P/BVPS	NA	2.7	2.0	1.9	1.6	1.3
Payout (%)	18	103	41	59	9	12
Dividend yield (% ord)	NA	2.3	2.3	2.4	0.8	1.8
FCF yield (%)	NA	0.3	-1.6	-9.1	5.2	15.5
EV/sales	NA	4.1	2.4	2.4	1.5	0.81
EV/EBITDA	NA	14.4	7.7	8.4	4.8	2.8
EV/EBIT	NA	25.9	11.2	16.0	6.9	3.6
EV/CE	NA	5.6	2.8	2.2	1.9	1.6
D/EBITDA	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
D/EBIT	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Profitability & financial ratios (%)	2021A	2022A	2023A	2024E	2025E	2026E
EBITDA margin	35.3	28.7	30.5	28.9	30.4	29.4
EBIT margin	25.0	16.0	21.0	15.2	21.1	22.9
Tax rate	26.6	24.4	24.1	23.0	23.0	23.0
Net income margin	18.3	12.0	17.6	11.6	16.1	17.5
ROCE	35.9	21.7	24.8	14.0	27.9	45.2
ROE	19.3	8.2	11.6	7.6	15.2	21.3
Interest cover	-205.3	-146.7	9.6	-91.7	-160.2	-220.6
Debt/equity ratio	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Growth (%)	2022A	2023A	2024E	2025E	2026E	
Sales	11.8	40.3	6.1	57.7	52.3	
EBITDA	-9.2	48.9	0.5	65.9	47.5	
EBIT	-28.6	84.1	-23.0	NM	65.3	
Pre-tax income	-28.7	NM	-31.0	NM	65.6	
Net income	-26.6	NM	-30.0	NM	65.6	
Adj. net income	-26.6	NM	-30.0	NM	65.6	

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

Disclaimer

Analyst certification

The financial analyst who prepared this report, and whose name and role appear on the first page, certifies that:

1. The views expressed on the company mentioned herein accurately reflect independent, fair and balanced personal views; 2. No direct or indirect compensation has been or will be received in exchange for any views expressed.

Specific disclosures

- Neither the analyst nor any person closely associated with the analyst has a financial interest in the securities of the company.
- Neither the analyst nor any person closely associated with the analyst serves as an officer, director or advisory board member of the company.
- The analyst named in this document is not registered with or qualified by FINRA, the U.S. regulatory body with oversight over Intesa Sanpaolo IMI Securities Corp. Accordingly, the analyst may not be subject to FINRA Rule 2241 and NYSE Rule 472 with respect to communications with a subject company, public appearances and trading securities in a personal account. For additional information, please contact the Compliance Department of Intesa Sanpaolo IMI Securities Corp. at 212-326-1133.
- The analyst of this report does not receive bonuses, salaries, or any other form of compensation that is based upon specific investment banking transactions.
- The research department supervisors do not have a financial interest in the securities of the company.

This research has been prepared by Intesa Sanpaolo SpA, and is distributed by Intesa Sanpaolo SpA, Intesa Sanpaolo-London Branch (a member of the London Stock Exchange) and Intesa Sanpaolo IMI Securities Corp. (a member of the NYSE and FINRA). Intesa Sanpaolo SpA accepts full responsibility for the contents of this report and also reserves the right to issue this document to its own clients. Intesa Sanpaolo SpA, is authorised by the Banca d'Italia and is regulated by the Financial Services Authority in the conduct of designated investment business in the UK and by the SEC for the conduct of US business.

Opinions and estimates in this research are as at the date of this material and are subject to change without notice to the recipient. Information and opinions have been obtained from sources believed to be reliable, but no representation or warranty is made as to their accuracy or correctness. Past performance is not a guarantee of future results. The investments and strategies discussed in this research may not be suitable for all investors. If you are in any doubt you should consult your investment advisor.

This report has been prepared solely for information purposes and is not intended as an offer or solicitation with respect to the purchase or sale of any financial products. It should not be regarded as a substitute for the exercise of the recipient's own judgment. No Intesa Sanpaolo SpA entity accepts any liability whatsoever for any direct, consequential or indirect loss arising from any use of material contained in this report. This document may only be reproduced or published with the name of Intesa Sanpaolo SpA.

Intesa Sanpaolo SpA has in place the Conflicts of Interest Management Rules for managing effectively the conflicts of interest which might affect the impartiality of all investment research which is held out, or where it is reasonable for the user to rely on the research, as being an impartial assessment of the value or prospects of its subject matter. A copy of these Rules is available to the recipient of this research upon making a written request to the Compliance Officer, Intesa Sanpaolo SpA, C.so Matteotti n° 1, 20121 Milan (MI) Italy. Intesa Sanpaolo SpA has formalised a set of principles and procedures for dealing with conflicts of interest ("Rules for Research"). The Rules for Research is clearly explained in the relevant section of Intesa Sanpaolo's website (www.intesasnpaolo.com).

Member companies of the Intesa Sanpaolo Group, or their directors and/or representatives and/or employees and/or persons closely associated with them, may have a long or short position in any securities mentioned at any time, and may make a purchase and/or sale, or offer to make a purchase and/or sale, of any of the securities from time to time in the open market or otherwise.

This document has been prepared and issued for, and thereof is intended for use by, MiFID II eligible counterparties/professional clients (other than elective professional clients) or otherwise by market professionals or institutional investors only, who are financially sophisticated and capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies.

Therefore, such materials may not be suitable for all investors and recipients are urged to seek the advice of their independent financial advisor for any necessary explanation of the contents thereof.

Persons and residents in the UK: this document is not for distribution in the United Kingdom to persons who would be defined as private customers under rules of the Financial Conduct Authority.

US persons: This document is intended for distribution in the United States only to Major US Institutional Investors as defined in SEC Rule 15a-6. US Customers wishing to effect a transaction should do so only by contacting a representative at Intesa Sanpaolo IMI Securities Corp. in the US (see contact details below).

Intesa Sanpaolo SpA issues and circulates research to Major Institutional Investors in the USA only through Intesa Sanpaolo IMI Securities Corp., 1 William Street, New York, NY 10004, USA, Tel: (1) 212 326 1150.

Inducements in relation to research

This document has been prepared and issued for, and thereof is intended for use by, MiFID 2 eligible counterparties/professional clients (other than elective professional clients) or otherwise by market professionals or institutional investors only, who are financially sophisticated and capable of evaluating investment risks independently, both in general and with regard to specific transactions and investment strategies.

Therefore, such materials may not be suitable for all investors and recipients are urged to seek the advice of their independent financial advisor for any necessary explanation of the contents thereof.

Pursuant to the provisions of Delegated Directive (EU) 2017/593, this document can be qualified as an acceptable minor non-monetary benefit as it is:

- Written material from a third party that is commissioned and paid for by a corporate issuer or potential issuer to promote a new issuance by the company, or where the third party firm is contractually engaged and paid by the issuer to produce such material on an ongoing basis (Specialist/Corporate Broker/Listing Agent contract), provided that the relationship is clearly disclosed in the material and that the material is made available at the same time to any investment firms wishing to receive it or to the general public - Delegated Directive (EU) 2017/593 - art. 12 paragraph 3.

Distribution Method

This document is for the exclusive use of the person to whom it is delivered by Intesa Sanpaolo and may not be reproduced, redistributed, directly or indirectly, to third parties or published, in whole or in part, for any reason, without prior consent expressed by Intesa Sanpaolo. The copyright and all other intellectual property rights on the data, information, opinions and assessments referred to in this information document are the exclusive domain of the Intesa Sanpaolo banking group, unless otherwise indicated. Such data, information, opinions and assessments cannot be the subject of further distribution or reproduction in any form and using any technique, even partially, except with express written consent by Intesa Sanpaolo.

Persons who receive this document are obliged to comply with the above indications.

Coverage policy and frequency of research reports

The list of companies covered by the Research Department is available upon request. Intesa Sanpaolo SpA aims to provide continuous coverage of the companies on the list in conjunction with the timing of periodical accounting reports and any exceptional event that affects the issuer's operations. The companies for which Intesa Sanpaolo SpA acts as listing agent or specialist or other regulated roles are covered in compliance with regulations issued by regulatory bodies with jurisdiction. In the case of a short note, we advise investors to refer to the most recent company report published by Intesa Sanpaolo SpA's Research Department for a full analysis of valuation methodology, earnings assumptions, risks and the historical of recommendation and target price. In the Equity Daily note and Weekly Preview report the Research Department reconfirms the previously published ratings and target prices on the covered companies (or alternatively such ratings and target prices may be placed Under Review). Research qualified as a minor non-monetary benefit pursuant to provisions of Delegated Directive (EU) 2017/593 is freely available on the IMI Corporate & Investment Banking Division web site (www.imi.intesasanpaolo.com); all other research is available by contacting your sales representative.

Our Mid Corporate Definition

Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies eligible for listing have revenues below EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation of around EUR 1Bn.

Equity Research Publications in Last 12M

The list of all recommendations on any financial instrument or issuer produced by Intesa Sanpaolo Research Department and distributed during the preceding 12-month period is available on the Intesa Sanpaolo website at the following address:

<https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest0>

Valuation methodology (long-term horizon: 12M)

The Intesa Sanpaolo SpA Equity Research Department values the companies for which it assigns recommendations as follows:

We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (ie, holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

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

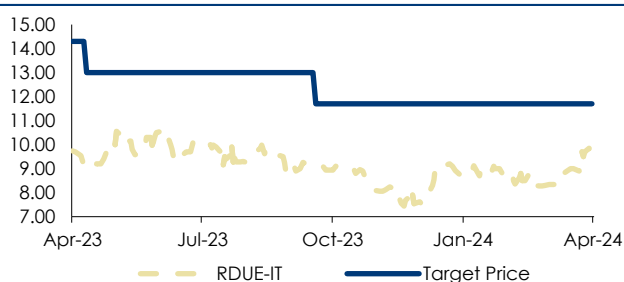
In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, whose key is reported below:

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

Long-term rating	Definition
BUY	If the target price is 10% higher than the market price.
HOLD	If the target price is in a range 10% below or 10% above the market price.
SELL	If the target price is 10% lower than the market price.
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis to determine an investment rating or target price. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances.
TENDER SHARES	We advise investors to tender the shares to the offer.
TARGET PRICE	The market price that the analyst believes the share may reach within a 12M time horizon.
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated.
Note	Intesa Sanpaolo assigns ratings to stocks on a 12M horizon based on a number of fundamental drivers including, among others, updates to earnings and/or valuation models; short-term price movements alone do not imply a reassessment of the rating by the analyst.

Historical recommendations and target price trends (long-term horizon: 12M)

The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history-12-months->. Intesa Sanpaolo changed its long-term 12M horizon rating key on 3 April 2023; please refer to the ISP Equity Rating Reconciliation Table for further details at the following link: <https://group.intesasanpaolo.com/it/research/equity-credit-research>.

ErreDue:**Target price and market price trend (-1Y)****Historical recommendations and target price trend (-1Y)**

Date	Rating	TP (EUR)	Mkt Price (EUR)
06-Oct-23	BUY	11.7	9.1
28-Apr-23	BUY	13.0	9.3

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at April 2024)**

Number of companies considered: 150	BUY	HOLD	SELL
Total Equity Research Coverage relating to last rating (%)*	71	29	1
of which Intesa Sanpaolo's Clients (%)**	68	42	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

Company-specific disclosures

Intesa Sanpaolo S.p.A. and the other companies belonging to the Intesa Sanpaolo Banking Group (hereafter the "Intesa Sanpaolo Banking Group") have adopted written guidelines "Organisational, Management and Control Model" pursuant to Legislative Decree 8 June 2001 no. 231 (available at the Intesa Sanpaolo website, <https://group.intesasanpaolo.com/en/governance/leg-decree-231-2001>) setting forth practices and procedures, in accordance with applicable regulations by the competent Italian authorities and best international practice, including those known as Information Barriers, to restrict the flow of information, namely inside and/or confidential information, to prevent the misuse of such information and to prevent any conflicts of interest arising from the many activities of the Intesa Sanpaolo Banking Group, which may adversely affect the interests of the customer in accordance with current regulations.

In particular, the description of the measures taken to manage interest and conflicts of interest – related to Articles 5 and 6 of the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or

indications of conflicts of interest as subsequently amended and supplemented, the FINRA Rule 2241, as well as the Financial Conduct Authority Conduct of Business Sourcebook rules COBS 12.4 - between the Intesa Sanpaolo Banking Group and issuers of financial instruments, and their group companies, and referred to in research products produced by analysts at Intesa Sanpaolo S.p.A. is available in the "Rules for Research" and in the extract of the "Corporate model on the management of inside information and conflicts of interest" published on the website of Intesa Sanpaolo S.p.A.

At the Intesa Sanpaolo website, webpage <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest> you can find the archive of disclosure of interests or conflicts of interest of the Intesa Sanpaolo Banking Group in compliance with the applicable laws and regulations.

Furthermore, we disclose the following information on the Intesa Sanpaolo Banking Group's conflicts of interest.

- One or more of the companies of the Intesa Sanpaolo Banking Group plan to solicit investment banking business or intends to seek compensation from ErreDue in the next three months
- One or more of the companies of the Intesa Sanpaolo Banking Group are one of the main financial lenders to ErreDue and its parent and group companies
- Intesa Sanpaolo acts as Specialist relative to securities issued by ErreDue

Intesa Sanpaolo Research Dept.**Gregorio De Felice - Head of Research** +39 02 8796 2012 gregorio.defelice@intesasnpaolo.com**Equity&Credit Research****Alberto Cordara** +39 02 4127 8647 alberto.cordara@intesasnpaolo.com**Giampaolo Trasi** +39 02 8794 9803 giampaolo.trasi@intesasnpaolo.com**Equity Research****Monica Bosio (Head)** +39 02 4127 9010 monica.bosio@intesasnpaolo.com

Alberto Artoni +39 02 4127 9011 alberto.artoni@intesasnpaolo.com

Luca Bacoccoli +39 02 4127 9012 luca.bacoccoli@intesasnpaolo.com

Davide Candela +39 02 4127 9013 davide.candela@intesasnpaolo.com

Oriana Cardani +39 02 4127 9014 oriana.cardani@intesasnpaolo.com

Marco Cristofori +39 02 4127 9015 marco.cristofori@intesasnpaolo.com

Andrea Devita +39 02 4127 9016 andrea.devita@intesasnpaolo.com

Antonella Frongillo +39 02 4127 9017 antonella.frongillo@intesasnpaolo.com

Renato Gargiulo +39 02 4127 9018 renato.gargiulo@intesasnpaolo.com

Marina Hagoort +39 02 4127 9161 marina.hagoort@intesasnpaolo.com

Manuela Meroni +39 02 4127 9019 manuela.meroni@intesasnpaolo.com

Elena Perini +39 02 4127 9020 elena.perini@intesasnpaolo.com

Bruno Permutti +39 02 4127 9021 bruno.permutti@intesasnpaolo.com

Corporate Broking Research**Alberto Francese (Head)** +39 02 4127 9022 alberto.francese@intesasnpaolo.com

Gabriele Berti +39 02 4127 9023 gabriele.berti@intesasnpaolo.com

Giada Cabrino +39 02 4127 9024 giada.cabrino@intesasnpaolo.com

Davide Rimini +39 02 4127 9025 davide.rimini@intesasnpaolo.com

Arianna Terazzi +39 02 4127 9026 arianna.terazzi@intesasnpaolo.com

Credit Research**Maria Grazia Antola (Head)** +39 02 4127 5319 maria.antola@intesasnpaolo.com

Alessandro Chiodini +39 02 4127 9027 alessandro.chiodini@intesasnpaolo.com

Dario Fasani +39 02 4127 9028 dario.fasani@intesasnpaolo.com

Melanie Gavin +39 02 4127 9029 melanie.gavin@intesasnpaolo.com

Maria Gabriella Tronconi +39 02 4127 9030 maria.tronconi@intesasnpaolo.com

Barbara Pizzarelli (Research Support) barbara.pizzarelli@intesasnpaolo.com

Technical Analysis

Corrado Binda corrado.binda@intesasnpaolo.com

Sergio Mingolla antonio.mingolla@intesasnpaolo.com

Clearing & Data Processing**Anna Whatley (Head)** +39 02 4127 9031 anna.whatley@intesasnpaolo.com

Stefano Breviglieri stefano.breviglieri@intesasnpaolo.com

Maria Emakova maria.emakova@intesasnpaolo.com

Annita Ricci annita.ricci@intesasnpaolo.com

Wendy Ruggeri wendy.ruggeri@intesasnpaolo.com

Elisabetta Bugliesi (IT support) elisabetta.bugliesi@intesasnpaolo.com

Intesa Sanpaolo – IMI Corporate & Investment Banking Division**Bernardo Bailo - Head of Global Markets Sales** +39 02 7261 2308 bernardo.bailo@intesasnpaolo.com**Emanuele Pozzi - Head of Global Markets Flow Sales** +39 02 7261 7175 emanuele.pozzi@intesasnpaolo.com**Equity Sales****Giorgio Pozzobon** +39 02 7261 5616 giorgio.pozzobon@intesasnpaolo.com**Institutional Sales****Catherine d'Aragon** +39 02 7261 5929 catherine.daragon@intesasnpaolo.com

Francesca Bonacina francesca.bonacina1@intesasnpaolo.com

Carlo Cavaliere carlo.cavaliere@intesasnpaolo.com

Laurent Kieffer laurent.kieffer@intesasnpaolo.com

Roberta Papeschi roberta.papeschi@intesasnpaolo.com

Federica Repetto federica.repetto@intesasnpaolo.com

Fabrizio Tito fabrizio.tito@intesasnpaolo.com

Mark Wilson mark.wilson@intesasnpaolo.com

Paola Parenti (Corporate Broking) paola.parenti@intesasnpaolo.com

Francesco Riccardi (Corporate Broking) francesco.riccardi@intesasnpaolo.com

Laura Spinella (Corporate Broking) laura.spinella@intesasnpaolo.com

Alessandro Bevacqua alessandro.bevacqua@intesasnpaolo.com

Lorenzo Pennati (Sales Trading) lorenzo.pennati@intesasnpaolo.com

Equity Derivatives Institutional Sales**Emanuele Manini** +39 02 7261 5936 emanuele.manini@intesasnpaolo.com

Enrico Ferrari enrico.ferrari@intesasnpaolo.com

Stefan Gess stefan.gess@intesasnpaolo.com

Edward Lythe edward.lythe@intesasnpaolo.com

Ferdinando Zamprota ferdinando.zamprota@intesasnpaolo.com

Gherardo Lenti Capoduri – Head of Market Hub +39 02 7261 2051 gherardo.lenticapoduri@intesasnpaolo.com**Intesa Sanpaolo IMI Securities Corp.****Fabio Martirani (Equity Institutional Sales)** +1 212 326 1230 fabio.martirani@intesasnpaolo.com

Greg Principe (Equity Institutional Sales) +1 212 326 1233 greg.principe@intesasnpaolo.com