PLC

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Italy | Alternative Energy

Investment Research

Company Update

Reason: Fundamental report

7 July 2020

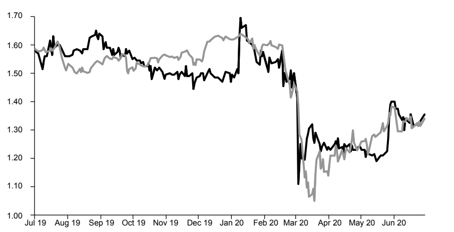
Buy	
from Rating Suspended	
Share price: EUR	**1.36**
closing price as of 06/07/2020	
Target price: EUR	**1.90**

Upside/Downside Potential	**40.2%**
Reuters/Bloomberg	PLC.MI/PLC IM
Market capitalisation (EURm)	**35**
Current N° of shares (m)	26
Free float	**21%**
Daily avg. no. trad. sh. 12 mth	6
Daily avg. trad. vol. 12 mth (m)	16.05
Price high/low 12 months	1.70 / 1.11
Abs Perfs 1/3/12 mths (%)	-3.21/10.16/-11.15

Key financials (EUR)	12/19	12/20e	12/21e
Sales (m)	46	57	86
EBITDA (m)	0	6	9
EBITDA margin	*0.9%*	*10.3%*	*10.6%*
EBIT (m)	(2)	4	7
EBIT margin	*nm*	*6.8%*	*8.4%*
Net Profit (adj.)(m)	(2)	2	4
ROCE	-3.3%	7.7%	14.0%
Net debt/(cash) (m)	8	7	4
Net Debt Equity	*0.3*	*0.3*	*0.1*
Net Debt/EBITDA	20.0	1.2	0.5
Int. cover(EBITDA/Fin.int)	0.8	11.7	18.4
EV/Sales	1.0	0.7	0.4
EV/EBITDA	nm	7.0	4.1
EV/EBITDA (adj.)	nm	7.0	4.1
EV/EBIT	nm	10.6	5.2
P/E (adj.)	nm	15.1	8.7
P/BV	1.5	1.3	1.1
OpFCF yield	*-6.4%*	*2.8%*	*9.9%*
Dividend yield	*2.7%*	*0.0%*	*1.7%*
EPS (adj.)	(0.09)	0.09	0.16
BVPS	0.95	1.07	1.20
DPS	0.04	0.00	0.02

Shareholders

Fraes 74%; Previous Monsson's owners 6%;



Source: FactSet

PLC — FTSE All Share (Rebased)

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Renewables' restart guides for a Buy

The government needs to sustain renewable growth in order to comply with the European "New Green Deal". We are waiting for bureaucracy simplifications for renewable players and companies in the energy transition sector in order to achieve the long-term decarbonisation plan. These measures would reduce the LCOE, which is currently higher in Italy than in other European countries due to the longer authorisation processes. After a disappointing FY 2019 (due to temporary delays in the disposal of some wind projects), the current year started off on the right foot with the announced sale of three wind projects (with an overall capacity of around 78 MW). However, the COVID-19 outbreak has delayed some projects and slowed down the recurring business. Now, the gradual normalisation of the situation, leads us to take a more positive view and increases the confidence in presenting more credible short-term assumptions. The company's mid-term perspectives look favourable as they are supported by the new wave of investments from the application of the FER 1 decree and a growing contribution from the acquired companies (Monsson and Schmack). The execution of the new business plan, which has been strategically built to reach a better balance between the two core businesses, will play a crucial role in stabilising the financial performances by increasing the weight of the recurring business. Our revised valuation (based on a conservative DCF model: WACC = 11%; g= 0.5%) points to a fair value of EUR 1.90. The 40% potential upside guides for a BUY recommendation (it was Accumulate before the rating suspension). The relative valuation analysis shows that even at our target price the company is trading at undemanding multiples (on FY 2021 EV/EBITDA <6x and P/E ~12x), which implies a substantial discount (>40%) when compared with its peers.

- ✓ <u>Disappointing FY 2019 results but...</u>The strong drop in EPC-BOT revenues (-55% Y/Y) was only partially offset by the growth of the O&M business (+124%). The latter, however, benefited from the full consolidation of Monsson, which contributed EUR 15.5m. PLC reported a marginally positive EBITDA while EBIT was negative. The year closed with a net loss of EUR 2.4m. Net debt increased by 10% to EUR 8m.
- ✓ <u>...the missed business will be recovered in 2020-2021</u>. In the first few months of 2020, PLC announced the sale of three wind projects, with an overall capacity of around 78 MW. Their contribution in terms of additional EPC and O&M business, along with the related capital gains from the BOT strategy (between EUR 4m and 5m according to our estimates) will strongly support FY 2020-21 results.
- ✓ <u>COVID-19 outbreak delayed 2020 projects but now the business conditions are normalising and allow us to make some assumptions</u>. For the current year we now expect the following key figures: sales EUR 56.7m (vs EUR 68.7m), EBITDA EUR 5.8m (vs EUR 8.0m), net result EUR 3.1m (vs EUR 4.7m).
- ✓ <u>A more favourable business environment supports positive mid-terms perspectives</u>. The long-awaited new decree for renewable energy sources, which came into force at the beginning of August 2019, is creating a more favourable business environment as it provides for the construction of plants for a total power of ~8,000 MW (of which ~5,500 MW for wind and solar) and promotes EUR >8bn in new investments.
- ✓ <u>Some M&A has widened the business and geographic diversification.</u> Last year PLC's management speeded-up the group's diversification and the internalisation process through some significant M&A deals: Monsson and Schmack Biogas. The latter has allowed the group to enter the biogas and bio-methane market, which is acquiring central importance in the decarbonisation policy.
- ✓ <u>A new business plan built to have more balanced growth.</u> The new business plan (for which only some strategic guidelines have been disclosed so far) has been conceived to: a) strengthen the leadership in the Italian renewable energy market by leveraging on a more complete offer (wind, solar and biogas) and position the group as a pan-European independent service provider (ISP) with strong expertise in the wind sector; b) better balance the contribution from its core activities (construction vs. services) in order to reduce the volatility in the financial results by increasing the portion of recurring business (O&M).

CONTENTS

Upcoming Corporate Events Calendar

Date	Event Type
30/09/2020	Board of Directors on H1 2020 results

Source: company data

FY 2019 results

PLC reported weak results in FY 2019. The results were penalised by the poor performance of the EPC-BOT business, which more than halved its revenues.

The company was affected strongly by the political instability in Italy and the delay in the publication of the FER 1 decree (initially expected in H2 2018). Those factors created uncertainties in the planning of new projects and induced many operators to postpone their investments. More specifically, the disposal of some wind projects, with an overall capacity of around 78 MW, already in PLC's portfolio and expected to be finalised in 2019, was delayed and shifted to 2020-2021 (in Q1 2020 PLC communicated the entire disposal of these wind projects).

The missed conclusion of these relevant deals explains most of the gap compared to our initial estimates and to the company's targets in the 2017-2019 business plan (total revenues of EUR 53.7m). Indeed, these disposals would have implied, based on our estimates, a capital gain in the region of EUR 4.0/5.0m, additional revenues between EUR 20 and EUR 25m for the constructions of the three wind farms (Castelvetere, Baselice and Casalbore) and other revenues for the O&M of the civil and electrical related works.

The strong drop in EPC-BOT revenues (-58.5% Y/Y) was only partially offset by the growth of the O&M business (+120.5%). The latter, however, benefited from the full consolidation of Monsson, which contributed EUR 15.5m (with a 11.3% EBITDA margin). PLC reported a marginally positive EBITDA while EBIT was negative at EUR 1.6m.

The year closed with a net loss of EUR 2.4m (compared with a net profit close to EUR 5.0m in FY 2018.). Monsson consolidation reduced the weight of the Italian market from 92% in FY 2018 to 64% in FY 2019. The NFP increased slightly (10%) compared to the figure reported as at December 2018.

PLC: Key P&L figures

EUR m	FY 2018a (*)	FY 2019a	Chg.
Total revenues	49.9	45.6	*-8.6%*
o/w EPC-BOT	36.0	14.9	*-58.5%*
o/w O&M	13.9	30.7	*120.5%*
o/w Other	0.0	0.1	*n.m.*
EBITDA	7.3	0.4	*-94.5%*
o/w EPC-BOT	6.4	(1.8)	*n.m.*
o/w O&M	2.4	4.8	*103.4%*
o/w Other & centralised costs	(1.5)	(2.6)	*79.7%*
Margin	*14.7%*	*0.9%*	
EBIT	6.7	(1.6)	*n.m.*
Margin	*13.6%*	*neg.*	
Pre-tax	6.4	(2.2)	*n.m.*
Net Result	4.9	(2.5)	*n.m.*

Source: Company data *(*) using IFRS 3 accounting principle*

PLC: Key Balance Sheet figures

EUR m	FY 2018a (*)	FY 2019a	Chg.
Fixed assets	26.3	28.6	9.0%
Net working capital (NWC)	6.6	5.7	-13.6%
Total risk funds	(1.2)	(1.6)	33.8%
Net Capital Employed	**31.6**	**32.7**	**3.3%**
Shareholders' equity	24.3	24.7	1.7%
Minorities' equity	0.1	0.0	n.m.
Net financial debt (cash)	7.3	8.0	10.0%
Total Funds	**31.6**	**32.7**	**3.3%**

Source: Banca Akros calculation on Company data *(*) reclassified using IFRS 3 accounting principle*

Business division analysis

- ✓ **EPC** (Engineering, Procurement, Construction) – **BOT** (Build, Operate, Transfer). The analysis by business division shows that the EPC-BOT unit generated sales of just EUR 14.9m (corresponding to 33% of the group's turnover in FY 2019) compared to EUR 36.0m in FY 2018. The EBITDA was negative at EUR 1.8m. The activity was mainly related to work in progress and the completion of projects already underway in 2018 which, being in an advanced stage, did not produce sufficient margins to cover indirect costs. However, the construction works carried out in H2 allowed this unit to mitigate the very negative H1.
- ✓ **O&M** (Operation & Maintenance). This division reported sales of EUR 30.7m (accounting for 67% of the group's turnover) with an overall 15.6% margin (o/w 19.9% from the Italian operations and 11.3% from Monsson activities. However, the remarkable improvement Y/Y is partially explained by the full consolidation of Monsson. It is to be noted that the weight of the O&M business has grown steadily over the last few years (from 25% in FY 2016).

Working towards an integrated leading ISP with an international footprint

From a strategic standpoint, PLC's management is working on:

1) strengthening the leadership in the Italian renewable energy market by leveraging on a more complete offer (wind, solar and biogas) and positioning the group as a pan-European independent service provider (ISP) with strong expertise in the wind sector;
2) better balancing the contribution from its core activities (construction vs. services) in order to stabilise margins (by increasing the portion of recurring business) and therefore reducing the volatility of the financial results. Indeed, the O&M activity, though characterised by lower profitability, assures higher business and financial visibility. On the other hand, BOT's operating margin is wider, but not easily predictable, due to uncertainties in terms of timing of the asset disposal (as confirmed last year). The historical predominance of the EPC-BOT business over the O&M, despite being a key drivers of the group's expansion in the past, has now become one of the main weakness of the business model in a challenging and more mature market.

Consistently with these goals, some actions have been implemented over the last months:

a) earlier-than-expected acquisition of the remaining 49% stake in Monsson to accelerate the integration process and the group's geographic exposure);
b) acquisition of a majority stake (51%) in Schmack Biogas to enter the promising biogas sector which, as the other renewable sources, will benefit from the new investments pushed by the latest renewable decree;
c) preparation of a new business plan (whose execution, however, has been halted due to the COVID-19 outbreak) focussed on:
    - ✓ strengthening the company's leading position in the Italian renewable energy market by leveraging on a more complete offer (wind, solar and biogas) and positioning the group as a pan-European independent service provider (ISP) with long expertise in the wind sector;
    - ✓ exploiting the favorable environment for the EPC-BOT business opened by the coming into force of the FER 1 decree to finance the expansion (also through some M&A) of the O&M operations and, therefore, to widen the portion of more stable and predictable business.

We note that the company has only disclosed some strategic guidelines of this plan.

M&A deals to foster business and geographic diversification

In the course of 2019, PLC's management speeded-up the group's diversification and the internalisation process through some M&A deals (Monsson and Schmack Biogas). Those deals have enhanced the positioning of PLC group as a multi-technology operator in the renewable energy market with specific knowhow in wind, photovoltaic and biogas as well as in high and extra-high voltage and industrial electrical infrastructures. They have also improved the group's international footprint.

<u>Acquisition of the remaining 49% stake in Monsson</u>

In Q2 2019, PLC and Monsson's minority shareholders (amongst whom there were some of Monsson's managers) reached a new agreement on the remaining 49% stake in the company.

We remind investors that Monsson Operation is an independent service provider with operating head offices in Constanta (Romania); it provide a full range of asset management and O&M services for wind and solar plants in 25 countries and, in particular, enjoys high expertise in O&M services for wind turbines.

The acquisition was financed by way of a capital increase in kind of EUR 2.6m (which follows the EUR 3.3m paid for the purchase of the 51% controlling stake in October 2018). An additional capital increase of around EUR 1.2m was executed through the compensation of Monsson's credits towards PLC. Therefore, in total, Monsson's equity is worth EUR 5.34m. As a consequence of the deal, the Monsson's previous minority shareholders have become PLC's shareholders with an overall 7.5% stake (with an implicit valuation of EUR 1.95 per share).

The sooner-than-expected acquisition of the remaining 49% stake in Monsson (indeed the first agreement envisaged the exercise of the put & call option between 31 July 2019 and 31 July 2020) has been an important step forward from a strategic standpoint because it has helped to:

- ✓ speed up the integration process;
- ✓ reduce the dependence on a mature domestic market;
- ✓ widen the portion of stable and more predictable business;
- ✓ provide additional opportunities to support the organic growth;
- ✓ enhance the range of services, competences and knowhow, especially in O&M services for wind farms.

Moreover, the payment via a capital increase (therefore without a cash-out) did not affect the group's indebtedness and has enlarged the shareholder base with new committed shareholders.

In particular, PLC's management is interested in strengthening the international presence of the group by leveraging on Monsson's industry expertise in wind farms and by looking for targets in particular in other European countries.

After the Monsson deal, PLC's shareholder structure sees Fraes Srl with a 73.5% stake. The other shareholder with an overall stake of over 5% is Emanuel Muntmark (who was previously a Monsson minority shareholders). The remaining 21% of the capital is free float.

PLC group: Shareholders structure after the acquisition of Monsson

Shareholders	Stake
Fraes Srl	73.5%
Emanuel Muntmark (previous main Monsson's shareholder)	5.7%
Free float	20.8%
Total	100.0%

Source: Banca Akros on Consob and company data

Acquisition of a majority stake (51%) in Schmack Biogas

In September 2019, PLC announced the acquisition of a majority stake (51%) in Schmack Biogas Srl (Schmack) for EUR 1.5m by way of a reserved capital increase (which was finalised in January 2020). A put & call option has been negotiated on the remaining 49% stake but it is subject to the non-renewal of the shareholders' agreement or in the event of a decision-making deadlock.

Headquartered in Bolzano, Schmack is specialised in the design, development, construction and maintenance of biogas plants. In 2018, the current shareholders acquired the company from Schmack GMBH, part of Viessemann group. In FY 2018, it reported a turnover of EUR 6.7m and a negative result of EUR 0.3m. The company operates mainly in Italy but is trying to expand its activity abroad.

The acquisition is relatively small but highly strategic because it will allow PLC to:

- ✓ enter the biogas and bio-methane market, which is acquiring central importance in the transportation decarbonisation policy;

- ✓ enlarge the range of services on the renewable energy supply chain by complementing the ones already offered to wind farms and photovoltaic plants;
- ✓ expand its international presence;
- ✓ contribute the perception of PLC as an integrated player in the renewable energy market.

A favourable business environment in Italy. New decree for renewable energy sources (FER 1)

The long-awaited new decree for renewable energy sources (FER 1 – DM 4.7.2019) came into forced on 10 August 2019, one year late.

The new decree will create a more favourable business environment as:

a) it envisages the construction of plants for a total power of about 8,000 MW, with an increase in production from renewable sources of about EUR 12bn kWh and more than EUR 8bn of new investments. The law is going to support energy production from photovoltaic, wind and hydroelectric sources. In greater detail, 5,380 MW will be directed to wind and solar plants, 385 MW to hydro and geothermic plants, 570 MW to interventions on the total and/or partial reconstruction of renewable plants. Additional MW will come from small plants (< 1MW each);

b) the construction of new renewables plants can finally restart;

c) FER 1 provides 4-year visibility for the sector in Italy: the first auction (out of seven) started in September 2019 while the last is scheduled for September 2021;

d) the predefined timetable (one auction every 4 months) will facilitate the industrial and financial planning and will stabilise the profitability.

PLC's management expects the company to benefit from this new wave of investments by being awarded new large orders and projects considering its leading positioning on the Italian market and the historical results of the previous auctions. These additional orders will strengthen the current strong pipeline of 94 MW of authorised projects.

Timetable of Auctions based on the FER 1 decree

N. auction	Open date	Closing date
1	30/09/2019	30/10/2019
2	31/01/2020	01/03/2020
3	31/05/2020	30/06/2020
4	30/09/2020	30/10/2020
5	31/01/2021	02/03/2021
6	31/05/2021	30/06/2021
7	30/09/2021	30/10/2021

Source: GSE

- ✓ <u>Outcome of the first auction</u>: the operators tendered 772 MW compared to the 730 MW assigned capacity. As regards the large-scale plants, the operators tendered 595 MW of new wind onshore and new solar plants compared to 500 MW available. The discount on the auction price (EUR 70/MWh for plants above 1 MW) was up to 30% on average. Based on our estimates, auction prices were some EUR 57 per MWh, higher than expected: we had forecast a range between EUR 45 and EUR 50 per MWh. The average auction price was above the 2019-weighted average of EUR 52.3 per MWh.
- ✓ <u>Outcome of the second auction</u>: the operators tendered 872 MW compared to the 522 MW assigned capacity. As regards the large-scale plants, GSE assigned 442 MW of new onshore wind and new solar plants compared to 565 MW available. The maximum discount on the auction price (EUR 70/MWh for plants above 1 MW) was up to 20% on average, or EUR 56/MWh, well above the current wholesale price (some EUR 28/MWh on average in June). The awarded tariff ranges from EUR 56/MWh to EUR 68.4/MWh (EUR 64.6/MWh on average).
- ✓ <u>The outcome of the third auction</u> will be released on 30 September 2020. We expect the prices will be around EUR 68/MWh or near the auction price's top-end (EUR 70/MWh).

Italian renewables: simplification for the authorisation processes needed

We are waiting for bureaucracy simplifications for renewable players and companies in the energy transition sector in order to comply with the long-term decarbonisation plan. The government needs to sustain renewables growth in order to comply with the European «New Green deal».

The outcome of the second auction (see previous paragraph) for renewables shows a delay in the authorisation process in Italy. This outcome might spur the government to support the sector strongly by simplifying the current framework. We summarise the energy associations' proposals from ANEV, Italia Solare, Confindustria Energia, Elettricità Futura, Energia Libera and Utilitalia:

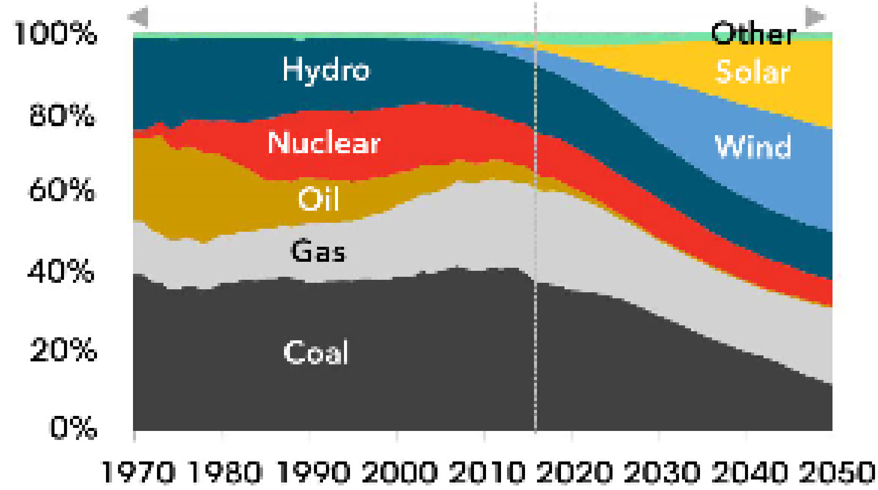
- ✓ Simplification for the authorisation process, with a well-defined duration for the approval; non-substantial modification must not be subject to verification under the government assessment body: VIA ("Valutazione Impatto Ambientale" or environmental impact assessment).
- ✓ Incentives for revamping/repowering of the existing plants.
- ✓ As regard the new plants, it is necessary to introduce explicit coordination between the new PAUR (Provvedimento Autorizzatorio Unico Regionale or Single Regional Authorisation Measure) procedure and the single authorisation, currently applied unevenly at the regional level. There is the need to standardise the regional rules on renewables projects and to overcome the local constraints that currently exist, such as the current ban on accessing incentives for solar plants that are located on agricultural, uncultivated, unproductive, abandoned or degraded land.
- ✓ As the development of renewable energy is lacking in Italy, the regulator could sustain the new auctions with incentives or could introduce a carbon tax, which would become sustainable green energy production compared to thermal sources. Indeed, gas and fuel oil are currently cheap due to the slowdown in commodity prices. Twelve countries have already introduced the carbon tax in Europe so far.

These measures would reduce the LCOE (levelised cost of energy), which is currently higher in Italy than in other European countries due to the longer authorisation processes.

Global renewable energy outlook

IEA (International Energy Agency) forecasts that over the next five years the global electricity capacity from renewables will grow by 50% with solar expected to account for the majority of that growth, pushed by a prolonged fall in costs. Indeed, a large part of this growth should come from PV systems installed on homes, commercial buildings and industrial facilities. The share of renewables in global power generation is seen rising from 26% to around 30% in 2024. By widening the analysis to the long term, we note that the New Energy Outlook (NEO) 2019 published by Bloomberg estimates USD 13.3 trillion being invested globally in new power generation capacity, of which 77% for renewables (of which wind will attract USD 5.3 trillion, solar USD 4.2 trillion). By 2050, wind and solar technologies are expected to provide almost 50% of total electricity globally, but when we add the other renewables this percentage rises to 62%.

Global power generation mix



Source: Bloomberg NEO

In January this year, the Italian Ministry of Economic Development published the final version of its "Integrated National Plan for Energy and Climate", which will be implemented as of 1 January 2021, after the adoption of the European directives on energy efficiency, renewable sources and electricity and gas markets in Italy. The plan envisages high targets for renewables, which are expected to cover 55% of the electricity consumption and 30% of the total energy consumption by 2030. Considering the coal phase-out by 2025 (some 8 GW), this implies some 4 GW additional renewable capacity per year in 2020-2030: 8 GW new wind capacity (from the current 10 GW) and 31 GW new solar capacity (from the current 20 GW).

Estimates revision

Following the COVID-10 outbreak and the recent deals with Enel Green Power and EDP Renewables Italia, we have adjusted our estimates on FY 2020-2021, as described in the following table.

PLC: estimates revision (FY 2020e – FY 2021e)

EUR m	FY 2020e			FY 2021e		
	New	Old	Chg.	New	Old	Chg.
Revenues	56.7	68.7	*-17.5%*	86.5	90.1	*-4.0%*
EBITDA	5.8	8.0	*-27.4%*	9.2	9.7	*-5.2%*
Margin	*10.3%*	*11.7%*		*10.6%*	*10.7%*	
EBIT	3.8	7.1	*-46.2%*	7.3	8.9	*-18.0%*
Margin	*6.8%*	*10.4%*		*8.4%*	*12.9%*	
Net Result	3.1	4.7	*-34.3%*	4.0	5.0	*-19.4%*
Net financial debt (cash)	7.0	1.9	*n.m.*	4.2	0.8	*n.m.*

Source: Banca Akros estimates

Most of the gap compared to our previous assumptions can be explained by the impact of COVID-19, which caused delays especially on the construction business. Indeed, in our new projections we are now assuming that only 40%-50% of the Castelvetere and Baselice projects will be executed in FY 2020 (construction work is expected to start between the end of Q3 and Q4 2020) compared to a previous assumption of 70%-80%, while the contribution from the work on the Casalbore plant is expected to be rather marginal this year (5%-10%) compared to an initial expectation of 30%-40%. We have also factored in some delays in the construction activity of Schmak and in the Services business (affecting both PLC Services operations in Italy and the Monsson activities abroad).

We point out that the sale to Enel Green Power of around 50 MW (related to the wind projects in Castelvetere - 13.2 MW and Baselice – 36.0 MW) is expected to generated EUR 13.8m for the construction of the two wind farms (Castelvetere and Baselice) by PLC System while PLC Service would have managed the full service contract for the operation and maintenance services of the civil and electrical works for 2 years, renewable for the following 3 years.

The disposal of C&C Tre Energy (Casalbore project – 28.8 MW) to EDP Renewables Italia should bring an additional EUR 9.5m for the EPC contract for the "Balance of Plant". Also in this case, the O&M services of the civil and electrical works on the plant will be managed by PLC Services for a value of EUR ~2.5m.

Based on our assumptions from the disposal of these three wind farms we forecast PLC will book a capital gain in the region of EUR 4m-5m.

We point out that Castelvetere participated in the first GSE auction while Baselice and Casalbore in the second auction. All of them have been classified as suitable to be incentivised. Since 2014, around 212 MW of wind power have been classified as a useful GSE tender position, strongly supporting the group's performances through the relevant contribution of the EPC-BOT business.

Moreover, the group is also negotiating the disposal of another wind park (16 MW owned by Alisei Wind Srl) and a little hydro power plant with a total power of 327 kW (owned by Idroelettrica 2014 Srl). We expect the closure of the deals and their capital gains will be recorded in 2021.

In the solar business an authorisation process is underway for the construction of a photovoltaic plant with a nominal power of 15 MW in Sicily (Siculiana - AG). The authorisation is expected to be obtained by the end of 2020 in order to initiate contacts with potential investors interested in purchasing the already authorised plant.

FY 2020 may also benefit from the execution of two contracts (worth EUR 4.6m) signed with AM Energie Rinnovabili S.r.l. for the design, construction and commissioning of electrical connection works in the municipality of Bompietro (PA), a 27.6 MW wind farm located in the municipality of Gangi (PA).

In June 2020, PLC Group, through Monsson Operation (100% PLC), was awarded a EUR 2.5m contract to install 15 ENERCON wind turbines at the Markbygden wind farm in Sweden. The company expects to start the operations in June this year and conclude works by the end Q3 2020. The contract also includes optional services which may be awarded to Monsson Operation during 2020 or 2021 and would consists of the installation of an additional 15 ENERCON wind turbines within the same wind farm, for a consideration of an additional EUR ~2m. This award confirms the strong relationship between Monsson and ENERCON, which sees Monsson as one of ENERCON’s top suppliers for installation services. We remind investors than in February 2020 Monsson and ENERCON signed a framework agreement for the installation of ENERCON’s wind turbines in Germany, Italy, Sweden and Greece starting from the current year. Another contract for 14 Vestas turbines (with an expected execution in Q3) has recently been awarded in Kazakhstan.

Valuation update

Our valuation of PLC has been obtained based on a **conservative DCF model** (WACC: 11%; g: 0.5%). **The relative valuation analysis shows that even at our target price the company is trading at undemanding multiples** (on FY 2021 EV/EBITDA <6x and P/E ~12x), which implies a substantial discount (>40%) when compared with its peers. This discount can be explained by the execution risk related to the EPC/BOT business, the smaller size and the limited stock liquidity.

DCF model

We have set an **11% WACC**, which corresponds to the Cost of Equity (KE), taking into consideration our forecast, which points to a net cash position at the end of 2022 and the structural capability of the company to generate cash despite no acquisitions. The KE has been obtained by applying a **Market Risk Premium** of **5.0%** and a **Risk Free Rate** of **3.5%,** in line with ESN standards, and a **Company Risk Factor** (Beta) of **1.5x,** calculated using the Stern & Stuart methodology adopted by ESN, which is based on a fundamental approach (i.e. assessing business risk, company risk and financial risk), which takes into account the less predictable nature of the EPC-BOT business, the small size of the company and the limited trade volumes. Lastly, we are assuming a **0.5% terminal growth rate.**

In the terminal year we have assumed an **EBITDA margin** in the region of **11.0%** (vs 14% applied previously to discount a structural lower group profitability; that is consistent with the strategic guidelines of the new business plan, which point to increase the weight of the services with lower margins vis a vis the more remunerative but less predictable EPC/BOT business), Capex=D&A; neutral NWC and 27% normative tax rate.

In the following pages we provide our detailed estimates on Free Cash Flow and a sensitivity to WACC and "g" changes.

PLC: DCF Model (EUR m)

CASH FLOW (EUR m)	FY 2020e	FY 2021e	FY 2022e	TY
Revenues	56.7	86.5	96.1	96.6
EBITDA	5.8	9.2	10.5	10.6
% margin	*10.3%*	*10.6%*	*10.9%*	*11.0%*
EBITA	3.8	7.3	8.7	8.8
Taxes	(1.0)	(2.0)	(2.4)	(2.4)
Normative tax rate	*27.0%*	*27.0%*	*27.0%*	*27.0%*
NOPLAT	2.8	5.3	6.4	6.4
Depreciation & other provisions	2.0	1.9	1.8	1.8
Gross Operating Cash Flow	4.8	7.2	8.2	8.2
Capex	(1.0)	(1.4)	(0.8)	(1.8)
Change in Net Working Capital	(3.2)	(2.0)	(1.9)	0.0
Cash Flow to be discounted	0.6	3.9	5.5	6.5

Source: Banca Akros estimates

PLC: DCF Analysis

Cumulated Cash Flows (Present Value) EUR m	12.6
Perpetual Growth Rate (g)	0.5%
Normalised Annual Cash Flow (EUR m)	6.5
Terminal Value (EUR m)	61.8
Discounted Terminal Value (EUR m)	43.0
Financial Assets (EUR m)	2.9
Enterprise Value (EUR m)	58.5
Net Debt (2019) (EUR m)	(8.0)
Minorities (EUR m)	0.0
Pension provisions (EUR m)	(1.6)
Equity Market Value (EUR m)	49.0
Number of shares (m)	26.0
Fair Value per share (EUR)	**1.89**
Current Price (EUR)	1.36
Potential upside	*39.3%*

Source: Banca Akros estimates

PLC Fair Value: sensitivity to WACC & g

WACC	Perpetual growth rate (g)						
	-1.0%	*-0.5%*	*0.0%*	*0.5%*	*1.0%*	*1.5%*	*2.0%*
9.50%	b	2.03	2.14	**2.27**	2.42	2.58	2.76
10.00%	1.82	1.91	2.02	**2.13**	2.26	2.40	2.56
10.50%	1.72	1.81	1.90	**2.00**	2.12	2.24	2.39
11.00%	**1.63**	**1.71**	**1.79**	**1.89**	**1.99**	**2.10**	**2.23**
11.50%	1.55	1.62	1.70	**1.78**	1.87	1.98	2.09
12.00%	1.47	1.54	1.61	**1.69**	1.77	1.86	1.96
12.50%	1.40	1.46	1.53	**1.60**	1.67	1.76	1.85

Source: Banca Akros estimates

PLC Fair Value: sensitivity to WACC & Terminal EBITDA margin

WACC	Normalised EBITDA Margin						
	9.5%	*10.0%*	*10.5%*	*11.0%*	*11.5%*	*12.0%*	*12.5%*
9.50%	1.91	2.03	2.15	**2.27**	2.39	2.51	2.63
10.00%	1.79	1.91	2.02	**2.13**	2.24	2.36	2.47
10.50%	1.68	1.79	1.90	**2.00**	2.11	2.21	2.32
11.00%	**1.59**	**1.69**	**1.79**	**1.89**	**1.99**	**2.09**	**2.19**
11.50%	1.50	1.59	1.69	**1.78**	1.88	1.97	2.06
12.00%	1.42	1.51	1.60	**1.69**	1.77	1.86	1.95
12.50%	1.34	1.43	1.51	**1.60**	1.68	1.77	1.85

Source: Banca Akros estimates

Peer comparison

PLC has a peculiar business model that is focussed on EPC, O&M and BOT and that is not involved in the production and sale of energy. We could not find any listed companies with exactly the same business focus and strategy. The renewable energy market is large and extremely fragmented. First, we looked at companies that provide EPC/BOT and O&M services. This segment has plenty of companies, most of whom with only domestic exposure, and usually a small size. Practically none of them are listed. Therefore, we were forced to look at other types of peer companies: components suppliers (Siemens Gamesa, Vestas, Nordex), which manage some of PLC's businesses within their integrated strategies.

We suggest investors skip the FY 2020 multiples because they are highly distorted by the impact of the pandemic.

When we look at FY 2021, we see that the discount is still huge on all metrics even at our target price: in the region of 40% on the EV/Sales and the EV/EBITDA and above 50% on the EV/EBIT and the P/E multiples.

Peer companies:

	EV/Sales 2020e	EV/Sales 2021e	EV/EBITDA 2020e	EV/EBITDA 2021e	EV/EBIT 2020e	EV/EBIT 2021e	P/E 2020e	P/E 2021e
Siemens Gamesa Renewable	1.1	1.0	20.9	10.3	55.8	17.1	97.9	25.8
Vestas Wind Systems	1.3	1.2	11.2	9.4	17.8	13.2	26.4	19.8
Nordex	0.3	0.3	7.8	5.7	68.8	16.6	n.a.	58.7
Median	**1.1**	**1.0**	**11.2**	**9.4**	**55.8**	**16.6**	**62.1**	**25.8**
PLC @ target price (EUR 1.90)	1.0	0.6	9.4	5.7	14.3	7.2	21.2	12.2
Discount vs peers	-14.9%	-42.1%	-16.2%	-39.5%	-74.4%	-56.8%	-65.9%	-52.8%

Source: Banca Akros, ESN estimates and Bloomberg consensus data

For the sake of completeness, we note that **Falck Renewables** is currently trading at EV/EBITDA 11x on FY 2021. Falck is a renewables utility (more liquid as it is listed in the STAR segment), with more than 1GW generation and it is also active in service business similar to PLC's.

SWOT Analysis

Strengths

- ✓ Strong positioning in all the markets/segments the group is present in.
- ✓ High entry barriers (track record, skilled personnel, established relationships with local authorities, financial institutions, institutional investors, equipment suppliers, power generation companies and other sector operators).
- ✓ Positive general bias towards the renewable energy sector due its positive impact on environment safeguards, emission reductions and climate change mitigation.
- ✓ Good track record, a good reputation and credibility as a reliable counterparty.
- ✓ Complete commercial offer and coverage of all the main parts of the value chains.
- ✓ Loyal customer base, as witnessed by a high retention rate in O&M services.
- ✓ Sound balance sheet with a light asset structure.
- ✓ Effective supply-chain management.
- ✓ High quality services delivered by an experienced workforce. Services are provided on time and directly on site thanks to geographical proximity to plants. Competences and flexibility to match the most demanding clients' needs.
- ✓ Solid industry expertise, market knowledge and management capabilities.

Weakness

- ✓ The Italian market (64% of PLC's revenues in FY 2019) is mature and it is strongly dependent on the domestic regulatory framework.
- ✓ Part of the group's revenues and margins are non-recurring and present higher execution risk since they are tied to the BOT strategy (with uncertainties in terms of timing of the asset disposal and estimated financial returns).
- ✓ More challenging conditions for the renewable energy operators: 1) declining regulatory support as "market parity" approaches; 2) declining trend in maintenance costs, 3) high competitive pressure from a still crowded competitive arena.
- ✓ Clients' difficulties comparing services and understanding the differences among a plethora of companies apparently offering the same products/services
- ✓ The EPC business is usually based on large orders, thus causing high dependence on a limited number of customers.
- ✓ Delays and temporal shifts are rather common in this type of business, making the forecast exercise challenging (postponement of revenue generation and/or reduction in the expected profitability).
- ✓ Limited international exposure (but the acquisition of Monsson helps to mitigate this problem).
- ✓ Limited free float and the very modest trading volumes.

Opportunities

- ✓ Right execution of the new business plan, which has been built to reach a better balance between the two core businesses and therefore to stabilise the financial performances by increasing the weight of the recurring business.

- ✓ Successful integration of Monsson with extraction of commercial and operating synergies and reciprocal sharing of knowledge and technical competences.
- ✓ Taking advantage of the biogas and bio-methane market (through Schmack Biogas), which is acquiring central importance in the transportation decarbonisation policy;
- ✓ FER 1 decree envisages a new wave of investments in renewables worth more than EUR 8bn of which more than EUR 5bn addressed to wind and solar.
- ✓ Capitalisation of PLC's business models and industry expertise in other countries.
- ✓ Support the organic growth with additional acquisitions by privileging services players.
- ✓ Highly fragmented markets/segments offer attractive growth and consolidation opportunities.
- ✓ Stricter parameters are required to participate in tenders: track record, reputation, financial situation, level of service, etc.
- ✓ Margins expansion driven by: a more effective commercial drive; a higher focus on value added and specialised services on O&M (e.g. asset management and energy management services, maintenance of more complex components such as inverters for solar plants and turbines for wind parks).
- ✓ Potential savings from group reorganisation/optimisation.
- ✓ Ageing of current installations, opening interesting opportunities for the specialised O&M providers: a large portion of the current wind and PV plants are ending their warrantee period or the OEM service agreements are due to expire or are reaching the end of their lifecycle.

Threats

- ✓ Changes in energy policies and regulatory uncertainties
- ✓ Difficulties in finding new projects to feed the BOT strategy
- ✓ Execution risks: delays in project implementation due to legislative, environmental or technical issues and in the timely conclusion of the long and complex authorisation processes.
- ✓ Delays and/or difficulties in finalising the sale of the parks built under BOT projects whose interest and profitability is also linked to some uncontrollable external conditions (wind conditions, interest rates).
- ✓ Limited availability of sites where new wind or solar plants can be built.
- ✓ Entry into the market of companies with higher financial resources, technical competences and human skills.
- ✓ Competitors enlarging their commercial offer and offering an integrated proposition like PLC.
- ✓ OEMs internalising O&M servicing and market saturation
- ✓ Departure of key management figures and difficulty in finding the right replacements in a timely manner.
- ✓ Unexpected difficulties in Monsson's integration and further developments.
- ✓ Managerial challenges following the acquisition of Monsson due to multi-country geographic exposure and a more articulated and complex group structure.

Company Description

PLC Group (PLC) is **one of the leading operators in the Italian renewable energy market.** It has a **specific focus on solar and wind energy** with total revenues of approximately EUR 46m, mainly generated in Italy (64%). However, following the acquisition of Monsson, the group's international exposure has strengthened given its European customer base.

The group, which has been operating for over 20 years (the first company was founded in 1996) in the renewable energy market, **was listed in December 2017 after a reverse merger with Industria e Innovazione S.p.A.** (INDI), previously Vailog Realty S.p.A, formerly RDM Realty S.p.A., the real estate company spun off from Reno de Medici in 2006. At that time, **INDI was a distressed company and subject to a complex restructuring agreement.**

PLC Group builds electricity infrastructures and generation power plants (**EPC – Engineering, Procurement and Construction** and **BOT – Build, Operate and Transfer**) and provides highly specialised services for the energy market, such as testing, monitoring and maintenance of electricity infrastructures (**O&M – Operation & Maintenance**).

The group operations are divided into **2 main business lines**:

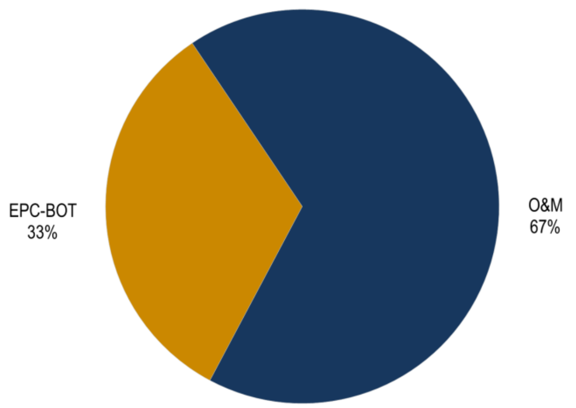
- ✓ **EPC - BOT** activities (accounting for ~33% of FY 2019 revenues) carried out through PLC System and Schmack;
- ✓ **O&M** activities (accounting for ~67% of FY 2019 revenues) carried out through PLC Service, Monsson and Schmack.

Recently, the group has increased its business diversification by entering: a) **the biogas and bio-methane market** (through Schmack Biogas), which is acquiring central importance in the transportation decarbonisation policy; b) the **energy trading market** (trading green energy), thus reducing the weight of the imbalances for plant owners, and c) the **photovoltaic market** in order to replicate the BOT business model, already successfully applied in the wind market.

After the rapid growth in Italy (exploiting the booming trend in the domestic renewable energy market), PLC is now pursuing an internalisation strategy in order to : a) provide additional opportunities to support the organic growth; b) diversify the revenue stream by reducing the group's dependence on a mature local market; c) widen the portion of stable and more predictable business; d) enhance the range of services and competences, especially in O&M services for wind farms, and e) propose the company as a specialised Integrated Service Provider (ISP).

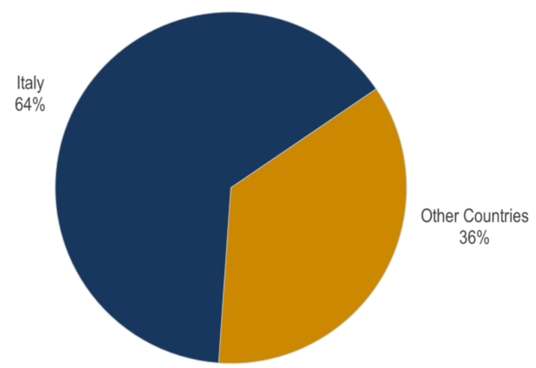
The announced new business plan will play a crucial role in making the company less dependent on the construction business and therefore to stabilise the financial performances by expanding the portion of recurring business (O&M), also through some selective M&A.

Current Sales Business Split (FY 2019)



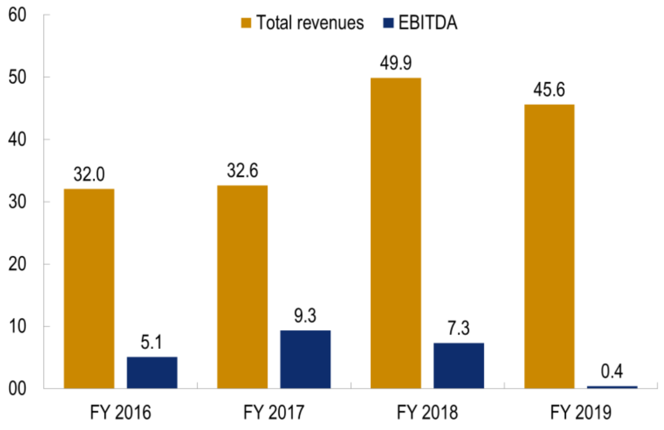
Source: Banca Akros on company data

Current Sales Geographical Split (FY 2019)



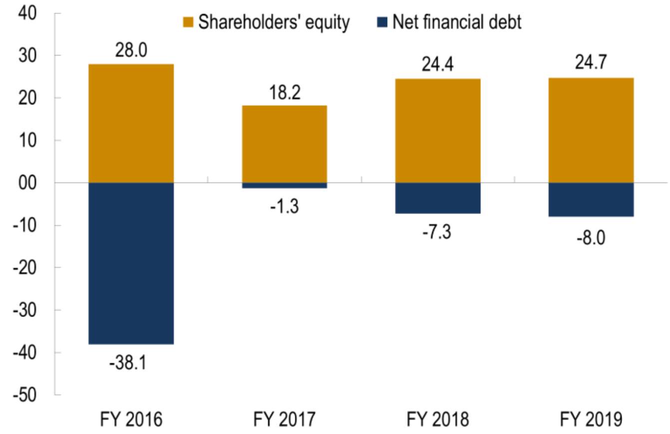
Source: Banca Akros on company data

Revenues and EBITDA trend (FY 2016-2019)



Source: Banca Akros on company data

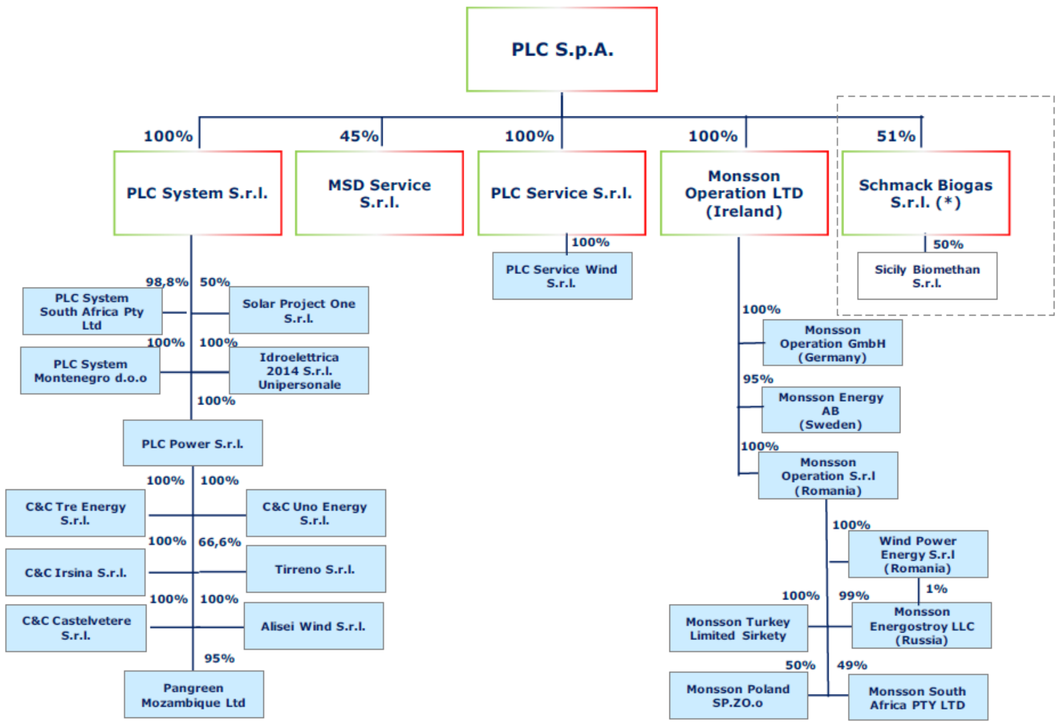
Equity and Net Financial Position Trend (FY 2016-2019)



Source: Banca Akros on company data

The group's structure reflects the business directly run through PLC System and PLC Service and the acquired companies (Monsson Operation and Schmack Biogas). MSD Service (51%) is a small business unit active mainly in the trading of renewable energy whereas Tirreno Srl is a newco established to develop the BOT strategy also in the solar sector.

Group structure



Source: company data

(*) the acquisition of 51% stake was finalised in January 2020

PLC: Summary tables

PROFIT & LOSS (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Sales	**32.6**	**49.9**	**45.6**	**56.7**	**86.5**	**96.1**
Cost of Sales & Operating Costs	-23.3	-42.6	-45.2	-50.9	-77.3	-85.6
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	**9.3**	**7.3**	**0.4**	**5.8**	**9.2**	**10.5**
EBITDA (adj.)*	**9.3**	**7.3**	**0.4**	**5.8**	**9.2**	**10.5**
Depreciation	-0.0	0.0	0.0	0.0	0.0	0.0
EBITA	**9.3**	**7.3**	**0.4**	**5.8**	**9.2**	**10.5**
EBITA (adj)*	**9.3**	**7.3**	**0.4**	**5.8**	**9.2**	**10.5**
Amortisations and Write Downs	-0.5	-0.5	-2.0	-2.0	-1.9	-1.8
EBIT	**8.8**	**6.8**	**-1.6**	**3.8**	**7.3**	**8.7**
EBIT (adj.)*	**8.8**	**6.8**	**-1.6**	**3.8**	**7.3**	**8.7**
Net Financial Interest	-0.2	-0.2	-0.5	-0.5	-0.5	-0.6
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	-0.1	-0.0	-0.1	0.0	0.0	0.0
Other Non Recurrent Items	-0.0	-0.0	-0.1	0.0	0.0	0.0
Earnings Before Tax (EBT)	**8.5**	**6.5**	**-2.2**	**3.3**	**6.8**	**8.1**
Tax	-1.3	-1.5	-0.2	-0.2	-1.8	-2.2
Tax rate	*15.8%*	*23.6%*	*n.m.*	*5.0%*	*27.0%*	*27.0%*
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	-0.1	-0.9	-1.2
Net Profit (reported)	**7.1**	**5.0**	**-2.5**	**3.1**	**4.0**	**4.7**
Net Profit (adj.)	**6.2**	**4.8**	**-2.4**	**2.3**	**4.0**	**4.7**

CASH FLOW (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Cash Flow from Operations before change in NWC	7.7	5.5	-0.5	5.2	6.8	7.7
Change in Net Working Capital	54.4	4.6	1.9	-3.2	-2.0	-1.9
Cash Flow from Operations	**62.1**	**10.1**	**1.4**	**2.0**	**4.9**	**5.8**
Capex	-2.4	-14.4	-3.9	-1.0	-1.4	-0.8
Net Financial Investments	3.4	0.0	0.7	0.0	0.0	0.0
Free Cash Flow	**63.1**	**-4.3**	**-1.8**	**1.0**	**3.5**	**5.0**
Dividends	-17.2	-2.0	-1.0	0.0	-0.6	-0.8
Other (incl. Capital Increase & share buy backs)	10.0	6.1	5.6	-0.0	0.1	-1.2
NOPLAT	6.4	4.9	-1.1	2.8	5.3	6.4

BALANCE SHEET & OTHER ITEMS (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Net Tangible Assets	3.7	7.5	9.7	8.7	8.2	7.2
Net Intangible Assets (incl.Goodwill)	12.5	17.7	18.9	18.9	18.9	18.9
Right-of-Use Assets (Lease Assets)	0.0	0.0	0.0	0.0	0.0	0.0
Net Financial Assets & Other	0.0	0.0	0.0	0.0	0.0	0.0
Total Fixed Assets	**16.2**	**25.3**	**28.6**	**27.6**	**27.1**	**26.1**
Inventories	4.1	3.6	3.4	4.1	6.3	7.0
Trade receivables	11.8	21.6	24.0	24.7	35.0	35.1
Other current assets	6.7	10.8	2.7	12.3	18.7	20.8
Cash (-)	-6.4	-6.2	-6.7	-7.1	-8.0	-10.2
Total Current Assets	**28.9**	**42.3**	**36.8**	**48.2**	**68.1**	**73.1**
Total Assets	**45.2**	**67.6**	**65.4**	**75.8**	**95.2**	**99.2**
Shareholders Equity	18.2	24.3	24.7	27.8	31.2	35.1
Minority	0.0	0.1	0.0	0.1	0.8	1.8
Total Equity	**18.2**	**24.4**	**24.7**	**27.9**	**32.0**	**36.9**
Long term interest bearing debt	1.1	6.7	7.0	6.7	5.8	4.2
Provisions	0.9	1.2	1.6	1.6	1.6	3.1
Lease Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.1	0.1	0.1	0.2
Total Long Term Liabilities	**2.0**	**8.0**	**8.7**	**8.4**	**7.6**	**7.5**
Short term interest bearing debt	6.5	6.8	7.7	7.3	6.4	4.6
Trade payables	9.2	16.3	13.8	18.5	28.3	26.9
Other current liabilities	9.3	12.1	10.5	13.7	20.9	23.3
Total Current Liabilities	**25.0**	**35.1**	**32.1**	**39.6**	**55.6**	**54.8**
Total Liabilities and Shareholders' Equity	**45.2**	**67.6**	**65.4**	**75.8**	**95.2**	**99.2**
Net Capital Employed	**20.3**	**32.9**	**34.3**	**36.5**	**38.0**	**38.9**
Net Working Capital	**4.1**	**7.6**	**5.7**	**8.9**	**10.9**	**12.7**

GROWTH & MARGINS	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Sales growth	*1.9%*	*52.9%*	*-8.6%*	*24.3%*	*52.5%*	*11.1%*
EBITDA (adj.)* growth	***83.9%***	***-21.5%***	***-94.5%***	***1363.7%***	***57.2%***	***14.4%***
EBITA (adj.) growth*	*83.7%*	*-21.4%*	*-94.5%*	*1363.7%*	*57.2%*	*14.4%*
*EBIT (adj)*growth*	*140.8%*	*-22.8%*	*n.m.*	*n.m.*	*89.6%*	*19.6%*

PLC: Summary tables

GROWTH & MARGINS	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Net Profit growth	*238.3%*	*-23.2%*	*n.m.*	*n.m.*	*73.9%*	*16.5%*
EPS adj. growth	*230.2%*	*-23.2%*	*n.m.*	*n.m.*	*73.9%*	*16.5%*
DPS adj. growth	*11092.1%*	*-88.4%*	*-55.6%*	*n.m.*	*n.m.*	*32.2%*
EBITDA (adj) margin*	*28.6%*	*14.7%*	*0.9%*	*10.3%*	*10.6%*	*10.9%*
EBITA (adj) margin*	*28.5%*	*14.7%*	*0.9%*	*10.3%*	*10.6%*	*10.9%*
EBIT (adj) margin*	*26.9%*	*13.6%*	*n.m.*	*6.8%*	*8.4%*	*9.1%*

RATIOS	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Net Debt/Equity	0.1	0.3	0.3	0.3	0.1	0.0
Net Debt/EBITDA	0.1	1.0	20.0	1.2	0.5	-0.1
Interest cover (EBITDA/Fin.interest)	42.7	31.5	0.8	11.7	18.4	17.5
Capex/D&A	431.8%	2635.9%	198.5%	50.0%	73.7%	44.4%
Capex/Sales	7.3%	28.8%	8.5%	1.8%	1.6%	0.8%
NWC/Sales	12.6%	15.3%	12.5%	15.6%	12.5%	13.2%
ROE (average)	26.9%	22.4%	-9.7%	8.9%	13.7%	14.2%
ROCE (adj.)	31.5%	15.0%	-3.3%	7.7%	14.0%	16.4%
WACC	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
ROCE (adj.)/WACC	2.9	1.4	-0.3	0.7	1.3	1.5

PER SHARE DATA (EUR)***	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Average diluted number of shares	24.0	24.0	26.0	26.0	26.0	26.0
EPS (reported)	0.30	0.21	-0.09	0.12	0.16	0.18
EPS (adj.)	0.26	0.20	-0.09	0.09	0.16	0.18
BVPS	0.76	1.01	0.95	1.07	1.20	1.35
DPS	0.72	0.08	0.04	0.00	0.02	0.03

VALUATION	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
EV/Sales	55.9	1.1	1.0	0.7	0.4	0.4
EV/EBITDA	n.m.	7.2	n.m.	7.0	4.1	3.2
EV/EBITDA (adj.)*	**n.m.**	**7.2**	**n.m.**	**7.0**	**4.1**	**3.2**
EV/EBITA	195.8	7.2	112.2	7.0	4.1	3.2
EV/EBITA (adj.)*	**195.8**	**7.2**	**112.2**	**7.0**	**4.1**	**3.2**
EV/EBIT	n.m.	7.8	n.m.	10.6	5.2	3.9
EV/EBIT (adj.)*	**n.m.**	**7.8**	**n.m.**	**10.6**	**5.2**	**3.9**
P/E (adj.)	**12.6**	**9.8**	**n.m.**	**15.1**	**8.7**	**7.5**
P/BV	4.3	1.9	1.5	1.3	1.1	1.0
Total Yield Ratio	0.1%	2.1%	0.0%	1.7%	2.3%	2.7%
EV/CE	n.m.	1.6	1.3	1.1	1.0	0.9
OpFCF yield	3.3%	-9.2%	-6.4%	2.8%	9.9%	14.3%
OpFCF/EV	3.3%	-8.1%	-5.5%	2.5%	9.1%	14.8%
Payout ratio	n.m.	40.2%	-39.0%	0.0%	15.1%	17.2%
Dividend yield (gross)	22.0%	4.3%	2.7%	0.0%	1.7%	2.3%

EV AND MKT CAP (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Price** (EUR)	3.25	1.94	1.47	1.36	1.36	1.36
Outstanding number of shares for main stock	562.6	24.0	26.0	26.0	26.0	26.0
Total Market Cap	**1,829**	**47**	**38**	**35**	**35**	**35**
Net Debt	**1**	**7**	**8**	**7**	**4**	**-1**
o/w Cash & Marketable Securities (-)	*-6*	*-6*	*-7*	*-7*	*-8*	*-10*
o/w Gross Financial Debt (+)	*8*	*13*	*15*	*14*	*12*	*9*
o/w Lease Liabilities (+)	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Other EV components	**-7**	**-1**	**-1**	**-1**	**-1**	**0**
Enterprise Value (EV adj.)	**1,823**	**53**	**45**	**41**	**38**	**34**

Source: Company, Banca Akros estimates.

Notes

** Where EBITDA (adj.) or EBITA (adj)= EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj)= EBIT-/+ Non Recurrent Expenses/Income - PPA amortisation*

Sector: Alternative Energy/Renewable Energy Equipment

Company Description: PLC Group (PLC) is one of the leading operators in the Italian renewable energy market. It has a specific focus on solar and wind energy with total revenues of approximately EUR 46m in FY 2019, mainly generated in Italy (64%). However, following the acquisition of Monsson, the group's international exposure has strengthened given its European customer base. Recently, the group has increased its business diversification by entering the biogas and bio-methane market (through Schmack Biogas). The announced new business plan will play a crucial role in making the company less dependent on the construction business and therefore to stabilise the financial performances by expanding the portion of recurring business (O&M), also through some selective M&A.

European Coverage of the Members of ESN

Aerospace & Defense	Mem(*)
Airbus Se	CIC
Avio	BAK
Dassault Aviation	CIC
Figeac Aero	CIC
Latecoere	CIC
Leonardo	BAK
Lisi	CIC
Safran	CIC
Thales	CIC

Alternative Energy	Mem(*)
Encavis Ag	CIC
Plc	BAK
Siemens Gamesa Re	GVC
Voltalia	CIC

Automobiles & Parts	Mem(*)
Brembo	BAK
Faurecia	CIC
Ferrari	BAK
Fiat Chrysler Automobiles	BAK
Gestamp	GVC
Indelb	BAK
Landi Renzo	BAK
Piaggio	BAK
Plastic Omnium	CIC
Sogefi	BAK

Banks	Mem(*)
Banca Mps	BAK
Banco Sabadell	GVC
Banco Santander	GVC
Bankia	GVC
Bankinter	GVC
Bbva	GVC
Bcp	CBI
Bnp Paribas	CIC
Bper	BAK
Caixabank	GVC
Credem	BAK
Credit Agricole Sa	CIC
Creval	BAK
Intesa Sanpaolo	BAK
Liberbank	GVC
Mediobanca	BAK
Natixis	CIC
Rothschild & Co	CIC
Societe Generale	CIC
Ubi Banca	BAK
Unicredit	BAK

Basic Resources	Mem(*)
Acerinox	GVC
Altri	CBI
Arcelormittal	GVC
Corticeira Amorim	CBI
Ence	GVC
Semapa	CBI
The Navigator Company	CBI
Tubacex	GVC

Chemicals	Mem(*)
Air Liquide	CIC
Arkema	CIC
Plasticos Compuestos	GVC

Electronic & Electrical Eq.	Mem(*)
Rexel	CIC

Fin. Serv. Holdings	Mem(*)
Cir	BAK
Corp. Financiera Alba	GVC
Digital Magics	BAK
Eurazeo	CIC
Ffp	CIC
Rallye	CIC
Tip Tamburi Investment Partners	BAK
Wendel	CIC

Fin. Serv. Industrials	Mem(*)
Bolsas Y Mercados Espanoles	GVC
Dovalue	BAK
Nexi	BAK
Tinexta	BAK

Financial Services Banks	Mem(*)
Amundi	CIC
Anima	BAK
Azimut	BAK
Banca Farmafactoring	BAK
Banca Generali	BAK
Banca Ifis	BAK
Banca Mediolanum	BAK
Banca Sistema	BAK
Finecobank	BAK
Poste Italiane	BAK

Food & Beverage	Mem(*)
Advini	CIC
Bonduelle	CIC
Campari	BAK
Danone	CIC
Ebro Foods	GVC
Enervit	BAK
Fleury Michon	CIC
Italian Wine Brands	BAK
Lanson-Bcc	CIC
Laurent Perrier	CIC
Ldc	CIC
Orsero	BAK
Pernod Ricard	CIC
Remy Cointreau	CIC
Tipiak	CIC
Vidrala	GVC
Vilmorin	CIC
Viscofan	GVC
Vranken Pommery Monopole	CIC

Food & Drug Retailers	Mem(*)
Carrefour	CIC
Casino Guichard-Perrachon	CIC
Jeronimo Martins	CBI
Marr	BAK
Sonae	CBI

General Industrials	Mem(*)
Adl Bionatur Solutions	GVC
Cembre	BAK
Sergeferrari Group	CIC

General Retailers	Mem(*)
Emova Group	IAC
Fnac Darty	CIC
Inditex	GVC
Maisons Du Monde	CIC
Ovs	BAK
Unieuro	BAK

Healthcare	Mem(*)
Abionyx Pharma	CIC
Amplifon	BAK
Atrys Health	GVC
Crossject	CIC
Diasorin	BAK
El.En.	BAK
Fermentalg	CIC
Fine Foods	BAK
Genfit	CIC
Guerbet	CIC
Korian	CIC
Oncodesign	CIC
Orpea	CIC
Recordati	BAK
Shedir Pharma	BAK
Theraclion	CIC

Household Goods	Mem(*)
Abeo	CIC
De Longhi	BAK
Fila	BAK
Groupe Seb	CIC

Industrial Engineering	Mem(*)
Alstom	CIC
Biesse	BAK
Caf	GVC
Carraro	BAK
Cnh Industrial	BAK
Danieli	BAK
Datalogic	BAK
Exel Industries	CIC
Fincantieri	BAK
Groupe Gorge	CIC
Haulotte Group	CIC
Ima	BAK
Interpump	BAK
Manitou	CIC
Prima Industrie	BAK
Prysmian	BAK
Talgo	GVC
Zardoya Otis	GVC

Industrial Transportation	Mem(*)
Bollore	CIC
Clasquin	IAC
Ctt	CBI

Insurance	Mem(*)
Axa	CIC
Catalana Occidente	GVC
Cattolica Assicurazioni	BAK
Generali	BAK
Mapfre	GVC
Net Insurance	BAK
Unipolsai	BAK

Materials, Construction	Mem(*)
Acs	GVC
Aena	GVC
Astaldi	BAK
Astm	BAK
Atlantia	BAK
Buzzi Unicem	BAK
Capelli	CIC
Cementir	BAK
Clerhp Estructuras	GVC
Eiffage	CIC
Ezentis	GVC
Fcc	GVC
Ferrovial	GVC
Groupe Adp	CIC
Groupe Poujoulat	CIC
Groupe Sfpi S.A.	CIC
Herige	CIC
Hexaom	CIC
Imerys	CIC
Kaufman & Broad	IAC
Lafargeholcim	CIC
Maire Tecnimont	BAK
Mota Engil	CBI
Obrascon Huarte Lain	GVC
Sacyr	GVC
Saint Gobain	CIC
Salcef	BAK
Sonae Industria	CBI
Tarkett	CIC
Thermador Groupe	CIC
Vicat	CIC
Vinci	CIC
Webuild	BAK

Media	Mem(*)
Arnoldo Mondadori Editore	BAK
Atresmedia	GVC
Cairo Communication	BAK
Cofina	CBI
Digital Bros	BAK
Gedi Gruppo Editoriale	BAK
Gl Events	CIC
Il Sole 24 Ore	BAK
Impresa	CBI

Ipsos	CIC
Jcdecaux	CIC
Lagardere	CIC
M6-Metropole Television	CIC
Mediaset	BAK
Mediaset Espana	GVC
Nrj Group	CIC
Publicis	CIC
Rcs Mediagroup	BAK
Solocal Group	CIC
Teleperformance	CIC
Tf1	CIC
Ubisoft	CIC
Vivendi	CIC
Vogo	CIC
Oil & Gas Producers	**Mem(*)**
Ecoslops	CIC
Enauta	CBI
Eni	BAK
Galp Energia	CBI
Gas Plus	BAK
Maurel Et Prom	CIC
Repsol	GVC
Total	CIC
Oil Services	**Mem(*)**
Bourbon	CIC
Cgg	CIC
Gtt	CIC
Rubis	CIC
Saipem	BAK
Technipfmc Plc	CIC
Tecnicas Reunidas	GVC
Tenaris	BAK
Vallourec	CIC
Personal Goods	**Mem(*)**
Basicnet	BAK
Brunello Cucinelli	BAK
Cellularline	BAK
Cie Fin. Richemont	CIC
Geox	BAK
Hermes Intl.	CIC
Interparfums	CIC
Kering	CIC
L'Oreal	CIC
Lvmh	CIC
Moncler	BAK
Safilo	BAK
Salvatore Ferragamo	BAK
Smcp	CIC
Swatch Group	CIC
Technogym	BAK
Tod'S	BAK
Real Estate	**Mem(*)**
Igd	BAK
Lar España	GVC
Merlin Properties	GVC
Quabit Immobiliaria	GVC
Realia	GVC
Software & Computer Ser.	**Mem(*)**
Agile Content	GVC
Akka Technologies	CIC
Alten	CIC
Altran	CIC
Amadeus	GVC
Assystem	CIC
Atos	CIC
Axway Software	CIC
Capgemini	CIC
Cast	CIC
Catenon	GVC
Econocom	CIC
Ekinops	CIC
Esi Group	CIC
Exprivia	BAK
Gigas Hosting	GVC
Gpi	BAK
Groupe Open	CIC
Indra Sistemas	GVC
Lleida.Net	GVC
Neurones	CIC
Reply	BAK
Sii	CIC
Sopra Steria Group	CIC
Visiativ	CIC
Worldline	CIC
Support Services	**Mem(*)**
Bureau Veritas	CIC
Cellnex Telecom	GVC
Edenred	CIC
Enav	BAK
Fiera Milano	BAK
Inwit	BAK
Openjobmetis	BAK
Prosegur	GVC
Prosegur Cash	GVC
Rai Way	BAK
Technology Hardware & Eq.	**Mem(*)**
Adeunis	CIC
Evolis	CIC
Hf Company	CIC
Ingenico	CIC
Memscap	IAC
Osmozis	CIC
Stmicroelectronics	BAK
Tier 1 Technology	GVC
Telecommunications	**Mem(*)**
Altice Europe	CIC
Bouygues	CIC
Euskaltel	GVC
Iliad	CIC
Masmovil	GVC
Nos	CBI
Orange	CIC
Telecom Italia	BAK
Telefonica	GVC
Tiscali	BAK
Vodafone	BAK
Travel & Leisure	**Mem(*)**
Accor	CIC
Autogrill	BAK
Beneteau	CIC
Codere	GVC
Compagnie Des Alpes	CIC
Edreams Odigeo	GVC
Elior	CIC
Europcar	CIC
Fdj	CIC
Groupe Partouche	IAC
I Grandi Viaggi	BAK
Ibersol	CBI
Int. Airlines Group	GVC
Melia Hotels International	GVC
Nh Hotel Group	GVC
Pierre Et Vacances	CIC
Sodexo	CIC
Sonae Capital	CBI
Trigano	CIC
Utilities	**Mem(*)**
A2A	BAK
Acciona	GVC
Acea	BAK
Albioma	CIC
Audax	GVC
Derichebourg	CIC
Edp	CBI
Edp Renováveis	CBI
Enagas	GVC
Endesa	GVC
Enel	BAK
Erg	BAK
Falck Renewables	BAK
Greenalia	GVC
Hera	BAK
Holaluz	GVC
Iberdrola	GVC
Iren	BAK
Italgas	BAK
Naturgy	GVC
Red Electrica Corporacion	GVC
Ren	CBI
Snam	BAK
Solaria	GVC
Terna	BAK

LEGEND: BAK: Banca Akros; CIC: CIC Market Solutions; CBI: Caixa-Banco de Investimento; GVC: GVC Gaesco Valores, SV, SA — as 25th May 2020

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Il presente documento è stato redatto da Pietro Gasparri e Emanuele Oggioni (Soci AIAF) che svolgono funzioni di analista presso Banca Akros SpA ("Banca Akros"), soggetto responsabile della produzione del documento stesso. **Esso è prodotto e distribuito dal giorno 7 July 2020, ore 09:14 italiane.**

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Banca Akros, nell'ultimo anno, ha pubblicato sulla società oggetto di analisi tre studi in data 31 marzo, 27 maggio e 3 giugno 2020.

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http://www.bancaakros.it/menu-informativa/analisi-finanziaria-e-market-abuse.aspx

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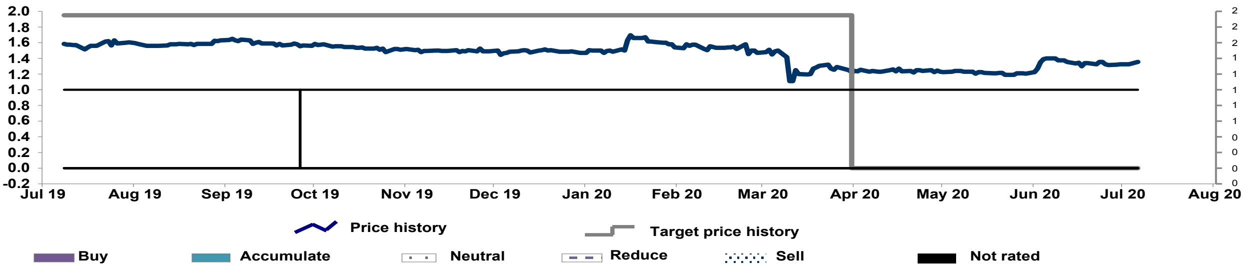
Recommendation history for PLC

Date	Recommendation	Target price	Price at change date
31-Mar-20	Rating Suspended	0.00	1.23
26-Sep-19	Rating Suspended	1.95	1.56
28-May-19	Accumulate	1.95	1.64

Source: Factset & ESN, price data adjusted for stock splits.
This chart shows Banca Akros continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
Current analyst: Pietro Gasparri, CIIA, CEFA (since 28/05/2019)



Banca Akros
GRUPPO BANCO BPM

ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated based on **total return**, measured by the upside/downside potential (including dividends and capital reimbursement) over a **12-month time horizon**. The final responsible of the recommendation of a listed company is the analyst who covers that company. The recommendation and the target price set by an analyst on one stock are correlated but not totally, because an analyst may include in its recommendation also qualitative elements as market volatility, earning momentum, short term news flow, possible M&A scenarios and other subjective elements.

The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B), Accumulate (A), Neutral (N), Reduce (R) and Sell (S)**.

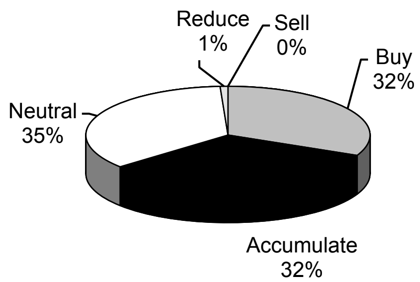
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy**: the stock is expected to generate total return of **over 15%** during the next 12-month
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12-month
- **Neutral**: the stock is expected to generate total return of **-5% to +5%** during the next 12-month
- **Reduce**: the stock is expected to generate total return of **-5% to -15%** during the next 12-month
- **Sell**: the stock is expected to generate total return **under -15%** during the next 12-month
- **Rating Suspended**: the rating is suspended due to: a) a capital operation (take-over bid, SPO, etc.) where a Member of ESN is or could be involved with the issuer or a related party of the issuer; b) a change of analyst covering the stock; c) the rating of a stock is under review by the Analyst.
- **Not Rated**: there is no rating for a stock when there is a termination of coverage of the stocks or a company being floated (IPO) by a Member of ESN or a related party of the Member.

Note: a certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Banca Akros Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website Link
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