

A Further Acceleration on Renewable Energy

ADD | Fair Value: €2.65 (€2.65) | Current Price: €1.79 | Upside: +48.6%

Research Update

April 27, 2022 – 7.00h

€ Million	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Total Revenues	49.9	45.6	65.5	75.1	83.9	92.5	102.1
EBITDA	7.3	0.4	3.4	7.7	8.4	9.8	11.0
margin	14.7%	0.9%	5.2%	10.2%	10.0%	10.6%	10.8%
Net Profit	4.9	(2.5)	0.1	3.0	3.7	4.5	5.1
margin	9.9%	-5.4%	0.2%	4.0%	4.4%	4.8%	5.0%
EPS	0.19	-0.09	0.00	0.11	0.14	0.17	0.20
NFP	7.3	8.0	4.1	2.7	(0.3)	(1.3)	(2.5)

Source: Company data, KT&Partners' estimates

EPC-BOT division led Company growth. As already seen in 1H21, PLC-IT registered a double-digit growth compared to the previous year. Indeed, total revenues came in at €75.1mn (+14.6% YoY), even though 10.2% below our estimates. The renewable investment incentive mechanism, posed by FER 1 Decree and Green Deal, was an important growth driver for the EPC-BOT division which led the company's growth reaching €42.6mn - 23.6% above our estimates - including ca. €3.8mn capital gain from the sale of C&C Tre Energy. On the other hand, the O&M business line came in 37% lower than our expectations and than FY20 results (€29.1mn vs €46.5mn), mainly due to a slowdown in Erection & Installation activity. Trading division, a residual part of company's revenues, reported €3.4mn (vs 2.9mn in FY20). Despite different revenues mix and persistent impact of the global shortage on raw materials, PLC posted an outstanding EBITDA growth, reaching €7.7mn (almost 2x YoY) and with 10.2% of margin, growing by +5pp YoY (slightly below our estimate). FY21 Group net income came in at €3mn from €0.2mn in 2020, 28% below our estimates due to a lower-than-expected level of revenues and EBITDA. NFP improved by €1.4mn (better than expected for €0.6mn), reaching €2.7mn in FY21 (or 0.35x NFP/EBITDA) from €4.1mn (or 1.22x NFP/EBITDA) in FY20, demonstrating good cash generating capacity.

Renewables market update. The latest geopolitical and environmental scenario has highlighted the need to boost the energy transition process from traditional to renewable and to reduce the energetical dependence from specific countries. Focusing on PLC-IT's potential market, also fostered by government fund of the *Piano Nazionale di Ripresa e Resilienza* (PNRR), the Italian solar and wind market is expected to benefit from new 53GW additional capacity, (including 12GW wind farms and 41GW PVs) by 2030.

Estimates review. Following FY21 financial results and the latest geopolitical developments, we revised our 2022-2024 estimates. We adjusted our revenues mix for top-line estimates, factoring in: (i) the Erection & Installation sluggish performance, expecting a gradual recovery during 2022; (ii) the positive trend of EPC-BOT thanks to an increasing demand for renewables energy. We now foresee total revenues growing at CAGR2021-24 +8.0%, reaching €102.1mn in FYE24 (vs previously seen at 9.8% and €109mn, respectively). We prudentially anticipate FY22E EBITDA margin at 10% (-0.8pp with respect prev. est. and almost in line with FY21) – also considering the uncertainties associated to the global shortage of raw materials – and reaching 10.8% in 2024. We now anticipate EBITDA to increase by +9.5% CAGR2021-24, amounting to €11mn in FYE24. We now foresee net cash position to €0.3mn in FY22E, reaching €2.5mn in 2024.

Fair value confirmed at €2.65ps. Our valuation – based on both DCF and a market multiples model – returns an average equity value of €68.85mn or €2.65ps, implying a potential upside of +48.6% on the current market price.

YTD - Relative Performance Chart



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Market Data

Main Shareholders	
Fraes Srl	73.5%
Free Float	26.5%
Mkt Cap (€ mn)	46.3
EV (€ mn)	49.0
Shares out.	26.0
Free Float	26.5%

Market multiples	2021A	2022E	2023E
EV/EBITDA			
PLC SpA	6.4x	5.8x	5.0x
Comps median	12.4x	10.2x	7.6x
Delta	-48%	-43%	-34%
P/E			
PLC SpA	15.6x	12.5x	10.4x
Comps median	24.2x	17.5x	13.1x
Delta	-36%	-29%	-21%

Stock Data

52 Wk High (€)	2.44
52 Wk Low (€)	1.57
Avg. Daily Trading 90d	25,266
Price Change 1w (%)	1.7
Price Change 1m (%)	-2.7
Price Change YTD (%)	44.0

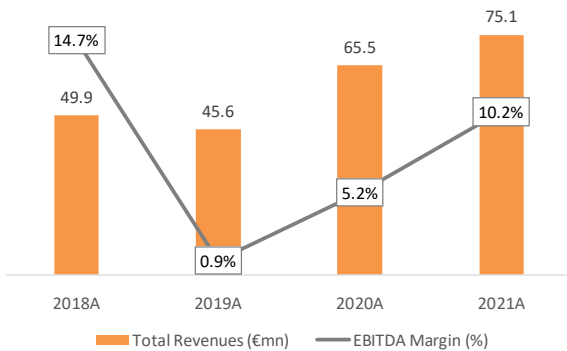
Key Figures – PLC

	Current price (€)	Fair Value (€)	Sector						Free Float	
	1.79	2.65	Renewable Energy						26.50%	
Per Share Data			2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Total shares outstanding (mn)			25.96	25.96	25.96	25.96	25.96	25.96	25.96	25.96
EPS			0.19	(0.09)	0.01	0.11	0.14	0.17	0.20	0.22
Dividend per share (ord)			n.a.	n.a.	n.a.	n.a.	0.10	0.14	0.14	0.14
Dividend pay out ratio (%)			n.a.	n.a.	n.a.	n.a.	0.68	0.78	0.68	0.60
Profit and Loss (EUR million)										
Revenues			49.9	45.6	65.5	75.1	83.9	92.5	102.1	111.8
EBITDA			7.3	0.4	3.4	7.7	8.4	9.8	11.0	12.3
EBIT			6.7	(1.6)	0.7	4.9	5.4	6.5	7.4	8.4
EBT			6.4	(2.2)	(0.3)	4.0	5.2	6.3	7.2	8.2
Taxes			(1.5)	(0.2)	0.3	(1.0)	(1.5)	(1.8)	(2.1)	(2.4)
Tax rate			0.2	(0.1)	0.8	0.3	0.3	0.3	0.3	0.3
Net Income			4.9	(2.5)	0.1	3.0	3.7	4.5	5.1	5.8
Balance Sheet (EUR million)										
Total fixed assets			26.3	28.6	25.1	23.2	23.7	23.9	23.8	23.4
Net Working Capital (NWC)			(1.5)	5.7	6.7	11.7	13.6	16.2	18.8	21.2
Provisions			(1.2)	(1.6)	(2.8)	(3.8)	(5.5)	(7.4)	(9.4)	(11.7)
Total Net capital employed			31.6	32.7	28.9	31.1	31.8	32.8	33.2	32.9
Net financial position/(Cash)			7.3	8.0	4.1	2.7	(0.3)	(1.3)	(2.5)	(5.1)
Group Shareholder's Equity			24.3	24.7	24.8	28.4	32.1	34.0	35.7	37.9
Minorities			0.1	0.0	-	0.0	0.0	0.0	0.0	0.0
Total Shareholder's Equity			24.4	24.7	24.8	28.4	32.1	34.0	35.7	38.0
Cash Flow (EUR million)										
Net operating cash flow			5.8	0.2	2.8	6.4	6.8	7.9	8.9	9.9
Change in NWC			3.4	(7.2)	(1.0)	(5.1)	(1.9)	(2.6)	(2.6)	(2.4)
Capital expenditure			(22.0)	4.4	0.7	(1.6)	(3.5)	(3.5)	(3.5)	(3.5)
Other cash items/Uses of funds			4.4	0.5	1.5	1.0	1.7	1.9	2.1	2.3
Free cash flow			(8.4)	(2.0)	4.1	0.8	3.1	3.7	4.8	6.2
Enterprise Value (EUR million)										
Market Cap			50.4	38.7	32.2	54.0	46.3	46.3	46.3	46.3
Minorities			0.1	0.0	-	0.0	0.0	0.0	0.0	0.0
Net financial position/(Cash)			7.3	8.0	4.1	2.7	0.3	1.3	2.5	5.1
Enterprise value			n.a.	46.7	36.3	56.7	46.1	45.1	43.9	41.3
Ratios (%)										
EBITDA margin			14.7%	0.9%	5.2%	10.2%	10.0%	10.6%	10.8%	11.0%
EBIT margin			13.4%	-3.4%	1.0%	6.5%	6.5%	7.0%	7.3%	7.5%
Gearing - Debt/equity			29.9%	32.4%	16.6%	9.4%	-0.8%	-3.7%	-6.9%	-13.3%
Interest cover on EBIT			3.5%	-32.1%	143.0%	19.3%	4.0%	3.2%	0.0%	0.0%
NFP/EBITDA			99.3%	n.m.	121.5%	34.8%	-3.1%	-13.0%	-22.2%	-41.1%
ROCE			21.2%	-4.8%	2.4%	15.7%	17.1%	19.9%	22.3%	25.4%
ROE			20.3%	-10.0%	0.7%	10.5%	11.5%	13.2%	14.4%	15.3%
EV/Sales			0.98x	1.07x	0.75x	0.65x	0.58x	0.53x	0.48x	0.44x
EV/EBITDA			6.70x	n.m.	14.48x	6.38x	5.84x	5.00x	4.44x	3.99x
P/E			9.41x	n.m.	n.m.	15.60x	12.52x	10.35x	9.05x	7.99x
Free cash flow yield			-17%	-4%	8%	2%	6%	7%	10%	13%
Growth Rates (%)										
Sales			n.m.	-8.6%	43.7%	14.6%	11.6%	10.3%	10.4%	9.5%
EBITDA			n.m.	n.m.	n.m.	n.m.	9.3%	16.8%	12.4%	11.5%
EBIT			n.m.	n.m.	n.m.	n.m.	11.3%	19.9%	13.8%	12.9%
Net Income			n.m.	n.m.	n.m.	n.m.	24.6%	20.9%	14.3%	13.4%

Source: Company data, KT&Partners' elaborations

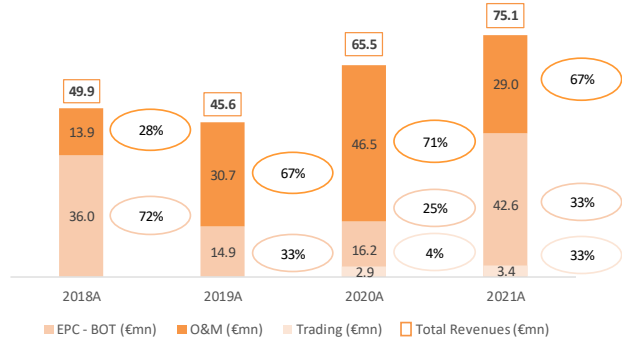
Key charts

Total Revenue and EBITDA margin (€mn, %)



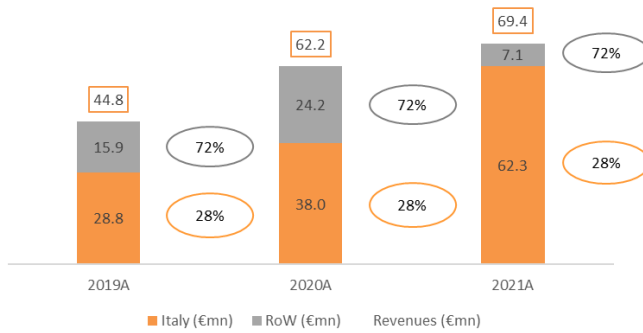
Source: Company data, KT&Partners' elaboration

Total Revenues by BU (€mn)



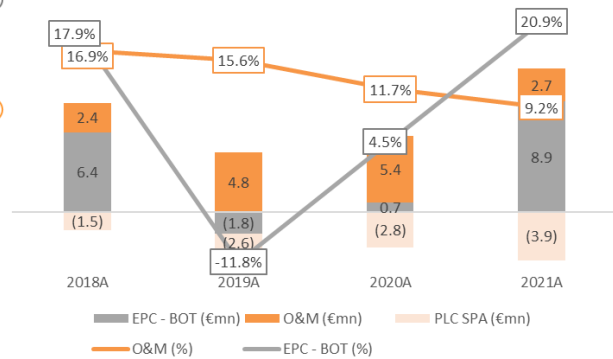
Source: Company data, KT&Partners' elaboration

Sales Revenues by Geography (€mn)



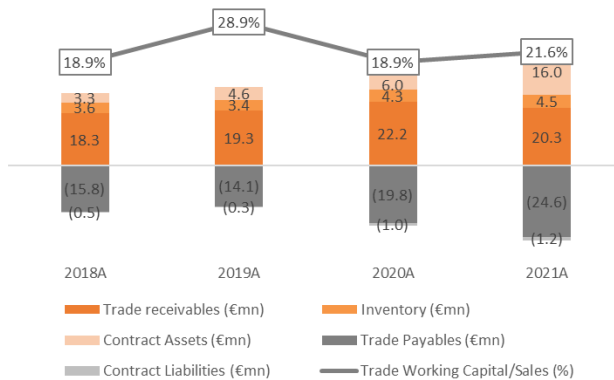
Source: Company data, KT&Partners' elaboration

EBITDA by BU (€mn, %)



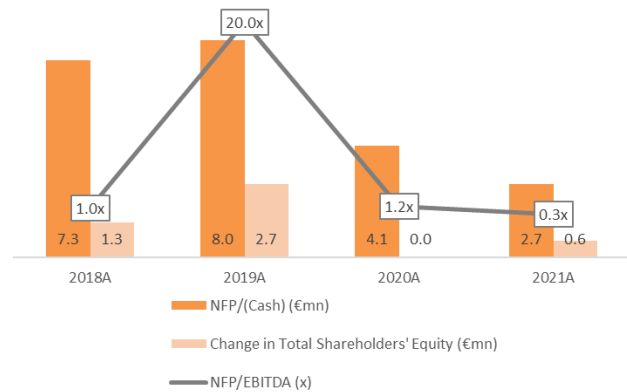
Source: Company data, KT&Partners' elaboration

Trade Working Capital (€mn, %)



Source: Company data, KT&Partners' elaboration

NFP and Change in Total Shareholders' Equity (€mn, x)



Source: Company data, KT&Partners' elaboration

Overview

Company description

PLC (PLC-IT), with its 20+ years of activity, is a leading operator in the Italian **renewable energy market**, offering **EPC** (Engineering Procurement and Construction), **BOT** (Built, Operate and Transfer) and **O&M** (Operation and Maintenance) services focusing on wind farms and solar plants. The Group aims to become an international **Independent Service Provider** (ISP) with multi-technology expertise in renewable and decarbonized energy sources. PLC pursues a sustainable model of growth which is based on the following main strategic drivers: i) **exploiting EPC-BOT synergies**; ii) **scaling O&M to boost growth**; iii) **entering in new renewable segments and markets with international activities**; and iv) **enhancing its offer with new technologies** in order to innovate and provide cutting-edge services.

In 2017, PLC-IT went listed on the MTA of the Borsa Italiana stock exchange following the reverse merger with Industria e Innovazione (INDI). At that time, INDI was a real estate company in a distressed status and subject to a restructuring agreement. The reverse merger took place through a €43mn capital increase “in kind” reserved to PLC Group S.p.A. which conferred 100% of PLC System S.r.l. and PLC Service S.r.l. **PLC’s management showed strong capabilities in executing INDI’s rescue plan and industrial turnaround**, refocusing the company’s business on the renewable energy sector.

Investment case

- **Low Risk Business Profile.** Through its 20+ years of activity the company has developed a solid revenue model. PLC born as electrical infrastructure installer and now, also thanks to Monsoon and Schmack M&As, increased revenue visibility by strengthening O&M division. Furthermore, as opposite as to the other renewable players, PLC enjoys lower business and financial risk since it does not act as an asset owner. Indeed, thanks to a low cash absorption, the group shows a constant improvement in NFP from €7.3mn seen in 2018 to €2.7mn in the 2021. Moreover, the company minimizes BOT risk by acquiring already started projects for a low financial amount, developing and selling them before the construction phase also usually signing an EPC contract.
- **A Sound Track Record.** PLC’s outstanding track record and its financial soundness proved by its 20+ years of activity make the Group a reliable partner in the renewable energy market. This track record includes more than 200MW of BOT activities in the last years (including the project sold to EDPR in 2021 and Enel Green Power in 2020) and 250+ activities in the EPC business. Looking at the other business unit, PLC conducted O&M activities on more than 2GW plants and farm in Italy.
- **Market Opportunities.** The renewable energy market shows huge opportunities, also boosted by renewable sources-oriented legislation: the EU solar market is expected to grow at a CAGR 2021-2025 of 18.1%, followed by the wind market with an expected CAGR 2021-2026 of 7.7%. Looking at Italy, the solar market is expected to grow at 7.2% CAGR over the period 2021–2025, whereas wind cumulative capacity is projected to reach 14GW by 2026 from 11.1GW in 2021.
- **O&M Recurring Revenues.** The company is strengthening revenues visibility by increasing the contribution from O&M multi-year contracts. The Monsson acquisition and on-going R&D CapEx are in line with Company’s goal to offer innovative services such as remote maintenance through AR, AI and IIoT

Recent developments

- **New BOT project is coming in Pipeline.** On January 12th, 2022, PLC announced the closing of €2mn new contract with EDPR, providing project design, supply and the electrical and electromechanical installation of the substation based in Ariano Irpino. In addition, the parties partially revised past agreements related to 28MW “Balance of Plant” project, bringing the total sales value from €9.3mn to €10mn.

FY21 Financial Results

Despite the strenuous challenges posted by the economic circumstances, PLC-IT was able to achieve a remarkable performance in FY21 with double-digit growth YoY. Indeed, total revenues came in at €75.1mn, growing by +14.6% YoY (10.2% below our estimates mainly due to O&M division).

The renewable investment incentive mechanism, posed by FER 1 Decree and Green Deal, was an important growth driver for the EPC-BOT division. In fact, the latter has driven the company's BU growth, reaching FY21 Revenues of €42.6mn (+23.6% compared to our estimates), including ca. €3.8mn capital gain from the sale of C&C Tre Energy. It is worth to point out that Schmack Biogas Ltd – leading biogas and biomethane company acquired at the beginning of 2020 – contributed €10.4mn revenues (almost +3x YoY) to the EPC-BOT business also thanks to two important contracts signed in the first semester of 2021. On the other hand, the O&M business line came in at €29.1mn from €46.5mn in 2020, registering a reduction of 37% YoY and 37% lower than our expectations, mainly due to the slowdown in Erection & Installation activities influenced by: i) Monsson customer litigation about wind farms installations in Germany and Sweden; ii) the global shortage of raw materials, which caused the postponement of some installations. Finally, the Trading division, a residual part of the company's revenues, reached €3.4mn (vs 2.9mn in FY20).

Looking at profitability, we note that the different revenues mix combined with the impact of the global shortage on raw materials led to a decrease in group's gross margin, reaching 68.8% (9pp lower than FY20 and than our FY21 estimates). In absolute term, PLC-IT Gross profit stood at €51.7mn (+1.4 YoY and -20.9% below our estimates). Despite an almost stable Gross Profit, FY21 Group EBITDA increased at €7.7mn (almost 2x YoY and -14.2% below our previous estimates), achieving a remarkable EBITDA margin of 10.2% (+5pp YoY and slightly below our estimates of 10.7%) mainly thanks to: (i) €3.8mn of capital gain from EDPR BOT project sales; (ii) lower incidence of fixed cost as a result of the slowdown in O&M activities and the acceleration of the EPC-BOT business, such as cost of services (ca. -10pp YoY and -4.2pp lower than our estimates) and other operating costs (-3.6pp below our expectations). Looking at EBITDA contribution for BU, we highlight: i) EPC-BOT EBITDA at €8.9mn (almost 10x YoY), of which €3.8mn are related to the disposal of C&C Tre Energy; ii) O&M's contributed with €2.7mn of EBITDA (-50.8% YoY), following the slowdown on E&I activities as mentioned above; iii) the Trading division's reported €5k of EBITDA; and iv) whereas the PLC holdings registered overhead cost of ca. €3.8mn.

Regarding FY21 EBIT, it came in at €4.9mn (ca. 6x YoY) and it was almost €1.3mn lower than our expectations mainly due to lower-than-expected EBITDA (-€1.3mn).

As well as EBIT, FY21 Group net income came in at €3mn from €0.2mn in 2020, 28% below our estimates due to a lower-than-expected level of revenues and EBITDA.

In 2021 fixed assets decreased by ca. €1.9mn, amounting to €23.2mn in FY21A while Net working capital (NWC) increased by €5mn reaching €11.7mn in 2021. Trade Working Capital incidence on total revenue went from 10.2% in 2020 to 15.6% in 2021, an increase due to the acceleration of the EPC-BOT business.

We note an EBITDA cash conversion ratio of ca. 35%, which contributed to FY21 NFP improvement. Indeed, the latter improved by €1.4mn (better than expected for €0.6mn), reaching €2.7mn in FY21 (or 0.35x NFP/EBITDA) - of which €1.3mn is related to IFRS16 financial assets - from €4.1mn (or 1.22x NFP/EBITDA) in FY20. Finally, we would like to highlight that the company improved its NFP by €5.2mn in two years from the €8mn of FY19, demonstrating good cash generating capacity.

FY21 Income Statement

€ million	FY18A	FY19A	FY20A	FY21A	YoY %	FY21E Old	A vs E %
EPC - BOT	36.0	14.9	16.2	42.6	162.8%	34.5	23.6%
O&M	13.9	30.7	46.5	29.1	-37.4%	46.3	-37.2%
Trading	-	-	2.9	3.4	19.4%	2.9	19.4%
Total Revenues	49.9	45.6	65.5	75.1	14.6%	83.6	-10.2%
Products and Raw materials	(15.2)	(9.1)	(14.6)	(23.4)	60.7%	(18.3)	27.8%
Gross Profit	34.7	36.5	51.0	51.7	1.4%	65.3	-20.9%
<i>Gross Margin</i>	<i>69.5%</i>	<i>80.1%</i>	<i>77.8%</i>	<i>68.8%</i>	<i>-9.0%</i>	<i>78.1%</i>	<i>-9.3%</i>
Cost of Services	(16.0)	(17.7)	(25.9)	(21.6)	-16.7%	(27.6)	-21.7%
Personnel Expenses	(9.4)	(15.6)	(19.5)	(20.0)	2.7%	(23.0)	-13.2%
Other Operating Expenses	(1.9)	(2.8)	(2.2)	(2.4)	11.7%	(5.7)	-57.9%
EBITDA	7.3	0.4	3.4	7.7	n.m.	9.0	-14.2%
<i>EBITDA margin</i>	<i>14.7%</i>	<i>0.9%</i>	<i>5.2%</i>	<i>10.2%</i>	<i>5.1%</i>	<i>10.7%</i>	<i>-0.5%</i>
D&A and Provisions	(0.6)	(2.0)	(2.7)	(2.8)	3.5%	(2.8)	-1.1%
EBIT	6.7	(1.6)	0.7	4.9	n.m.	6.1	-20.3%
<i>EBIT margin</i>	<i>13.4%</i>	<i>-3.4%</i>	<i>1.0%</i>	<i>6.5%</i>	<i>5.5%</i>	<i>7.0%</i>	<i>-0.5%</i>
Financial Income and Expenses	(0.2)	(0.5)	(1.0)	(0.9)	-3.8%	(0.3)	236.7%
Income (Charges) from shareholdings	(0.0)	(0.1)	(0.1)	0.0	-179.2%	-	n.m.
EBT	6.4	(2.2)	(0.3)	4.0	n.m.	5.8	-31.8%
Taxes	(1.5)	(0.2)	0.3	(1.0)	n.m.	(1.7)	-40.3%
<i>Tax Rate</i>	<i>23.7%</i>	<i>-9.9%</i>	<i>81.0%</i>	<i>25.4%</i>		<i>29.0%</i>	
Net Income	4.9	(2.4)	(0.1)	3.0	n.m.	4.1	-28.4%
<i>Net margin</i>	<i>9.9%</i>	<i>-5.2%</i>	<i>-0.1%</i>	<i>4.0%</i>	<i>4.1%</i>	<i>5.0%</i>	<i>-1.0%</i>
Total other components of comprehensive income	(0.0)	(0.1)	0.2	-		-	
Total Net Income	4.9	(2.5)	0.1	3.0	n.m.	4.1	-28.4%
<i>Net margin</i>	<i>9.9%</i>	<i>-5.4%</i>	<i>0.2%</i>	<i>4.0%</i>	<i>3.8%</i>	<i>5.0%</i>	<i>-1.0%</i>
Minorities	(0.0)	(0.0)	(0.1)	0.0		-	
Net Income attributable to the Group	4.9	(2.5)	0.2	3.0	n.m.	4.1	-28.4%
<i>Net margin</i>	<i>9.9%</i>	<i>-5.4%</i>	<i>0.3%</i>	<i>4.0%</i>	<i>3.7%</i>	<i>5.0%</i>	<i>-1.0%</i>

Source: Company data, KT&Partners' elaborations

FY21 Balance Sheet

€ million	FY19A	FY20A	FY21A
Fixed Assets	28.6	25.1	23.2
Trade receivables	19.3	22.2	20.3
Inventory	3.4	4.3	4.5
Contract Assets	4.6	6.0	16.0
Trade Payables	(14.1)	(19.8)	(24.6)
Contract Liabilities	(0.3)	(1.0)	(1.2)
Trade Working Capital	13.0	11.7	15.0
Other assets and liabilities	(7.3)	(5.1)	(3.3)
Net Working Capital	5.7	6.7	11.7
Other Provisions	(1.6)	(2.8)	(3.8)
Net Capital Employed	32.7	28.9	31.1
Total shareholders' equity	24.7	24.8	28.4
Short-term debt / Cash (-)	1.0	(5.2)	(5.8)
Long-term liabilities	7.0	9.3	8.5
Net Financial Position	8.0	4.1	2.7
Sources	32.7	28.9	31.1

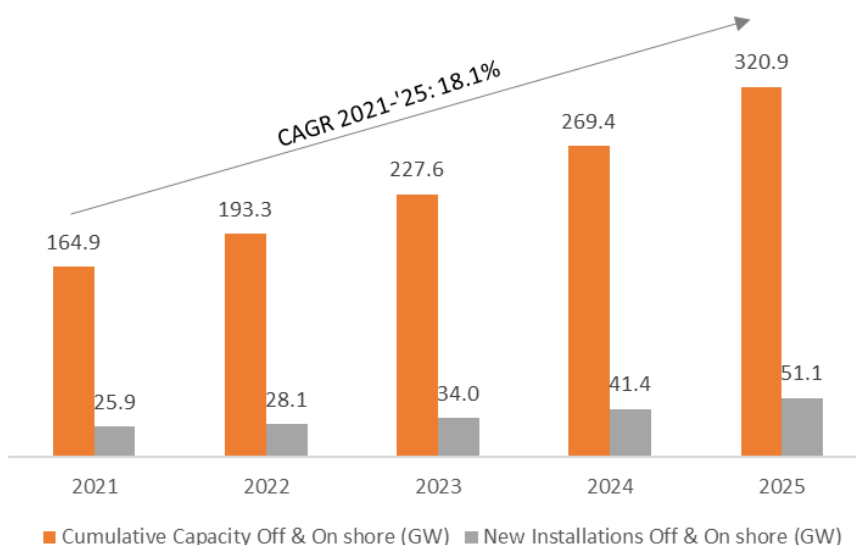
Source: Company data, KT&Partners' elaborations

European solar and wind power market update

Despite the 2021 was negatively influenced by Covid-19 and global supply shortages, the solar and wind power market experienced a bright performance. The renewables energy has become very attractive mainly due to energy prices at new highs.

The total European capacity of solar PV confirmed the rising path of the last ten years, reaching ca. 164.9GW (+19% vs 2020) with more than 25GW additional capacity generated in 2021. In 2021, Italian solar PV was confirmed on top 10 European market for size with 22GW of total cumulative capacity (or 13.3% of total cumulative capacity in Europe), growing at CAGR 2021-25 of 7.2% or reaching 29.1GW of total cumulative capacity in 2025.

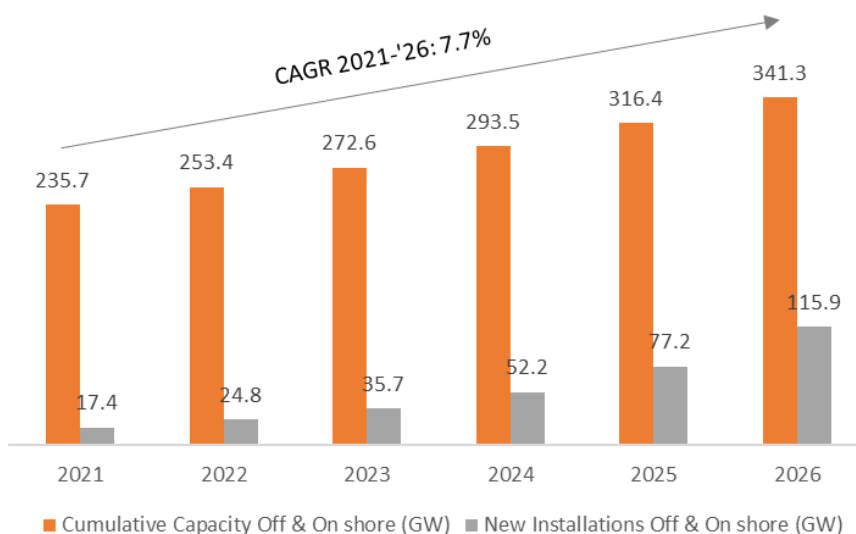
Solar – European Capacity and Annual Additions – 2021 to 2025 (GW)



Source: EU Solar Market Outlook 2021–2025 – Solar Power Europe

In 2021, wind power’s share accounted for more than 10% of the European electricity generated with 235.7GW installed, up by 8% compared to 2020 (218.3GW). During 2021, 17.4GW have been added as new capacity, of which 14.1GW are onshore and the rest offshore, growing by 18.6% with respect to 2020. Italy accounted for 11.1GW and it is expected to grow at CAGR21-26 of 4.7%, reaching 14GW of cumulative capacity in 2026.

Wind – European Capacity and Annual Additions – 2021 to 2026 (GW)



Source: Wind Energy in Europe – 2021 Statistics and the outlook for 2022-2026 – Wind Europe

Change in Estimates

On the back of FY21 financial results, we have adjusted our 2022-2024 estimates.

Although 2021 experienced an economic rebound driven by the positive sentiments of the vaccination campaign, in 2022 there are some uncertainties about: (i) the ongoing Russian-Ukrainian war that has further increased energy prices - which were already growing even before the conflict due to the global shortage issue - highlighting the importance of reducing foreign energy supply dependence; (ii) the evolution of the pandemic scenario in different regions of the world; (iii) the persistent issue related to global commodity shortages that negatively impact production costs and delays in the supply chain; and (iv) changes in consumer and investment behavior caused by high and non-transitory inflation as initially anticipated by monetary policy maker authorities (e.g. ECB). We note that PLC may benefit from this geopolitical economic environment, which should push up demand for renewable energy. In addition, we believe that the company will be able to capture the opportunity in the Italian renewables market through the PNRR with tangible effects starting from 2023.

We adjusted our revenues mix for 2022-2024 top-line estimates, factoring in: i) the Erection & Installation sluggish FY21 performance, and expecting a gradual recovery during 2022; ii) higher-than-expected growth in EPC-BOT due to growing demand for energy transition to renewable sources, easier administrative process thanks to new government decree (e.g. the on-coming FER2 decree) and growing interest in energy independence. We note that according to the management, 2022 backlog already cover almost 52% of the PLC-IT revenue target, we now foresee total revenues growing at CAGR2021-24 +8.0%, reaching €102.1mn in FY24E (vs our previous estimates at 9.8% and €109mn).

As regards profitability, we prudentially anticipate FY22E EBITDA margin at 10% (almost in line with FY21) reaching 10.8% in 2024, also taking into account: (i) the uncertainties associated to the global shortage of raw materials expected to have an impact until the end of 2022; and (ii) the human resources focus on training that is expected to support company innovation and product offering (e.g. provide remote O&Ms services through AR, AI and IIoT) to capture new clients and improve group's profitability. In absolute terms, we anticipate EBITDA to increase by +9.5% CAGR2021-24, amounting to €11mn in FY24E.

We have also revised the bottom-line estimates, expecting to growth at CAGR2021-24 14.6%, 3.4pp lower than previous estimates due to a lower EBITDA projection, and an unchanged level of D&A. We now anticipate net income to €3.7mn in FY22E (4.4% net margin) with a value of €5.1mn in FY24E (5% net margin).

We have slightly adjusted our FYE22 NFP projection, factoring in the higher-than-expected NWC in 2021 and the lower expected level of revenues and EBITDA in 2023 and 2024. We now foresee net cash position to €0.3mn in FY22E, reaching €2.5mn in 2024, including the €0.09 dividend per share for 2022 and €0.13 dividend per share for 2023 and 2024, as already announced.

Estimates Revision

€ million	2020A	2021A	2022E Old	2022E New	Change	2023E Old	2023E New	Change	2024E Old	2024E New	Change	CAGR 21-24 Old	CAGR 21-24 New
Total Revenues	65.5	75.1	92.0	83.9	-8.9%	100.2	92.5	-7.7%	109.0	102.1	-6.4%	9.8%	8.0%
YoY Change (%)	31.4%	14.6%	10.0%	11.6%		8.8%	10.3%		8.9%	1.9%			
EBITDA	3.4	7.7	9.9	8.4	-15.2%	11.3	9.8	-13.6%	12.1	11.0	-9.2%	12.2%	9.5%
YoY Change (%)	n.m.	126.9%	10.6%	9.3%		14.6%	16.8%		7.1%	-2.8%			
EBITDA Margin	5.2%	10.2%	10.8%	10.0%		11.3%	10.6%		11.1%	10.8%			
EBIT	0.7	4.9	6.6	5.4	-17.8%	7.9	6.5	-17.5%	8.4	7.4	-11.5%	14.4%	11.0%
YoY Change (%)	n.m.	n.m.	8.0%	11.3%		19.4%	19.9%		6.1%	-6.1%			
EBIT Margin	1.0%	6.5%	7.2%	6.5%		7.9%	7.0%		7.7%	7.3%			
Net Income	(0.1)	3.0	4.5	3.7	-17.7%	5.4	4.5	-17.2%	5.7	5.1	-10.9%	17.9%	14.6%
YoY Change (%)	n.m.	n.m.	8.4%	24.6%		20.2%	20.9%		6.3%	-5.3%			
Net Margin	-0.1%	4.0%	4.9%	4.4%		5.4%	4.8%		5.3%	5.0%			
NFP	4.1	2.7	(0.4)	(0.3)	0.1	(3.2)	(1.3)	1.9	(5.8)	(2.5)	3.4		
YoY Change (€mn)	(3.9)	(1.4)	(3.1)	(2.9)		(2.9)	(1.0)		(4.5)	0.7			

Source: Company data, KT&Partners' elaborations

Valuation

Following the projections of PLC's future financials, we carried out the valuations of the company by applying the DCF and market multiples methods. Our fair value is the result of:

- EV/EBITDA and P/E multiples method which returns a share price of €2.25;
- DCF analysis – based on a WACC of 8.5% and 1.5% perpetual growth – which returns a share price of €2.65.

The average of the two methods yields a fair value of €2.65ps or an equity value of €68.85mn.

Valuation Recap

	Equity Value €mn	Value per share €
EV/EBITDA	66.1	2.55
P/E	50.6	1.95
Average Multiples	58.4	2.25
DCF	79.3	3.06
Average	68.85	2.65

Source: Company data, KT&Partners' estimates

Peer Comparison

In order to define PLC's peer sample, we carried out an in-depth analysis of listed companies active in the renewable energy market which provide EPC and/or O&M services. In selecting potential peers, we consider PLC's offering, business model, growth and profitability profile. It is worth noticing that to date PLC's key competitors have largely been private players, whereas the majority of public companies are in most cases also plant-owners and electricity producers.

For peer analysis, we built a sample of six companies (see Appendix).

Market Multiple Valuation

Following our peer analysis, we proceeded with the definition of market multiples of the peer group, focusing on 2021, 2022, 2023 and 2024 data.

Peers Comparison – Market Multiples 2021 – 24

Company Name	Exchange	Market Cap	EV/SALES				EV/EBITDA				EV/EBIT				P/E			
			2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Innovatec SpA	Milan	204	0.8x	0.7x	0.6x	0.5x	5.8x	4.9x	4.3x	3.6x	17.7x	10.4x	7.3x	5.4x	25.8x	17.2x	12.9x	9.2x
Renenergetica SpA	Milan	57	5.7x	5.1x	4.5x	4.3x	14.5x	12.5x	10.6x	9.8x	18.5x	15.3x	12.3x	11.2x	24.2x	17.9x	13.3x	11.1x
Eolus Vind AB Class B	OMXStockholm	266	1.0x	0.7x	0.5x	0.6x	n.m	11.2x	7.0x	7.4x	n.m	11.6x	7.2x	7.6x	n.m	16.2x	9.8x	10.5x
Monadelphous Group Limited	ASX	697	0.6x	0.5x	0.5x	0.5x	12.4x	9.2x	8.2x	7.3x	20.3x	13.5x	11.9x	10.0x	22.9x	21.1x	18.4x	15.4x
Primoris Services Corporation	NASDAQ	1,193	0.6x	0.5x	0.5x	0.5x	7.0x	6.3x	5.8x	5.4x	11.0x	9.9x	8.9x	8.0x	12.0x	9.8x	8.6x	7.4x
Quanta Services, Inc.	NYSE	16,081	1.8x	1.3x	1.2x	1.1x	20.8x	12.9x	11.7x	10.7x	33.8x	24.5x	18.6x	15.8x	39.3x	18.9x	17.0x	14.7x
Average peer group		3,083	1.7x	1.5x	1.3x	1.2x	12.1x	9.5x	7.9x	7.4x	20.3x	14.2x	11.0x	9.7x	24.8x	16.8x	13.3x	11.4x
Median peer group		481	0.9x	0.7x	0.5x	0.5x	12.4x	10.2x	7.6x	7.4x	18.5x	12.6x	10.4x	9.0x	24.2x	17.5x	13.1x	10.8x
PLC SpA	Milan	46	0.7x	0.6x	0.5x	0.5x	6.4x	5.8x	5.0x	4.4x	10.0x	9.0x	7.5x	6.6x	15.6x	12.5x	10.4x	9.1x

Source: Company data, FactSet, KT&Partners' estimates

We based our evaluation upon 2022, 2023 and 2024 EV/EBITDA and P/E multiples, and our estimates of PLC's EBITDA and net income for 2022, 2023 and 2024. Our valuation also includes a 15% liquidity/size discount.

EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
EV/EBITDA Comps	10.2x	7.6x	7.4x
PLC SpA EBITDA	8.4	9.8	11.0
Enterprise value	85.9	74.4	81.1
PLC SpA NFP FY21	2.7	2.7	2.7
Equity Value	83.2	71.8	78.4
Average Equity Value		77.8	
Liquidity Discount		15%	
Equity Value Post-Discount		66.1	
Number of shares (mn)		26	
Value per Share €		2.55	

Source: Company data, FactSet, KT&Partners' estimates

P/E Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
P/E Comps	17.5x	13.1x	10.8x
PLC SpA Net Income	3.7	4.5	5.1
Equity Value	64.8	58.5	55.2
Average Equity Value		59.5	
Liquidity Discount		15%	
Equity Value Post-Discount		50.6	
Number of shares (mn)		26	
Value per Share €		1.95	

DCF Model

We have also conducted our valuation using a four-year DCF model, based on 11% cost of equity, 3% cost of debt and a target capital structure with 29% debt. The cost of equity is a function of the risk-free rate of 2.3% (Italian 10y BTP, 1.5pp higher than our previous research), 4.6% equity risk premium (Damodaran for a mature market, 0.8pp lower than our previous research) and a premium for size and liquidity of 2.8%. We, therefore, obtained 8.5% WACC.

We discounted 2022E–25E annual cash flows and considered a terminal growth rate of 1.5%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

DCF Valuation

€ million	2022E	2023E	2024E	2025E
EBIT	5.4	6.5	7.4	8.4
Taxes	(1.6)	(1.9)	(2.1)	(2.4)
D&A	3.0	3.3	3.6	3.9
Change in Net Working Capital	(1.9)	(2.6)	(2.6)	(2.4)
Change in Funds	1.7	1.9	2.1	2.3
Net Operating Cash Flow	6.6	7.2	8.3	9.7
Net Capex	(3.5)	(3.5)	(3.5)	(3.5)
FCFO	3.1	3.7	4.8	6.2
g	1.5%			
Wacc	8.5%			
FCFO (discounted)	3.0	3.2	3.9	4.6
Discounted Cumulated FCFO	14.7			
TV	90.9			
TV (discounted)	67.3			
Enterprise Value	82.0			
NFP FY21	2.7			
Equity Value	79.3			
Current number of shares (mn)	26.0			
Value per share (€)	3.06			

Source: Company data, FactSet, KT&Partners' estimates

DCF Sensitivity Analysis

€ million	Terminal growth Rate	WACC				
		9.0%	8.7%	8.5%	8.2%	8.0%
	1.0%	69.5	71.9	74.5	77.3	80.3
	1.3%	71.5	74.1	76.8	79.8	83.0
	1.5%	73.6	76.4	79.3	82.5	85.9
	1.8%	75.9	78.8	82.0	85.4	89.1
	2.0%	78.4	81.5	84.9	88.5	92.5

Source: Company data, FactSet, KT&Partners' estimates

Appendix

Glossary

- **BoP:** Balance of Plant. All the supporting components and auxiliary systems of a power plant needed to deliver the energy, other than the generating unit itself
- **BOT:** Build, Operate and Transfer
- **FER 1 Decree:** The New Renewables Decree introduced by the Italian Government that will grant new incentives to renewable energy sources
- **EPC:** Engineering, Procurement and Construction
- **IPP:** Independent Power Producer
- **ISP:** Independent Service Provider
- **HV/MV/LV:** High Voltage/ Medium Voltage/ Low Voltage
- **O&M:** Operation and Maintenance
- **PV:** Photovoltaic

Peer Comparison

Our panel of comparable companies is composed of:

- **Innovatec SpA (INC-IT):** listed on the Borsa Italiana stock exchange with a market capitalization of ca. €204mn. INC-IT engages in the provision of management services and the maintenance of renewable energy production facilities. It operates through the following business units: Energy Efficiency, System Integrator, Building Automation, and Operations and Maintenance. The System Integrator business unit builds turnkey plants to produce energy from renewable sources. The Operations and Maintenance business unit assists companies and investors in the operation of plants for the generation of energy from renewable sources. In FY21, INC-IT reached €238mn of revenues.
- **Renergetica SpA (REN-IT):** listed on the Borsa Italiana stock exchange with a market capitalization of ca. €57mn. REN-IT engages in the design of engineering solutions for the renewable energy sector. It specializes in the development of renewable energy plants, hybrid power generation systems, and hybrid grids. In FY21, REN-IT reached €12mn of revenues.
- **Eolus Vind AB Class B (EOLU.B-SE):** listed on the Stockholm stock exchange with a market capitalization of ca. €266mn. EOLU.B-SE engages in the development, establishment, and operation of wind turbines for electricity generation. In FY21, the company reached €258mn of revenues. It operates through the following segments:
 - The Planning segment involves the design and optimization of the layout of proposed wind parks, studying potential network access, wind measurement and wind data analysis;
 - The Electricity Generation segment covers the production and sale of renewable electricity from the company's facilities;

- The Operation and Management segment focuses on offering package services for the operation and management of constructed wind power plants.
- **Monadelphous Group Limited (MIND-AU):** listed on the Australian Securities Exchange with a market capitalization of ca. €697mn. MIND-AU is a holding company, which engages in the provision of construction, maintenance, and industrial services to the resources, energy, and infrastructure sectors. It operates through the Engineering Construction, Maintenance and Industrial Services divisions. In FY21, the company reached €1.1bn of revenues.
- **Primoris Services Corporation (PRIM):** listed on the Nasdaq stock exchange with a market capitalization of ca. €1.2bn. PRIM is a holding company which engages in the provision of construction, fabrication, maintenance, replacement, and engineering services. It operates through the following segments: Power, Pipeline, Utilities, Transmission, and Civil. In FY21, the company reached €3bn of revenues.
- **Quanta Services, Inc. (PWR-US):** listed on the New York stock exchange with a market capitalization of ca. €16.1bn. PWR-US engages in the provision of specialty contracting services, offering infrastructure solutions to the electric power, oil and gas, and communication industries. It also focuses on the design, installation, upgrade, repair, and maintenance of infrastructure within each of the industries it serves. In FY21, the company reached €11bn of revenues.

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- ADD – FOR A FAIR VALUE > 15% ON CURRENT PRICE
- HOLD – FOR A FAIR VALUE <15% AND >-15% ON CURRENT PRICE
- REDUCE – FOR A FAIR VALUE < -15% ON CURRENT PRICE

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