

COMPANY UPDATE



ADD

Fair Value: €1.99 (€1.90)
Price: €1.14
Upside: 75%

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Market Data:	
Main Shareholders	
Fraes Srl	73.5%
Emanuel Muntmark	5.7%
Free Float	20.8%
Mkt Cap (€ mn)	29.5
EV (€ mn)	36.8
Shares out.	26.0
Free Float	20.8%

Market multiples	2019	2020	2021
EV/EBITDA			
PLC SpA	n.m.	5.8x	4.1x
Comps median	9.2x	9.2x	7.8x
Delta	n.m.	-37%	-48%
P/E			
PLC SpA	n.m.	13.2x	7.8x
Comps median	18.7x	18.6x	13.6x
Delta	n.m.	-29%	-43%

Stock Data:	
52 Wk High (€)	1.79
52 Wk Low (€)	1.11
Avg. Daily Trading 90d	8,771
Price Change 1w (%)	-8.47
Price Change 1m (%)	-13.36
Price Change YTD (%)	-24.83

O&M proved PLC business resilience

€ Million	FY 17	FY 18	FY 19	FY 20E	FY 21E	FY 22E	FY 23E
Total Revenues	32.6	49.9	45.6	63.2	79.5	87.0	94.9
EBITDA	9.3	7.3	0.4	6.4	8.4	10.2	11.7
margin	28.6%	14.7%	0.9%	10.1%	10.5%	11.7%	12.4%
Net Profit	7.1	4.9	(2.5)	3.0	4.2	5.1	6.2
margin	21.8%	9.9%	-5.4%	4.7%	5.3%	5.9%	6.6%
EPS	0.28	0.19	-0.09	0.11	0.16	0.20	0.24

COVID-19 Effects. Pandemic effects have been tough on the EPC business, causing the halting of ongoing construction projects and the postponement of new projects. Despite that, PLC, thanks to its sound business mix, kept operating on O&M activities that were certified as necessary and not deferrable.

Closing Several Deals. PLC closed two BOT projects, selling two projects (C&C Castelvetero Srl and C&C Uno Energy Srl) to Enel Green Power, improving NFP by ca. €1.8mn, following the partial cash-in of the sale. Furthermore, the company is in the process of selling two other projects: C&C Tre Energy S.r.l. and Solar Projects One S.r.l.. On the construction side, in July 2020 PLC signed an agreement for a wind power plant of 48MW for a total consideration of €2.1mn. The plant is expected to be completed in the first months of 2021.

1H20 Results. In the first six months of the year, PLC registered revenues for €24.4mn (+50% YoY), of which €18.9mn came from the O&M business (vs €11.9mn in 1H19) and €5.5mn came from EPC-BOT activities (compared to €4.3mn in 1H19). On the profitability side, EBITDA was positive at €1.1mn, improving by ca. €2.6mn when compared to 1H19. Indeed 1H19 results were impacted by the delay of the FER 1 Decree that provided incentives for renewable energies.

Financial Forecast. 1H20 results were basically in line with our estimates both on revenue and EBITDA levels. However, considering the postponement of some EPC projects, we lowered our revenue and EBITDA 2020 assumptions by ca. 5% and 8%, respectively. For the 2021-24 period, instead, we maintained unchanged our assumption on top line and EBITDA profitability. Finally, we slightly increased our D&A costs estimates, following the higher than expected costs of 1H20. The change in D&A resulted in lower EBIT and net income margins for the period 2020-22.

Valuation. On the back of a) the lower marginality expected, b) the impact of COVID-19 on EPC business, and c) the lower cost of capital when compared to the highly uncertain period in the summer of 2020, our PLC fair value result equals €1.99ps (basically in line with our previous fair value of €1.90). Our new valuation - based on both DCF and the market multiples model - returns an average equity value of €52mn (previously €49.5mn), a potential upside of ca. 75% on the current market price.

Relative Performance Chart YTD



Source: Company Data, KT&Partners' Elaborations

PLC - Key Figures

	Current price (€)	Fair Value (€)	Sector				Free Float (%)
	1.14	1.99	Renewable Energy				20.8
Per Share Data							
	2017A	2018A	2019A	2020E	2021E	2022E	2023E
Total shares outstanding (mn)	25.96	25.96	25.96	25.96	25.96	25.96	25.96
EPS	0.27	0.19	0.09	0.09	0.15	0.18	0.22
Dividend per share (ord)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend pay out ratio (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Profit and Loss (EUR million)							
Revenues	32.6	49.9	45.6	60.0	79.5	87.0	94.8
EBITDA	9.3	7.3	0.4	5.9	8.4	10.2	11.7
EBIT	8.8	6.7	1.6	3.3	5.5	6.8	8.2
EBT	8.5	6.4	2.2	3.1	5.3	6.6	8.0
Taxes	(1.3)	(1.5)	(0.2)	(0.9)	(1.5)	(1.9)	(2.3)
Tax rate	16%	24%	-10%	29%	29%	29%	29%
Net Income attributable to the Group	7.1	4.9	2.5	2.2	3.8	4.7	5.7
Balance Sheet (EUR million)							
Total fixed assets	16.2	26.3	28.6	29.4	29.6	29.8	29.7
Net Working Capital (NWC)	1.9	(1.5)	5.7	7.8	12.4	14.6	16.8
Provisions	(0.9)	(1.2)	(1.6)	(3.0)	(4.6)	(6.4)	(8.4)
Total Net capital employed	19.4	31.6	32.7	34.3	39.4	39.9	40.2
Net financial position/(Cash)	1.3	7.3	8.0	7.4	8.7	4.5	(0.9)
Total Shareholder's Equity	18.2	24.4	24.7	26.9	30.7	35.4	41.1
Cash Flow (EUR million)							
Net operating cash flow	-	5.8	0.2	4.9	6.8	8.2	9.3
Change in NWC	-	3.4	(7.2)	(2.1)	(4.6)	(2.2)	(2.2)
Capital expenditure	-	(22.0)	4.4	(3.0)	(5.0)	(3.5)	(3.5)
Other cash items/Uses of funds	-	4.4	0.4	1.3	1.7	1.8	1.9
Free cash flow	-	(8.4)	(2.1)	1.1	(1.1)	4.3	5.6
Enterprise Value (EUR million)							
Market Cap	4.7	45.4	41.0	29.5	29.5	29.5	29.5
Minorities	-	0	0	0	0	0	0
Net financial position/(Cash)	1.3	7.3	8.0	7.4	8.7	4.5	(0.9)
Enterprise value	n.a.	n.a.	49	37	38	34	29
Ratios (%)							
EBITDA margin	28.6%	14.7%	0.9%	9.8%	10.5%	11.7%	12.4%
EBIT margin	26.9%	13.4%	-3.4%	5.6%	7.0%	7.8%	8.7%
Gearing - Debt/equity	6.9%	29.9%	32.4%	27.4%	28.2%	12.8%	-2.1%
Interest cover on EBIT	2487.2%	3.5%	-32.1%	6.3%	3.8%	3.1%	2.6%
NFP/EBITDA	0.1x	1.0x	20.0x	1.3x	1.0x	0.4x	-0.1x
ROCE	45.1%	21.2%	-4.8%	9.8%	14.1%	17.0%	20.4%
ROE	39.2%	20.3%	-10.0%	8.3%	12.3%	13.2%	13.8%
EV/Sales	1.0x	0.7x	0.7x	0.6x	0.4x	0.4x	0.4x
EV/EBITDA	3.7x	4.7x	n.m.	5.8x	4.1x	3.4x	2.9x
P/E	0.7x	9.2x	-16.7x	13.2x	7.8x	6.3x	5.2x
Free cash flow yield	0.00	-0.18	-0.05	0.02	-0.02	0.09	0.12
Growth Rates (%)							
Sales	n.a.	n.m.	-8.6%	31.6%	32.4%	9.4%	9.0%
EBITDA	n.a.	n.m.	-94.5%	1377.3%	42.2%	21.1%	15.5%
EBIT	n.a.	n.m.	-123.4%	-313.7%	65.4%	22.9%	20.6%
Net Income	n.a.	n.m.	-133.5%	-193.7%	69.8%	23.9%	21.2%

Source: Company Data, KT&Partners' Elaborations

Company Overview

PLC SpA is a leading operator in the Italian **renewable energy market**, offering **EPC** (Engineering Procurement and Construction), **BOT** (Build, 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)**.

1H20 Financial Results

COVID-19 has been a “natural” test of PLC's business model that confirmed the company's resilience. The Group's strategy implemented over the last few years, aimed at increasing the O&M recurring revenues, allowed the company to mitigate COVID-19's economic impact. Indeed, despite the lockdown period and market uncertainty caused the postponement of some EPC projects, PLC maintained kept operating and generating positive results by relying on the O&M activities. Indeed, O&M activities have been deemed as necessary and not deferrable by government decree during lockdown period.

1H20 revenues reached €24.4mn, growing by 50% YoY, mainly thanks to the growth of the O&M business (+58% YoY) which reached €18.9mn. EPC business grew at a slower than expected pace (+28% YoY) due to COVID-19, which partially halted construction activities and postponed the new projects and investments. On the other hand, the sales of the BOT projects to Enel impacted positively on revenues thanks to the capital gain on sales.

In the first half of 2020, EBITDA came back to positive ground, reaching €1.1mn from the negative result of €-1.5mn of 1H19. The main contributors to PLC's profitability are: a) the sale of two projects (BOT) to Enel Green Power occurred in the first half of the year, which positively impacted both revenues and EBITDA by ca. €2mn; b) O&M activities which generated an EBITDA margin of ca. 10% contributing to PLC's EBITDA by €1.9mn (before overhead and holding costs).

The bottom line in 1H20 was negative at €0.4mn, growing by ca. €2mn with respect to 1H19 results. Net profit has been impacted by D&A costs by €1.3mn - higher than our expectations due to the amortization of Monsoon and Progeo intangible assets - and by higher than expected net financial expenses.

Looking at the financial side of the company, we note that 1H20 net financial position improved by ca. €3.5mn thanks to both BOT projects sales and to positive operating results. 1H20 NFP was equal to €4.4mn (€8.0mn at the end of 2019).

Income statement 1H18-1H20

€ thousand	1H18	1H19	1H20	YoY %
EPC - BOT	19.1	4.3	5.5	28.2%
O&M	5.5	11.9	18.9	58.2%
Total Revenues	24.5	16.3	24.4	50.2%
Products and Raw materials	(6.3)	(2.4)	(4.3)	
Gross Profit	18.2	13.8	20.2	45.7%
<i>Gross Margin</i>	74.4%	85.1%	82.5%	
Cost of Services	(6.8)	(7.2)	(8.8)	
Personnel Expenses	(4.5)	(6.9)	(9.2)	
Other Operating Expenses	(0.6)	(1.2)	(1.0)	
EBITDA	6.4	(1.5)	1.1	n.m.
<i>EBITDA margin</i>	25.9%	-9.4%	4.7%	
D&A and Provisions	(0.3)	(0.5)	(1.3)	
EBIT	6.1	(2.0)	(0.2)	n.m.
<i>EBIT margin</i>	24.8%	-12.3%	-0.9%	
Financial Income and Expenses	(0.0)	(0.3)	(0.5)	
Income (Charges) from shareholdings	0.0	(0.0)	(0.0)	
Profit (Loss) from discontinued operations	-	-		
EBT	6.1	(2.4)	(0.8)	n.m.
Taxes	(1.9)	(0.2)	0.3	
<i>Tax Rate</i>	31.9%	-8.1%	45.7%	
Net Income	4.1	(2.5)	(0.4)	n.m.
<i>Net margin</i>	16.9%	-15.7%	-1.7%	
Total other components of comprehensive income	-	-	(0.0)	
Total Net Income	4.1	(2.5)	(0.4)	n.m.
<i>Net margin</i>	16.9%	-15.7%	-1.8%	
Minorities	(0.0)	(0.0)	(0.1)	
Net Income attributable to the Group	4.1	(2.5)	(0.4)	n.m.
<i>Net margin</i>	16.9%	-15.7%	-1.5%	

Source: Company Data

Change in Estimates

1H20 results were basically in line with our estimates both at the revenue and the EBITDA level.

However, following the postponement of some EPC projects due to the COVID-19 pandemic, we slightly reduced our 2020 revenue (-5%) and EBITDA (-8%) estimates, while maintaining basically unchanged future years' projections of both revenues and EBITDA.

Furthermore, on the EBIT level, we slightly increased our D&A estimates for the period 2020-22, following the higher than expected D&A registered in 1H20.

The higher D&A also impacted net profit estimates.

Key financial indicators can be summed up as follows:

- FY20E revenues of €60.0, reaching €87.0mn in FY22E (24% CAGR FY19A-FY22E);
- FY20E EBITDA of €5.9mn, growing at €10.2mn in FY22E;
- FY20E net income for €2.2mn, reaching €4.7mn in FY22E.

Change in Estimates 2020-22

€ mn	2019 Actual	2020E Old	2020E New	Change	2021E Old	2021E New	Change	2022E Old	2022E New	Change	CAGR 2019-22
Revenues	45.6	63.2	60.0	-5.0%	79.5	79.5	0.0%	87.0	87.0	0.0%	24.0%
YoY Change (%)	-8.6%	26.7%	20.3%		25.8%	32.4%		9.4%	9.4%		
EBITDA	0.4	6.4	5.9	-8.0%	8.4	8.4	0.0%	10.2	10.2	0.0%	194.1%
YoY Change (%)	-94.5%	-12.5%	-19.4%		31.0%	42.2%		21.0%	21.1%		
EBITDA Margin	0.9%	10.1%	9.8%		10.6%	10.5%		11.7%	11.7%		
EBIT	(1.6)	4.4	3.3	-24.0%	6.1	5.5	-9.1%	7.4	6.8	-8.1%	-263.2%
YoY Change (%)	-123.4%	-34.3%	-50.1%		38.2%	65.4%		21.6%	22.9%		
EBIT Margin	-3.4%	7.0%	5.6%		7.7%	7.0%		8.5%	7.8%		
Net Income	(2.4)	3.0	2.2	-25.3%	4.2	3.8	-9.4%	5.1	4.7	-8.3%	-225.4%
YoY Change (%)	-148.3%	-39.4%	-54.7%		40.1%	69.8%		22.3%	23.9%		
EBIT Margin	-5.2%	4.7%	3.7%		5.3%	4.8%		5.9%	5.4%		
NFP	8.0	7.3	7.4	0.5%	8.6	8.7	0.6%	4.2	4.5	9.0%	
YoY Change (%)	10.0%	1.00%	1.5%		17.18%	17.3%		-51.55%	-47.5%		

Source: Company Data

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 €1.89;
- **DCF analysis** - based on a WACC of 9.7% and 1.5% perpetual growth - which returns a share price of €2.09.

The average of the two methods yields a fair value of €2.01ps or an equity value of €51.7mn.

Valuation Recap

	Equity Value €mn	Value per share €
DCF	54.2	2.09
Multiples	49.1	1.89
Average	51.6	1.99

Source: KT&Partners' Elaborations

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 seven companies (see appendix).

We also compared the peers' historical growth rates and marginalities with PLC's historical financials. By looking at revenue growth, PLC outperformed its comparables by ca. 5%, growing at the higher pace of 18.3% CAGR2017-19. With the exception of FY19, PLC also showed a higher EBITDA margin (28.6% vs 13.9% in FY17 and 14.7% vs 13.6% in FY18).

Peer Comparison - Revenue (€mn) and Revenue CAGR (%)

Company Name	Sales				CAGR17-19	Sales			CAGR 2019-22
	2017	2018	2019			2020	2021	2022	
Innovatec SpA	41	30	43	2.7%	n.a.	n.a.	n.a.	n.a.	
Renergetica SpA	2	5	8	n.m.	11	14	15	23.7%	
Eolus Vind AB Class B	111	136	194	32.3%	133	485	266	11.2%	
Monadelphous Group Limited	861	1,127	926	3.7%	1,002	1,037	1,095	5.8%	
Primoris Services Corporation	2,110	2,492	2,775	14.7%	2,873	2,900	n.a.	n.a.	
Quanta Services, Inc.	8,393	9,469	10,822	13.6%	9,525	10,147	10,623	-0.6%	
Windlab Ltd.	16	2	3	-60.0%	n.a.	n.a.	n.a.	n.a.	
Peers Average	1,648	1,894	2,110	13.2%	2,709	2,917	3,000	12.4%	
PLC SpA	33	50	46	18.3%	60	79	87	24.0%	

Source: FactSet

Peer Comparison - EBITDA Margin, EBIT Margin and Net Margin

Company Name	EBITDA Margin						EBIT Margin						Net Margin					
	2017	2018	2019	2020	2021	2022	2017	2018	2019	2020	2021	2022	2017	2018	2019	2020	2021	2022
Innovatec SpA	0.4%	35.3%	34.8%	n.a.	n.a.	n.a.	neg	25.3%	29.9%	n.a.	n.a.	n.a.	7.9%	55.8%	11.8%	n.a.	n.a.	n.a.
Reenergetica SpA	5.2%	10.1%	52.1%	51.0%	48.6%	48.9%	2.7%	neg	58.1%	41.9%	43.4%	40.2%	6.1%	18.6%	21.4%	31.2%	32.6%	33.8%
Eolus Vind AB Class B	5.4%	15.0%	7.0%	17.0%	7.4%	8.3%	4.0%	14.4%	6.7%	16.6%	7.3%	13.3%	2.4%	14.2%	6.5%	15.3%	5.8%	6.3%
Monadelphous Group Limited	7.4%	6.4%	6.1%	5.6%	6.5%	6.8%	5.9%	5.4%	4.7%	3.8%	4.6%	4.3%	4.6%	4.1%	3.4%	2.2%	3.1%	3.4%
Primoris Services Corporation	7.3%	7.6%	7.3%	6.3%	6.5%	n.a.	4.5%	4.9%	4.5%	4.0%	4.1%	n.a.	3.0%	2.6%	2.7%	2.4%	2.6%	n.a.
Quanta Services, Inc.	6.8%	7.5%	7.1%	8.3%	9.0%	9.2%	4.6%	5.2%	4.8%	5.1%	6.0%	5.8%	3.3%	2.6%	3.3%	3.3%	4.0%	4.4%
Windlab Ltd.	64.5%	neg	neg	n.a.	n.a.	n.a.	63.9%	neg	neg	n.a.	n.a.	n.a.	41.1%	neg	neg	n.a.	n.a.	n.a.
Peers Average	13.9%	13.6%	19.1%	17.7%	15.6%	18.3%	14.3%	11.0%	18.1%	14.3%	13.1%	15.9%	9.8%	16.3%	8.2%	10.9%	9.6%	12.0%
PLC SpA	28.6%	14.7%	0.9%	9.8%	10.5%	11.7%	26.9%	13.4%	neg	5.6%	7.0%	7.8%	21.8%	9.9%	neg	3.7%	4.8%	5.4%

Source: FactSet

Market Multiple Valuation

Following our peer analysis, we proceeded with the definition of market multiples of the peer group, focusing on 2020, 2021, and 2022 data.

Peers Comparison - Market Multiples 2020-22

Company Name	Exchange	Market Cap	EV/SALES			EV/EBITDA			EV/EBIT			P/E				
			2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022		
Innovatec SpA	Milan	38	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Reenergetica SpA	Milan	33	3.4x	2.7x	2.5x	6.8x	5.6x	5.2x	8.2x	6.3x	6.3x	10.5x	8.0x	7.1x		
Eolus Vind AB Class B	OMXStockholm	387	2.6x	0.7x	1.3x	15.4x	9.8x	15.9x	15.8x	9.9x	9.9x	18.6x	13.6x	22.6x		
Monadelphous Group Limited	ASX	593	0.5x	0.5x	0.5x	9.2x	7.8x	7.0x	13.8x	11.0x	11.0x	25.4x	17.5x	15.3x		
Primoris Services Corporation	NASDAQ	801	0.4x	0.4x	n.a.	6.6x	6.3x	n.a.	10.5x	10.1x	10.1x	11.8x	10.8x	n.a.		
Quanta Services, Inc.	NYSE	7,293	0.9x	0.8x	0.8x	10.5x	9.1x	8.5x	17.2x	13.5x	13.5x	18.9x	15.6x	13.9x		
Windlab Ltd.	ASX	42	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Average peer group		1,312	1.6x	1.0x	1.3x	9.7x	7.7x	9.2x	13.1x	10.2x	10.2x	17.1x	13.1x	14.7x		
Median peer group		387	0.9x	0.7x	1.1x	9.2x	7.8x	7.8x	13.8x	10.1x	10.1x	18.6x	13.6x	14.6x		
PLC SpA	Milan	30	0.6x	0.4x	0.4x	5.8x	4.1x	3.4x	10.2x	6.2x	5.0x	13.2x	7.8x	6.3x		

Source: FactSet, KT&Partners' Elaborations

We based our evaluation upon 2020, 2021 and 2022 EV/EBITDA and P/E multiples, and our estimates of PLC's EBITDA and net income for 2020, 2021 and 2022. Our valuation also includes a 15% liquidity/size discount.

EV/EBITDA Multiple Valuation P/E Multiple Valuation

Multiple Valuation (€mn)	2020E	2021E	2022E	Multiple Valuation (€mn)	2020E	2021E	2022E
EV/EBITDA Comps	9.2x	7.8x	7.8x	P/E Comps	18.6x	13.6x	14.6x
PLC SpA EBITDA	5.9	8.4	10.2	PLC SpA Net Income	2.2	3.8	4.7
Enterprise value	54.3	65.3	78.9	Equity Value	41.5	51.6	68.4
PLC SpA NFP 1H20	4.6	4.6	4.6	Average Equity Value		53.8	
Equity Value	49.8	60.8	74.3	Liquidity Discount		15%	
Average Equity Value		61.6		Equity Value Post-Discount		45.8	
Liquidity Discount		15%		Number of shares (thousand)		26	
Equity Value Post-Discount		52.4		Value per Share €		1.76	
Number of shares (mn)		26					
Value per Share €		2.02					

Source: FactSet, KT&Partners' Elaborations

DCF Model

We have also conducted our valuation using a four-year DCF model, based on 12.0% cost of equity, 3% cost of debt and a target capital structure with 30% debt.¹ The cost of equity is a function of the risk-free rate of 0.9% (Italian 10y BTP), 5.81% equity risk premium (Damodaran for a mature market - June 2020) and a premium for size and liquidity of 3.5%. We, therefore, obtained 10.0% WACC.

We discounted 2020E-23E 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

€ thousand	2020E	2021E	2022E	2023E
EBIT	3.3	5.5	6.8	8.2
Taxes	(1.0)	(1.6)	(2.0)	(2.4)
D&A	2.5	2.8	3.3	3.5
Change in Net Working Capital	(2.1)	(4.6)	(2.2)	(2.2)
Change in Funds	1.3	1.7	1.8	1.9
Net Operating Cash Flow	4.1	3.9	7.8	9.1
Net Capex	(3.0)	(5.0)	(3.5)	(3.5)
FCFO	1.1	(1.1)	4.3	5.6
g	1.5%			
Wacc	9.7%			
FCFO (discounted)	1.1	(1.0)	3.5	4.1
Discounted Cumulated FCFO	7.7			
TV	68.7			
TV (discounted)	51.1			
Enterprise Value	58.8			
NFP 1H20	4.6			
Equity Value	54.2			

Current number of shares (mn) 26.0

Value per share (€) 2.09

Source: FactSet, KT&Partners' Elaborations

DCF Sensitivity Analysis

€ thousand	Terminal growth Rate	WACC				
		10.2%	10.0%	9.7%	9.5%	9.2%
	1.0%	47.7	49.3	51.1	52.9	54.8
	1.3%	49.1	50.8	52.6	54.5	56.6
	1.5%	50.5	52.3	54.2	56.2	58.4
	1.8%	52.0	53.9	55.9	58.1	60.4
	2.0%	53.6	55.6	57.8	60.1	62.5

Source: FactSet, KT&Partners' Elaborations

¹ Source: Damodaran for Engineering & Construction and Electrical Equipment sectors.

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 Companies

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. €38mn. 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 FY19, INC-IT reached €43mn of revenues.
- **Renenergetica SpA (REN-IT):** listed on the Borsa Italiana stock exchange with a market capitalization of ca. €33mn. 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 FY18, REN-IT reached €8mn of revenues.
- **Eolus Vind AB Class B (EOLU.B-SE):** listed on the Stockholm Stock Exchange with a market capitalization of ca. €387mn. EOLU.B-SE engages in the development, establishment, and operation of wind turbines for electricity generation. In FY19, the company reached €194mn of revenues. It operates through the following segments:
 - The Planning segment (98.8%) 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 (0.9%) covers the production and sale of renewable electricity from the company's facilities;

-
- The Operation and Management segment (0.3%) 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. €593mn. 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 FY19, the company reached €926mn of revenues.
 - **Primoris Services Corporation (PRIM):** listed on the NASDAQ Stock Exchange with a market capitalization of ca. €801mn. 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 FY19, the company reached €2.8bn of revenues. The Power, Utilities and Transmission segments accounted for 23.5%, 28.5% and 16% of total revenues, respectively.
 - **Quanta Services, Inc. (PWR-US):** listed on the New York Stock Exchange with a market capitalization of ca. €7.3bn. 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 FY19, the company reached €10.8bn of revenues. The Electric Power Infrastructure Services segment accounted for 58.8% of FY19 total revenues.
 - **Windlab Ltd. (WIND-AU):** listed on the Australian Securities Exchange with a market capitalization of ca. €42mn. WIND-AU is a renewable energy wind development company which engages in the development of wind energy applications. It operates through the following business segments: Asset Management, Developments, and Other. It participates in wind generation projects and the asset management of operating wind farms. In FY19, the company reached €3mn of revenues.
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