

Company: **Comal S.p.A.** Rating: **BUY** Target Price: **€5.4**

Sector: **Renewable Energy**

Rapid growth poses sustainability challenge

1H24: VoP up 163% with major deliveries expected in 2H24; margin stable

VoP increased from €47.0m in 1H23 to €123.7m in 1H24 (+163.1% yoy), which represents 82% of our previous FY24E (€181m) [Please refer to our Initial Coverage on April 17th, 2024]. Growth was primarily driven by changes in work in progress, with major deliveries expected by year-end to significantly boost revenue, which recorded a 10.3% yoy increase to €29.0m in 1H24. In the revenue breakdown, EPC accounted for €23.4m (+105% yoy), Supply disappointed with only €3.7m (-71% yoy) and O&M for €1.8m (+6% yoy). The lag in Supply sales is expected to be made up in the second half of the year with the delivery of some important orders. EBITDA reached €9.3m (+122% yoy), accounting for 74% of our previous FY24E (€12.5m); however, the margin remained broadly stable at 7.5% compared to FY23 and was down 140bps on 1H23, mainly due to higher raw material costs. Net profit more than doubled to €4.3m (+163% yoy). By the end of June, Net Debt rose to €41.1m from €30.2m at the end of 2023, for the increase in NOWC.

Strategic update: new PV factory and €4.8m capital increase

Comal continues to be focused on expanding its business both in Italy and abroad, investing in research and development to enhance customer solutions, optimizing processes and internalizing production to leverage the growing demand for photovoltaics amid the global energy transition. On July 24, 2024, the Company announced the acquisition of an industrial site in L'Aquila to establish the factory for high-efficiency PV modules (resulting from the tender "Next Appennino | Measure B1.2 - B3.3"), with the inauguration still targeted for June 2025. In the same month, Comal completed a €4.8m capital increase to strengthen its financial position and support its growth initiatives.

FY24-26E estimates fine-tuning

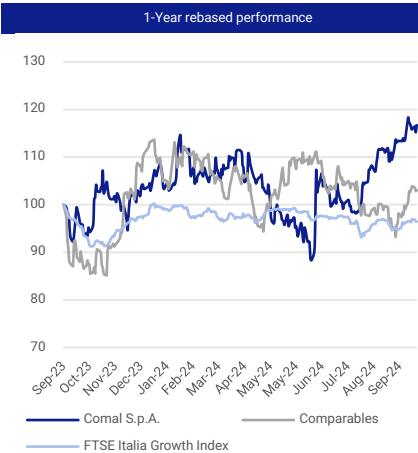
In response to the half-year results, we have increased our projected VoP growth to a 22% CAGR for FY24-26E, up from 21%, now forecasting FY24E VoP to reach €181.0m (from previous €151.5m). We have adjusted our expectations for the revenue mix, projecting the share of Supply revenue to revert to last year's level of 37% in FY24E (down from 50%), with gradual growth to 53% by FY26E. EBITDA is now anticipated to reach €14.7m in FY24E (from previous €12.5m), although the margin is slightly lowered to 8.1% (from 8.3%). Our revised production mix has led us to adopt a more conservative outlook also on margin growth for the coming years. Following a €4.8m capital increase in July, we now expect Net Debt to reach €44.0m by year-end (down from €46.8m), equating to 3.0x EBITDA, with stabilization and gradual decline projected in coming years.

Valuation: 12-month TP raised to €5.4/share; BUY confirmed

Our updated DCF estimates project cumulative FCFs of €20.2m for 2025-28E, a significant increase from the previous €2.8m for 2024-28E. This difference mainly stems from excluding FY24E FCF from the new valuation. The Terminal Value has also risen to €10.0m (from €7.0m), while the WACC increased to 8.9% (previously 7.8%). Overall, these adjustments lead to an updated fair value estimate of €5.7/share (up from previous €4.0/share). For the relative valuation, we advanced by one year and applied the peer group's median EV/EBITDA multiple for FY25E, which is 6.1x, above Comal's current trading multiple of 4.4x (as of October 1st, 2024). This adjustment results in a fair value of €5.1/share, down from the previous €5.7/share. Reflecting the updated valuations, we have raised our 12-month target price (TP) from €4.8 to €5.4 per share [Please refer to our Flashnote on August 30th, 2024]. Given the upside potential between Comal's current closing price and our target, we reiterate our BUY recommendation.

October 7th, 2024 at 18:00

Company Profile				
Bloomberg				CML IM
FactSet				CML-IT
Stock exchange				Italian Stock Exchange
Reference Index				FTSE Italia Growth Index
Market Data				
Price (as of October 1 st , 2024)				€ 3.9
Number of shares (mln)				13.1
Market cap. (mln)				€ 50.4
1-Year Performance				
Absolute				16.7%
Max/Min				3.9/2.9
(€/mln)	FY23	FY24E	FY25E	FY26E
Value of Production	136.2	181.0	203.2	245.4
	yoy 75.1%	32.9%	12.2%	20.8%
EBITDA	10.0	14.7	18.1	22.3
	EBITDA margin 7.4%	8.1%	8.9%	9.1%
EBIT	8.3	12.6	15.1	18.7
	EBIT margin 6.1%	7.0%	7.4%	7.6%
Net Income	4.1	5.9	7.4	10.0
	Net Profit margin 3.0%	3.3%	3.6%	4.1%
Net Financial Position (Cash)	30.2	44.0	46.5	45.6
Shareholders' equity	19.8	30.5	37.9	47.9
Net Operating Working Capital	37.0	57.5	66.4	78.6
CapEx	4.3	5.6	7.9	1.7
Free Cash Flow	(7.7)	(15.0)	(3.0)	3.2



Francesca Sabatini

Head of Equity Research

francesca.sabatini@bancaprofilo.it

+39 02 58408 461

Enrico Luca, CFA

Equity Research Analyst

enrico.luca@bancaprofilo.it

+39 02 58408 752

Sales Desk

+39 02 58408 478

SWOT analysis

STRENGTHS

- Know-how and proven track record in delivering projects with the EPC-M formula
- A growing portfolio of orders
- Close commercial relationships over the national territory
- Patent for advanced and highly technological tracker device
- Booming reference market incentivised by governments
- Vertical integration

WEAKNESSES

- Strong exposure to a single country (Italy) and technology (solar PV)
- Rising financing costs
- High exposure to the regulatory framework
- Financial risks arising from the back-end-loaded cash generation profile of the business
- Dependence on capital-intensive bidding process to win new contracts
- Strong competition and reduction of the added value in full EPC contracts

OPPORTUNITY

- International expansion
- Strengthening O&M by capitalising on revamping needs
- Diversification in other renewable technologies

THREATS

- Regulatory and technological changes
- Impressive growth to be managed
- Difficulties in finding qualified personnel in the areas where the Company operates
- Weather-related risks in the EPC-M business

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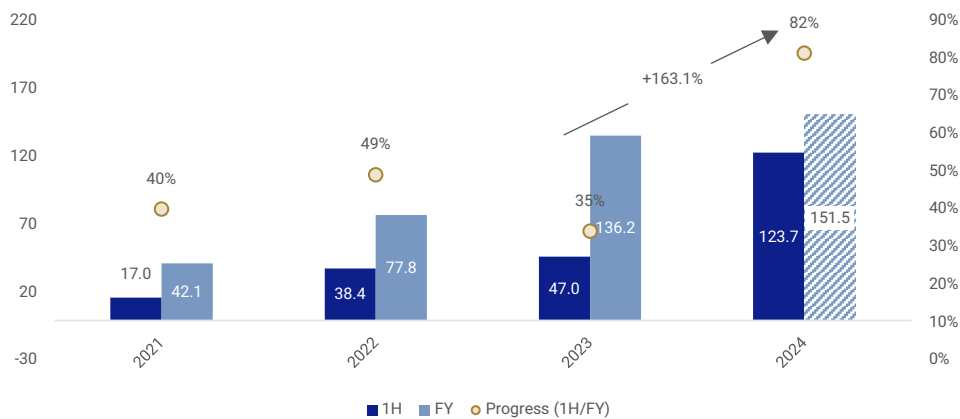
1H24 results

1H24 VoP surged by 163.1% yoy to €123.7mln

In the first half of 2024, Comal's Value of Production (VoP) maintained its impressive growth trajectory, soaring by 163.1% yoy from €47.0mln to €123.7mln, which represents 82% of our previous FY24E estimate of €151.5mln [Please refer to our Initial Coverage on 18th April 2024].

The growth is primarily driven by an increase in the value of work in progress. As the leading company in the Italian market, Comal has consistently secured higher-value contracts over the years, which naturally come with extended timelines. With several of these high-value projects nearing completion, a significant boost in revenue is expected by year-end. In the first half of the year, revenues already showed a modest increase of 10.3% yoy, rising from €26.3mln to €29.0mln.

Figure 1: VoP 1H21-1H24 (€/mln)



Source: Banca Profilo elaborations on Company data

Figure 2: Revenue and VoP 1H21-1H24 (€/mln)



Source: Banca Profilo elaborations on Company data

1H24 Revenue breakdown:
 EPC-M (81%)
 Supply (13%)
 O&M (6%)
 Other (1%)

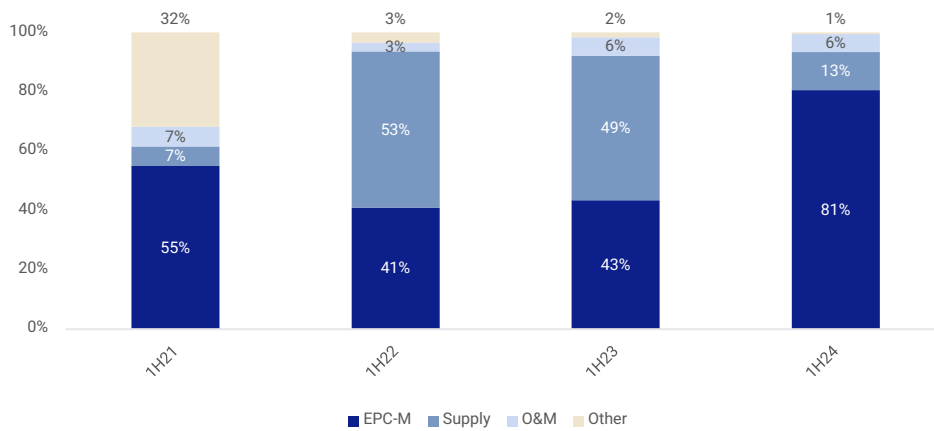
The primary revenue driver is the EPC-M (Engineering, Procurement, Construction Management) business, along with the supply of support structures for PV modules, which together reached €27.1mln in 1H24, representing 93% of total revenue. In 1H24, revenue from solar tracker supply unexpectedly dropped to 13%, mainly due to the ongoing completion of several supply orders that are expected to recover incidence by year-end.

O&M (Operation and Maintenance) contributed 6% of total revenue in 1H24 and is anticipated to smoothly grow as it is closely linked to the EPC-M business and project deliveries.

The “Other” category includes revenue from BOS (Balance of System), electrical construction and industrial plant maintenance within the conventional power sector.

All 1H24 revenue was generated within Italy.

Figure 3: Revenue breakdown by segment 1H21–1H24



Source: Banca Profilo elaborations on Company data

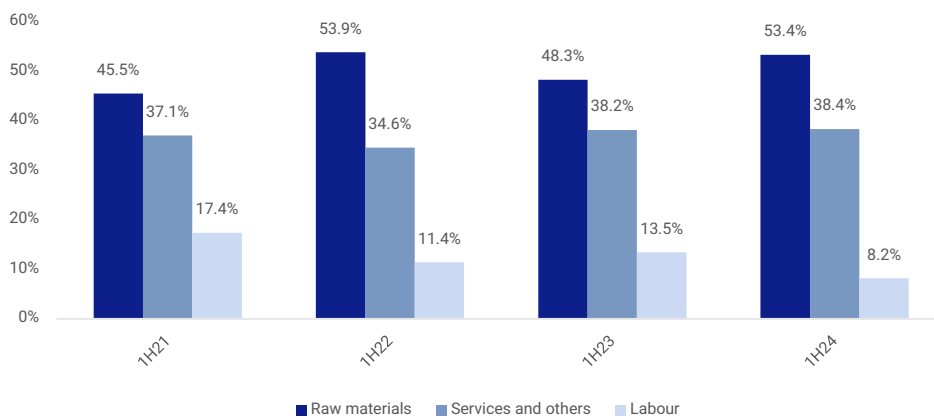
Raw material costs dominate cost structure – 53% of VoP in 1H24

The cost structure is primarily driven by raw material expenses, which have grown increasingly significant in recent years. In the first six months of this year, their impact has risen once again to 53.4%, approaching levels seen in 2022.

In second place are service and other costs, which have remained relatively stable yoy at 38.4% of the VoP. The most significant components of these costs include subcontracted work and site-specific expenses, such as supervision costs.

Despite the significant expansion of the Company's workforce, which reached 331 employees as of June 30, 2024, labour costs notably decreased in the first half of 2024, representing just 8.2% of the VoP.

Figure 4: Incidence of costs on VoP 1H21–1H24



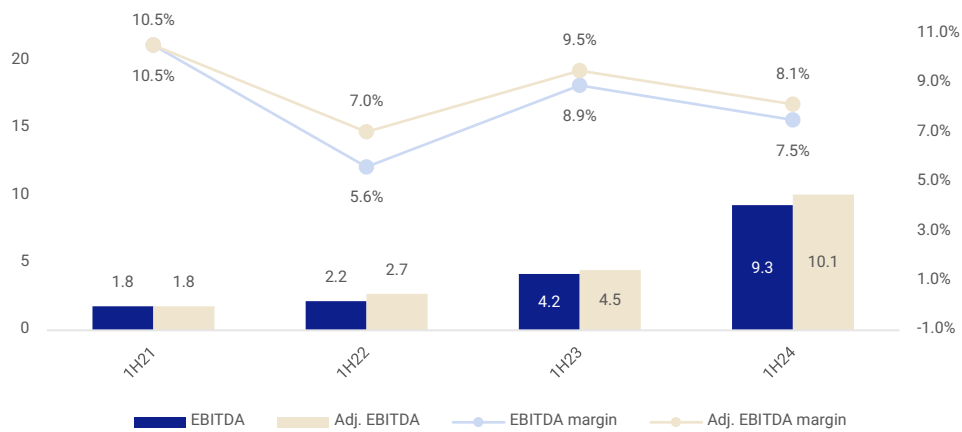
Source: Banca Profilo elaborations on Company data

1H24 EBITDA soared to €9.3mIn, but margin fell to 7.5%

In the first half of 2024, EBITDA soared to €9.3mIn, reflecting a 122% yoy increase from €4.2mIn in 1H23. Despite this strong growth, the EBITDA margin declined by 140bps, falling from 8.9% to 7.5%. This decrease was mainly driven by higher raw material costs, which were only partially mitigated by a reduction in labour costs.

The adjusted results were derived by excluding items recognized by the Company as non-recurring and non-attributable components of other income and other operating expenses.

Figure 5: EBITDA (€/mln) and EBITDA margin on VoP 1H21-1H24

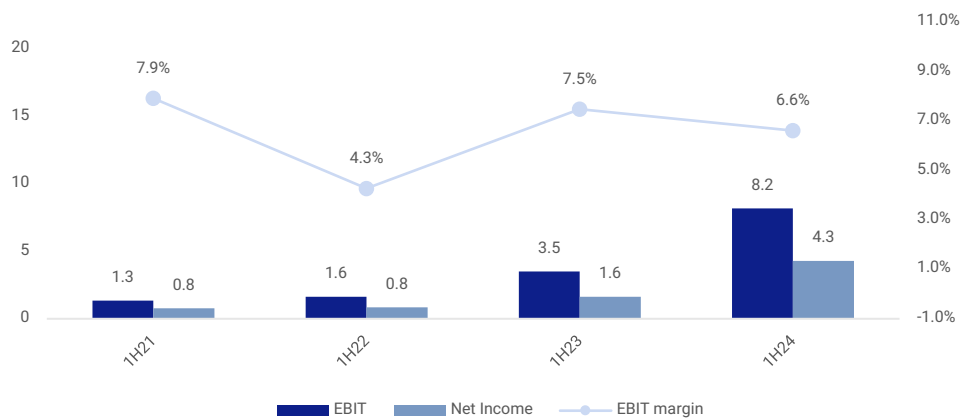


Source: Banca Profilo elaborations on Company data

Solid EBIT (€8.2mln in 1H24) and Net Income (€4.3mln in 1H24)

In 1H24, the reported EBIT was €8.2mln with a margin of 6.6%, the former improved on the previous year's reading of €3.5mln, the latter decreased from 7.5% in 1H23 due to the reduction in EBITDA margin. Net profit increased by 163% yoy from €1.6mln in 1H23 to €4.3mln in 1H24.

Figure 6: EBIT, Net Profit (€/mln) and EBIT margin 1H21-1H24



Source: Banca Profilo elaborations on Company data

Table 1: Income Statement 1H22-1H24 (€/mln)

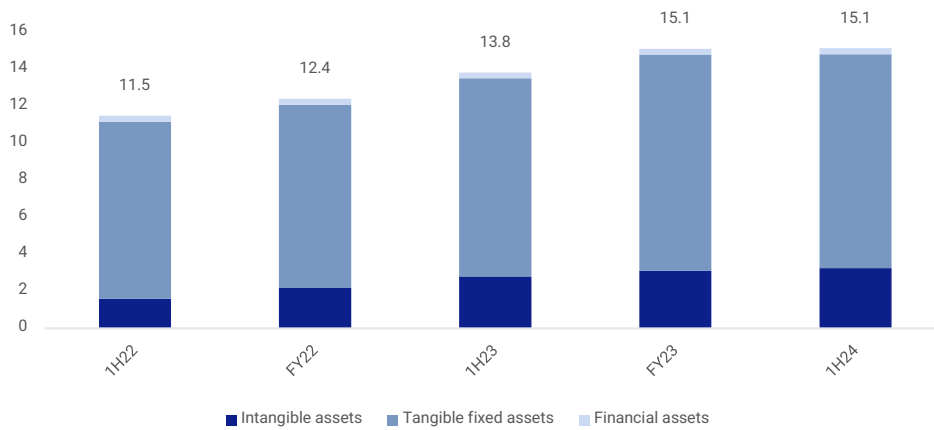
		Profit & Loss (€/mln)				
		1H22	FY22	1H23	FY23	1H24
EPC-M		9.4	42.7	11.4	33.2	23.4
	<i>% on Revenue</i>	24.4%	69.8%	24.3%	56.1%	80.6%
O&M		0.7	1.5	1.7	3.2	1.8
	<i>% on Revenue</i>	1.7%	2.4%	3.5%	5.4%	6.1%
Supply		12.1	15.1	12.8	21.8	3.7
	<i>% on Revenue</i>	31.5%	24.8%	27.2%	36.7%	12.8%
Other		0.8	1.8	0.4	1.0	0.2
	<i>% on Revenue</i>	2.1%	3.0%	0.9%	1.8%	0.6%
Revenue		22.9	61.1	26.3	59.3	29.0
	<i>yoy</i>	279.1%	64.1%	14.6%	-3.0%	10.3%
Value of Production		38.4	77.8	47.0	136.2	123.7
	<i>yoy</i>	126.1%	84.6%	22.3%	75.1%	163.1%
Cost of raw materials		(19.6)	(39.2)	(20.7)	(63.9)	(61.1)
	<i>% on VoP</i>	50.9%	50.4%	44.0%	46.9%	49.4%
Gross Profit		18.9	38.6	26.3	72.3	62.6
	<i>Gross margin</i>	49.1%	49.6%	56.0%	53.1%	50.6%
Cost of services		(11.5)	(21.4)	(15.0)	(45.2)	(40.4)
	<i>% on VoP</i>	30.0%	27.5%	31.9%	33.2%	32.7%
Lease and rentals cost		(0.4)	(1.0)	(1.0)	(2.9)	(2.6)
	<i>% on VoP</i>	1.1%	1.3%	2.2%	2.2%	2.1%
Other operating expenses		(0.6)	(0.8)	(0.4)	(1.1)	(0.9)
	<i>% on VoP</i>	1.6%	1.0%	0.7%	0.8%	0.7%
Added Value		6.3	15.4	10.0	23.0	18.7
	<i>% on VoP</i>	16.4%	19.8%	21.2%	16.9%	15.1%
Labour cost		(4.2)	(8.5)	(5.8)	(13.0)	(9.4)
	<i>% on VoP</i>	10.8%	10.9%	12.3%	9.6%	7.6%
EBITDA		2.2	6.9	4.2	10.0	9.3
	<i>EBITDA margin</i>	5.6%	8.9%	8.9%	7.4%	7.5%
D&A		(0.5)	(1.1)	(0.7)	(1.6)	(1.0)
	<i>% on VoP</i>	1.3%	1.4%	1.4%	1.2%	0.8%
Provisions and write-downs		0.0	(0.1)	(0.0)	(0.1)	(0.1)
	<i>% on VoP</i>	0.0%	0.1%	0.0%	0.1%	0.1%
EBIT		1.6	5.8	3.5	8.3	8.2
	<i>EBIT margin</i>	4.3%	7.4%	7.5%	6.1%	6.6%
Financial income and expenses		(0.1)	(0.5)	(0.9)	(1.9)	(1.6)
	<i>% on VoP</i>	0.2%	0.7%	1.9%	1.4%	1.3%
Financial asset adjustments		0.0	0.0	(0.1)	0.0	0.0
	<i>% on VoP</i>	0.0%	0.0%	0.2%	0.0%	0.0%
EBT		1.6	5.2	2.5	6.4	6.5
	<i>Pretax margin</i>	4.1%	6.7%	5.4%	4.7%	5.3%
Taxes		(0.7)	(1.9)	(0.9)	(2.2)	(2.2)
	<i>Tax rate</i>	46.2%	35.6%	35.9%	35.1%	34.2%
Net Income		0.8	3.4	1.6	4.1	4.3
	<i>Net Profit margin</i>	2.2%	4.3%	3.5%	3.0%	3.5%

Source: Banca Profilo elaborations on Company data

Fixed assets
unchanged

At the end of June 2024, Fixed Assets were €15.1mln, unchanged from their value at the end of December 2023.

Figure 7: Fixed assets 1H22-1H24 (€/mln)



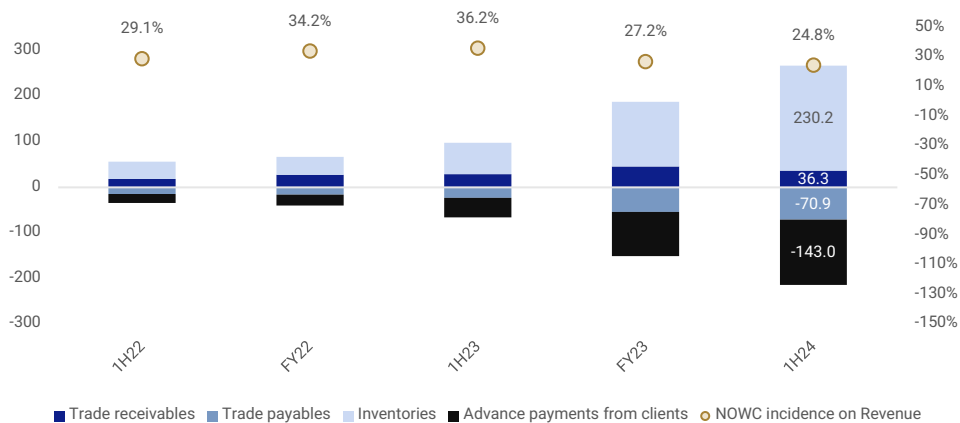
Source: Banca Profilo elaborations on Company data

NOWC growing in line with the VoP

Net Operating Working Capital (NOWC) stood at €52.7mln at the end of June 2024 (from €37.0mln at the end of 2023), including €36.3mln of Trade Receivables, €70.9mln of Trade Payables, €230.2mln of Inventories and €143.0mln of Advance payments from clients.

The increase in inventories is largely attributable to fluctuations in work in progress, partially balanced by a corresponding rise in advance payments from clients. By the end of June, NOWC as a percentage of the VoP decreased to 24%.

Figure 8: Net Operating Working Capital 1H22-1H24 (€/mln)

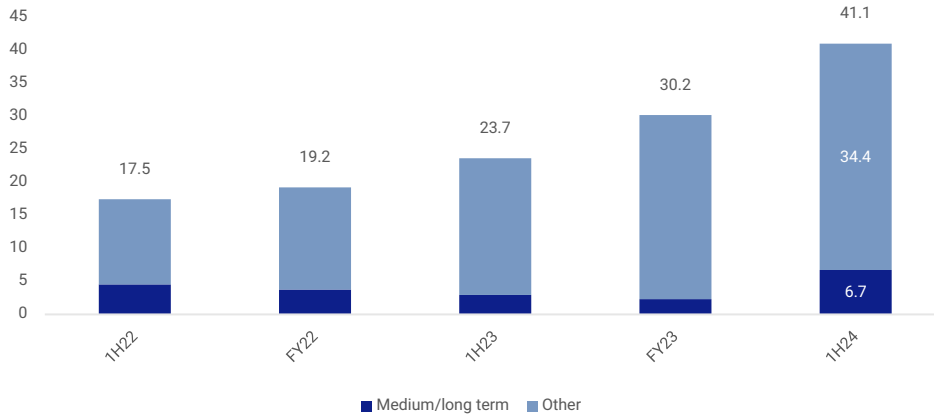


Source: Banca Profilo elaborations on Company data

Net Debt increased to €41.1m

As of June 2024, net debt increased to €41.1m, up from €30.2m at the end of December 2023. However, it's important to note that in late July, following a Board of Directors resolution from early July, the Company completed a capital increase that raised equity to €0.26m and generated a share premium of €4.7m, resulting in a total reserve of €12.7m.

Figure 9: Net Debt (Cash) 1H22-1H24 (€/m)



Source: Banca Profilo elaborations on Company data

Table 2: Balance Sheet 1H22-1H24 (€/mln)

Balance Sheet (€/mln)					
	1H22	FY22	1H23	FY23	1H24
Intangible assets	1.6	2.2	2.8	3.1	3.2
Tangible fixed assets	9.6	9.9	10.7	11.6	11.5
Financial assets	0.3	0.3	0.3	0.3	0.3
Fixed Assets	11.5	12.4	13.8	15.1	15.1
Inventories	38.1	39.1	68.3	141.9	230.2
<i>% on VoP</i>	<i>60.0%</i>	<i>50.3%</i>	<i>79.1%</i>	<i>104.2%</i>	<i>108.1%</i>
Trade receivables	18.4	27.4	29.1	45.5	36.3
<i>% on VoP</i>	<i>28.9%</i>	<i>35.2%</i>	<i>33.7%</i>	<i>33.4%</i>	<i>17.1%</i>
Trade payables	(14.5)	(16.1)	(22.7)	(54.0)	(70.9)
<i>% on COGS w/o labour cost</i>	<i>27.5%</i>	<i>25.9%</i>	<i>33.7%</i>	<i>47.7%</i>	<i>39.1%</i>
Advance payments from clients	(19.4)	(23.8)	(43.4)	(54.0)	(143.0)
<i>% on VoP</i>	<i>30.5%</i>	<i>30.5%</i>	<i>50.2%</i>	<i>33.4%</i>	<i>67.2%</i>
Net Operating Working Capital	22.6	26.6	31.3	133.4	52.7
<i>% on VoP</i>	<i>35.6%</i>	<i>34.2%</i>	<i>36.2%</i>	<i>98.0%</i>	<i>24.8%</i>
Other current assets	1.5	1.5	2.6	5.8	7.9
Other current liabilities	(3.5)	(3.9)	(5.2)	(6.0)	(8.5)
Net Working Capital	20.6	24.2	28.7	36.8	52.1
<i>% on VoP</i>	<i>32.5%</i>	<i>31.1%</i>	<i>33.2%</i>	<i>27.0%</i>	<i>24.4%</i>
Non-current assets	0.0	0.3	0.4	0.1	0.1
Non-current liabilities	(1.4)	(1.9)	(1.8)	(1.9)	(2.0)
Net Invested Capital	30.7	35.0	41.0	50.1	65.2
CapEx	0.1	2.1	1.4	4.3	2.3
<i>% on VoP</i>	<i>0.3%</i>	<i>2.7%</i>	<i>3.0%</i>	<i>3.2%</i>	<i>1.9%</i>
Intangible	0.1	1.0	0.6	1.4	0.7
Tangible	0.1	1.1	0.8	3.0	1.6
Share capital	0.2	0.2	0.2	0.2	0.2
Reserves and retained earnings	12.1	12.1	15.5	15.5	19.6
Group Net Income	0.8	3.4	1.6	4.1	4.3
Shareholders' Equity	13.2	15.7	17.3	19.8	24.1
Net Financial Position (Cash)	17.5	19.2	23.7	30.2	41.1

Source: Banca Profilo elaborations on Company data

Table 3: Free Cash Flows 1H22-1H24 (€/mln)

Free Cash Flow (€/mln)					
	1H22	FY22	1H23	FY23	1H24
EBIT	1.6	5.8	3.5	8.3	8.2
<i>Tax rate</i>	<i>46.2%</i>	<i>35.6%</i>	<i>35.9%</i>	<i>35.1%</i>	<i>34.2%</i>
NOPAT	0.9	3.7	2.3	5.4	5.4
D&A	0.5	1.1	0.7	1.6	1.0
Changes in NOWC	(13.6)	(17.6)	(4.7)	(10.4)	(15.7)
CapEx	(0.1)	(2.1)	(1.4)	(4.3)	(2.3)
Free Cash Flow	(12.3)	(14.9)	(3.2)	(7.7)	(11.6)

Source: Banca Profilo elaborations on Company data

Strategy and estimates

Corporate strategies

Strategic guidelines Comal's future strategy is grounded in the continued significance of photovoltaics as a key driver for global energy transition and sustainable development. The outlined expansion plan, crafted by the management, is delineated through 4 strategic pillars:

Business expansion in Italy and potential entry in the UAE (i) To expand its presence in Italy and explore potential opportunities in the United Arab Emirates (UAE). To this end, Comal has successfully completed the process establishing a company based in Dubai, marking a strategic move to directly oversee one of the most promising regions for PV plants. In the Middle East, projects typically require collaboration with a local player in a joint venture, and recognizing the importance of a physical presence, this initiative enhances Comal's ability to establish key networks and foster strategic partnerships in the region.

Investment in R&D (ii) To remain committed to significant investments in Research and Development (R&D), focusing on refining the patented "Sun hunter" tracker, advancing agrivoltaics, digitizing PV systems and developing transformer substations. R&D activities are central to the Group, acting as a driving force for development and dimensional growth. This strategic focus, which has proved critical in achieving the current market position, positions the Group for sustainable growth and differentiation from competitors in terms of market share and benchmarking.

Process optimization for efficiency (iii) To pursue the optimization of processes to drive efficiency, intending to streamline operations and enhance overall productivity.

Internalization of high-value production processes (iv) To mitigate costs and increase margin, Comal plans to internalize high-value production processes, a strategic move aimed at decreasing dependency on external factors and ensuring more control over production timelines.

PV module manufacturers by 2025 In this regard, on January 8, 2024, Comal secured the "Next Appennino | Measure B1.2 - B3.3" tender for constructing an advanced industrial plant in the Province of L'Aquila, dedicated to the production of cutting-edge, high-efficiency PV modules. The project involves a total investment of €16.1mln, of which €6.9mln in subsidized financing, €4.9mln in plant account contributions, €0.2mln in direct contributions, €3.0mln in bank financing/own sources provided directly by Comal and €1.1mln in ordinary financing. The construction timeline targets completion in June 2025, promising the creation of numerous job opportunities in the Abruzzo region. This strategic initiative reflects Comal's corporate evolution, transitioning from a pure EPC-M provider to a comprehensive player across the entire PV sector. This move positions Comal as one of the few fully integrated operators at the European level along the solar energy generation value chain. Emphasizing its "Made in Italy" origin, this project is poised to contribute significantly to bolstering Italy's energy capacity and reducing dependency on foreign countries for crucial elements in the PV sector.

The Company's developmental objectives, coupled with the current growth trend in its order portfolio, necessitate significant investments in production facilities and human resources, but through these strategic initiatives, Comal, already established as a major player in photovoltaic installations, seeks to maintain and expand its competitive advantage over potential rivals. This success positions the Company well to navigate increased demand and capitalize on emerging market opportunities.

Our 2024E-26E estimates

FY24E VoP revised up to €181m

As of June 30, 2024, the order backlog increased to €348m from €328m at the end of 2023, confirming sustained demand in the sector. Future order volumes are expected to remain stable, supported by strong market conditions.

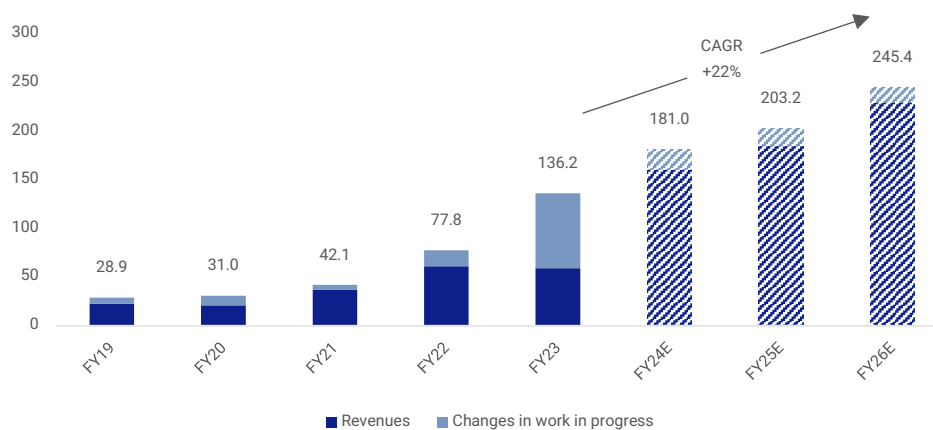
We maintain unchanged our revenue estimates for the PV module factory [*Please refer to our Initial Coverage on April 17th, 2024*]. In July 2024, Comal acquired an industrial site in Abruzzo for the factory's construction, with the inauguration still targeted for June 2025.

Following the half-year results, we have increased our production value estimates for FY24E to €181.0m, up from the previous estimate of €151.5m. This upward revision also leads us to expect a further slight increase in work in progress this year, rather than a decline.

As several significant projects approach completion, we anticipate that they will exit work in progress, contributing positively to year-end revenues. Importantly, our revenue forecast heavily relies on the timely delivery of a key order in Lazio, valued at over €50m, which was 74% complete as of June 30, 2024, with management projecting its finalization by December.

Overall, we maintain our expectation that the Company's growth will be in line with the Italian PV utility-scale systems market, which the IEA projects to grow at a CAGR of 22% from 2024 to 2026.

Figure 10: Revenue and VoP FY19-26E (€/m)

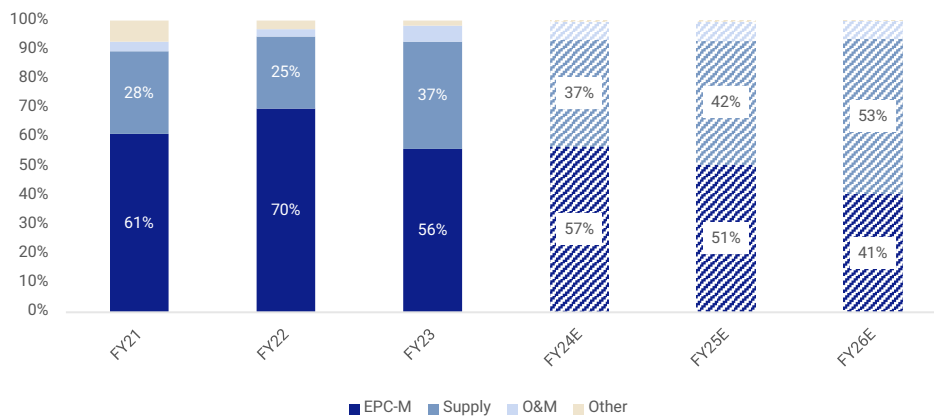


Source: Banca Profilo elaborations and estimates on Company data

Slower transition towards Supply in Production mix

The product mix for the first half of the year fell short of expectations, with supply revenues accounting for only 12.8%. However, as many orders nearing completion include supply contracts, we anticipate a recovery in FY24E, although we no longer expect to achieve the previously projected 50% revenue share from supplies. Instead, we forecast that supply revenues will match last year's figure of 37%. Moving forward, we expect more gradual growth in this area, driven by the expansion of solar tracker manufacturing capacity and the upcoming launch of the PV modules production line.

Figure 11: Revenue breakdown by segment FY21-26E (€/mln)

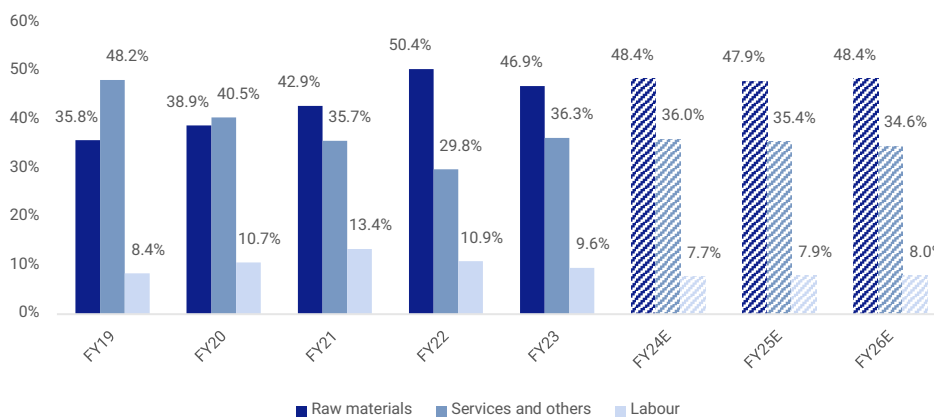


Source: Banca Profilo elaborations and estimates on Company data

Raw materials up and labour down

The cost structure remains consistent with previous estimates, with higher raw material costs partially offset by lower labour expenses, as noted in the first half of this year.

Figure 12: Incidence of costs on VoP FY19-26E

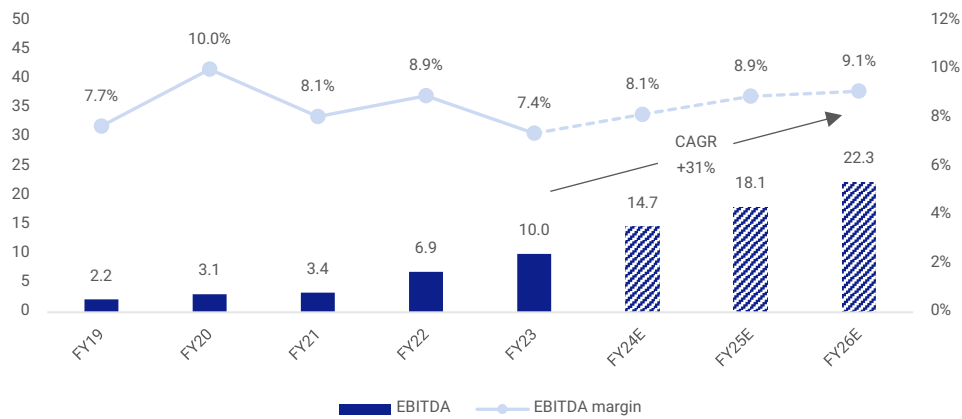


Source: Banca Profilo elaborations and estimates on Company data

FY24E EBITDA raised to €14.7mln

Given the half-year results, we have raised our FY24E EBITDA estimate from €12.5mln to €14.7mln, albeit with a slightly reduced margin, from 8.3% to 8.1%. Looking ahead, we anticipate that profit margins will continue to improve in the coming years, driven largely by a shift in the production mix toward higher-margin supply business.

Figure 13: EBITDA (€/mln) and EBITDA margin on VoP FY19-26E



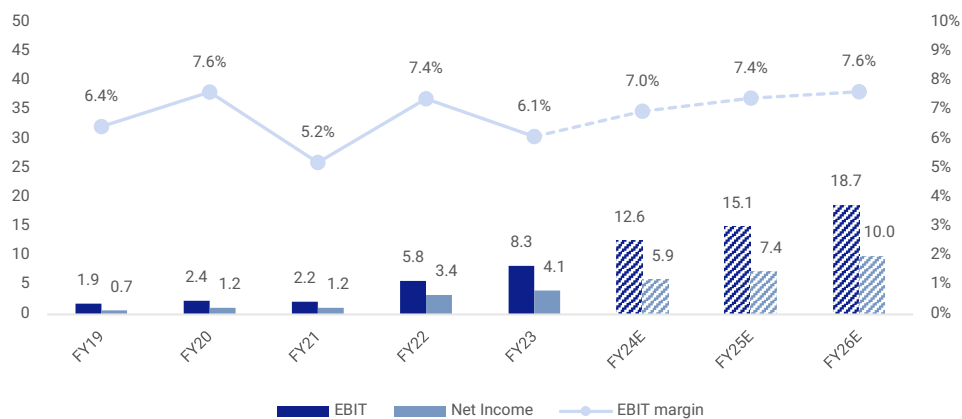
Source: Banca Profilo elaborations and estimates on Company data

Net Income to reach €10.0mln in FY26E

We end with a Net Income CAGR of 34% over FY23-26E (vs previous 37%): it is expected to rise from €4.1mln in 2023 to €10.0mln in FY26E.

We assume that Comal will not pay any dividends during this period.

Figure 14: EBIT, Net Profit (€/mln) and EBIT margin FY19-26E



Source: Banca Profilo elaborations and estimates on Company data

Table 4: Pro forma Income Statement FY23-26E

		Profit & Loss (€/mln)						
		FY23	FY24E OLD	FY24E	FY25E OLD	FY25E	FY26E OLD	FY26E
EPC-M		33.2	78.5	91.4	61.3	94.3	68.4	93.3
	% on Revenues	56.1%	43.7%	56.9%	35.8%	50.8%	29.9%	40.6%
O&M		3.2	11.1	9.9	11.2	12.2	14.1	14.2
	% on Revenues	5.4%	6.2%	6.2%	6.5%	6.6%	6.2%	6.2%
Supply		21.8	89.6	58.8	98.7	78.7	145.8	122.0
	% on Revenues	36.7%	49.8%	36.6%	57.5%	42.4%	63.8%	53%
Other		1.0	0.6	0.6	0.3	0.3	0.2	0.2
	% on Revenues	1.8%	0.3%	0.4%	0.2%	0.2%	0.1%	0.1%
Revenue		59.3	179.9	160.8	171.5	185.5	228.5	229.6
	yoy	-3.0%	203.5%	171.3%	-4.6%	15.4%	33.2%	23.8%
Value of Production		136.2	151.5	181.0	191.1	203.2	243.8	245.4
	yoy	75.1%	11.2%	32.9%	26.1%	12.2%	27.6%	20.8%
Cost of raw materials		(63.9)	(70.1)	(87.4)	(90.5)	(97.2)	(119.3)	(118.8)
	% on VoP	46.9%	46.3%	48.3%	47.4%	47.9%	48.9%	48.4%
Gross Profit		72.3	81.4	93.6	100.6	105.9	124.6	126.6
	Gross margin	53.1%	53.7%	51.7%	52.6%	52.1%	51.1%	51.6%
Cost of services		(45.2)	(50.0)	(59.8)	(60.4)	(66.3)	(73.5)	(78.3)
	% on VoP	33.2%	33.0%	33.1%	31.6%	32.6%	30.1%	31.9%
Lease and rentals cost		(2.9)	(3.3)	(3.9)	(4.1)	(4.4)	(5.3)	(5.3)
	% on VoP	2.2%	2.1%	2.2%	2.2%	2.2%	2.2%	2.2%
Other operating expenses		(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
	% on VoP	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.5%
Added Value		23.0	27.0	28.8	35.0	34.2	44.7	41.9
	% on VoP	16.9%	17.8%	15.9%	18.3%	16.8%	18.3%	17.1%
Labour cost		(13.0)	(14.5)	(14.0)	(17.1)	(16.1)	(21.5)	(19.6)
	% on VoP	9.6%	9.6%	7.7%	8.9%	7.9%	8.8%	8.0%
EBITDA		10.0	12.5	14.7	17.9	18.1	23.2	22.3
	EBITDA margin	7.4%	8.3%	8.1%	9.4%	8.9%	9.5%	9.1%
D&A		(1.6)	(2.1)	(2.1)	(2.9)	(2.9)	(3.5)	(3.5)
	% on VoP	1.2%	1.4%	1.1%	1.5%	1.4%	1.4%	1.4%
Provisions and write-downs		(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
	% on VoP	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT		8.3	10.4	12.6	14.9	15.1	19.7	18.7
	EBIT margin	6.1%	6.9%	7.0%	7.8%	7.4%	8.1%	7.6%
Financial income and expenses		(1.9)	(3.0)	(3.5)	(3.3)	(3.7)	(3.4)	(3.4)
	% on VoP	1.4%	2.0%	1.9%	1.7%	1.8%	1.4%	1.4%
Financial asset adjustments		0.0	0.0	0.0	0.0	0.0	0.0	0.0
	% on VoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBT		6.4	7.4	9.1	11.6	11.3	16.3	15.3
	Pretax margin	4.7%	4.9%	5.0%	6.1%	5.6%	6.7%	6.2%
Taxes		(2.2)	(2.6)	(3.2)	(4.0)	(3.9)	(5.7)	(5.3)
	Tax rate	35.1%	34.7%	34.7%	34.7%	34.7%	34.7%	34.7%
Net Income		4.1	4.8	5.9	7.6	7.4	10.7	10.0
	Net Profit margin	3.0%	3.2%	3.3%	4.0%	3.6%	4.4%	4.1%

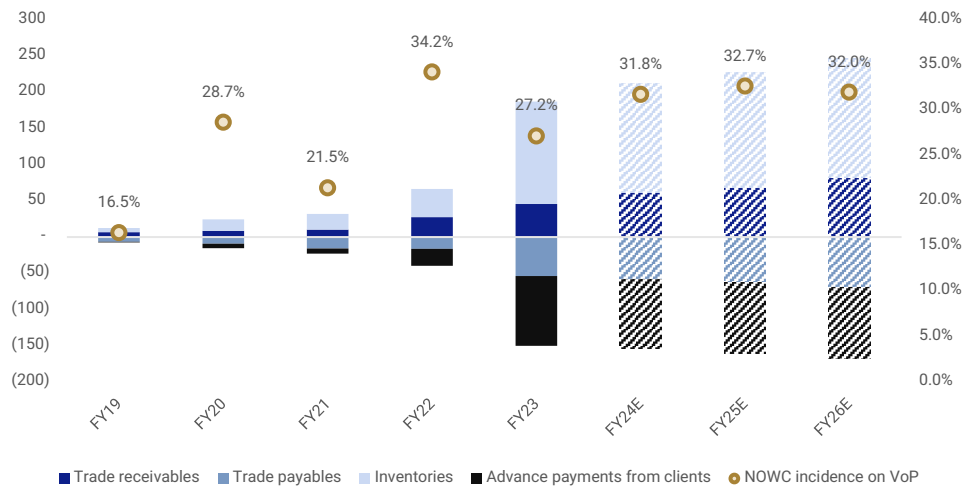
Source: Banca Profilo elaborations and estimates on Company data

NOWC averaging 32% of VoP in FY24-26E

In 2024 we expect an increase in NOWC as a percentage of the PoV, mainly due to an easing of the dynamics observed in 2023 regarding operating working capital liabilities, and thus a decrease in the number of days of payables and in Advance payments from clients. Going forward we then expect a stabilization in NOWC as a percentage of VoP in the ensuing years

below 2022 levels. We now project NOWC to rise from €52.7m as of June 30, 2024, to €57.5m by year-end. This includes an increase in Trade Receivables to €62.1m, a decrease in Trade Payables to €58.1m and a reduction in Inventories to €150.0m, alongside €96.5m in Advance payments from clients, due to the delivery of large orders. Overall, we expect NOWC to represent 31.8% of the Value of Production in FY24E.

Figure 15: Net Operating Working Capital FY19-26E (€/mIn)



Source: Banca Profilo elaborations and estimates on Company data

€15.2mIn CapEx plan focused on tangible assets

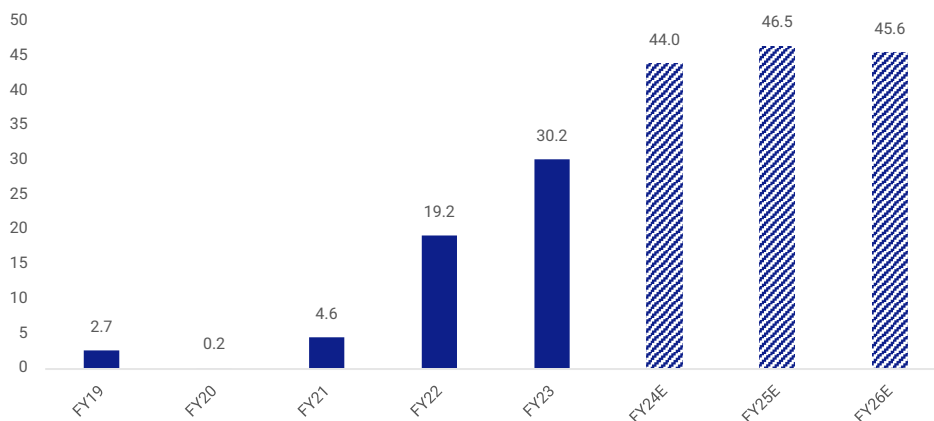
Consistent with our previous research [Please refer to our Initial Coverage on April 17th, 2024], we project cumulative CapEx of €15.2mIn for FY24-26E, primarily focused on tangible assets. Most of this investment will be grounded in 2024 and 2025 for the construction of the PV module factory in L’Aquila. Specifically, we expect €5.6mIn in CapEx for FY24, with €2.3mIn already invested during the first half of the year, followed by €7.9mIn in 2025. The remaining €1.7mIn, planned for 2026, will be allocated exclusively to ordinary maintenance.

Net debt expected to peak in FY25E following capital increase

Our updated estimates still indicate a rise in Net Debt over the forecast period, though they now factor in the €4.8mIn capital increase from last July.

We project Net Debt to peak at €46.5mIn by the end of 2025 (vs previous €51.7mIn by the end of 2026), before beginning to decline. For the current year, we expect the Net Debt to EBITDA ratio to remain just below the 3.0x recorded at the end of 2023. Looking ahead, we anticipate this ratio will decrease steadily, potentially reaching 2.0x by FY26E.

Figure 16: Net Debt (Cash) FY19-26E (€/mIn)



Source: Banca Profilo elaborations and estimates on Company data

Table 5: Pro Forma Balance Sheet FY23-26E (€/mln)

Balance Sheet (€/mln)							
	FY23	FY24E OLD	FY24E	FY25E OLD	FY25E	FY26E OLD	FY26E
Intangible assets	3.1	2.8	3.3	2.5	3.2	2.3	3.3
Tangible fixed assets	11.6	15.6	15.0	20.8	20.0	19.3	18.1
Financial assets	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Fixed Assets	15.1	18.7	18.6	23.6	23.6	21.9	21.7
Inventories	141.9	110.0	150.0	130.9	159.2	150.3	163.8
<i>% on VoP</i>	<i>104.2%</i>	<i>72.6%</i>	<i>82.8%</i>	<i>68.5%</i>	<i>78.4%</i>	<i>61.6%</i>	<i>66.8%</i>
Trade receivables	45.5	60.2	62.1	65.4	68.6	73.5	82.8
<i>% on VoP</i>	<i>33.4%</i>	<i>39.7%</i>	<i>34.3%</i>	<i>34.2%</i>	<i>33.8%</i>	<i>30.1%</i>	<i>33.8%</i>
Trade payables	(54.0)	(54.6)	(58.1)	(66.3)	(62.2)	(76.4)	(69.3)
<i>% on COGS w/o labour cost</i>	<i>47.7%</i>	<i>43.8%</i>	<i>38.2%</i>	<i>42.5%</i>	<i>36.8%</i>	<i>38.4%</i>	<i>34.0%</i>
Advance payments from clients	(96.4)	(60.9)	(96.5)	(64.9)	(99.2)	(67.2)	(98.8)
<i>% on VoP</i>	<i>47.7%</i>	<i>43.8%</i>	<i>53.3%</i>	<i>42.5%</i>	<i>48.8%</i>	<i>38.4%</i>	<i>40.3%</i>
Net Operating Working Capital	37.0	54.7	57.5	65.1	66.4	80.2	78.6
<i>% on VoP</i>	<i>27.2%</i>	<i>36.1%</i>	<i>31.8%</i>	<i>34.1%</i>	<i>32.7%</i>	<i>32.9%</i>	<i>32.0%</i>
Other current assets	5.8	6.3	7.5	5.8	6.1	7.2	7.3
Other current liabilities	(6.0)	(6.5)	(7.3)	(10.0)	(9.8)	(12.9)	(12.3)
Net Working Capital	36.8	54.6	57.7	60.9	62.7	74.6	73.6
<i>% on VoP</i>	<i>27.0%</i>	<i>36.1%</i>	<i>31.9%</i>	<i>31.9%</i>	<i>30.9%</i>	<i>30.6%</i>	<i>30.0%</i>
Non current assets	0.1	0.1	0.1	0.1	0.1	0.1	0.1%
Non current liabilities	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Net Invested Capital	50.1	71.5	74.5	82.7	84.5	94.6	93.5
CapEx	4.3	5.6	5.6	7.9	7.9	1.7	1.7
<i>% on VoP</i>	<i>3.2%</i>	<i>3.7%</i>	<i>3.1%</i>	<i>4.1%</i>	<i>3.9%</i>	<i>0.7%</i>	<i>0.7%</i>
Intangible	1.4	0.1	0.7	0.1	0.5	0.2	0.7
Tangible	3.0	5.5	4.9	7.7	7.4	1.5	1.0
Share capital	0.2	0.2	0.3	0.2	0.3	0.2	0.3
Reserves and retained earnings	15.5	19.6	24.4	24.4	30.3	32.0	37.7
Group Net Income	4.1	4.8	5.9	7.6	7.4	10.7	10.0
Shareholders' equity	19.8	24.6	30.5	32.2	37.9	42.9	47.9
Net Financial Position (Cash)	30.2	46.8	44.0	50.5	46.5	51.7	45.6

Source: Banca Profilo elaborations and estimates on Company data

Positive FCFs starting from FY26E

We continue to estimate first positive FCF in 2026 at €3.2mln (vs previous €1.1mln). Cumulatively, for the period of FY24-26E, FCFs are projected at €(14.8)mln (vs previous €(17.1)mln), including €15.2mln (unchanged) of CapEx and an increase in NOWC amounting to €41.5mln (vs previous €43.2).

Table 6: Pro Forma Free Cash Flows FY23-26E (€/mln)

Free Cash Flow (€/mln)							
	FY23	FY24E OLD	FY24E	FY25E OLD	FY25E	FY26E OLD	FY26E
EBIT	8.3	10.4	12.6	14.9	15.1	19.7	18.7
<i>Tax rate</i>	<i>35.1%</i>	<i>26.9%</i>	<i>27.9%</i>	<i>26.9%</i>	<i>27.9%</i>	<i>26.9%</i>	<i>27.9%</i>
NOPAT	5.4	7.6	9.1	10.9	10.9	14.4	13.5
D&A	1.6	2.1	2.1	2.9	2.9	3.5	3.5
Changes in NOWC	(10.4)	(17.7)	(20.5)	(10.4)	(8.9)	(15.1)	(12.2)
CapEx	(4.3)	(5.6)	(5.6)	(7.9)	(7.9)	(1.7)	(1.7)
Free Cash Flow	(7.7)	(13.7)	(15.0)	(4.4)	(3.0)	1.1	3.2

Source: Banca Profilo elaborations and estimates on Company data

Key Risk

	TYPE OF RISK	DESCRIPTION
EXTERNAL CONTEXT	<i>Ukraine war:</i> - high likelihood - low impact	Comal excludes that it may be subject to risks directly related to the war in Ukraine because it has no direct relationship with the warring nations: there are no current customers and/or current suppliers from Russia or Ukraine. Even the securities it holds in its portfolio have not been issued by either Russia or Ukraine.
	<i>Obsolescence:</i> - low likelihood - medium impact	High level of technological innovation in the Solar PV industry. Risk of having obsolete equipment and/or products compared to competitors.
	<i>Changes in regulations and incentives:</i> -medium-low likelihood -medium impact	Potential risk of contraction in demand deriving from changes in regulations and or incentives regarding Solar PV industry and renewable energy.
	<i>Procurement process risk:</i> - medium likelihood - medium impact	Most contracts are acquired through competitive bidding or invitations to tender. Thus, business activity is dependent on the ability to win contracts in an extremely competitive environment. The complexity of the tendering process means that significant resources (in terms of man-hours and financial means) are required in the preliminary stages of the contract award process, the cost of which may not be recoverable in the event of an unsuccessful award.
BUSINESS & STRATEGY EXECUTION	<i>Liquidity risk:</i> - medium likelihood - high impact	Liquidity risk takes the form of the possibility that a client will not meet its contracted obligations on the due dates. Management's choices to expand and diversify its customer portfolio, together with careful selection of its customers, are aimed at minimizing this risk. Even in the event of delays in the collection of receivables, the characteristics of the short-term financial assets held (trade receivables with reliable customers, verified tax receivables), substantial liquidity availability and substantial bank credit facilities ensure Comal's ability to meet the maturities of short-term financial liabilities without distress.
	<i>Personnel risk:</i> - high likelihood - medium impact	Retention of management and key people, especially engineers who, due to their well-established experience in the field or within the scope of their specific expertise, contribute significantly to the development of the Company's activities.
	<i>Rapid growth management:</i> - medium-low likelihood - medium-low impact	The prospect of high growth will entail an increase in technology and human capital investments compared to the current organisational structure. Should the actual growth in the coming years turn out to be lower than budgeted, Comal's ability to repay the investments in the organisational structure could be impaired, with consequent negative effects on its growth prospects as well as on its results.

Table 7: Risk matrix

Impact	Very high					
	High			Liquidity risk		
	Medium	Obsolescence	Changes in regulations and incentives	Procurement process risk	Personnel risk	
	Medium-Low		Rapid growth management			
	Low				Ukraine war	
Potential impact on the business VS likelihood of occurrence		Low	Medium-Low	Medium	High	Very high
		Likelihood				

Source: Banca Profilo elaborations on Company data

Valuation

DCF method and market multiples

Up until 2023, Comal has been burning cash to support its rapid growth, and we foresee continued negative cash flows for 2024 and 2025, especially given the significant new investments planned for the construction of the PV modules factory. However, we expect a turnaround with improved NOWC as early as next year, paving the way for the generation of positive FCFs from 2026 onwards. Leveraging this projection, we have employed a Discounted Cash Flow (DCF) method for valuation. In addition, we have curated a selection of international listed companies, referred to as peers, aligning with Comal's profile. This allows us to establish an appropriate sample for relative valuation using market multiples.

DCF

€20.2mIn of cumulated FCFs in FY25E-28E and Terminal Value at €10.0mIn

To run the DCF model, we used our projections of FCFs for the 2025-28E explicit period (vs previous 2024-28E): €20.2mIn of cumulated FCFs (vs previous €2.8mIn). We would consider the FY27E-28E average FCF of €10.0mIn as the Terminal Value cash flow (vs previous €7.0mIn).

8.9% WACC

We would use a 8.9% WACC, derived from:

- a risk-free rate at 4.35% (vs previous 4.42%), as implicitly expected by consensus on the 30Y Italian BTP yield curve (100 days Moving Average);
- a market risk premium equal to 5.5% (unchanged);
- a levered beta of 1.79 (vs previous 1.48) coming from the average of chosen listed peers;
- a cost of debt of 7.5% (vs previous 6.5%);
- a target Debt-to-Equity (D/E) ratio of 152% (unchanged);
- a perpetual growth rate of 2% (unchanged).

Table 8: WACC calculation

WACC Calculation	
Perpetual growth rate	2.0%
WACC	8.9%
Risk free rate (30Y)	4.35%
Equity risk premium	5.5%
Beta	1.79
KE	14.2%
Cost of debt	7.5%
Tax rate	27.9%
KD	5.4%

Table 9: DCF valuation

	DCF Valuation (€/mIn)				
	FY25E	FY26E	FY27E	FY28E	Over
Free Cash Flow	(3.0)	3.2	7.8	12.2	10.0
Years	1	2	3	4	
Discount factor	0.92	0.84	0.77	0.71	
NPV Free Cash Flows	(2.7)	2.7	6.1	8.7	
Sum of NPVs					14.7
Terminal Value					145.4
NPV Terminal Value					103.5
Enterprise Value					118.2
Net Debt as of end 2024					44.0
Equity Value					74.2
Number of shares (mIn)					13.1
Per share value (€)					5.7
Current price (€)					3.9

Source: Banca Profilo elaborations and estimates on Company data

DCF valuation:
€5.7/share

The DCF method leads us to an Enterprise Value of €118.2mIn (vs previous €93.5mIn) and to an Equity Value of €74.2mIn (vs previous €46.6mIn) showing a fair value of €5.7/share, up from previous €4.0/share [Please refer to our Flashnote on August 30th, 2024].

Comal's competitive arena

Top EPC contractors for utility-scale solar projects

Wiki-Solar¹ has released updated data on engineering, procurement, and construction (EPC), as well as operations and maintenance (O&M) capacity in the global solar sector. The world's top 34 EPC contractors now manage a combined portfolio exceeding 100GWac.

Since early 2023, these leading utility-scale constructors have added over 20GWac of new capacity, reflecting global efforts to expand solar infrastructure in pursuit of climate targets. Most of the top EPC and O&M companies are based in nations with established solar markets, including China, the US, India, Spain and Germany. Notably, Chinese and Indian contractors secured four of the top six spots for new capacity additions.

Solar energy continues to expand also across Europe, with notable contributions from contractors in Germany, Spain and France.

Figure 17: Top 20 EPC contractors for utility-scale solar projects at Q1 2024

Wiki-Solar Top EPC contractors for utility-scale (4-MWac+) solar projects at Q1-2024							
Rank	EPC contractor [a]	[c]	Operating Plants GWac [b]	Change since 01-Jan-23 Plants GWac [b]	Rank		
1	SOLV Energy [US] (Inc Swinerton Renewable Energy)	Map	219	11.6	15	2.9	1
2	McCarthy Building [US]	Map	74	6.1	9	1.7	3
3	Eiffage [FR]	Map	109	4.8	18	0.9	8
4	Sterling & Wilson [IN] (part of SP India)	Map	73	4.5	3	0.5	13
5	First Solar [US]	Map	57	4.3	0	0.0	
6	ACME Solar [IN]	Map	53	4.1	4	1.5	5
7	Larsen & Toubro [IN]	Map	54	3.7	1	1.7	4
8	Mortenson Construction [US]	Map	29	3.6	3	0.6	11
9	Abengoa [ES] (Inc Abener Energia)	Map	36	3.4	3	0.4	17
10	Equans (division of Bouygues) [FR] (Inc Fabricom)	Map	241	3.4	26	0.4	15
11	Belectric [DE] (now part of Elevion)	Map	174	3.2	3	0.1	33
12	juwi AG [DE] (Inc JSI Construction)	Map	165	3.1	4	0.3	21
13	Vinci Energies [FR] (Inc Semi Group, Omexom and others)	Map	54	2.9	6	0.3	25
14	Enerparc [DE]	Map	280	2.8	4	0.1	39
15	BayWa r.e. [DE] (Inc GroenLeven)	Map	118	2.6	10	0.4	16
16	China Machinery Engineering Corporation [CN]	Map	4	2.6	1	2.0	2
17	Mahindra [IN]	Map	43	2.5	1	0.1	38
18	Signal Energy [US]	Map	14	2.4	1	0.3	22
19	Elecnor [ES]	Map	45	2.4	4	1.2	7
20	Mytilineos [GR] (Inc Metka-Egn)	Map	94	2.3	6	0.4	19
21	Rosendin Electric [US]	Map	18	2.0	1	0.5	14
22	Tata Power [IN]	Map	22	2.0	2	0.3	23
23	PowerChina [CN]	Map	12	1.9	5	1.3	6
24	Goldbeck Solar [DE]	Map	111	1.9	20	0.6	12
25	Blattner Energy [US]	Map	15	1.9	1	0.2	30
26	Acciona Energia [ES]	Map	26	1.9	3	0.4	18
27	Elmya [ES]	Map	60	1.7	3	0.1	31
28	SPIC (State Power Investment) [CN] (Inc Shanghai Electric Power Japan, Shanghai Electric)	Map	4	1.6	0	0.0	
29	Scatec ASA [NO]	Map	35	1.6	5	0.3	26
30	Grupolec [ES]	Map	82	1.5	12	0.3	20

Source: Wiki-Solar

Figure 18: Top 20 countries for utility-scale solar projects at the end 2023

Wiki-Solar Provisional figures Top countries for utility-scale (4-MWac+) solar projects at end 2023							
Rank	Country [a,c]	[c]	Operating Plants GWac [b]	Change since 01-Jan-23 Plants GWac [b]	Rank		
1	China	Map	4,024	218.2	91	56.8	1
2	United States	Map	2,935	106.1	435	33.8	2
3	India	Map	1,491	70.8	124	15.7	3
4	Spain	Map	618	24.1	95	5.9	4
5	Germany	Map	1,839	16.5	221	3.8	6
6	Japan	Map	691	14.5	30	1.3	12
7	Australia	Map	179	13.1	38	2.9	8
8	Brazil	Map	108	12.1	33	5.3	5
9	Chile	Map	335	10.0	94	3.5	7
10	Vietnam	Map	140	9.9	2	0.4	32
11	United Kingdom	Map	1,095	9.7	132	1.7	11
12	France	Map	1,084	8.7	175	0.7	23
13	Mexico	Map	77	8.5	4	0.5	30
14	United Arab Emirates	Map	12	6.3	4	2.4	9
15	Netherlands	Map	467	5.4	138	1.7	10
16	South Africa	Map	56	3.5	4	0.8	20
17	Canada	Map	172	3.4	14	0.5	27
18	Turkiye	Map	271	3.4	2	0.8	19
19	Italy	Map	294	3.3	31	0.7	21
20	Ukraine	Map	93	2.6	0	0.0	
21	Philippines	Map	96	2.4	22	0.4	34
22	Russia	Map	116	2.3	6	0.1	39
23	South Korea	Map	69	2.3	4	0.6	24
24	Greece	Map	108	2.3	36	1.1	16
25	Portugal	Map	80	2.1	14	0.7	22
26	Saudi Arabia	Map	14	1.9	4	1.1	13
27	Argentina	Map	39	1.9	9	0.4	31
28	Denmark	Map	44	1.8	6	0.5	28
29	Thailand	Map	144	1.7	3	0.1	42
30	Bulgaria	Map	58	1.7	10	1.0	18

Source: Wiki-Solar

Comal the leading Italian player, Prodiel prime competitor

None of these players are active in the Italian market, where Comal is the leading operator. According to management, Comal installed approximately 1.5GW of capacity in 2023, contributing to the estimated 5GW increase in utility-scale PV capacity in Italy, as reported by the IEA. The primary competitors in this market are local firms and the Spanish group Prodiel.

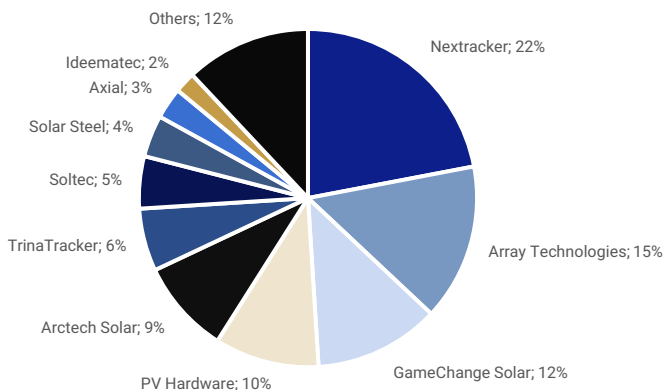
US solar trackers leading the way

The 2024 Solar Tracker Market Report by S&P Global highlights significant growth in the industry. Approximately 60GW of trackers were installed globally in 2023, with over 80GW expected in 2024, and more than 100GW anticipated by 2027. Most installations will occur in North America and the EMEA region. Between 2024 and 2030, a total of 752GW of trackers is projected, with North America (39%) and EMEA (31%) being the largest contributors.

The solar tracker industry became less consolidated in 2023, with the top four manufacturers providing 59% of global supply: Nexttracker led with 22%, followed by Array Technologies (15%), GameChange Solar (12%) and PV Hardware (10%). The EMEA region experienced a 48% increase in shipments to over 27GW, with PV Hardware leading the market share at 29%, followed by Solar Steel (11%) and Nexttracker (10%).

¹ Wiki-Solar is an online tracker of information about the global deployment of solar photovoltaic power stations with a capacity of 4MW and above.

Figure 19: 2023 market shares of the leading solar tracker manufacturers



Source: HIS Markit, The Global PV Tracker Report - 2024

**EU competitors:
Soltigua, Convert
Italia and Soltec**

Competition in the Italian market is mainly represented by local players, such as Soltigua (FY23 sales €51.6mIn) and Convert Italia (FY22 sales €109.8mIn), a subsidiary of the American group Valmont Industries Inc. Soltec Power Holdings SA, the European leader and the world's fourth largest operator, has also been present on the Italian market since 2008 and generated 7.1% (€28mIn, +67.7% yoy) of its 2023 revenue in Italy.

Listed competitors

Identifying suitable listed peers for COMAL has proven challenging. In our efforts, we conducted an overlap analysis on the revenue breakdown by activities and by country to pinpoint relevant comparables. Employing a quantitative approach, we computed a comprehensive score derived from the average of scores obtained by assessing revenue overlap across segments and regions between the candidate companies and Comal.

Our categorization focuses on two key segments: EPC contractors active in the renewables sector, though not exclusively, and manufacturers specializing in solar trackers. Notable entities identified for the former category include PLC S.p.A., ESI S.p.A., Grenergy Renovables SA, OX2 AB and Quanta Services Inc. Meanwhile, for the latter category, we pinpointed Soltec Power Holdings SA, Nextracker Inc and Array Technologies Inc as prominent counterparts.

Table 10: Comal competitive arena

Companies	Alternative Energy Infrastructure Construction	Operation and Maintenance Services	Photovoltaic, Solar Cells and Systems Providers	Other	Overlap Score	Italy	Rest of Europe	Rest of the World	Overlap Score	Final Score
						100.0%	0.0%	0.0%		
Comal S.p.A.	72.8%	2.4%	24.8%	0.0%		100.0%	0.0%	0.0%		
<i>Renewables EPC contractors</i>										
ESI S.p.A.	100.0%	0.0%	0.0%	0.0%	72.8%	95.4%	0.5%	4.1%	95.4%	84.1%
PLC S.p.A.	57.8%	42.3%	0.0%	0.0%	60.2%	100.0%	0.0%	0.0%	100.0%	80.1%
Grenergy Renovables SA	78.2%	0.0%	0.0%	21.8%	72.8%	0.2%	35.2%	64.6%	0.2%	36.5%
OX2 AB	100.0%	0.0%	0.0%	0.0%	72.8%	0.0%	99.8%	0.2%	0.0%	36.4%
Quanta Services Inc	29.6%	0.0%	0.0%	70.5%	29.6%	0.0%	0.1%	99.9%	0.0%	14.8%
<i>Solar Tracker manufacturers</i>										
Soltec Power Holdings SA	32.2%	3.0%	64.8%	0.0%	59.4%	7.1%	20.5%	72.4%	7.1%	33.3%
Nextracker Inc	0.0%	0.0%	100.0%	0.0%	24.8%	0.0%	2.8%	97.2%	0.0%	12.4%
Array Technologies Inc	0.0%	0.0%	100.0%	0.0%	24.8%	0.0%	6.4%	93.6%	0.0%	12.4%

Source: Banca Profilo elaborations and estimates

<p>PLC S.p.A. (IT): FY23 sales €66.7mln; EBITDA margin 5.4%</p>	<p>The PLC Group conducts EPC activities primarily through PLC System S.r.l. and Schmack Biogas S.r.l. in the construction of electricity infrastructures and renewable energy plants, including biogas and biomethane. Additionally, through Special Purpose Vehicles (SPVs), the group is involved in constructing turnkey renewable energy plants for subsequent asset sales to investors, utilities, or Independent Power Producers following the Built, Operate, and Transfer (BOT) model. The company was founded in 1996 and is headquartered in Milan, Italy.</p>
<p>ESI S.p.A. (IT): FY23 sales €16.8mln; EBITDA margin -9.4%</p>	<p>ESI, which stands for "Energy System Integrator", operates as an EPC in the construction of large-scale PV plants offering turnkey solutions and as a System Integrator in the design and construction of rural mini-grids. The company also specialises in the activity of technological modernisation (so-called revamping) of PV systems, as well as the maintenance of PV power plants, supervision and video surveillance systems. The company was founded in 2018 and is headquartered in Formello, Italy.</p>
<p>Grenergy Renovables SA (ES): FY23 sales €179.1mln; EBITDA margin 57.7%</p>	<p>Grenergy Renovables is a project developer and Independent Power Producer ("IPP") that generates energy through renewable sources. Its business model covers all project phases, from development, through construction and financial structuring to plant operation and maintenance. The company has transitioned from a singular focus on Solar PV to becoming a multi-technology Independent Power Producer (IPP), encompassing solar PV, wind, and storage. It operates in multiple regions, holding a significant presence in Europe (Spain, Italy, UK, Poland, Germany), the USA and LATAM (Chile, Colombia, Mexico, Peru). The company boasts a total capacity of 15.7GW, emphasizing a dual strategic approach with Build-to-Own (B2O) and Build-to-Sell (B2S) models. The company was founded in 2007 and is headquartered in Madrid, Spain.</p>
<p>OX2 AB (SE): FY23 sales SEK7.8bn; EBITDA margin 15.0%</p>	<p>OX2 AB engages in the development and sale of wind and solar farms. It mainly consists of sale of wind power projects and commissioned wind farms. It has operations in Sweden, Finland, Norway, and Poland. The company was founded in 2004 and is headquartered in Stockholm, Sweden.</p>
<p>Quanta Services, Inc. (US): FY23 sales \$20.9bn; EBITDA margin 8.4%</p>	<p>Quanta Services, Inc. engages in the provision of comprehensive infrastructure solutions to the electric power, oil and gas, and communication industries. It operates through the following segments: Electric Power Infrastructure Solutions, Renewable Energy Infrastructure Solutions, and Underground Utility and Infrastructure Solutions. The Renewable Energy Infrastructure Solutions focuses on comprehensive infrastructure solutions to customers that are involved in the renewable energy industry. The company was founded in 1997 and is headquartered in Houston, TX.</p>
<p>Soltec Power Holdings SA (ES): FY23 sales €395mln; EBITDA margin -0.1%</p>	<p>Soltec Power Holdings SA is a leading company in the PV energy sector with three fundamental divisions: an industrial division that designs, supplies and installs solar trackers, also offering construction services and maintenance services for solar PV plants, a development division, which allows the development of PV projects to be channelled from zero to "Ready to Build" and a new line of business dedicated to asset management, launched in 2022, for the management and operation of solar PV projects. Most of the revenue comes from the industrial division (Soltec Energías Renovables), indeed, Soltec is currently positioned as the fourth largest global supplier of solar trackers in cumulative terms, with a market share of 8% at the end of 2021. The company was founded in 2004 and is headquartered in Murcia, Spain.</p>
<p>Nextracker Inc. (US): FY23 sales \$2.5bn; EBITDA margin 23.7%</p>	<p>Nextracker, with an estimated market share of 36% at the end of 2021, is the leading provider of intelligent, integrated solar tracker and software solutions used in utility-scale and ground-mounted distributed generation solar projects around the world. It partners in 16 countries across 5 continents. The company was founded in 2013 and is headquartered in Fremont, CA.</p>
<p>Array Technologies Inc. (US): FY23 sales \$1.6bn; EBITDA margin 17.2%</p>	<p>Array Technologies, Inc. manufactures ground-mounting systems used in solar energy projects. The company sells its products to engineering, procurement and construction firms that build solar energy projects and to large solar developers, independent power producers and utilities, master supply agreements or multi-year procurement contracts. Array Tech in 2022 acquired STI Norland, creating one of the largest solar tracking companies in the world,</p>

their respective market shares stand at 22% and 6% at the end of 2021, summing up to 28%. Array Technologies was founded in 1989 and is headquartered in Albuquerque, NM.

Key peers' financials

Robust growth and promising EBITDA margin

Comal has consistently outpaced the median growth rates of comparable EPC contractors and solar tracker manufacturers in recent years, indicating a robust revenue expansion. This trend is anticipated to persist in the foreseeable future.

Notably, Comal's strategic move towards vertical integration with the in-house production of solar trackers positions it as a competitive frontrunner. The strategic diversification of its business operations enables Comal to maintain higher margins relative to its peers in the solar tracker manufacturing industry in 2021 and 2022 when supply-side issues, particularly raw material prices, have escalated significantly. The ongoing diversification initiatives are anticipated to distinguish Comal from its industry counterparts, fostering sustained higher margins over the long term. This strategic approach underscores Comal's resilience and proactive measures, showcasing its adept navigation of challenges and its commitment to maximizing profitability within the dynamic landscape of the industry.

Figure 20: Comal and peers VoP CAGR 2020-23

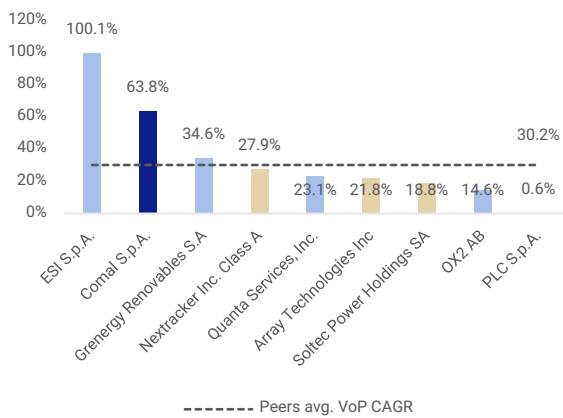
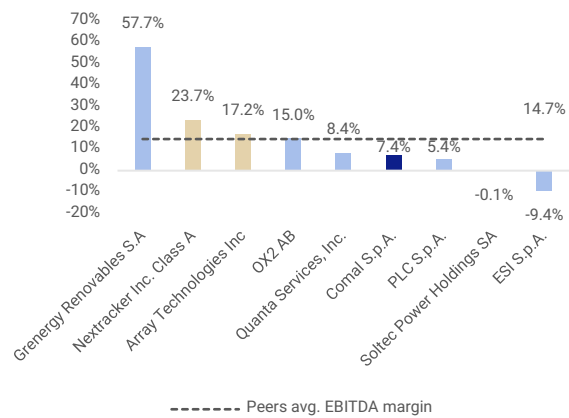


Figure 21: Comal and peers EBITDA margin FY23



Source: Banca Profilo elaborations and estimates

Market multiples

EV/EBITDA multiples

To assess a relative valuation of Comal through the market multiples relative approach, we selected a sample of listed national and international EPC contractors active in the renewables sector, though not exclusively, and international manufacturers specializing in solar trackers. Our selected sample comprises: PLC S.p.A., ESI S.p.A., Grenergy Renovables SA, OX2 AB and Quanta Services Inc. for the former category, and Soltec Power Holdings SA, Nexttracker Inc, and Array Technologies Inc for the latter category.

Table 11: Market multiples

Comparables	EV/EBITDA
	01/10/2024
	FY25E
PLC S.p.A.	5.6x
ESI S.p.A.	4.5x
Grenergy Renovables S.A	8.1x
OX2 AB	6.7x
Quanta Services, Inc.	18.0x
Median	6.7x
Soltec Power Holdings SA	4.6x
Nexttracker Inc. Class A	13.2x
Array Technologies Inc	5.5x
Median	5.5x
Median	6.1x
Comal S.p.A.	4.4x

Table 12: Relative valuation

Valuation on EV/EBITDA market multiples (€/mln)	
	FY25E
EV/EBITDA	6.1x
EBITDA	18.1
Enterprise Value	110.8
Net Debt as of end 2024	44.0
Equity Value	66.8
Number of shares (mln)	13.1
Price per share (€)	5.1
Current price (€)	3.8

Source: Banca Profilo elaborations and estimates on Company data (as of October 1st, 2024)

Median FY25E EV/EBITDA at 6.1x

To compute valuation through market multiples, we use the median FY25 EV/EBITDA at 6.1x (as of October 1st, 2024), below previous at 9.3x for FY24.

Market multiples valuation: €5.1/share

The relative valuation method results in an Enterprise Value of €110.8mln (down from previous €115.8mln) and to an Equity Value of €66.8mln (vs previous €69.0mln), or €5.1/share, compared to the prior €5.7/share [Please refer to our Flashnote on August 30th, 2024].

BUY confirmed with 12-month TP raised to €5.4

Based on updated valuations, we have increased our 12-month target price to €5.4/share, an average of the DCF and multiple valuation, up from €4.8/share [Please refer to our Flashnote on August 30th, 2024]. Given the potential upside on Comal closing price (as of October 1st, 2024), we confirm our BUY recommendation.

Appendix: The reference market

Comal at a glance Established in 2001 and headquartered in Montalto di Castro (VT), Comal is a leading player in Italy's solar energy systems sector. Specializing in delivering high-power photovoltaic (PV) plants, the Company employs the EPC-M (Engineering, Procurement, Construction Management) and O&M (Operation & Maintenance) formulas, covering the entire project lifecycle - from design and construction to installation, testing, commissioning and ongoing maintenance. As of 2022, Comal expanded its offerings by introducing a new business line focused on supplying solar trackers, leveraging its proprietary technology previously integrated into the EPC-M offering. Additionally, Comal the company plans to enhance vertical integration by starting in-house manufacturing of PV modules from 2025.

Renewables regulatory framework

2015: Sustainable Development Goals (SDGs) - Goal 7 In September 2015, the Agenda for Sustainable Development, adopted by all United Nations member States, provided a shared blueprint for peace and prosperity for people and our planet into the future. The 17 Sustainable Development Goals (SDGs) are an urgent call for action by all countries - developed and developing - in a global partnership.

Among them, Goal 7 is about "ensuring access to affordable, reliable, sustainable and modern energy for all". The Goal has 5 targets to be achieved by 2030:

- 7.1. Ensuring universal access to affordable, reliable and modern energy services.
- 7.2. Increasing substantially the share of renewable energy in the global energy mix.
- 7.3. Doubling the global rate of improvement in energy efficiency.
- 7.a. Enhancing international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology and promote investment in energy infrastructure and clean energy technology.
- 7.b. Expanding infrastructure and upgrading technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States and land-locked developing countries, in accordance with their respective programmes of support.

From the Paris agreement (COP21) to COP28's Renewables target Acknowledging the urgency of combatting climate change to effectively address the Sustainable Development Goals (SDGs), 196 world leaders came together at the UN Climate Change Conference (COP21) in Paris on December 12, 2015 to establish the landmark Paris Agreement. This legally binding international treaty outlines crucial long-term objectives for tackling climate change, mandating substantial reductions in global greenhouse gas emissions. The Agreement's primary goals include limiting the global temperature increase to well below 2°C above pre-industrial levels and aspiring to a more stringent 1.5°C limit. Furthermore, the accord emphasizes the need for regular assessments to monitor collective progress towards fulfilling its objectives.

Recognizing the insufficiency of current efforts and understanding the crucial role of energy system transformation in achieving the goals set by the Paris Agreement, more than 130 national governments, including the European Union (EU), pledged in December 2023 at the COP28 climate change conference in Dubai to triple the global installed renewable energy capacity to a minimum of 11,000GW by 2030 (as of 2022, approximately 3,600GW according to IEA).

2009: EU's Renewable Energy Directive (RED) I In Europe, the original Renewable Energy Directive (RED), adopted on April 23, 2009, established that 20% of the EU's gross final energy consumption and 10% of each Member State's transport energy consumption should have come from renewable energy sources by

2020. The Directive mandated national targets aligned with the EU's overall target, requiring Member States to develop indicative trajectories for target fulfilment, submit national renewable energy action plans and publish progress reports every two years. It also set out a number of mechanisms that Member States could have applied in order to promote investment in renewable energy, including support schemes, guarantees of origin, joint projects, cooperation with third countries and sustainability criteria for biofuels.

2018: RED II

In December 2018, as part of the "Clean energy for all Europeans" package, the revised RED came into effect. This Directive, which had to become national law in EU countries by June 2021, set a new binding renewable energy target for the EU of at least 32% of gross final energy consumption by 2030 and an increased 14% target for the share of renewable fuels in transport by 2030. In accordance with Regulation (EU) 2018/1999, EU countries should have proposed national energy targets and establish 10-year National Energy and Climate Plans (NECPs), due by March 2023, for the period 2021-2030.

2023: RED III

The revised RED, updated by Directive (EU) 2023/2413, resulted from three significant modifications:

- (i) In July 2021, as part of the "Fit for 55" package, the first amendment aimed to align the EU's renewable energy targets with its enhanced climate ambition, increasing the binding target to 40% by 2030 and promoting the uptake of renewable fuels, such as hydrogen, in industry and transport with additional sub-targets.
- (ii) In May 2022, as part of its "REPowerEU" plan following the Russian aggression against Ukraine, the second amendment sought to accelerate the clean energy transition, phasing-out dependence on Russian fossil fuels. This involved increasing the binding EU's renewable energy target to 45% by 2030 through measures like installing heat pumps, expanding solar PV capacity and importing renewable hydrogen and biomethane.
- (iii) In November 2022, a third amendment (released as a Council Regulation) aimed to speed up the deployment of renewable energy by presuming renewable energy plants to be of overriding public interest, allowing faster permitting for renewable projects and granting specific derogations from EU environmental legislation.

Thus, in October 2023, the update of the RED raised the 2030 renewable energy sources target to at least 42.5% by 2030 but aiming for 45%. Furthermore, the revised Directive streamlines procedures for permitting new renewable energy power plants, like solar panels or wind turbines, establishing a maximum approval time of 12 months in designated renewables-friendly areas and 24 months elsewhere.

EU's solar PV targets

Regarding solar PV, the "REPowerEU" plan outlined a strategy to double solar PV capacity to 320GW by 2025 and achieve 600GW by 2030. The plan incorporates a phased-in legal requirement to install solar panels on new public, commercial and residential buildings along with an initiative to double the deployment rate of heat pumps in district and communal heating systems. Under the plan, Member States are also required to identify and adopt plans for dedicated go-to areas for renewables, with shortened and simplified permitting processes.

Renewables industry global outlook**Renewables in 2023**

According to the International Energy Agency (hereafter "IEA"), the additions to renewable electricity capacity reached 507GW in 2023, marking an increase of nearly 50% compared to the previous year's figure. The growth is attributable to sustained policy support in over 130 countries, catalyzing a noteworthy shift in the global growth trend. The acceleration observed globally in 2023 was predominantly fueled by a year-on-year expansion in China's booming market for solar PV by 116% and wind by 66%.

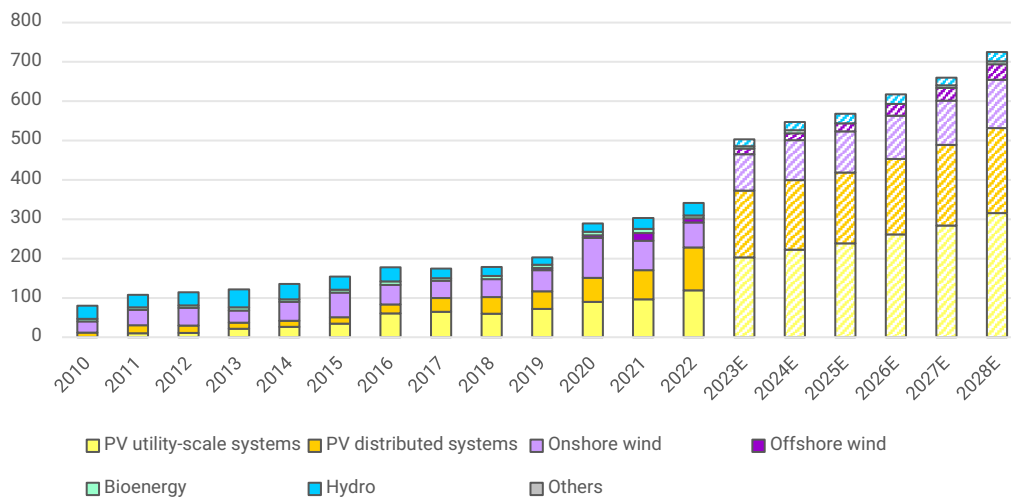
Renewable capacity additions: 3,700GW over 2022-28

In the base case forecast in IEA’s report *Renewables 2023*, almost 3,700GW of new renewable capacity will come online over the 2023-2028, with solar PV and wind accounting for a record 96% of it because their generation costs are lower than for both fossil and non-fossil alternatives in most countries and policies continue to support them.

The Chinese government’s commitment to achieving Net Zero by 2060, coupled with incentives outlined in the 14th Five-Year Plan (2021-2025) and the accessibility of locally manufactured equipment and low-cost financing, is serving as a significant catalyst for the country’s renewable power growth throughout the forecast period. Simultaneously, expansion is gaining momentum in the United States and the European Union, driven by the US Inflation Reduction Act (IRA) and national policy incentives that align with the EU’s objectives of decarbonization and bolstering energy security.

While commendable, this growth trajectory would only result in a 2.5-fold increase in global renewable capacity by 2030, falling short of the COP28 goal to triple capacity. Bridging this gap to achieve over 11,000GW by 2030 requires governments to address current challenges promptly and expedite the implementation of existing policies.

Figure 22: Global renewable electricity capacity net additions, 2010-2028E (GW)

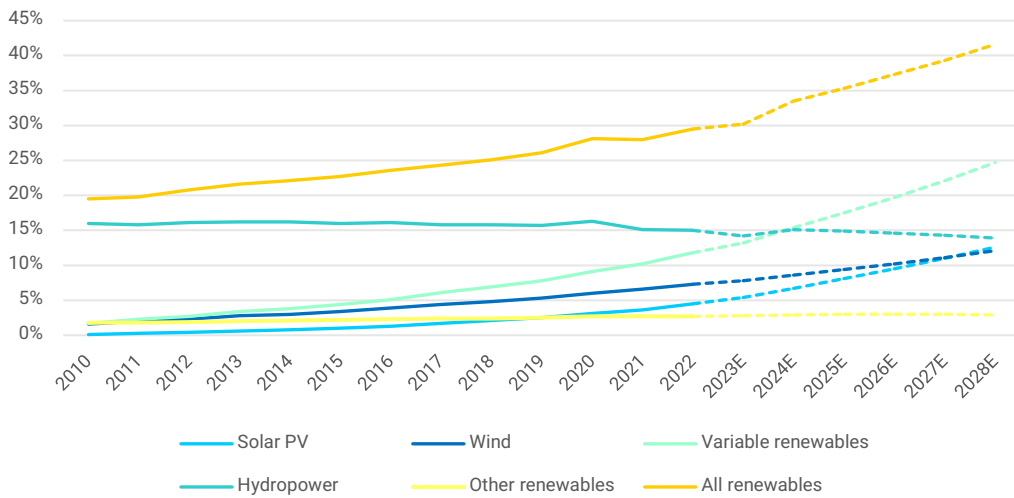


Source: IEA (2023), *Renewable Energy Progress Tracker*, IEA, Paris

Renewable energy: the largest source of electricity generation by 2025

By 2028, potential renewable electricity generation is expected to reach around 14,400 TWh, an increase of almost 70% from 2022, and renewable energy sources will account for 42% of global electricity generation, with the wind and solar PV share making up 25%. Furthermore, these forecasts implied that renewables would become the largest source of global electricity generation by early 2025, surpassing coal-fired electricity generation.

Figure 23: Share of renewable electricity generation by technology, 2010-2028E



Source: IEA (2023), Renewable Energy Progress Tracker, IEA, Paris

Solar PV market in Europe

EU’s PV capacity is set to increase by 317GW over 2022-28

In 2023, EU solar PV markets surfed the wave generated by political and energy shocks that emerged in 2022. The surge in electricity and gas prices and the fear of energy supply outages fuelled by the Russian invasion of Ukraine resulted in severe energy security concerns and put solar in a completely new light, making 2022 the year of solar PV acknowledgment as a pivotal, cost-effective and rapidly deployable technology for generation of power. In 2023, the impacts of this paradigm shift have become even more apparent – with new record installations across the EU which IEA estimated at 52GW.

According to IEA, PV capacity in the EU is expected to increase over 150% (+ 317GW) between 2022 and 2028, improving the already high growth recorded in previous six-year period (2016-2022). Regarding the PV capacity segment breakdown, the greatest growth is expected to occur in the PV utility-scale systems² which will surge from 72GW in 2022 to 204GW in 2028 with a CAGR equal to 19%. Alongside PV capacity, PV generation in Europe is set to increase from 205 TWh in 2022 to 558 TWh in 2028.

Figure 24: PV capacity by segment in Europe, 2016-2028E

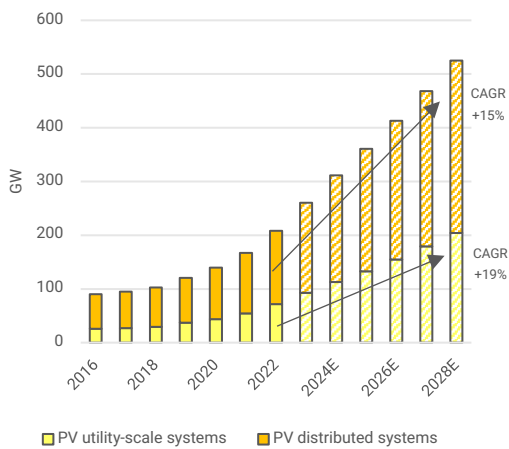
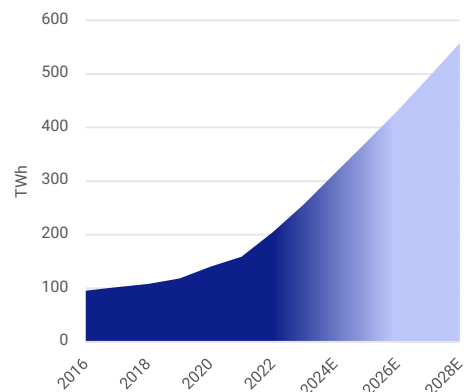


Figure 25: PV generation in Europe, 2016-2028E



Source: IEA (2023), Renewable Energy Progress Tracker, IEA, Paris

² Includes installations with capacity higher than 1MW.

The main drivers for utility-scale growth are supportive policies, in the form of government auctions to achieve long-term renewable energy targets, and attractive market conditions for unsubsidised projects through bilateral contracts between IPPs and corporate consumers or utilities. Conversely, owing to high retail electricity prices and policies that remunerate excess generation, the business case for self-consumption is a major attraction for distributed³ solar PV uptake.

However, in Europe, renewable projects are facing also challenges related to:

Grid congestion and prolonged connection queues

- (i) Grid congestion and prolonged connection queues, leading to increase project lead times and elevated costs for developers awaiting licensing. The EU Grid Action Plan, released in November 2023, outlines actions for key stakeholders to expedite grid investment and address these challenges.

Economic attractiveness of auctions

- (ii) Economic attractiveness of auctions, as several of them have experienced lower participation in the past year. This is attribute to doubts about their economic viability in a volatile price environment: developer, dealing with increasing costs in labour, equipment and financing are hesitant to participate in auctions due to uncertainties regarding contract mechanisms to address inflation-related cost hikes.

Challenges in obtaining permits and licenses for projects

- (iii) Challenges in obtaining permits and licenses for projects, with many countries facing prolonged and often unsuccessful processes due to complex procedures, limited development space, staffing shortages and social opposition. This has resulted in developers avoiding auctions, project abandonment and construction delays. However, there has been progress since the European Commission's May 2022 recommendations, leading to streamlined permitting procedure, defined timelines, identified priority areas and reduced requirements for small projects. Furthermore, the July 2023 release of the Renewable Energy Directive III granted renewables the status of overriding public interest and mandated specific permits to be issued within a two-year timeframe.

Solar PV market in Italy

Italy's PV capacity is expected to increase almost 30GW over 2022-28

One of the largest growing EU solar markets last year was Italy, estimated by the IEA added 5GW of capacity in 2023, doubling the 2.5GW installed in 2022. Within the EU, only the Austrian market had a slightly higher growth rate. In previous years, the residential segment had played a crucial role in driving the Italian solar market, primarily due to its generous Superbonus incentive scheme. But the subsidy programme, which offered homeowners a tax credit of up to 110% for installing solar PV among others, was heavily amended in 2023.

Nevertheless, according to IEA, PV capacity in Italy is still expected to increase nearly 120% (+30GW) between 2022 and 2028, five times its growth in previous six-year period (2016-2022). Regarding the PV capacity segment breakdown, the greatest growth will occur in the PV utility-scale systems which will surge from 5GW in 2022 to 18GW in 2028, a CAGR almost equal to 22%. PV generation in Italy is set to increase from 28 TWh in 2022 to 61 TWh in 2028.

³ Distributed capacity solar PV is classified into three main categories:

1. residential (0 to 10 kW)
2. commercial and industrial (10 kW to 1MW)
3. off-grid applications (such as solar home systems, small commercial applications, and mini-grids).

Figure 26: PV capacity by segment in Italy, 2016-2028E

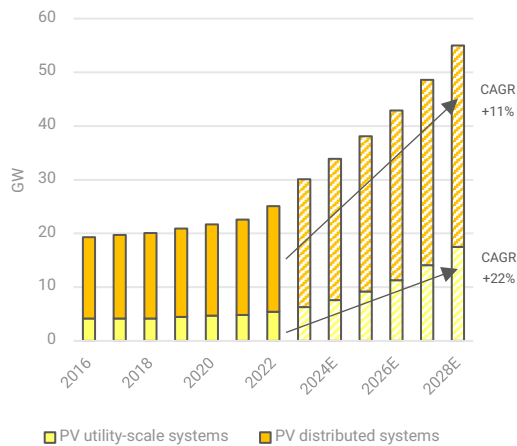
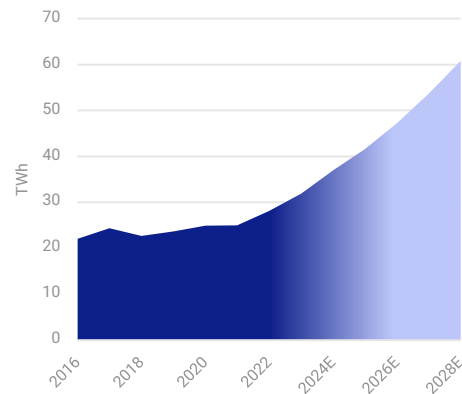


Figure 27: PV generation in Italy, 2016-2028E



Source: IEA (2023), Renewable Energy Progress Tracker, IEA, Paris

Solar tracker’s market outlook

Solar trackers: enhancing energy efficiency in PV industry

A solar tracker is a mechanical device designed to direct PV modules so they are perpendicular to the sun’s rays by tracking the sun’s position from sunrise to sunset. In the PV industry, the solar tracker maintains a strong value proposal as it can produce 15-25% additional energy compared to plants with fixed structures and, more importantly, increasing energy production early and late in the day when the cost of energy is higher. As the pricing, reliability and performance of single-axis trackers⁴ have improved, the systems have been installed in an increasing percentage of utility-scale projects.

Solar tracker market surges ahead, outpacing growth in PV-utility scale systems capacity

The solar tracker market continues to grow apace with a strengthened value proposal, driven by the pace of growth in solar installations globally. In recent years, there has been a steady increase in the relative volume of solar tracker installations, with the weight of fixed installations gradually decreasing. In this regard, according to Soltec Power Holding SA, the European industry leader, the share of solar trackers in the total number of installations is expected to increase from 20% in 2018 to 38% in 2030. Market growth can therefore be expected to outpace the expected global growth in PV utility-scale systems capacity, i.e. a CAGR greater than 22% from 2022 to 2028. Concerning the trajectory of solar tracker prices, an uptick in average prices was notable during the years 2021-2022, driven by the surge in raw material costs and challenges in international logistics. However, starting in 2023, a normalization of prices occurred, marked by a widespread decline across all markets. The ongoing enhancement of tracker technology and the increasing profitability of modules are anticipated to be key factors driving continuous price reductions in the future.

⁴ Single-axis trackers have only one degree of freedom that acts as an axis of rotation, usually they rotate along a true North meridian, following the sun’s east-to-west path. In contrast, dual-axis trackers, equipped with two perpendicular axes of rotation, have greater flexibility, adjusting both horizontally and vertically to optimize sun exposure.

Appendix: Overview and business model

History

2001-2015: From conventional energy sources to solar

Established in 2001 by a team of seasoned technicians with extensive experience in the plant-industrial sector, Comal embarked on its journey in mechanical-plant engineering. In the early years, it played a crucial role in constructing large power production plants from conventional sources, including the Montalto di Castro plant, originally designed as a nuclear facility.

In response to the severe crisis in the plant engineering sector (2008-2009), Comal underwent a strategic corporate restructuring to venture into a new market. Within a short period, the Company successfully positioned itself as a key player in the construction of large PV energy production plants, achieving remarkable results in terms of turnover, technical performance, and client satisfaction.

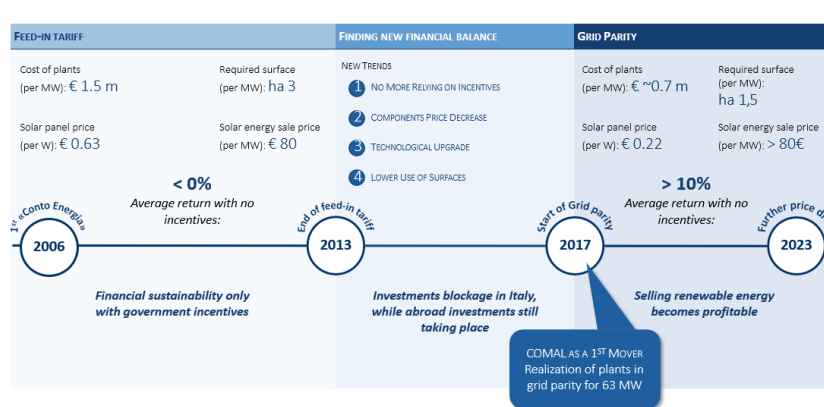
2016: EPC-M and O&M formulas

The period spanning 2013 to 2016 marked a pivotal phase in the Company's growth. During this timeframe, the Company played a key role as a subcontractor in the construction of 96MW of PV plant in South Africa. This significant project not only contributed to the Company's expansion but also served as a crucial learning experience, providing valuable know-how in the construction of solar power plants. Since 2016, Comal has been operating in Italy and abroad under the EPC-M (Engineering, Purchase, Construction, and Management) and O&M (Operational and Maintenance) contractual formulas.

2017: Italian pioneer in grid parity

In 2017, driven by a commitment to research and development, the Company achieved a significant milestone by being the first Italian operators to realize a 63MW solar plant in grid parity. This achievement signifies the attainment of a crucial equilibrium between the expenses associated with constructing and maintaining a PV system and the costs related to energy production from conventional sources. Consequently, a renewable plant achieving grid parity becomes inherently profitable without relying on public incentives.

Figure 28: Grid parity from 2017 to 2023



Source: Company data

2018: tracker "Sun Hunter" and Supply formula

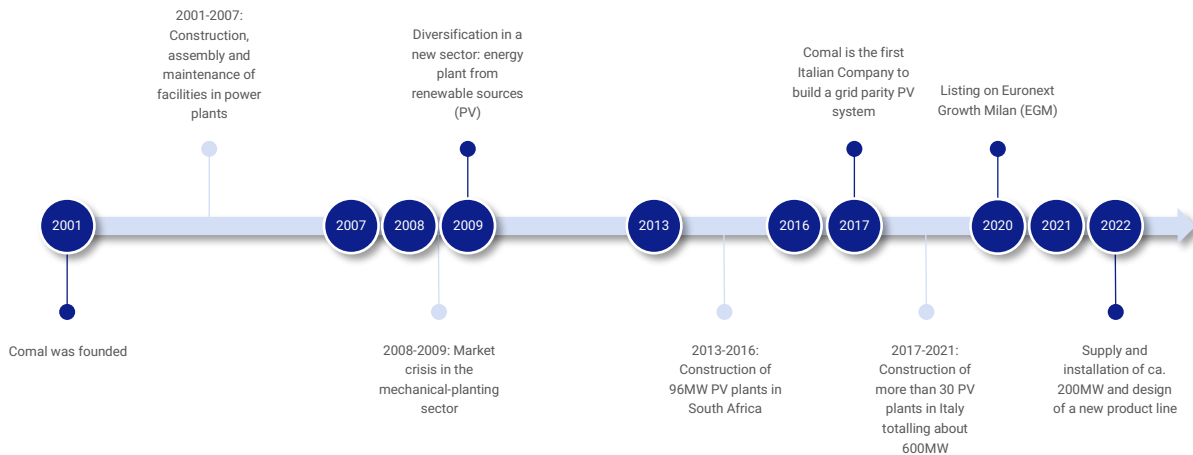
In 2018, Comal introduced the tracker "Sun Hunter", a revolutionary structural component for PV systems. This innovative tracker structure, featuring proprietary hardware and software, enables seamless panel mobility and solar tracking, resulting in a substantial increase in the overall production yield of the system. Since its introduction, Comal has embraced the Supply formula, establishing itself as the exclusive provider in Italy offering a comprehensive service that encompasses the supply of support structures for PV modules.

2020: Initial public offering (IPO)

On 16 December 2020, Comal underwent a major transformation, becoming a public company under the name Comal S.p.A. It began its public presence with the listing on AIM Italia, later turned into Euronext Growth Milan.

To date Comal can boast over 2GW of installed power with sustained growth projections aligning with market expectations. Almost all turnover stems from the construction, supply and maintenance of large-scale PV systems, while a residual part remains linked to the conventional plant sector, wherein the company conducts mechanical maintenance activities for entities like Enel and General Electric.

Figure 29: Comal timeline from 2001 to 2023



Source: Banca Profilo elaborations on Company data

Headquarters and factory

Comal headquarter in Montalto di Castro

Comal headquarter is located in the industrial area of Montalto di Castro, in the province of Viterbo. It spans over 21,000 square metres, with approximately 8,000 square metres covered for offices, workshops and material depots and 13,000 square metres for raw material storage areas, prefabricated components and transit areas. The workshops are equipped with machine tools suitable for large production volumes, including ten overhead cranes, a CNC plasma cutting machine with drilling and tapping capabilities, radial drills, parallel and vertical lathes, shears, bending machines, punching machines, automatic and semi-automatic band saws, boring machines and grinding benches. Additionally, there are wire (tig) welding departments with automatic positioners and a submerged arc welding plant. The Company has also an experimental welding department that uses innovative techniques. The production cycle is completed by the sandblasting and painting department.

The plant's energy requirements are partially met by a 49 KW PV rooftop system.

Figure 30: Comal headquarter in Montalto di Castro



Source: Company data

Offices in Rome, Viterbo and Caltanissetta

In pursuit of recruiting specialized personnel and sustaining the remarkable growth trajectory, Comal has undertaken strategic expansions across Italy in recent years. In March 2021, the Company established an office in Rome, housing the sales and design departments. This office was subsequently expanded in October 2021, doubling its surface area to accommodate over 40 employees, predominantly engineers.

Additionally, Comal acquired an office in Viterbo dedicated to finance and management control.

A further development took place in November 2022, with the inauguration of a new office in Caltanissetta. This move holds significance as the city's central location in Sicily aligns with Comal's substantial presence in the region, anticipating robust growth in plant opportunities in the near future.

New solar tracker factory born from the agreement with Enel Green Power

In February 2022, Comal has signed an agreement with Enel Green Power for the construction of a tracker factory within the thermal power plant "Alessandro Volta" in Montalto di Castro. The factory will be located in an area of more than 30,000 square metres, no longer used for the plant's energy activities and will employ up to 70 workers, creating a potential opportunity also for the re-employment of personnel from the induced activities of disused thermoelectric plants in the upper Lazio region. The aim is to produce completely Italian trackers to support PV energy production of up to 1GW per year, contributing to the growth of a national renewable energy chain and bringing back to Italy the production of equipment that was previously imported.

New PV module factory in L'Aquila

On January 8, 2024, Comal secured the "Next Appennino | Measure B1.2 - B3.3" tender for constructing an advanced industrial plant in the Province of L'Aquila, dedicated to the production of cutting-edge, high-efficiency PV modules. The project involves a total investment of €16.1m and the construction timeline targets completion in June 2025, promising the creation of numerous job opportunities in the Abruzzo region.

Group structure

Virtutis Solaris is the largest shareholder

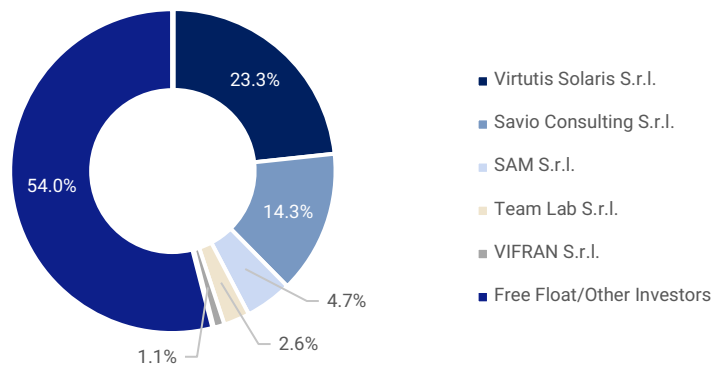
Following the capital increase last July, Comal S.p.A. has a share capital of €0.26m (vs previous €0.23m), distributed among 13,093,241 ordinary shares (vs previous 11,500,000). The majority ownership is held by Virtutis Solaris S.r.l., a company founded and owned by Alfredo Balletti (Comal CEO) and Fabio Rubeo (BoD Director and Investor Relator of Comal), holding a 23.3% stake in the shares.

Free float equal to 54%

The free float is equal to 54.0% and it includes also the share owned by Zeus Capital. The remaining stake is owned by

- Savio Consulting (14.3%), a company controlled by Guido Paolini (BoD Chairman);
- SAM (4.7%), a company controlled by Barbara Paolini (BoD Director);
- Team Lab (2.6%), a company controlled by Francesco Campisi, the father of Alessandro Campisi (BoD Director);
- VIFRAN (1.1%), a company controlled by Francesco Vitale (BoD Director).

Figure 31: Shareholder structure

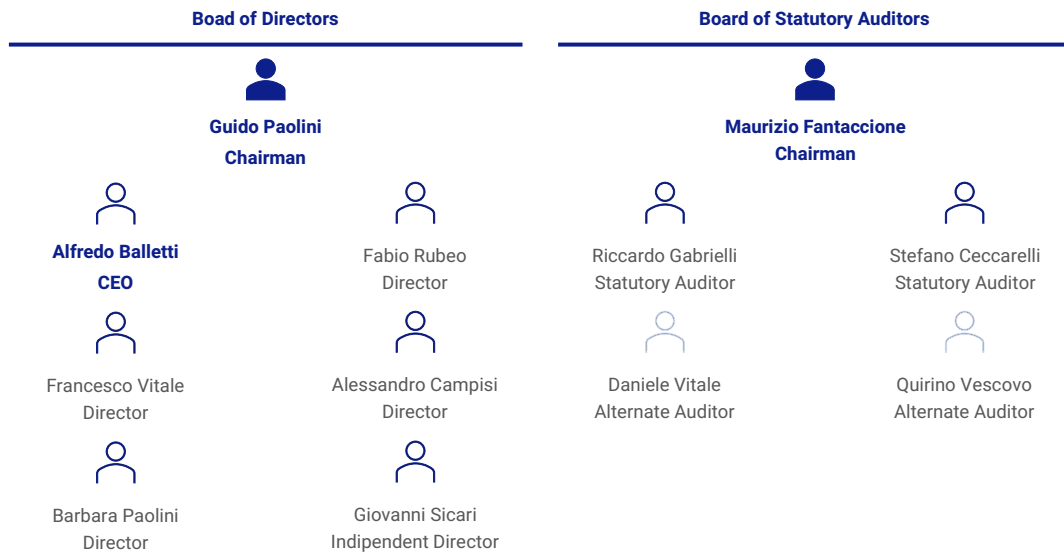


Source: Banca Profilo elaborations on Company data

Board of Director and Board of Statutory Auditors

The Board of Directors consists of six members, and the Board of Statutory Auditors, consists of three regular and two alternate members. They were appointed by the Shareholders' Meeting on April 28, 2023. They will continue to serve in their roles until the approval of the financial statements for the year ending December 31, 2025.

Figure 32: BoD and Board of Statutory composition



Source: Banca Profilo elaborations on Company data

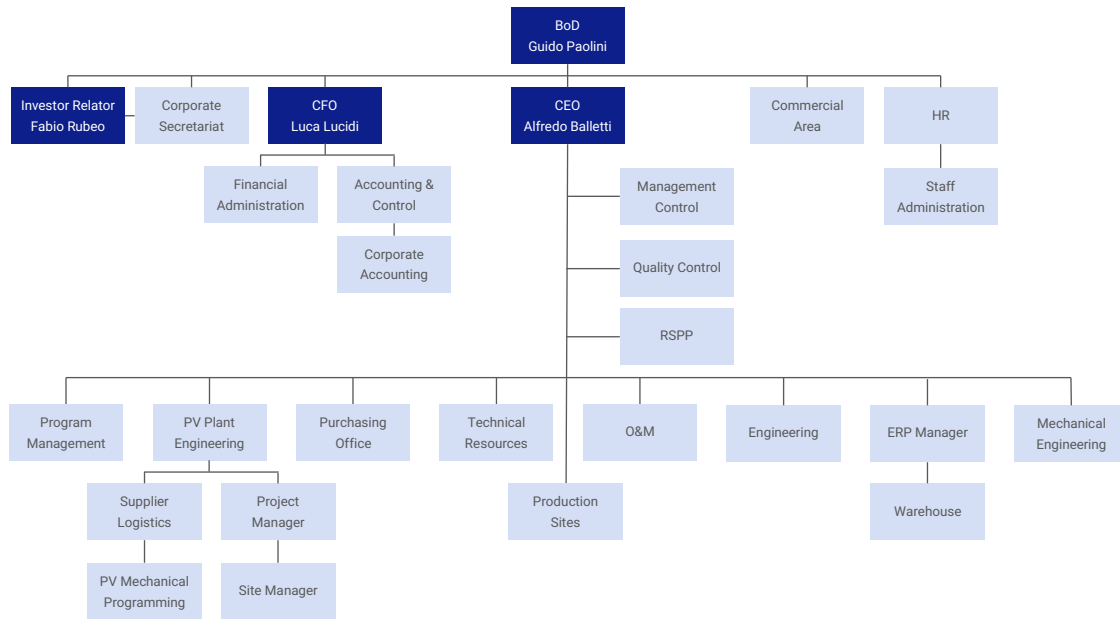
Growing staff

As of June 2024, the Group employed 331 people, with an increase since the beginning of the year of 29 units.

Guido Paolini: the Founder and Chairman

Guido Paolini founded the Company and currently serves as the Chairman of the Board of Directors. After completing his mechanical engineering degree at the Ubaldo Comandini Institute in Cesena, he gained extensive professional experience in plant engineering. He started as a coordinator and later became a site manager. Between 1969 and 1971, he worked as a coordinator with the company Dalmine Montubi S.p.A. on the construction of a methane loading and unloading plant. Later, from 1973 to 1981, he worked as a site manager with the company CO.GE.MI S.p.A. on various projects, including a methane gas dehydration project and various contracts at the Montalto di Castro nuclear power plant. In 2001, he founded Comal and served as its Sole Director or member of the Board of Directors. Additionally, he served as the Sole Director of Tirreno Impianti S.r.l. from 2011 to 2017 and as a member of the Board of Directors of B&C Energy S.r.l. from 2010 to 2012.

Figure 33: Comal Organisational chart



Source: Banca Profilo elaborations on Company data

Alfredo Balletti: the CEO and BoD Director

Alfredo Balletti is the Chief Executive Officer (CEO) and a member of the Board of Directors. After completing his Mechanical Engineering degree at the University of Rome 'La Sapienza' in 1983, he began his professional career as a researcher. From 1985 to 1988, he worked as a Quality Assurance Manager at EL-MO S.r.l. He then worked as a project manager at CO.GE.MI. S.p.A., managing orders for the construction of methane decompression chambers and the roof of the San Siro stadium in Milan. From 1992 to 1996, he served as the director and technical director of CO.M.AL. S.r.l. During this time, he was accountable for the design, construction and assembly of piping and carpentry at the Montalto di Castro power plant. From 1996 to 2006, he held the position of Director of Mechanical Production, Winding and Cabling at the Cisterna di Latina plant, as well as Director of the System Integration & Customer Service unit, specifically in the Naval-Satellite-Avionic and Land sector at the Pomezia, Catania and Genoa sites for Selex ES S.p.A. Since 2007, he has served as the Director of Operations at Comal S.p.A. In this role, he is responsible for designing, constructing and assembling piping and carpentry in thermoelectric power plants, as well as assembling and maintaining steam and gas turbines. Additionally, he oversees the design, construction and maintenance of large PV plants and serves as the reference designer of tracker in Comal.

Fabio Rubeo: Investor Relator and BoD Director

Fabio Rubeo is a member of the Board of Directors and Comal Investor Relator. After completing his Law degree at LUISS 'Guido Carli' University in Rome, he pursued his interest in astronomy and applied sciences by contributing to various significant projects in the astronomy-aerospace sector. In 2010, he joined a project to design and organize the construction of the world's largest apochromatic refractor telescope. He played an active role in building several observatories in the aerospace field, including the CSO Observatory, ALMA Observatory, and SPADE Observatory. Furthermore, he partnered with the University of Nairobi and 'La Sapienza' University of Rome for the master's degree course in 'space Mission Design and Management'. Additionally, he collaborated with the Department of Aerospace and Astronautical Engineering of 'la Sapienza' University of Rome to establish the first Italian observatory dedicated to space debris, known as the SPADE Observatory.

Luca Lucidi: the CFO

Luca Lucidi was appointed as Chief Financial Officer (CFO) on December 11, 2023. He has extensive experience as a CFO in major companies. Among others, he was the CFO of

CY4Gate, managing its public listing. Currently, the new manager does not hold any shares in the Company.

Product range

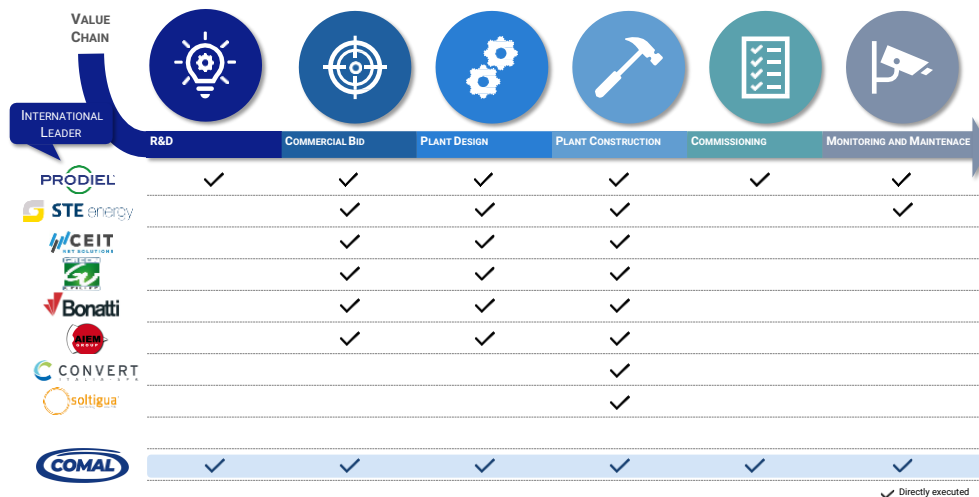
Full in-house EPC-M company

Over the past decade, Comal has successfully built high-capacity PV systems. Initially collaborating with other parties in the construction phase, the Company later transitioned to developing systems using the EPC-M formula. EPC-M, or Engineering, Procurement, and Construction Management, is a widely adopted professional engineering services contract for the development of manufacturing plants or heavy engineering facilities in various industries such as Energy, Agriculture, Chemical, Pharmaceutical and Food & Beverage. In essence, EPC-M allows project owners (the clients) to maintain complete control over their projects, while engineering consultants (the contractors) oversee the entire process from inception to completion. This entails handling all engineering stages, including planning, managing complex engineering requirements, coordinating contractors and vendors on behalf of the client, and offering a single point of contact.

Comal stands out by offering full coverage of business' value chain, ensuring lower cost and better timing control compared to some relevant competitors. The value chain comprises the following key activities:

- (i) Research and Development (R&D) activities are focused on enhancing solutions in the construction of PV systems and serve as a key knowledge asset for the Group, acting as an impetus for its development and dimensional growth. This strategic element has played a pivotal role in positioning Comal favourably in the current market landscape and will continue to set it apart from the competition, contributing not only to the expansion of market share but also to setting high standards through benchmarking initiatives.
- (ii) Commercial Bid phase involves participating in tenders through two channels:
 - a. Active screening of open tenders worldwide and identifying participation opportunities, a process conducted through the "Global Data" software by the Commercial Department.
 - b. Direct invitation from customers.
- (iii) Plant Design phase involves site organization, material procurement and on-site start-up processes.
- (iv) Plant Construction phase encompasses the installation of the electrical system, implementation of the Supervisory Control and Data Acquisition (SCADA) monitoring system, for functionality and production control, and the integration of a surveillance system.
- (v) Commissioning phase includes operational testing, system acceptance, commissioning and the ultimate handover.
- (vi) Monitoring and Maintenance - Once operational, the plant undergoes constant monitoring through the SCADA system, with periodic performance tests. Plant security is upheld through an active video surveillance system. Regarding O&M, following commissioning, Comal conducts ordinary and extraordinary maintenance for a contractually established period, typically 24 months. Currently, Comal oversees the maintenance of 500MW, this segment not only guarantees a consistent revenue stream but also boasts the highest profit margins. The Company anticipates the growing significance of this business in the future, given the close correlation with the completion of PV plants conducted by the EPC-M business and the prospect of extending the offer to third-party plants.

Figure 34: Value chain of EPC-M activity



Source: Company data

Tracker Sun Hunter:
Comal's
technologically
advanced and cost-
effective solution

In 2018, Comal introduced the "Sun Hunter 18AB" horizontal single-axis tracker which stands out for its exceptional adaptability, allowing seamless integration into various PV plant configurations to maximize power generation. Its unique features include the use of trackers with adjustable lengths and the independent setting of each tracker's angles, even during back-tracking. The tracker is characterized by four main components:

- i) The bearing is designed to be dirt-resistant, chemically resistant and maintenance-free. It can withstand high radial loads, is self-aligning with a rotation angle of $\leq 9^\circ$ and offers ease of assembly and disassembly. Additionally, it compensates for misalignment errors, ensuring optimal rotation conditions for trackers.
- ii) The drive motor slew driver is a self-powered engine with a high-torque transmission. The detection accuracy is precise at 0.1° , and the worm screw drive operates effectively in temperatures ranging from -20°C to $+120^\circ\text{C}$.
- iii) The controller ensures solar tracking and operates either in stand-alone mode or within a ZigBee wireless network. It is self-powered, utilizing a 30 W PV panel and a battery kit to charge one or two 24 V 6 Ah LI-ION batteries. The controller features proprietary technology in both hardware and software, incorporating a double wind protection system based on a proprietary algorithm.
- iv) The structure is constructed from carbon steel, adhering to EN 10219 standards. It undergoes a hot-dip galvanization process and is coated with Z450 for enhanced protection.

In response to the surging demand for this device, the Company has strategically introduced a dedicated business line exclusively centered on its sales. Previously, Comal has been selling its trackers as part of its EPC-M offering for the construction and installation of PV plants. The supply of trackers has had a significant impact on the Company's turnover, reaching 25% of the value of production in 2022. Strong growth is also expected from 2023 onwards, which is already reflected in the half-year figure, coinciding with the start-up of the new factory.

Figure 35: Comal Tracker Sun Hunter



Source: Banca Profilo elaborations on Company data

Shelter entirely designed by Comal

Comal crafts all-encompassing designs for shelters or transformer substations, offering capacities of 1MW, 2.8MW, 3MW and 6MW. These cabins seamlessly integrate with externally acquired inverters, affectively concluding the electrical chain within the PV plant. The shelter houses a low-voltage compartment, a transformer and a media switch, establishing a direct connection to the energy delivery point. Additionally, the shelter boasts remote control capabilities and a suite of sensors adept a detecting various operational state within the PV plant.

Figure 36: Example of Shelter



Source: Banca Profilo elaborations on Company data

Customer base

Diversified clientele:
from energy funds to
utility players

Comal's clientele is categorized into two distinct groups:

- i) Energy funds investing in PV plant to generate returns while contributing to the development of sustainable and environmentally friendly energy sources. Comal has served notable clients in this category, including Octopus Investments, KGAL, EOS and European energy.
- ii) Energy and utility operators investing in PV systems to produce and distribute energy to end customers. Past and present clients within this category encompass Enel Green Power, A2A, Acea, Edison and Engie.

Figure 37: Comal customer base



Source: Company data

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Comal S.p.A.

ID Card

Recommendation

Target Price

Upside

BUY

5.4 €

40%

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Company Overview

Established in 2001 and headquartered in Montalto di Castro (VT), Comal is a leading player in Italy's solar energy systems sector. Specializing in delivering high-power photovoltaic (PV) plants, the

Company employs the EPC-M (Engineering, Procurement, Construction Management) and O&M (Operation & Maintenance) formulas, covering the entire project lifecycle - from design and construction to

installation, testing, commissioning and ongoing maintenance. Recently, Comal expanded its offerings by introducing a new business line focused on supplying solar trackers, leveraging its proprietary

technology previously integrated into the EPC-M offering. Additionally, Comal the company plans to enhance vertical integration by starting in-house manufacturing of PV modules from 2025.

The Company is listed on the Euronext Growth Milan segment of the Italian Stock Exchange and Virtutis Solaris S.r.l., a company owned by Alfredo Balletti (Comal CEO) and Fabio Rubeo (BoD Director and

Investor Relator of Comal), holds a 23.3% stake in the shares. Free Float stands at 54%.

SWOT Analysis

Strengths

- Know-how and proven track record in delivering projects with the EPC-M formula
- A growing portfolio of orders
- Close commercial relationships over the national territory
- Patent for advanced and highly technological tracker device
- Booming underlying market
- Vertical integration

Opportunities

- International expansion
- Strengthening O&M by capitalising on revamping needs
- Diversification in other renewable technologies

Weaknesses

- Strong exposure to a single country (Italy) and technology (solar PV)
- Rising financing costs
- High exposure to the regulatory framework
- Financial risks arising from the back-end-loaded cash generation profile of the business
- Dependence on capital-intensive bidding process to win new contracts
- Strong competition and reduction of the added value in full EPC contracts

Threats

- Regulatory and technological changes
- Impressive growth to be managed
- Difficulties in finding qualified personnel in the areas where the company operates
- Weather-related risks in the EPC-M business

Main catalysts



Booming reference market incentivised by governments
Commencing production of Italian-made PV modules effective 2025
Geographical expansion in UAE

Main risks



Fragile financial footing characterized by considerable debt burden
Potential contraction of demand resulting from the development of new technologies or regulatory changes
Future positive cash flows depend heavily on optimizing working capital, a goal that remains unmet thus far

Comal S.p.A. ID Card

Recommendation

BUY

Target Price

5.4 €

Upside

40%

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Main financial data					
(€/mln)	FY22	FY23	FY24E	FY25E	FY26E
Value of Production	77.8	136.2	181.0	203.2	245.4
<i>yoy</i>	84.6%	75.1%	32.9%	12.2%	20.8%
Gross Profit	38.6	72.3	93.6	105.9	126.6
<i>Gross margin</i>	49.6%	53.1%	51.7%	52.1%	51.6%
EBITDA	6.9	10.0	14.7	18.1	22.3
<i>EBITDA margin</i>	8.9%	7.4%	8.1%	8.9%	9.1%
EBIT	5.8	8.3	12.6	15.1	18.7
<i>EBIT margin</i>	7.4%	6.1%	7.0%	7.4%	7.6%
EBT	5.2	6.4	9.1	11.3	15.3
<i>Pretax margin</i>	6.7%	4.7%	5.0%	5.6%	6.2%
Net Income	3.4	4.1	5.9	7.4	10.0
<i>Net Profit margin</i>	4.3%	3.0%	3.3%	3.6%	4.1%
Net Financial Position (Cash)	19.2	30.2	44.0	46.5	45.6
Shareholders' equity	15.7	19.8	30.5	37.9	47.9
Net Operating Working Capital	26.6	37.0	57.5	66.4	78.6
CapEx	2.1	4.3	5.6	7.9	1.7
Free Cash Flow	(14.9)	(7.7)	(15.0)	(3.0)	3.2

Activity ratios					
	FY22	FY23	FY24E	FY25E	FY26E
Days of inventory On Hand (DOH)	184	380	302	286	244
Days of Sales Outstanding (DSO)	129	122	125	123	123
Number of days of payables	94	174	139	134	124
Fixed Assets Turnover ratio (FAT)	6.3	9.0	9.7	8.6	11.3

Liquidity ratios					
	FY22	FY23	FY24E	FY25E	FY26E
Current ratio	1.4	1.1	1.4	1.4	1.4
Cash conversion cycle	218	328	288	275	243

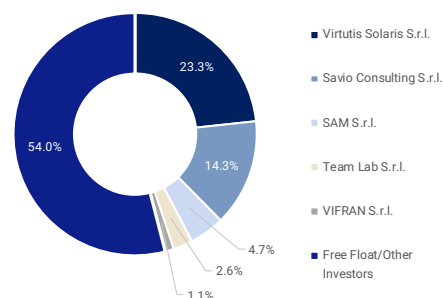
Solvency ratios					
	FY22	FY23	FY24E	FY25E	FY26E
Net Debt (Cash)-to-Equity	1.2x	1.5x	1.4x	1.2x	1.0x
Net Debt (Cash)-to-EBITDA	2.8x	3.0x	3.0x	2.6x	2.0x
Interest Coverage ratio	10.8x	4.3x	3.6x	4.0x	5.5x

Profitability ratios					
	FY22	FY23	FY24E	FY25E	FY26E
Return On Invested Capital (ROIC)	10.6%	10.8%	12.2%	12.9%	14.4%
Return On Capital Employed (ROCE)	3.6%	1.9%	3.1%	3.5%	4.1%

Company Description

Company Sector	Process Plants, Utilities and Energy Construction
Price (as of October 2, 2024)	3.9
Number of shares (mln)	13.1
Market Cap (€/mln)	49.8
Reference Index	FTSE Italia Growth Index
Main Shareholders	Virtutis Solaris S.r.l.
Daily Average Volumes	41,048
Sample of comparables	PLC (IT), ESI (IT), Greenergy Renovables (ES), OX2 (SE), Quanta Services (US), Soltec Power Holdings (ES), Nexttracker (US) and Array Technologies (US)

Shareholder Structure



Data of peers				
Median	FY22	FY23	FY24E	FY25E
Sales growth (yoy)	43.7%	26.9%	33.4%	19.5%
EBITDA margin	9.2%	11.7%	10.9%	11.7%

Multiples of peers			
Median	FY24E	FY25E	
EV/EBITDA	9.1x	6.1x	

Source: Bloomberg, Facset, Banca Profilo estimates and elaborations

Disclaimer

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ADDITIONAL INFORMATION

THE BANK PROVIDES ALL OTHER ADDITIONAL INFORMATION, ACCORDING TO ARTICLE 114, PARAGRAPH 8 OF LEGISLATIVE DECREE 58/98 ("FINANCIAL DECREE") AND COMMISSION DELEGATED REGULATION (EU) 2016/958 AS OF 9 MARCH 2016 (THE "COMMISSION REGULATION") ON THE RELEVANT SECTION OF ITS WEBSITE (WWW.BANCAPROFILO.IT, IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA").