

Company: **Comal S.p.A.** Rating: **BUY** Target Price: **€4.8**

Sector: **Renewable Energy**

Capital increase successfully completed

Strengthening financial position raising €4.78mln

On July 31, Comal announced the successful subscription of its capital increase, which was approved by the BoD on July 3 for up to 1,642,857 new shares and €4,928,571, including the share premium. A total of 1,593,241 shares were subscribed, raising €4,779,723, representing 97% of the target amount.

As a result, the share capital increased by €31,864.82 to €261,864.82, bringing the total number of shares to 13,093,241. The remaining €4,747,858.18 will be added to the Company's share premium reserve. Furthermore, the Board retains the authority to place the remaining 49,616 shares by December 31, 2024.

The capital increase is an important step to strengthen Comal's financial position and support its growth initiatives, including the development of the solar panel factory in L'Aquila.

Valuation: BUY confirmed; 12-month TP technically cut to €4.8

Our latest DCF estimates [*Please refer to our Initial Coverage on 18th April 2024*] indicated a cumulative FCFs of €2.8mln in 2024-28 (E), a Terminal value of €7.0mln and a WACC of 7.8%, leading us to an Equity fair value of €46.6mln, or €4.1/share. Following the capital increase, the estimated Net Debt for year-end 2024 improved to €41.7mln, compared to our previous forecast of €46.8mln. With other estimates unchanged, this adjustment results in a revised Equity fair value of €51.8mln, or €4.0/share.

For relative valuation, we had used the median EV/EBITDA for FY24 (E) of the peer group which stood at 9.3x, higher than the Comal's trading multiple of 5.8x (as of April 11, 2024). This led to an Equity fair value of €69mln, or €6.0/share. After accounting for the capital increase, the Equity fair value becomes €74.1mln, or €5.7/share.

Due to the dilutive effect of the capital increase, our target price (TP) has been technically adjusted to €4.8/share from previous €5.0, still based on the average of the updated DCF and market multiples valuations. Considering the potential upside on Comal's closing price, we confirm our BUY.

August 30, 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 August 30, 2024)	€ 3.7			
Number of shares (mln)	13.1			
Market cap. (mln)	€ 47.9			
1-Year Performance				
Absolute	2.7%			
Max/Min	3.8/2.9			
(€/mln)	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Value of Production	136.2	151.5	191.1	243.8
<i>yoY</i>	<i>75.1%</i>	<i>11.2%</i>	<i>26.1%</i>	<i>27.6%</i>
EBITDA	10.0	12.5	17.9	23.2
<i>EBITDA margin</i>	<i>7.4%</i>	<i>8.3%</i>	<i>9.4%</i>	<i>9.5%</i>
EBIT	8.3	10.4	14.9	19.7
<i>EBIT margin</i>	<i>6.1%</i>	<i>6.9%</i>	<i>7.8%</i>	<i>8.1%</i>
Net Income	4.1	5.0	7.8	10.9
<i>Net Profit margin</i>	<i>3.0%</i>	<i>3.3%</i>	<i>4.1%</i>	<i>4.5%</i>
Net Financial Position (Cash)	30.2	41.7	45.0	46.0
Shareholders' equity	19.8	29.6	37.5	48.4
Net Operating Working Capital	37.0	54.7	65.1	80.2
CapEx	4.3	5.6	7.9	1.7
Free Cash Flow	(7.7)	(13.7)	(4.4)	1.1

1-Year rebased performance



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

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Comal S.p.A.

ID Card

Recommendation

Target Price

Upside

BUY

4.8 €

31%

ago, 30 2024 - 11:47

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 44.4%.

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

ago, 30 2024 - 11:47

Recommendation

BUY

Target Price

4.8 €

Upside

31%

Main financial data

(€/mln)

	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Value of Production	77.8	136.2	151.5	191.1	243.8
<i>yoy</i>	84.6%	75.1%	11.2%	26.1%	27.6%
Gross Profit	38.6	72.3	81.4	100.6	124.6
<i>Gross margin</i>	49.6%	53.1%	53.7%	52.6%	51.1%
EBITDA	6.9	10.0	12.5	17.9	23.2
<i>EBITDA margin</i>	8.9%	7.4%	8.3%	9.4%	9.5%
EBIT	5.8	8.3	10.4	14.9	19.7
<i>EBIT margin</i>	7.4%	6.1%	6.9%	7.8%	8.1%
EBT	5.2	6.4	7.7	12.0	16.7
<i>Pretax margin</i>	6.7%	4.7%	5.1%	6.3%	6.9%
Net Income	3.4	4.1	5.0	7.8	10.9
<i>Net Profit margin</i>	4.3%	3.0%	3.3%	4.1%	4.5%
Net Financial Position (Cash)	19.2	30.2	41.7	45.0	46.0
Shareholders' equity	15.7	19.8	29.6	37.5	48.4
Net Operating Working Capital	26.6	37.0	54.7	65.1	80.2
CapEx	2.1	4.3	5.6	7.9	1.7
Free Cash Flow	(14.9)	(7.7)	(13.7)	(4.4)	1.1

Activity ratios

	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Days of inventory On Hand (DOH)	184	380	265	250	225
Days of Sales Outstanding (DSO)	129	122	145	125	110
Number of days of payables	94	174	160	155	140
Fixed Assets Turnover ratio (FAT)	6.3	9.0	8.1	8.1	11.2

Liquidity ratios

	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Current ratio	1.4	1.1	1.4	1.4	1.5
Cash conversion cycle	218	328	250	220	195

Solvency ratios

	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Net Debt (Cash)-to-Equity	1.2x	1.5x	1.4x	1.2x	1.0x
Net Debt (Cash)-to-EBITDA	2.8x	3.0x	3.3x	2.5x	2.0x
Interest Coverage ratio	10.8x	4.3x	3.8x	5.1x	6.6x

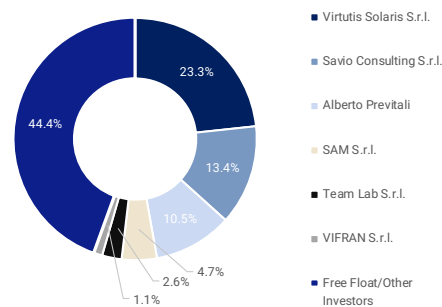
Profitability ratios

	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Return On Invested Capital (ROIC)	10.6%	10.8%	10.7%	13.2%	15.3%
Return On Capital Employed (ROCE)	3.6%	1.9%	3.3%	4.0%	4.8%

Company Description

Company Sector	Process Plants, Utilities and Energy Construction
Price (as of August 30, 2024)	3.7
Number of shares (mln)	13.1
Market Cap (€/mln)	46.7
Reference Index	FTSE Italia Growth Index
Main Shareholders	Virtutis Solaris S.r.l.
Daily Average Volumes	40,925
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	FY24 (E)	FY25 (E)
Sales growth (yoy)	43.7%	6.9%	28.2%	18.4%
EBITDA margin	8.1%	12.3%	12.9%	12.2%

Multiples of peers

Median	FY24 (E)	FY25 (E)
EV/EBITDA	9.3x	6.3x

Source: Bloomberg, Facset, Banca Profilo estimates and elaborations

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