



ECOMEMBRANE

Earnings Review

BUY ord. (Unchanged)

Target: **€ 12.00** (Unchanged)

Risk: High

STOCKDATA	ORD
Price (as of 02 Oct 2023)	7.7
Bloomberg Code	ECMB IM
Market Cap (€ mn)	33
Free Float	41%
Shares Out (mn)	4.3
52 week Range	-
Daily Volume	2,415

Performance (%)	1M	3M	1Y
Absolute	-4.0	-13.1	na
Rel to FTSE Italia All-Share	-0.9	-10.8	na

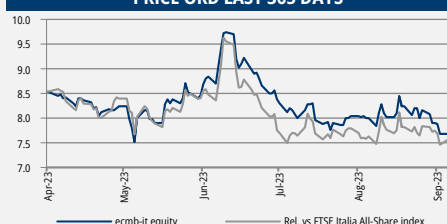
MAIN METRICS	2022	2023E	2024E
SALES Adj	14.2	17.5	27.8
EBITDA Adj	3.2	3.7	5.7
EBIT Adj	2.5	2.6	4.3
NET INCOME Adj	1.8	1.8	3.0
EPS Adj - €c	-	41.1	68.9
DPS Ord - €c	-	17.1	27.6

MULTIPLES	2022	2023E	2024E
P/E ord Adj	-	18.7x	11.1x
EV/EBITDA Adj	-	7.3x	4.5x
EV/EBIT Adj	-	10.3x	6.0x

REMUNERATION	2022	2023E	2024E
Div. Yield ord (A)	-	2.2%	3.6%
FCF Yield Adj	-	-8.4%	6.6%

INDEBTEDNESS	2022	2023E	2024E
NFP Adj	-1.0	6.5	8.0
D/Ebitda Adj	0.3x	n.m.	n.m.

PRICE ORD LAST 365 DAYS



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STRONG IMPROVEMENT IN BACKLOG. RESULTS ALMOST IN LINE.

ECMB's 1H23 results came out substantially in line with expectations, with a strong improvement in backlog (+57% YoY) and much better gross margin (62% vs 56% expected) which allowed to compensate some delays in biogas projects in US. 1H23 doesn't offer a concrete YoY comparison base, and the -29% in sales is basically impacted by the strong market condition in the swimming pool division during 2022 (peak post covid) and the relevant seasonality expected in 2023 (30%-70% split between the 2 semesters). The €10.8mn backlog already provides +7% YoY FY23 sales visibility, to be additionally expanded in coming months. At current stage we believe ECMB's backlog and pipeline offers good visibility on the relevant 2024 growth, thanks to the ongoing NRRP tenders on Biomethane, the signed contracts for CO2 storage, the opportunities deriving from Alvus/Favus disposal and the achieved M&A in US. We estimate that backlog/pipeline, covers 90% of both 2023-24 sales, only including Italian projects. We confirm the positive view on the stock.

+57% increase in Backlog and much higher gross margin

1H23 results came out almost in line with expectations, with a relevant improvement in backlog (+63% YoY) and a much better level of gross margins (62% vs 56% expected). ECMB reported in the 1H23:

- Sales €4.35mn (-28.6% YoY) vs €5.1mn expected;
- Gross profit €2.70mn vs €2.85mn exp. with a margin of 62% vs 56% expected;
- Ebitda €-0.40mn (1H22 n.a.) in line with our forecasts;
- Net Loss €-0.96mn (1H22 n.a.) vs €-0.93mn expected;
- Net Cash €7.2mn (vs Net Debt of €-1mn at YE 22) in line with forecasts.

More in details:

1. **Backlog at the end of June showed a significant YoY improvement at €10.8mn or +57% YoY.** Considering the 1H23 and the achieved backlog, we estimate ECMB already has visibility on a +7% in sales vs FY22 to be expanded in the coming months.
2. **The decrease in Sales (-29% YoY) was** due to both the seasonality effect of 2023 (30%/70% contribution among the two semesters) and the exceptionally strong contribution of the Swimming Pool division in 2022 (peak post-covid). We expect the main biogas/co2 storage projects to contribute in the last part of the year.
3. **The much better gross margin (62% vs 56% expected) comes as a surprise.** It highlights the benefits of management's actions in the internalization of part of the external costs as well as the benefit of a higher degree of automation in industrial processes. This allowed ECMB to fully compensate the slightly lower achieved sales.

Pipeline continues to offer attractive sales coverage in 2023-2024

While 2023 represents an important year for ECMB in terms of repositioning of the group into new businesses (CO2 storage and Hydrogen), we believe 2024 remains the focus, in light of the relevant expected growth (+50% Revenues and Ebitda). **We believe that ECMB still has a reasonable visibility**, thanks to a large pipeline of projects from the NRRP support scheme to biomethane (€57mn potential revenues), the awarded CO2 storage projects (€1.5mn signed and €5mn potential) as well as the "right to match" which will follow Alvus/Favus stake disposal to Macquarie (€15mn potential sales). **This pipeline, combined with 1H23 backlog and achieved M&A in US, covers around 90% of revenues for both 2023-2024 by only taking into account the "Italian projects".**

Confirming the positive view and the target price of €12ps

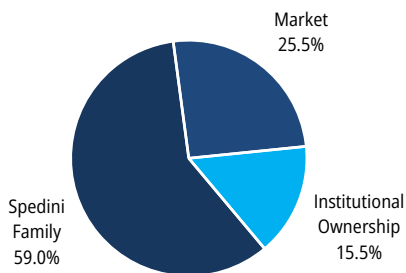
We have confirmed 2023 estimate compensating some \$-1.5mn sales (due to delays in US) through the higher reported gross margin. We have instead included the acquisition of Splash Superpool in US with a +2.5% increase in Ebitda from 2024. We believe:

1. **The underlying industry of "Clean gas" is rapidly expanding** on the back of the energy transformation process and on the path towards the net-zero targets as sustained by both EU and US policies;
2. **ECMB will take benefit from a consolidated presence in a high growth market in coming years.** With a recently upgraded and expanded production capacity, a solid cash position post IPO, a high degree of visibility on its project pipeline, we expect the group to achieve a +35% cagr of both Ebitda and Net Income through 2025 with a solid balance sheet (€6.5mn net cash at YE23) which may allow for additional opportunities through external acquisitions;
3. **Valuation appears attractive**, at 11.4x PE and 4.7x EV/EBITDA in 2024E and considering the expected growth potential and the solid balance sheet.

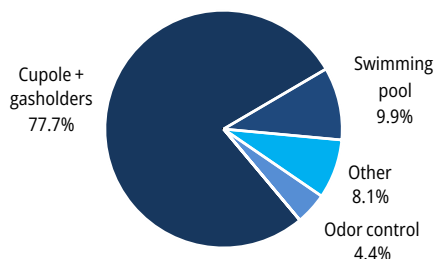
MAIN FIGURES - EURmn	2020	2021	2022	2023E	2024E	2025E
SALES Adj	10.5	11.7	14.2	17.5	27.8	36.9
Growth	n.a.	11.5%	21.3%	23.0%	59.1%	32.5%
EBITDA Adj	1.5	2.4	3.2	3.7	5.7	8.1
Growth	n.a.	60.1%	33.9%	14.9%	54.5%	41.4%
EBIT Adj	1.2	1.9	2.5	2.6	4.3	6.5
Growth	n.a.	58.8%	33.3%	3.6%	64.0%	50.3%
PBT Adj	1.1	1.8	2.5	2.5	4.2	6.4
Growth	n.a.	61.9%	38.2%	-0.9%	67.8%	51.6%
Net Income Adj	0.8	1.5	1.8	1.8	3.0	4.5
Growth	n.a.	74.9%	20.9%	0.3%	67.8%	51.6%
MARGIN - %	2020	2021	2022	2023E	2024E	2025E
EBITDA Adj Margin	14.3%	20.5%	22.6%	21.1%	20.5%	21.9%
Ebit Adj margin	11.4%	16.2%	17.8%	15.0%	15.4%	17.5%
Pbt Adj margin	10.8%	15.7%	17.9%	14.4%	15.2%	17.4%
Net Income Adj margin	7.9%	12.4%	12.4%	10.1%	10.6%	12.2%
SHARE DATA	2020	2021	2022	2023E	2024E	2025E
EPS Adj - €c	-	-	-	41.1	68.9	105
Growth	n.a.	n.a.	n.a.	n.a.	67.8%	51.6%
DPS ord(A) - €c	-	-	-	17.1	27.6	27.6
BVPS	-	-	-	3.5	4.0	4.7
VARIOUS	2020	2021	2022	2023E	2024E	2025E
Capital Employed	4.3	4.5	4.2	8.8	10.0	10.8
FCF	-	1.2	0.4	-2.8	2.2	4.0
CAPEX	-	0.5	2.5	1.8	0.8	0.8
Working capital	1.4	1.4	1.9	2.3	3.7	4.8
Trading Working capital	2.5	3.2	3.6	4.5	7.1	9.2
INDEBTNESS	2020	2021	2022	2023E	2024E	2025E
Nfp Adj	-1.2	-0.9	-1.0	6.5	8.0	10.8
D/E Adj	0.43	0.28	0.38	n.m.	n.m.	n.m.
Debt / EBITDA Adj	0.8x	0.4x	0.3x	n.m.	n.m.	n.m.
Interest Coverage	25.9x	42.2x	n.m.	37.0x	81.7x	162x
MARKET RATIOS	2020	2021	2022	2023E	2024E	2025E
P/E Ord Adj	-	-	-	18.7x	11.1x	7.3x
PBV	-	-	-	2.2x	1.9x	1.6x
EV FIGURES	2020	2021	2022	2023E	2024E	2025E
EV/Sales	n.a.	n.a.	n.a.	1.5x	0.9x	0.6x
EV/EBITDA Adj	n.a.	n.a.	n.a.	7.3x	4.5x	2.9x
EV/EBIT Adj	n.a.	n.a.	n.a.	10.3x	6.0x	3.6x
EV/CE	n.a.	n.a.	n.a.	3.1x	2.6x	2.2x
REMUNERATION	2020	2021	2022	2023E	2024E	2025E
Div. Yield ord	n.a.	n.a.	n.a.	2.2%	3.6%	3.6%
FCF Yield Adj	-	-	-	-8.4%	6.6%	12.1%
Roce Adj	-	31.5%	42.3%	29.3%	33.3%	45.2%

Source: Company data and Equita SIM estimates

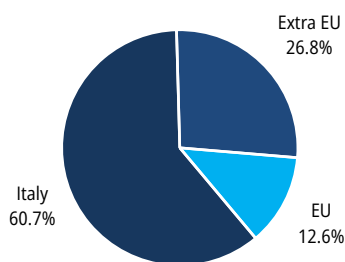
SHAREHOLDERS



SALES SPLIT



GEOGRAPHIES (SALES)



BUSINESS DESCRIPTION

Ecomembrane is a specialized producer of PVC-coated membrane covers and technical systems, used in the fields of gasholders, biogas plants, digesters and odor control systems as well as in the upcoming future applications of the Co2 storage/capture and the Hydrogen industry. After having expanded its market presence in the last decade, with a 3.1x sales growth since 2011 and a more recent +30% Cagr in the period 2019-22, Ecomembrane is facing the new opportunity of the energy market transformation.

■ **Market drivers**

The underlying clean gas market, in fact, is expected to expand significantly in the next years, thanks to the international net-zero/environmental policies, the replacement cycle of old assets, the penetration of new technologies and the market concentration (as indicated by the European Biogas Association and US DOE departments, the EU Biogas/Biomethan market is forecasted at 1.9x-2.4x rate through 2030; the US Renewables Natural Gas – RNG - markets at 2.4x through 2030; the CO2/CCS/storage at >10x through 2030/2050). In this contest, Ecomembrane produces a “key strategic” component (from 7%-10% of the capex costs of biogas/biomethan projects), for which the company is able to provide “tailor-made” premium quality solutions

STRENGTHS / OPPORTUNITIES	WEAKNESSES /THREATS
<ul style="list-style-type: none"> - Consolidated historical presence in the clean-biogas market with International presence and production facilities both in Europe and US. - Full control of the value chain. - Wide range of products: gasholders, odour control, swimming pools, Co2, hydrogen - Relevant technological footprint, with continued development of new products. - High profitability and very strong balance sheet. - Resiliency of business model proved also through the COVID-19 years. - Recently upgraded capacity available from the 2h of 2023 - Short route to market, and constant price-revision protects against inflation - The regulatory requirements on both Energy-transition and circular economy (EUGreen Deal), as well as the needs to increase security of supply and energy independence (Repower Eu) - Rapidly consolidating market, with “Funds”, “Utilities” and “Specialized operators” opening up to a higher share of wallet and services. - Refurbishment cycle, in the next 2-3 years. - New technology requirements in the fields of Carbon Capture, Battery storage and Hydrogen. - M&A opportunities to consolidate presence. - Investment in production capacity expansion and efficiency will help to boost profitability. - Potential interest from bigger groups may rise speculative appeal on the group in the coming years 	<ul style="list-style-type: none"> - Limited size in a highly fragmented market. - Significant expansion capacity investments realized in 2022 will require an ad-hoc set up of the new facilities in the coming months. - Business model remains linked to Government/regulatory push for investments in alternative energy sources. - Eventual regulatory intervention to reduce incentives measure to the industry may dilute growth opportunities. - Consolidation of the client base in the sector may lead to higher competition on contracts and tenders for biogas plant construction. - Authorization issue on client’s projects, may dilute growth opportunities in the coming years. - Logistics issue and raw material unavailability may potentially delay projects execution - Rapid growth in coming years will require personnel expansion and phase up of plant and persons - Business model will have to be tested for the significant expected increase of dimension (profitability).

ALMOST IN LINE WITH EXPECTATIONS. BACKLOG AT +60% YoY.

Our overall judgment on ECMB results is positive. Numbers came out almost in line with expectations, with a relevant improvement in backlog (+63% YoY) and a much better level of gross margins (62% vs 56% expected). ECMB reported in the 1H23:

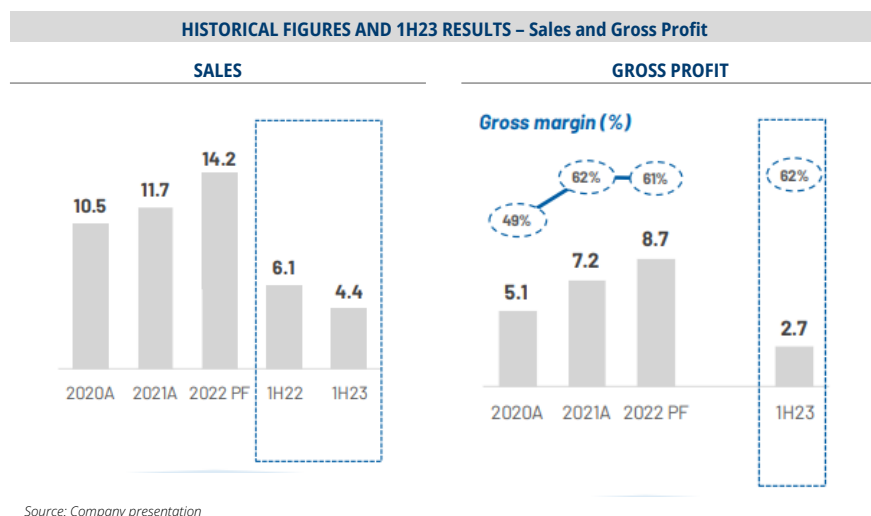
- **Sales €4.35mn** (-28.6% YoY) vs €5.1mn expected;
- **Gross profit €2.70mn** (1H22 n.a.) vs €2.85mn expected **with a gross margin of 62%** vs 56% expected;
- **Ebitda €-0.40mn** (1H22 n.a.) in line with our forecasts;
- **Net Loss €-0.96mn** (1H22 n.a.) vs €-0.93mn expected;
- **Net Cash €7.2mn** (vs Net Debt of €-1mn at YE 22) in line with forecasts.

A summary of the expected results in the period is showed in the following table.

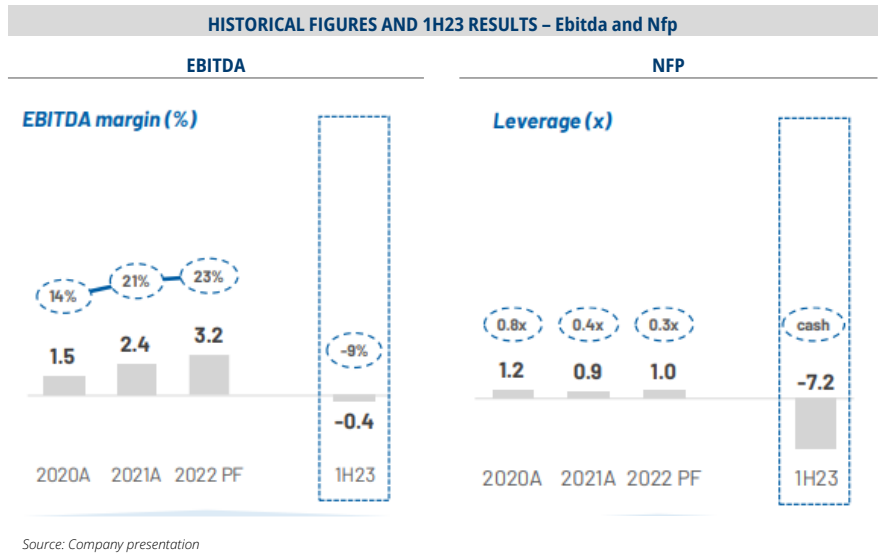
1H23 RESULTS						
MAIN METRICS	1H 22	EXPECTED		REPORTED		Consensus 1H23
		1H 23	YoY	1H 23	YoY	
Backlog - €mn	6.80	10.80	+57.0%	10.80	+57.0%	na
Sales - €mn	6.10	5.10	-16.4%	4.35	-28.6%	na
Seasonality on FY - %	43%	29%	-	25%	-	-
Change in stocks, internal works, M&A - €mn	na	0.18	na	0.56	na	na
Revenues - €mn	na	5.57	na	4.91	na	na
Seasonality on FY - %	-	31%	-	27%	-	-
Cogs - €mn	na	-2.72	na	-2.2	na	na
Gross profit - €mn	na	2.85	na	2.70	na	na
Gross margin (on Revenues) - %	na	56%	na	62%	na	na
Other fixed costs - €mn	na	-3.25	na	-3.11	na	na
Ebitda - €mn	na	-0.40	na	-0.41	na	na
Ebitda margin (on Revenues) - %	na	nm	na	nm	na	na
Net Income - €mn	na	-0.93	na	-0.96	na	na
NFP (YE and current) - €mn	-1.00	7.14	+8.1 €mn	7.24	+8.2€mn	na

Source: Equita SIM and Company results

An alternative representation of the 1H23 figures and the historical evolution of reported results is provided in the following tables.



Source: Company presentation



As we anticipated above, we believe the reported figures are almost in line with our expectations. More in details:

- Backlog at the end of June** (including orders confirmed in July) **reported a significant improvement YoY at €10.8mn or +57% YoY.** Considering the 1H23 revenues and the backlog at the end of June ECMB currently has visibility for €15.2mn for the FY23 sales, which already represent a +7% YoY increase vs FY22 (to be expanded in the coming months).
- The decrease in Sales (-29% YoY) was largely expected** and due to both the seasonality effect of 2023 (for which we expected a 30%/70% contribution among the two half) and the exceptionally strong contribution of the Swimming Pool division in 2022, which benefits from around €0.9mn of non-recurring benefits from the “post-covid” effect. More in details, for what regards the seasonality, 2023 will see the contribution of the biogas projects as well as the special projects in the fields of CO2 Battery storage, to contribute in the last quarter of the year. The first results of the NRPP tenders have been published only in July this year, while the contract for the €1.5mn sales to Energy Dome (CO2 battery storage) has been signed the 29th of June.
- The much better gross margin (62% vs 56% expected) comes as a surprise.** It highlights the benefits of management’s actions in the internalization of part of the external costs as well as the benefit of automation of industrial processes. The higher profitability contributed to fully compensate the slightly lower level of sales, thus allowing ECMB to report in line figures at operating level (Ebitda & Net Income). **We believe the benefits achieved at cost level will be maintained through the year.**
- Debt has significantly improved (€7.2mn net cash) thanks to the net contribution of the IPO proces**

MAIN UNDERLYING TRENDS AND RECENT M&A

In general, we expect the following underlying trends to be affecting Ecomembrane’s performance:

- As the 1h revenues achievement would suggest, the level of overall sales is slightly lower than expected. As we understand, there are some 4-5 months delay in the authorization procedures and incentive in US** from the Inflation Reduction Act (IRA) tax credit recognition. This is translating into some \$1.5mn project delays in the country. As pointed above, Ecmb has been able to fully recover the lower expected sales with higher profitability at Gross Profit level.

2. In line with the business plan indications and the expansion targets presented at the IPO, **Ecomembrane announced in the past days, the closing of its first acquisition, taking over 100% of Splash SuperPools Ltd in the US for \$2.3mn.** The acquisition of the vehicle had already emerged in recent months and allows Ecomembrane to consolidate its presence in the US with a partner active in the production of PVC membranes for the swimming pool and biogas markets. The US market has significant development potential in the coming years also thanks to government programmes (the Inflation Reduction Act - IRA and the Rural Energy America Program - REAP), with key market estimates predicting a doubling of Renewable Natural Gas (RNG - biogas and biomethane) production by 2030. Splash Superpool reported revenues of around \$3mn in 2022, which are expected to decline to around \$1.5mn following the normalisation of the swimming pool market, which benefited in 2022 from the exceptional recovery of the post-Covid market. Once fully normalised, sales are expected to be ca \$2-2.5mn with a potential EBITDA of 10%. The acquisition is therefore at ca 1.5x 2023 sales and ca 1x sales when fully implemented, with a closing expected by the end of October. The potential contribution at regime is therefore around 2%-3% of group's Ebitda.

As a consequence of the above elements, we have adjusted our P&L and BS forecasts by

- Reducing 2023 expected revenues in the region of €1.5mn to account for some delays in project implementation mainly in US. We have anyway confirmed Ebitda and Net income as we believe the delay is compensated by a better cost cutting control
- We have increased the Ebitda from 2024 onwards including the impact of the acquisition in US. We have also reduced Nfp accordingly (\$2.3mn acquisition cost)

In the following table we report a summary of the main change in estimates for the period 23-26.

CHANGE IN ESTIMATES					
MAIN FIGURES		2023	2024	2025	2026
	Old Revenues - €mn	19.4	28.2	37.3	39.1
	Change	-1.5	0.0	-0.1	0.0
	New Revenues- € mn	17.9	28.2	37.2	39.1
	% change	-7.8%	-0.1%	-0.2%	-0.1%
	Old Ebitda adj. - €mn	3.7	5.6	7.9	8.2
	Change	0.0	0.1	0.2	0.2
	New Ebitda adj. - € mn	3.7	5.7	8.1	8.5
	% change	-0.1%	2.5%	2.5%	2.8%
	Old Net Income adj - € mn	1.9	2.9	4.4	4.6
	Change	-0.1	0.0	0.1	0.1
	New Net Income adj - € mn	1.8	3.0	4.5	4.7
	% change	-4.7%	0.9%	1.6%	1.9%
	Old dps - €c	17.2	27.3	27.3	27.3
	% change	-0.2	0.3	0.3	0.3
	New dps - €c	17.1	27.6	27.6	27.6
	% change	-1.1%	0.9%	0.9%	0.9%
	Old Nfp - €mn	9.2	10.4	12.7	15.1
	Change	-2.7	-2.4	-1.9	-1.6
	New Nfp - € mn	6.5	8.0	10.8	13.5

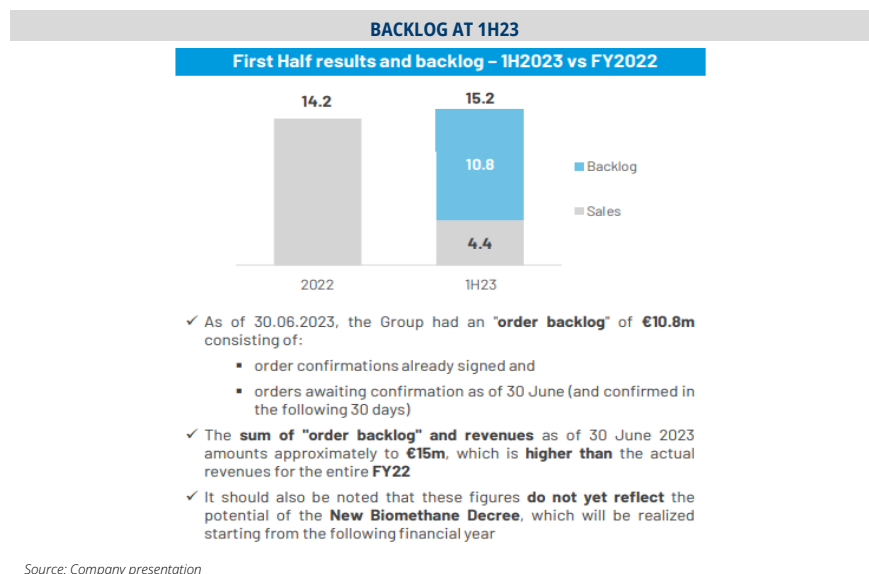
Source: Equita SIM estimates

FOCUS REMAINS 2024. STRONG PIPELINE OF PROJECTS

While 2023 is certainly an important year for Ecomembrane, we believe the main focus for the group remains 2024, with an expected significant rump up of profit contribution (+50% in both Revenues and Ebitda).

We believe the newsflow for Ecomembrane remains positive, with a strong pipeline of projects to provide for relevant coverage of expected sales going forward. When assessing the "pipeline coverage" of ECMB's sales, we would take into consideration the following factors:

1. **Ecomembrane reported a backlog of €10.8mn at the end of June**, which is the sum of the order confirmed at 30 June and those confirmed in the following 30 days. This is an improvement of +60% YoY.



2. **NRRP tenders contributions for the 2024-2026 period provide for higher visibility on market expansion**

At the end of June 2023, the GSE has published the first results of the tender for the allocation of NRRP funds to biogas/biomethane projects. As indicated in the D.M. (Ministerial Decree) dated 15/09/2022, Italy is committed to support around 257k smc/h of projects through various tenders across the 2022-24 period (67ksmc in 2022; 95k smc/h in 2023 and 95k smc/h in 2024). **Due to delays, the results of the first 2022 tender were only published at the end of June 2023, with incentives awarded to 60 projects (45 green fields and 14 reconversion) for a total of 29,978smc/h.**

Although this is only around 45% of the tendered projects, it is a good signal of the prospects of the industry and for Ecomembrane. **Considering that assigned incentives implies a completion of installation procedures in 18 months, this already provides some visibility for 2024 (and partially 2025).**

The 45% assignment reveals some challenges in terms of projects availability. However, we attribute this, in part, to the first round of tenders, as well as to delays in the authorization procedures, which we believe will be accelerated in coming months. We estimate that the full assignment of the NRRP support will be deployed through 2023-2024 (DM 15/09/22 envisaged 1 tender in 2022 and 2 tenders for 2023 and for 2024).

Assuming a market share of around 30% of the awarded tenders for Ecomembrane, and a value of the projects averaging 0.4€mn and 0.3mn respectively for the green-field and reconversion plants (average size of 500smc/h), the awarded tender already contribute to build up a pipeline of around €7mn for 2024.

Applying the same ratios to the total of 257k smc/h envisaged in the NRRP program, **the potential market for Ecomembrane at 30% market share is in the region of €57mn.** Assuming a 1/3 split of this pipeline through 2024-2026, it implies some €20mn sales coverage in each of the 3 years.

A summary of the potential evolution of the tenders for NRRP funds is showed in the following table.

NRRP TENDERS FOR BIOMETHAN - DM 15/12/2022						
PIPELINE ASSESSMENT	smc/h "TOTAL"	1st tender "ACTUAL"	2nd tender "Exp."	3rd tender "Exp."	4th tender "Exp."	5th tender "Exp."
Nrrp - 2022 TENDER – smc/h	67,000	67,000	37,022			
Nrrp - 2023 TENDER – smc/h	95,000		71,250	77,886		
Nrrp - 2024 TENDER – smc/h	95,000				71,250	61,366
TOTAL NRRP funds – smc/h	257,000	67,000	108,272	77,886	71,250	61,366
Awarded projects – smc/h	-	29,978	54,136	54,520	57,000	61,366
Assignment - % ("Reported" for 1st tender – "Assumed" for upcoming tenders)	-	44.7%	50.0%	70.0%	80.0%	100.0%
Assumed average size of projects - smc/h	500	500	500	500	500	500
Number of projects – n	514	60	108	109	114	123
Of which green field - 70% - n	360	42	76	76	80	86
Of which reconversion - 30% - n	154	18	32	33	34	37
Ecomembrane – project at market share 30% - n	154	21	38	38	40	43
Ecomembrane potential market (pipeline) - €mn*	57.1	6.7	12.0	12.1	12.7	13.6

Note: * at 0.4mn greenfield, 0.3mn reconversion and 30% market share
Source: EQUITA SIM estimates

3. ENERGY DOME projects signed for €1.5mn at the end of June with new tenders worth €7mn expected in next months.

As announced to the market in the past weeks, Ecomembrane has signed the first relevant order with Energy Dome at the end of June for a total consideration of around €1.5mn. This is an important step for the group, which has additional options for 2 additional relevant projects of around €1.5mn and €5mn respectively.

4. ALVUS/FAVUS disposal process is almost concluded and may trig the "right to match" to Ecomembrane on the group's installations for the Italian market in the period 2024-2027.

We understand Alvus/favus may have a greenfield pipeline of projects in the region of €15mn that maybe awarded to Ecomembrane under the "right to match" clause which will probably follow the disposal of ECMB's stake (around 18%) to Macquarie. It is agreed that the minimum initial number of equipment to be supplied by ECMB, shall be at least 6 (to be subsequently adapted to the customer needs) This may add some additional €1.5-3mn of project pipeline per year from 2024, just considering the Italian market and the greenfield projects.

We believe that the above-mentioned pipeline of projects is "visible" and covers around 90%-95% of both 2023-2024 expected sales:

- considering "only" Italian projects, while the weight of International business used to be in the region of 40%;
- considering only the "greenfield" opportunities of Alvus/Favus (which is instead active also on brownfield projects);
- excluding contribution of the new Hydrogen market, for which Ecomembrane is already formalizing the first offers to clients.

A summary of the expected Pipeline evolution and coverage of Sales is provided in the following table.

ECOMEMBRANE PROJECTS PIPELINE					
MAIN METRICS	2022	2023E	2024E	2025E	2026E
Assumed Sales - €mn	14.2	17.5	27.8	36.9	38.8
Revenues : 1H23 - €mn	-	4.4			
Backlog (core business): 1H23 "E" - €mn	-	10.8			
Assumed addition to backlog August	-	0.5			
Energy dome projects 2 (to be awarded) - €mn	-		1.5		
Energy dome projects 3 (to be awarded) - €mn	-		1.8	3.2	
NRRP Tenders (€57.1 pipeline - 30%-30%-30%) - €mn	-		19.0	19.0	19.0
Alvus favus potential market (€15mn 2024-2027) - €mn	-		1.5	3.0	3.0
Splash SuperPools acquisition	-		1.5	1.5	1.6
Pipeline - €mn	-	15.7	25.3	26.7	23.6
Coverage	-	90%	91%	72%	61%

Source: Equita SIM estimates

VALUATION

We are confirming our BUY recommendation for ECMB, and the target price of € 12ps which offers an upside of 50% on current prices and which implies a valuation of 17.4x PE and 7.7x EV/EBITDA as measured on 2024.

In the following table we report the reference valuation and a sensitivity table with different underlying Ev/Ebitda multiple.

EV/EBITDA VALUATION						
References & Sensitivity	Valuation	Sensitivity Analysis				
2024E Ebitda - €mn	5.7	5.7	5.7	5.7	5.7	5.7
2024E Ev/Ebitda Multiple	7.7 x	6.7 x	7.2 x	7.7 x	8.2 x	8.7 x
ENTERPRISE VALUE - €mn	44.4	38.1	41.0	44.4	46.8	49.8
Net cash end 2024E - €mn	8.0	8.0	8.0	8.0	8.0	8.0
Financial assets - €mn	0.3	0.3	0.3	0.3	0.3	0.3
Minorities - €mn	0.0	0.0	0.0	0.0	0.0	0.0
Provisions/Pensions - €mn	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2
EQUITY VALUE - €mn	51.5	45.1	48.1	51.5	53.9	56.9
Shares Fully diluted	4.3	4.3	4.3	4.3	4.3	4.3
Discount factor	0.98	0.98	0.98	0.98	0.98	0.98
TARGET PRICE - € ps	12.0	10.3	10.9	12.0	12.3	12.9

Source: Equita SIM estimates

The reference valuation table for the Capital goods segment is provided in the following table. We believe Ecomembrane's valuation remains attractive in light of its growth potential.

PEERS TABLE														
Ticker	Price	Mkt Cap €mn	PE			EV / EBITDA			DVD YIELD			D/EBITDA		
			2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
Cambi Asa	14.2	198	21.8 x	28.4 x	21.5 x	14.9 x	17.9 x	13.4 x	0.0%	0.0%	0.0%	cash	cash	cash
Fluidra Sa	19.6	3,766	21.2 x	17.3 x	15.2 x	11.6 x	10.1 x	9.2 x	2.9%	3.1%	3.4%	2.8 x	2.2 x	1.9 x
Industrie De N	17.4	3,634	34.9 x	26.1 x	21.3 x	20.0 x	16.1 x	13.1 x	0.8%	0.9%	0.9%	cash	cash	cash
Sergeferrari Group	10.3	126	10.6 x	9.4 x	7.5 x	5.3 x	4.4 x	3.5 x	2.9%	3.1%	3.9%	2.1 x	1.5 x	1.0 x
Interpump Group	45.2	4,919	16.4 x	15.7 x	14.5 x	9.7 x	9.0 x	8.3 x	0.7%	0.8%	0.9%	0.9 x	0.4 x	0.0 x
Pentair Plc	66.9	10,350	17.9 x	15.8 x	14.2 x	13.8 x	12.2 x	11.0 x	1.2%	1.2%	1.1%	1.9 x	1.3 x	0.8 x
Indutrade Ab	211.5	6,465	23.9 x	22.8 x	20.7 x	15.4 x	14.4 x	13.3 x	1.4%	1.5%	1.6%	1.4 x	1.0 x	0.5 x
Vat Group Ag	328.6	10,304	51.0 x	39.9 x	31.1 x	35.5 x	28.4 x	22.6 x	1.9%	2.0%	2.3%	0.1 x	cash	cash
Sulzer Ag	91.0	3,259	13.3 x	12.8 x	12.0 x	7.5 x	7.0 x	6.5 x	3.9%	4.0%	4.2%	0.6 x	0.3 x	0.1 x
Biokraft Intl Ab	19.5	71	nm	28.3 x	10.7 x	20.9 x	10.5 x	7.3 x	0.0%	0.0%	0.0%	10.4 x	6.1 x	4.0 x
Pfeiffer Vac Techn	147.6	1,456	19.9 x	17.5 x	15.7 x	10.2 x	9.2 x	8.0 x	0.1%	0.9%	1.1%	cash	cash	cash
Ksb Se & Co. KgaA	685.0	1,124	8.4 x	7.7 x	6.9 x	4.7 x	4.2 x	3.8 x	3.5%	3.9%	4.3%	1.3 x	1.0 x	0.8 x
Selected capital goods	-	-	21.8 x	20.1 x	16.0 x	14.1 x	12.0 x	10.0 x	1.6%	1.8%	2.0%	1.4 x	1.0 x	0.6 x
SXXP capital goods	-	-	22.5 x	18.7 x	16.6 x	11.5 x	10.2 x	9.2 x	1.9%	2.1%	2.4%	0.6 x	0.3 x	cash
Ecomembrane	8.3	36	19.7 x	12.2 x	8.0 x	7.4 x	4.6 x	2.9 x	-2.0%	-2.0%	-3.3%	cash	cash	cash

Source: Equita SIM estimates

We believe that **the underlying perspective of the clean gas market looks very attractive**. EU biogas market is expected to deploy growth rates from 1.9x to 2.4x through 2030, the US market is expected to grow at rate of 2.4x through 2030, while Hydrogen and CCS markets envisage growth rates from 2.5x up to 10x through 2030. This is going to be driven by stringent regulatory requirements in terms of energy transition, security of supply and quest for energy independence from Russia energy (Green Deal, Repower EU, Pnrr, US ira), but also by new technologies penetration (CCS and H2), circular economy concepts expansion as well as market concentration (new services and maintenance business) and replacement cycle (30% if existing assets approaching end of useful life in the next 2-3 years). Within this market contest, we also believe that Ecomembrane:

1. **Has a very well consolidated presence in the market thanks to:**
 - a. **a well-known brand**, in the field of biogas plant and with continuous requests for the development of strategic partnerships from leading industry players;
 - b. **an already well-established international presence** with more than 1,000 plants already installed through the world through a truly international distribution network, and 2 production facilities in Italy and US.
 - c. **a strong technological footprint** with the highest number of patents in the segment, the group constantly invests in R&D to led innovation, recognition and certifications at international level.
 - d. **a full control of the value chain**, with presence across the whole spectrum of activities from the engineering/projecting phase (with the possibility to develop tailor made solutions) up to the post-sales services. This ensure Ecomembrane a significant competitive advantage as a one-stop-shop provider of products and solutions for tailor made requests and mission-critical technologies.
 - e. **no main exposure to single clients or raw material provider**, which is particularly helpful in the market of the last few years with strong inflationary trends and constrains on the logistics and components;
 - f. **a resilient business model** which provided for strong protection through the COVID period and through 2022. The support from regulation has granted underlying growth despite of the underlying economic background

2. **Has attractive growth rates going forward. We estimate Ecomembrane to be able to achieve around +35 CAGR in turnover and in Ebitda through 2025.** We believe this is compatible with:
 - a. **The underlying growth of the industry** described above, which is expected to more than double in the coming years.
 - b. **A strong potential in terms of efficiencies gains**. Ecomembrane has recently significantly expanded its production capacity in the welding activities (from 2500m2 to 4500m2) and internalized the Steel production unit (1200m2). Our expectations is that this should allow Ecomembrane to almost tripling the production capacity within 2023. We believe the group should gain significant benefit from the automatization process from the new facilities as well as the internalization of production processes.
 - c. **The new business lines of special projects in the fields of CCS and hydrogen** which is significantly increasing the average value of contracts in the range of 2x/4x. Furthermore, the minority stake owned in Alvus/Favus, could lead additional greenfield/brownfield projects in the region of €10-15mn in the coming years.
 - d. **The M&A opportunities** with the proceeds from IPO potentially leading to additional expansion of the business by the mean of external acquisitions
 - e. **a wide range of addressable markets** including Agricultural, Industrial Waste-Water Treatment Plants (WWTPs), Organic waste treatment, Landfills, Methane, Co2, Hydrogen, Swimming pool, Odor systems and other;
 - f. **a wide range of addressable markets** including Agricultural, Industrial Waste-Water Treatment Plants (WWTPs), Organic waste treatment, Landfills, Methane, Co2, Hydrogen, Swimming pool, Odor systems and other, which allows Ecomembrane to capture the expected growth.

3. **Has a strong balance sheet**, with a net cash position at the end of 2023 with an already closed M&A deal (Splash Superpools in US). This will allow Ecomembrane to exploit all the market potential both through organic growth and by the mean of external acquisition.
4. **Valuation appears really attractive** at 11.4x PE and 4.7x EV/EBITDA as measured on 2024, and in light of the expected growth potential (+35% cagr Ebitda and Net income through 2025) and the strong cash position (€6.5mn at the end of 2023) which may allow for additional growth opportunities through selected acquisitions.

DETAILED VALUATIONS REFERENCES

MARKET RATIOS	2022	2023E	2024E	2025E	2026E
P/E	na	19.2 x	11.4 x	7.6 x	7.3 x
P/E adj	na	19.2 x	11.4 x	7.6 x	7.3 x
PBV	na	2.3 x	2.0 x	1.7 x	1.5 x
P/CF	na	11.9 x	7.7 x	5.6 x	5.3 x

EV FIGURES	2022	2023E	2024E	2025E	2026E
EV/Sales rep	na	1.5 x	0.9 x	0.6 x	0.5 x
EV/EBITDA rep	na	7.4 x	4.7 x	2.9 x	2.5 x
EV/EBITDA adj	na	7.4 x	4.7 x	2.9 x	2.5 x
EV/CE	na	3.1 x	2.6 x	2.2 x	1.9 x

REMUNERATION	2022	2023E	2024E	2025E	2026E
Div. Yield ord	na	2.1%	2.2%	3.5%	5.3%
FCF yield	na	-8.1%	6.4%	11.8%	13.3%
ROE	na	11.9%	17.4%	22.1%	20.1%
ROCE	na	22.7%	32.8%	45.6%	46.6%

INDEBTNESS	2022	2023E	2024E	2025E	2026E
NFP	-1.04	6.51	7.96	10.8	13.5
D/E (adj)	0.38	cash.	cash.	cash.	cash.
Debt/EBITDA (adj)	0.3 x	cash	cash	cash	cash
Interests cov (adj)	n.m.	37.0 x	81.7 x	161.7 x	169.4 x

Source: Equita SIM estimates

STATEMENT OF RISKS FOR ECOMEMBRANE S.P.A.

The primary elements that could negatively impact ECOMEMBRANE stock include:

- Relevant deterioration of the regulatory environment with reduced incentive commitment to the penetration of Biogas/Biomethan/Hydrogen.
- Relevant deterioration of the Interest rate/Inflationary environment putting at risk investment commitment from clients.
- Unforeseeable rump up of capex costs or delays in projects implementation.
- Eventual rapid increase of competition or demand/supply disruption.
- Deterioration of the access to financing sources

P&L - €mn	2020	2021	2022	2023E	2024E	2025E
SALES Rep	10.5	11.7	14.2	17.5	27.8	36.9
Growth	n.a.	11.5%	21.3%	23.0%	59.1%	32.5%
EBITDA Rep	1.5	2.4	3.2	3.7	5.7	8.1
Growth	n.a.	60.1%	33.9%	14.9%	54.5%	41.4%
Margin	14.3%	20.5%	22.6%	21.1%	20.5%	21.9%
Depr. & Amort	-0.2	-0.3	-0.5	-0.8	-1.0	-1.0
Other Provisions & Write Do	-0.1	-0.2	-0.2	-0.3	-0.4	-0.6
D&A	-0.3	-0.5	-0.7	-1.1	-1.4	-1.6
EBIT Rep	1.2	1.9	2.5	2.6	4.3	6.5
Growth	n.a.	58.8%	33.3%	3.6%	64.0%	50.3%
Margin	11.4%	16.2%	17.8%	15.0%	15.4%	17.5%
Net Interest Charges	-0.1	-0.1	0.0	-0.1	-0.1	-0.1
Equity & Financials	0.0	0.0	0.0	0.0	0.0	0.0
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Financial Expenses	-0.1	-0.1	0.0	-0.1	-0.1	-0.1
PBT Rep	1.1	1.8	2.5	2.5	4.2	6.4
Growth	n.a.	61.9%	38.2%	-0.9%	67.8%	51.6%
Income Taxes	-0.3	-0.4	-0.8	-0.8	-1.3	-1.9
Tax rate	-26.8%	-21.0%	-30.9%	-30.0%	-30.0%	-30.0%
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0
Net Income Rep	0.8	1.5	1.8	1.8	3.0	4.5
Growth	n.a.	74.9%	20.9%	0.3%	67.8%	51.6%
Margin	7.9%	12.4%	12.4%	10.1%	10.6%	12.2%
Net Income Adj	0.8	1.5	1.8	1.8	3.0	4.5
Growth	n.a.	74.9%	20.9%	0.3%	67.8%	51.6%
Margin	7.9%	12.4%	12.4%	10.1%	10.6%	12.2%
CF Statement	2020	2021	2022	2023E	2024E	2025E
FFO	-	2.0	2.4	2.6	4.4	5.8
Chg. in Working Capital	-	0.0	-0.5	-0.4	-1.4	-1.1
Other chg. in OCF	-	0.0	0.0	0.0	0.0	0.0
NCF from Operations	-	2.0	1.9	2.1	3.0	4.8
CAPEX	-	-0.5	-2.5	-1.8	-0.8	-0.8
Financial Investments	-	-0.2	0.0	0.0	0.0	0.0
Other chg in investments	-	0.0	2.8	-3.1	0.0	0.0
NCF from Investments	-	-0.8	0.3	-4.9	-0.8	-0.8
Dividends paid	-	-1.0	-0.5	-0.7	-0.7	-1.2
Capital Increases	-	0.0	0.0	11.0	0.0	0.0
Other changes in financing	-	0.0	-1.7	0.0	0.0	0.0
CHG IN NFP	-	0.3	-0.1	7.5	1.5	2.8

Source: Company data and Equita SIM estimates

INFORMATION PURSUANT TO EU REGULATION 2016/958 supplementing Regulation EU 596/2014 (c.d. MAR)

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RECOMMENDATION/RATING	Low Risk	Medium Risk	High Risk
BUY	ETR >= 10%	ETR >= 15%	ETR >= 20%
HOLD	-5% <ETR< 10%	-5% <ETR< 15%	0% <ETR< 20%
REDUCE	ETR <= -5%	ETR <= -5%	ETR <= 0%

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Ord ECMB IM MOST RECENT CHANGES IN RECOMMENDATION AND/OR IN TARGET PRICE:

Date	Rec.	Target Price	Risk.	Comment
June 20, 2023	Buy	12.00	High	Initiation of coverage

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(art. 6, par. 3 Delegated Regulation (EU) 2016/958 of 09 March 2016)

	COMPANIES COVERED	COMPANIES COVERED WITH BANKING RELATIONSHIP
BUY	53.3%	64.8%
HOLD	45.5%	33.8%
REDUCE	0.0%	0.0%
NOT RATED	1.2%	1.4%

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