

ECOMEMBRANE

Company Update

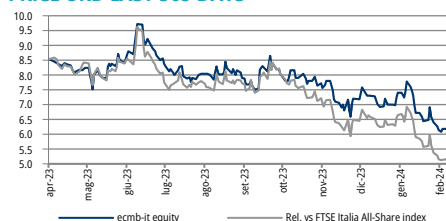
BUY ord. (Unchanged)

Target: € 10.50 (Prev.: €12.00)

Risk: High

STOCKDATA		ORD		
Price (as of 07 Mar 2024)		6.3		
Bloomberg Code		ECMB IM		
Market Cap (€ mn)		27		
Free Float		41%		
Shares Out (mn)		4.3		
52 week Range		-		
Daily Volume		2,959		
Performance (%)	1M	3M	1Y	
Absolute	-13.7	-12.0	na	
Rel to FTSE Italia All-Share	-19.6	-20.6	na	
MAIN METRICS		2022	2023E	2024E
SALES Adj		14.2	15.4	21.8
EBITDA Adj		3.2	1.9	2.8
EBIT Adj		2.5	0.9	1.5
NET INCOME Rep		1.8	1.2	1.1
NET INCOME Adj		1.8	0.7	1.1
EPS Adj - €		-	27.7	25.8
DPS Ord - €		-	6.1	10.2
MULTIPLES		2022	2023E	2024E
P/E ord Adj		-	22.8x	24.5x
EV/EBITDA Adj		-	11.3x	8.1x
EV/EBIT Adj		-	23.1x	14.8x
REMUNERATION		2022	2023E	2024E
Div. Yield ord (A)		-	1.0%	1.6%
FCF Yield Adj		-	-12.7%	-0.4%
INDEBTEDNESS		2022	2023E	2024E
NFP Adj		-1.0	5.8	5.4
D/Ebitda Adj		0.3x	n.m.	n.m.

PRICE ORD LAST 365 DAYS

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INFLATION ADJUSTMENTS TO CAUSE PROJECTS DELAY

Waiting for the FY23 results presentation, we are revisiting our forecasts in the period 2023-26 in light of the regulatory changes in incentive mechanisms for biomethane and the recent acquisition of SBS SOLAR. The legislator has introduced inflation adjustments (+13% avg. increase in tariffs) but it has also allowed companies to withdraw from the already awarded auctions (March and Sept. 2023) to "re-apply" in new tenders with increased contributions (Dec. 2023). We estimate this will lead to 6-9 months postponement, mainly affecting 2023-24 installations. On the contrary, we expect SBS SOLAR to positively contribute from 2025 onwards thanks to the start-up of the EPC activities. We have confirmed our BUY recommendation, with a new target price of €10.5ps (-13% due to the slowdown in the membrane business). We believe the market has already discounted the impacts and the group's outlook remains solid.

■ **Expected delays through 2026 caused by the new incentive rules for biomethane**
With the publication of the DL2023 n.136, the Italian legislator has introduced a +13% inflation adjustment, to be applied to both "incentives tariffs" and "investment costs" for capital contributions under the NRRP biomethane program. If on the one hand the inflation adjustment is a positive for the visibility and the appetite/returns of projects, on the other hand it also deteriorates the "timing" required for asset deployment. We estimate the change in tariff led to 2 main consequences:

- Many projects have been put on "hold" in the past months, waiting to participate in the auctions with upward revised prices;
- It caused some projects to withdraw from previous award, in order to re-apply at the better underlying conditions.

As a consequence of the above, we estimate a 6-9 months delay in the achievement of the NRRP biomethane target, with impacts mainly on 2023-24 earnings.

■ Acquisition of SBS SOLAR.

ECMB has recently announced the acquisition of SBS SOLAR, a company active in the engineering and construction of solar plants and in the production of solar mono-axial trackers. SBS was already participated by ECMB with a 20% stake at the time of the IPO and it is now raising its stake up to 55% for full consolidation. The acquisition price is set at the corresponding portion of the nominal value of share capital, or €10.5k. We believe the acquisition will allow ECMB to additionally diversify in EPC segment for RES assets (out of a 50GW additional market of solar capacity, as envisaged in the PNIEC through 2030). We estimate SBS may be able to achieve some 5-10-15 MW of EPC contracts in 2025-26-27, consolidating also the business of solar trackers. We estimate SBS may achieve sales of €2.5/6.5mn in 2024/25 with around €0.7/1.4mn Ebitda contribution.

■ BUY confirmed with a new target price of €10.5ps (-13%)

As a result of both the expected delays in the core membrane business and the acquisition of SBS, we have reduced our Sales in the region of -12%/-21.4% in 2023-24 and increased them by +14% in 2026 (in light of the expected contribution of SBS).

While the sales shift is certainly a negative, we believe ECMB's perspectives remain solid with the Italian biomethane market expected to increase at a rate of 11.5x in the coming years (NRRP target at 2.5bcm in 2026 vs. 0.2bcm of 2022) and even more through 2030 (with a PNIEC target of 5.7bcm vs. 0.2bcm of 2022).

Considering these factors, we are maintaining our BUY rating as we believe the stock has already discounted the expected delays in market development. Our new target price of €10.5ps (-13%) offers an upside of 65% on current prices and it implies a valuation of 11.7x PE and 5.5x EV/EBITDA as measured in 2025. We believe Ecomembrane:

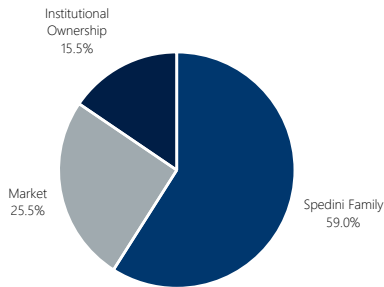
1. Has a very well consolidated presence in the market.
2. Shows attractive growth rates going forward. We estimate ECMB to achieve ca. +25%/30% CAGR in Sales, Ebitda and NI through 2026.
3. Maintains a strong balance sheet, with a net cash position at the end of 2023E providing the opportunity to exploit all the market potentials.

The group trades at a 2025E PE of 7.1x PE and 2.9x EV/EBITDA at discount vs peers in the Capital Goods segment.

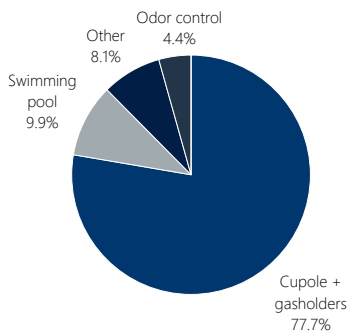
MAIN FIGURES - EURmn	2020	2021	2022	2023E	2024E	2025E
SALES Adj	10.5	11.7	14.2	15.4	21.8	36.9
Growth	n.a.	11.5%	21.3%	8.2%	41.7%	68.9%
EBITDA Adj	1.5	2.4	3.2	1.9	2.8	7.2
Growth	n.a.	60.1%	33.9%	-39.9%	42.9%	160.4%
EBIT Adj	1.2	1.9	2.5	0.9	1.5	5.7
Growth	n.a.	58.8%	33.3%	-62.7%	61.5%	275.4%
PBT Adj	1.1	1.8	2.5	0.9	1.6	5.8
Growth	n.a.	61.9%	38.2%	-63.7%	72.7%	263.4%
Net income Rep	0.8	1.5	1.8	1.2	1.1	3.8
Net Income Adj	0.8	1.5	1.8	0.7	1.1	3.8
Growth	n.a.	74.9%	20.9%	-62.8%	69.3%	247.5%
MARGIN - %	2020	2021	2022	2023E	2024E	2025E
EBITDA Adj Margin	14.3%	20.5%	22.6%	12.6%	12.7%	19.5%
Ebit Adj margin	11.4%	16.2%	17.8%	6.1%	7.0%	15.5%
Pbt Adj margin	10.8%	15.7%	17.9%	6.0%	7.3%	15.7%
Net Income Adj margin	7.9%	12.4%	12.4%	4.2%	5.1%	10.4%
SHARE DATA	2020	2021	2022	2023E	2024E	2025E
EPS Adj - €c	-	-	-	27.7	25.8	89.6
Growth	-	-	-	n.a.	-6.8%	247.5%
DPS ord(A) - €c	-	-	-	6.1	10.2	17.5
BVPS	-	-	-	3.3	3.5	4.2
VARIOUS	2020	2021	2022	2023E	2024E	2025E
Capital Employed	4.3	4.5	4.2	8.9	10.5	12.1
FCF	-	1.2	0.4	-3.4	-0.1	2.8
CAPEX	-	0.5	2.5	1.9	0.8	0.8
Working capital	1.4	1.4	1.9	2.3	3.9	5.7
Trading Working capital	2.5	3.2	3.6	4.2	6.2	9.4
INDEBTNESS	2020	2021	2022	2023E	2024E	2025E
Nfp Adj	-1.2	-0.9	-1.0	5.8	5.4	7.8
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.	n.m.	n.m.	n.m.
MARKET RATIOS	2020	2021	2022	2023E	2024E	2025E
P/E Ord Adj	-	-	-	22.8x	24.5x	7.1x
PBV	-	-	-	1.9x	1.8x	1.5x
EV FIGURES	2020	2021	2022	2023E	2024E	2025E
EV/Sales	n.a.	n.a.	n.a.	1.4x	1.0x	0.6x
EV/EBITDA Adj	n.a.	n.a.	n.a.	11.3x	8.1x	2.9x
EV/EBIT Adj	n.a.	n.a.	n.a.	23.1x	14.8x	3.6x
EV/CE	n.a.	n.a.	n.a.	2.4x	2.2x	1.7x
REMUNERATION	2020	2021	2022	2023E	2024E	2025E
Div. Yield ord	n.a.	n.a.	n.a.	1.0%	1.6%	2.8%
FCF Yield Adj	-	-	-	-12.7%	-0.4%	10.3%
Roce Adj	-	31.5%	42.3%	10.4%	11.4%	36.8%

Source: Company data and Equita SIM estimates

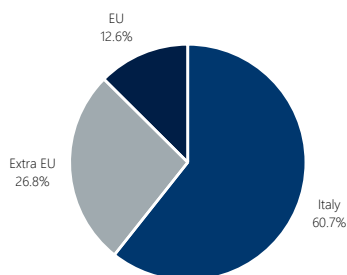
SHAREHOLDERS



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).

THE NEW PARAMETERS OF ITALIAN BIOMETHANE INCENTIVES

The perspectives of the Italian biomethane industry are particularly attractive. The segment is expected to expand from around 0.2bcm at the end of 2022 to the original targets of 0.6bcm in 2023 and 2.3 bcm in June 2026, as indicated in the ongoing NRRP program.

The long-term perspectives are also interesting, with the expected achievement of 5,7bcm of installed biomethane capacity in 2030, as established in the PNIEC document to the EU.

Despite the indications above, anyway, the short-term trend of the industry through 2023 highlighted a lower rate of development, mainly caused in our view:

- By the uncertainties on the new regulation and the new tenders for incentives recognitions (which started in January 2023);
- The low level of the incentives vs. inflationary cost at global level, with lower than expected projects being fully "in the money" at the recognized contributions

If the first round of tenders for biomethane incentive achieved a 45% demand fulfilment (results published in March with 30,000smc/h attribution), the second tender only reached 25% demand coverage (results published in September with 25,881smc/h attribution).

This is below the original intention of the NRRP program, which aimed to achieve 0.6bcm of biomethane productions (vs. 0.2bcm of 2022) and forced the Italian Government to officially withdraw the 2023 target at the latest discussion of NRRP with EU bodies.

The overall commitment of Italy towards biomethane development has anyway not changed, with €2bn of resources dedicated to the segment in the form of direct output incentives and capital contributions to investments in new assets. This program has the goal to sustain up to 257,000 smc/h (or around 2.3bcm per year) through 5 tenders expected in 2023-24-25 period.

In order to overpass the problems of an inadequate value of the incentive mechanism, the Italian Government published the **DL2023 n.136 in the past months, introducing a +13% inflation adjustment** (accounted in the period Nov. 21-Nov. 23) **to be applied both to the "base tariffs" for output incentives attribution and to the "recognized costs" for capital contributions. The first tender in which the new prices have been applied is the 3rd round opened at the end of December (with results expected in the coming weeks).**

A summary of the change in tariffs and allowed costs to sustain asset construction is provided in the following tables.

INCENTIVES TO BIOMETHANE PRODUCTION - €/MWh						
Type of plant	2023			2024-2025-2026		
	OLD	NEW	% increase	OLD	NEW (Est)	% increase
Agricultural plant						
CP <=100 smc/h - €/MWh	115.0	130.1	13%	112.7	127.5	13%
CP >100 Smc/h - €/MWh	110.0	124.5	13%	107.8	122.0	13%
Organic waste						
CP (any) - €/MWh	62.0	70.2	13%	60.8	68.8	13%

note: CP refers to the Prouction Capacity
Source: Equita SIM estimates and company data

CONSTRUCTION COST FOR CAPITAL CONTRIBUTION - €/Smc/h			
Type of plant	2023-2024-2025-2026		
	OLD	NEW	% increase
Agricultural plant			
CP <=100 smc/h - €/MWh	33,000.0	37,343.8	13%
CP > 100 & <=500 Smc/h - €/MWh	29,000.0	32,817.2	13%
CP >500 Smc/h - €/MWh	13,000.0	14,711.2	13%
Organic waste			
CP (any) - €/MWh	50,000.0	56,581.4	13%

note: CP refers to the Prouction Capacity
Source: Equita SIM estimates and company data

If on the one hand the increase of incentives and capital contribution is a positive for the biomethane industry (in terms of higher visibility and higher appetite/return of projects), on the other hand **it also led to negative consequences in terms of “timing” for project implementation.** Instead of recognizing the inflation benefits also to the already awarded projects (in the first 2 rounds of auctions mentioned above), the regulator **simply recognized those projects with the option to “withdraw” from the initially lower tariffs and to “re-apply” again in the new tenders (December 2023) at the revised upward prices.**

We identify 2 consequences from this change:

- **Many projects have been put on “hold” in the past months**, waiting to participate in the 3rd auction with revised prices;
- **It caused some projects to withdraw**, in order to re-apply at the end of last year.

We believe the combined effect of these 2 elements has led to significant projects delays in the last months of 2023.

THE ACQUISITION OF SBS SOLAR

In the past days Ecomembrane has announced to the market a new M&A deal, which envisages the acquisition of the control of SBS SOLAR SRL (SBS), a company active in the engineering and construction of solar plants for industrial uses and in the production of solar mono-axial trackers both for industrial and agricultural plant uses.

SBS was already participated by ECOMEMBRANE with a 20% stake at the time of the IPO and the group has now decided to take control of it by acquiring a 35% stake from the funding managers Luigi Spedini (owner/ceo of Ecomembrane) and Michele Bonetti, raising the stake up to 55% for full consolidation. **The acquisition price is set at the corresponding value of the share capital or €10,500.**

SBS is a start-up in the EPC segment for solar plants and reported around €0.13m of revenues in 2022, expected to be increased to €0.6mn in 2023 thanks to the pick-up in the sales of solar trackers. SBS had almost no debt at the end of 2022 and we estimate it may have a €0.5n NFP at the end of 2023. The business of SBS solar will be additionally developed in the coming years also through an advisory contract that will be subscribed by Ecomembrane with a company indicated by Fabio Sattin (current member of the advisory board).

We believe that the acquisition will allow Ecomembrane to additionally diversify in the renewables segment in light of the expected solar capacity growth through 2030 (ca. 70 GW of new capacity out of which around 50 GW in the solar segment as envisaged in the PNIEC national plan).

We estimate SBS may be able to achieve some 5 MW of EPC contracts through 2025 and around 15 MW in 2027, consolidating also the business of solar trackers. **We estimate SBS solar may achieve sales of €2.5/6.5mn in 2024/25 with an underlying Ebitda of €0.7/1.4mn Ebitda contribution thanks to the progressive development of the solar EPC activities.**

In the following table we report a summary of the main metrics of SBS solar in the coming years.

SBS SOLAR					
P&L	2023	2024	2025	2026	2027
Epc MW developed - MW	0.00	0.00	5.00	10.00	15.00
Revenues EPC - €mn	0.00	0.00	3.75	7.25	10.50
Revenues TRACKER - €mn	0.71	1.68	1.96	1.96	1.96
Other - €mn	-0.09	0.77	0.75	0.73	0.04
Revenues - €mn	0.62	2.45	6.46	9.94	12.50
Growth %	-	nm	164%	54%	26%
Gross Profit - €mn	0.30	0.44	1.22	1.99	2.70
Gross profit margin - %	48%	18%	19%	20%	22%
Ebitda - €mn	0.02	0.06	0.69	1.37	1.79
Growth - %	nm	nm	nm	97.7%	30.8%
Ebitda Margin - %	2.8%	2.4%	10.7%	13.7%	14.3%
Net Income - €mn	0.00	0.02	0.46	0.94	1.25
Growth - %	nm	nm	nm	105.4%	32.8%
BALANCE SHEET	2023	2024	2025	2026	2027
Assets	0.04	0.04	0.04	0.04	0.03
Working capital	0.53	0.60	0.82	0.58	0.72
TOTAL ASSETS	0.58	0.64	0.86	0.62	0.75
Equity	0.04	0.06	0.52	1.46	2.71
Minorities	0.00	0.00	0.00	0.00	0.00
NFP	0.53	0.58	0.34	-0.84	-1.96
pension & provisions	0.00	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	0.58	0.64	0.86	0.62	0.75

Source: Company data and Equita SIM estimates

We believe that, taking into considerations both the expected development of the solar industry in the coming years and the low acquisition price of SBS solar, the deal may offer interesting opportunities for ECOMEMBRANE in the coming years.

CHANGING ESTIMATES WITH THE NEW EXPECTED BIOMETHANE MARKET DEVELOPMENT AND THE ACQUISITION OF SBS SOLAR

In-light-of the above considerations, and taking into consideration both the expected delays in the Italian biomethane market and the acquisition of SBS SOLAR, we have adjusted our profit expectations in the period 2023-2027.

In particular, and considering the core activities of membrane production, we believe the expected timeframe of projects development in the biomethane industry has changed significantly, especially in 2023 and 2024. We believe the industry will suffer an additional 6-9 months delay impact vs. the original timeline.

Furthermore, and in order to be as much conservative as possible, we believe the 6-9 months delay will not be recovered in the NRRP original timeframe (2026) but extended through 2027 thus with negative impacts also on 2025-26 installations.

In the following table we report our projected tender expectations. Please, note that the expected total market potential for Ecomembrane has not changed and it is worth some €57.1mn in the coming years.

NRRP TENDERS FOR BIOMETHAN - DM 15/12/2022

PIPELINE ASSESSMENT	smc/h	1st tender A	2nd tender A	3rd tender E	4th tender E	5th tender E
Nrrp - 2022 TENDER	67,000	67,000	37,002			
Nrrp - 2023 TENDER	95,000		71,250	106,121		
Nrrp - 2024 TENDER	95,000				71,250	94,623
TOTAL NRRP funds	257,000	67,000	108,252	106,121	71,250	94,623
Awarded projects	-	29,998	25,881	53,060	53,438	94,623
Assignment	-	44.8%	23.9%	50.0%	75.0%	100.0%
Assumed average size of projects - smc/h	500	500	507	500	500	500
Number of projects - n	514	60	51	106	107	189
Of which green field - 70% - n	360	42	36	74	75	132
Of which reconversion - 30% - n	154	18	15	32	32	57
Ecomembrane - market share 30% - n	154	18	15	32	32	57
Ecomembrane potential market (pipeline) - €mn	57.1	6.7	5.7	11.8	11.9	21.0

* @ €0.4mn for greenfield and €0.3mn for reconversion
Source: Equita SIM estimates and company data

On the contrary, we believe the acquisition of SBS solar, if properly developed, may allow to compensate the delays in the biogas industry from 2025 onwards. As a consequence of the above, we have adjusted our estimates as follows:

- **We have reduced by -12% and -21.4% respectively the sales of 2023-24.** We expect 2024 to be the most impacted year in terms of projects delays, with the results of the 3rd tenders expected closed the last 20th of February 2024 and with awarded projects thus potentially contributing only from the 2H of the year.
- **Left almost unchanged 2025 sales and increased by 14% 2026 sales** mainly in light of the expected contribution of SBS consolidation and prudentially moving the timeline for the NRRP program implementation through 2027 (vs. 2026 original program)

A details description of the applied changes is showed in the following table, which includes data both for the lower biomethane market expectations and the consolidation of SBS solar

CHANGE IN ESTIMATES						
MAIN FIGURES	2023	2024	2025	2026	2027	
Old Revenues - €mn	17.9	28.2	37.2	39.1	-	
Change	-2.1	-8.5	-6.5	-4.4	-	
Old Ecmb perimeter - €mn	15.8	19.7	30.8	34.7	36.0	
% change (old perimeter)	-12%	-30%	-17%	-11%	nm	
Sbs Consolidation	0.0	2.4	6.5	9.9	12.5	
New Revenues- € mn	15.8	22.2	37.2	44.6	48.5	
% change (new perimeter)	-11.8%	-21.4%	-0.1%	14.1%	nm	
Old Ebitda adj. - €mn	3.7	5.7	8.1	8.5	-	
Change	-2.0	-3.0	-1.6	-1.2	-	
Old Ecmb perimeter - €mn	1.7	2.7	6.5	7.2	7.4	
% change (old perimeter)	-54%	-53%	-19%	-15%	nm	
Sbs Consolidation	0.0	0.1	0.7	1.4	1.8	
New Ebitda adj. - € mn	1.7	2.8	7.2	8.6	9.2	
% change (new perimeter)	-53.9%	-51.6%	-10.9%	1.5%	nm	
Old Net Income adj - € mn	1.8	3.0	4.5	4.7	-	
Change	-1.1	-1.9	-0.9	-0.7	-	
Old Ecmb perimeter - €mn	0.7	1.1	3.6	4.0	4.0	
% change (old perimeter)	-63%	-63%	-20%	-15%	nm	
Sbs Consolidation	0.0	0.0	0.3	0.5	0.7	
New Net Income adj. - € mn	0.7	1.1	3.8	4.5	4.7	
% change (new perimeter)	-62.6%	-62.6%	-14.3%	-4.2%	-	
Old Nfp - €mn	6.5	8.0	10.8	13.5	-	
Change	-0.7	-1.9	-2.6	-2.6	-	
Old Ecmb perimeter - €mn	5.8	6.1	8.2	10.9	13.6	
Sbs Consolidation	0.0	-0.6	-0.4	0.8	1.9	
New NFP adj. - € mn	5.8	5.5	7.8	11.7	15.5	

Source: Equita SIM estimates and company data

The impact of sales reduction is amplified at bottom line due to the group's operating leverage. Ecomembrane has invested in capacity expansion and personnel during 2023 to prepare the structure to the expected demand ramp up.

CONFIRMING THE BUY RATING WITH A NEW TARGET OF €10.7 €ps (-11%)

While the sales shift is certainly a negative, we expect Ecomembrane's outlook to remain solid:

- **the Italian biomethane market is expected to increase at a rate of 11.5x in the coming years** (NRRP target at 2.5bcm in 2026 vs. 0.2bcm of 2022) and even more through 2030 (with a PNIEC target of 5.7bcm vs. 0.2bcm of 2022);
- **European markets are expected to increase production of biomethane up to 35bcm in 2030 vs. 3.5bcm at the end of 2021**, thus offering opportunities also outside Italy.

Despite the reduction in our forecasts for the period 2023-26, our new assumptions and the expected consolidation of SBS solar imply a 25%/30% CAGR of Revenues, Ebitda, Net Income through 2026, which is covered by a large pipeline of projects.

In the core membrane business we expect that:

1. **Traditional historical business of Ecomembrane covers from 30-50% of the expected sales.**
This represents the bulk of the group's position in both the Italian and the foreign markets;
2. **Projects with high degree of visibility to which Ecomembrane will work in the period 2024-27, takes our revenues coverage up to 118% in 2024 and 107% in 2025 as well as 94% and 83% respectively in 2026-2027.** These projects include:
 - a. **The development of the biomethane market in Italy** under the NRRP expected tender assuming Ecomembrane to preserve a market share of 30% on the awarded projects. This is in the region of €57.1 €mn market potential which we assume 18% to be achieved in 2024, 30% respectively in 2025-2026 and the remaining in 2027 with 1 year delay vs. the program envisaged by the NRRP.
 - b. **The development of Alvus/Favus technology** up to peak of €3mn in 2027;
 - c. **The ongoing development of ENERGY DOME projects** in the field of CO2 battery storage (around €6.5mn of market potential);
 - d. **The first contract in the Hydrogen storage** for €0.2mn;
 - e. **The contribution of the Swimming Pool business acquired in the US**, for around €2mn per year.

A summary of the ongoing projects and the sales coverage through 2027 is provided in the following table.

SALES COVERAGE RATIO						
MAIN METRICS	2022	2023E	2024E	2025E	2026E	2027E
FORECASTED SALES - €mn	14.2	15.4	19.4	30.4	34.3	32.1
Cupole + Gasholder: historical "ex-italy" market - €mn	-	-	7.0	7.0	7.0	7.0
Odor control: historical base market - €mn	-	-	0.6	0.6	0.6	0.6
Swimming pool: historical base market - €mn	-	-	0.6	0.6	0.6	0.6
Services: historical base market - €mn	-	-	0.8	0.8	0.8	0.8
Base market: historical Italy & Abroad - €mn			9.0	9.0	9.0	9.0
% coverage of historical markets - %			47%	30%	26%	28%
Cupole + Gasholders: NRRP Tenders (€57.1 pipeline @30% award) - €mn	-	-	10.3	17.1	17.1	12.6
Cupole + Gasholders: Alvus favus contributions - €mn	-	-	0.0	1.5	3.0	3.0
CO2 batteries: Energy Dome - project 1 - €mn	-	-	1.5			
CO2 batteries: Energy Dome - project 2 - €mn	-	-		2.0		
CO2 batteries: Energy Dome - project 3 - €mn	-	-		1.0	1.0	
Hydrogen: ongoing project - €mn	-	-	0.2			
Swimming pool: Splash acquisition (closed) - €mn	-	-	2.0	2.0	2.0	2.0
Additional projects: - €mn	-	-	14.0	23.6	23.1	17.6
% coverage	-	-	72.1%	77.7%	67.4%	54.6%
TOTAL SALES COVERAGE (ECMB ex SBS SOLAR) - %	-	-	118.8%	107.4%	93.7%	82.8%

Source: Equita SIM estimates and company data

In the new EPC business of SBS SOLAR, we expect the group to be able to sustain 5-10-15 MW of development in the years 2025-2026-2027, thanks to the expected pick up of investments in solar capacity to comply with the PNIEC decarbonization targets.

In-light-of the considerations above, we have decided to maintain our BUY recommendation as we believe the stock has already discounted the expected delay in the core market development. Our new target price of €10.5ps (-12.5% due to the revised scenario) offers an upside of 65% on current prices and it implies a valuation of 11.7x PE and 5.8x EV/EBITDA as measured in 2025.

A summary of Ecomembrane's valuation is provided in the following table.

EV/EBITDA VALUATION						
References & Sensitivity	Valuation	Sensitivity Analysis				
2025E Ebitda - €mn	7.2	7.2	7.2	7.2	7.2	7.2
2025E Ev/Ebitda Multiple - x	6.8 x	5.8 x	6.3 x	6.8 x	7.3 x	7.8 x
ENTERPRISE VALUE - €mn	49.0	42.0	45.5	49.0	52.5	56.0
Net cash end 2025 - €mn	7.8	7.8	7.8	7.8	7.8	7.8
Financial assets - €mn	0.3	0.3	0.3	0.3	0.3	0.3
Minorities - €mn	-2.7	-2.7	-2.7	-2.7	-2.7	-2.7
Provisions/Pensions - €mn	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5
EQUITY VALUE - €mn	52.9	45.9	49.4	52.9	56.4	59.9
Shares fully diluted	4.3	4.3	4.3	4.3	4.3	4.3
Dcf to YE discount factor	0.9	0.9	0.9	0.9	0.9	0.9
TARGET PRICE - € ps	10.5	9.1	9.8	10.5	11.2	11.9

Source: Equita SIM estimates and company data

We believe 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 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.
 - d. **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;
2. **Shows attractive growth rates going forward.** We estimate Ecomembrane to be able to achieve around +25%/30% CAGR in turnover and in Ebitda through 2026. 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. **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.
 - c. **a wide range of addressable markets** including Agricultural, Industrial WasteWater Treatment Plants (WWTPs), Organic waste treatment, Landfills, Methane, Co2, Hydrogen, Swimming pool, Odor systems and other;
 - d. an additional growth opportunity from the development of the new EPC solar activities through SBS SOLAR.
3. **Maintains a strong balance sheet**, with a net cash position at the end of 2023 providing the opportunity to exploit all the market potentials both through organic growth and through external acquisitions.

PEERS COMPARISON AND MARKET PERFORMANCE

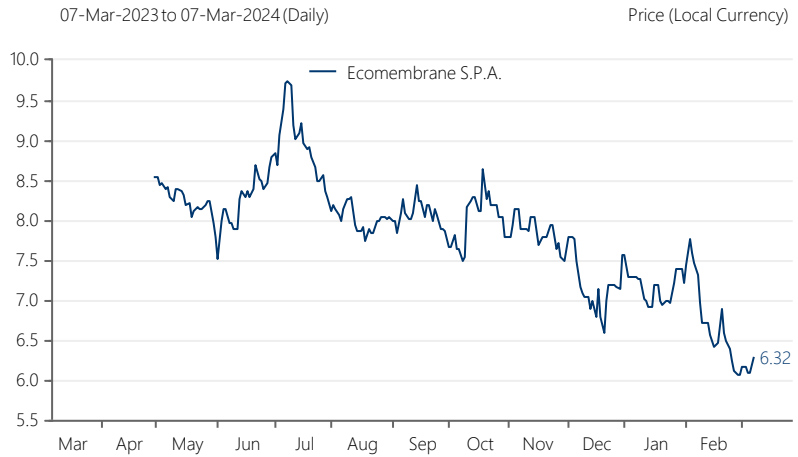
At current prices, ECMB trades at a significant discount vs. peers. More in details the group trades a 60%/70% discount on PE and EV/EBITDA as measured on 2025. The summary of main reference peers as well as the average valuation of the capital goods in the SXXP index is provided in the following table.

PEER VALUATION 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	16.6	233	12.1 x	17.1 x	17.1 x	9.3 x	10.0 x	9.7 x	0.0%	0.0%	0.0%	cash	cash	cash
Fluidra Sa	20.8	4,000	19.4 x	20.5 x	17.2 x	12.3 x	11.3 x	10.0 x	2.5%	2.5%	2.8%	2.8 x	2.4 x	1.9 x
Industrie De N	15.5	3,132	14.0 x	28.1 x	23.5 x	18.5 x	16.2 x	13.8 x	1.0%	1.0%	1.0%	cash	cash	cash
Sergeferrari Group	6.0	74	12.2 x	16.2 x	8.1 x	5.4 x	4.8 x	3.6 x	2.8%	2.2%	4.2%	3.0 x	2.6 x	1.8 x
Interpump Group	44.1	4,796	17.1 x	17.3 x	15.7 x	9.8 x	9.5 x	8.6 x	0.7%	0.8%	0.8%	1.0 x	0.5 x	0.0 x
Pentair Plc	75.4	11,613	20.1 x	17.9 x	16.0 x	15.7 x	13.7 x	12.3 x	1.0%	1.1%	1.1%	2.0 x	1.3 x	0.9 x
Indutrade Ab	274.3	8,868	34.9 x	28.6 x	26.3 x	18.9 x	18.3 x	17.0 x	1.0%	1.2%	1.3%	1.4 x	1.0 x	0.5 x
Vat Group Ag	426.9	13,508	71.3 x	57.4 x	42.5 x	48.6 x	40.0 x	30.1 x	1.4%	1.5%	1.7%	0.3 x	0.2 x	cash
Sulzer Ag	88.1	3,182	13.2 x	12.5 x	11.6 x	7.5 x	7.1 x	6.4 x	4.1%	4.2%	4.3%	0.8 x	0.6 x	0.4 x
Biokraft Intl Ab	20.6	79	nm	nm	17.6 x	30.2 x	13.6 x	9.1 x	0.0%	0.0%	0.0%	14.3 x	7.9 x	5.2 x
Pfeiffer Vac Techn	158.8	1,567	20.2 x	18.1 x	16.4 x	10.6 x	10.1 x	9.1 x	0.1%	1.3%	1.5%	cash	0.3 x	0.5 x
Ksb Se & Co. Kgaa	635.0	1,059	8.3 x	7.5 x	6.7 x	4.1 x	3.6 x	3.0 x	3.7%	4.0%	4.6%	0.8 x	0.5 x	0.2 x
Selected capital goods	-	-	22.1 x	21.9 x	18.2 x	15.9 x	13.2 x	11.1 x	1.5%	1.7%	1.9%	1.4 x	1.0 x	0.6 x
SXXP capital goods	-	-	22.7 x	21.0 x	18.4 x	12.2 x	10.9 x	9.7 x	1.8%	1.9%	2.1%	0.6 x	0.3 x	cash
Ecomembrane	6.1	26	22.8x	24.5x	7.1x	11.3x	8.1x	2.9x	-2.4%	-1.0%	-1.7%	cash	cash	cash
Discount/premium	-	-	-	-	-63%	-	-	-74%	-	-	-186%	nm	nm	nm

Source: Equita SIM estimates and Factset consensus data

In the following table we also report the market performance of the group in the last 365 days

ECOMEMBRANE SHARE PRICE – LAST 365 DAYS



Source: Factset prices

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	15.4	21.8	36.9
Growth	n.a.	11.5%	21.3%	8.2%	41.7%	68.9%
EBITDA Rep	1.5	2.4	3.2	1.9	2.8	7.2
Growth	n.a.	60.1%	33.9%	-39.9%	42.9%	160.4%
Margin	14.3%	20.5%	22.6%	12.6%	12.7%	19.5%
Depr. & Amort	-0.2	-0.3	-0.5	-0.8	-0.9	-1.0
Other Provisions & Write D	-0.1	-0.2	-0.2	-0.2	-0.3	-0.5
D&A	-0.3	-0.5	-0.7	-1.0	-1.2	-1.5
EBIT Rep	1.2	1.9	2.5	0.9	1.5	5.7
Growth	n.a.	58.8%	33.3%	-62.7%	61.5%	275.4%
Margin	11.4%	16.2%	17.8%	6.1%	7.0%	15.5%
Net Interest Charges	-0.1	-0.1	0.0	0.2	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	-0.2	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	1.5	1.6	5.8
Growth	n.a.	61.9%	38.2%	-42.8%	9.4%	263.4%
Income Taxes	-0.3	-0.4	-0.8	-0.3	-0.5	-1.7
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	-0.2
Net Income Rep	0.8	1.5	1.8	1.2	1.1	3.8
Growth	n.a.	74.9%	20.9%	-32.5%	-6.8%	247.5%
Margin	7.9%	12.4%	12.4%	7.7%	5.1%	10.4%
Net Income Adj	0.8	1.5	1.8	0.7	1.1	3.8
Growth	n.a.	74.9%	20.9%	-62.8%	69.3%	247.5%
Margin	7.9%	12.4%	12.4%	4.2%	5.1%	10.4%
CF Statement	2020	2021	2022	2023E	2024E	2025E
FFO	-	2.0	2.4	2.0	2.4	5.5
Chg. in Working Capital	-	0.0	-0.5	-0.4	-1.6	-1.8
Other chg. in OCF	-	0.0	0.0	0.0	0.0	0.0
NCF from Operations	-	2.0	1.9	1.7	0.7	3.7
CAPEX	-	-0.5	-2.5	-1.9	-0.8	-0.8
Financial Investments	-	-0.2	0.0	0.0	0.0	0.0
Other chg in investments	-	0.0	2.8	-3.2	0.0	0.0
NCF from Investments	-	-0.8	0.3	-5.1	-0.8	-0.8
Dividends paid	-	-1.0	-0.5	-0.7	-0.3	-0.4
Capital Increases	-	0.0	0.0	11.0	0.0	0.0
Other changes in financing	-	0.0	-1.7	0.0	0.0	-0.1
CHG IN NFP	-	0.3	-0.1	6.8	-0.4	2.4

Source: Company data and Equita SIM estimates

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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
March 8, 2024	Buy	10.50	High	Change in estimates / valuation
June 20, 2023	Buy	12.00	High	Initiation of coverage

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	COMPANIES COVERED	COMPANIES COVERED WITH BANKING RELATIONSHIP
BUY	53.5%	63.0%
HOLD	44.7%	34.2%
REDUCE	0.0%	0.0%
NOT RATED	1.8%	2.7%

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