

UPDATE

EQUITY RESEARCH

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# Redelfi

Euronext Growth Milan | Green Energy | Italy

Production 20/12/2023, h. 18:30

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Rating

**BUY**

unchanged

Target Price

**€ 11,00**

prev. € 7,50



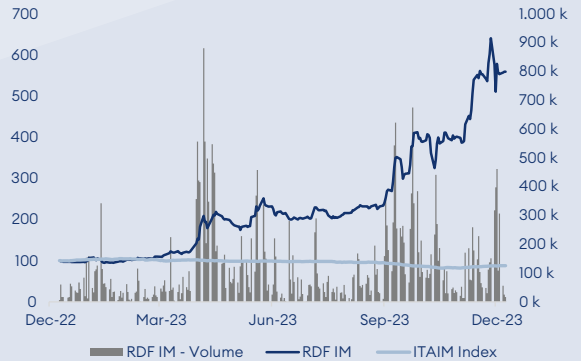
Risk

Medium

Upside potential

**90,3%**

## Stocks performance relative to FTSE Italia Growth



## Stock Data

Price	€ 5,78
Target price	€ 11,00
Upside/(Downside) potential	90,3%
Ticker	RDF IM
Market Cap (€/mln)	€ 48,91
EV (€/mln)	€ 54,73
Free Float	31,20%
Share Outstanding	8.461.080
52-week high	€ 6,70
52-week low	€ 0,95
Average daily volumes (3 months)	171.550

Key Financials (€m)	FY22A	FY23E	FY24E	FY25E
Revenues	3,96	10,20	18,10	26,60
VoP	4,51	10,35	18,25	26,75
EBITDA Adj.	1,27	4,80	6,65	14,55
EBIT	1,14	4,45	6,25	13,90
Net Profit	0,27	2,95	4,05	9,70
EBITDA Adj. Margin	28,2%	46,4%	36,4%	54,4%
EBIT Margin	25,2%	43,0%	34,2%	52,0%
Net Profit Margin	6,0%	28,5%	22,2%	36,3%

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Stock performance	1M	3M	6M	1Y
Absolute	23,8%	71,0%	159,2%	459,3%
to FTSE Italia Growth	19,5%	76,6%	169,9%	471,5%
to Euronext STAR Milan	14,9%	61,5%	160,0%	455,3%
to FTSE All-Share	20,7%	66,7%	149,8%	433,0%
to EUROSTOXX	19,4%	65,0%	154,8%	440,1%
to MSCI World Index	18,8%	63,6%	151,9%	437,7%

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	32,5x	11,4x	8,2x	3,8x
EV/EBIT	48,1x	12,3x	8,8x	3,9x
P/E	n.m	16,6x	12,1x	5,0x

## New Business Plan 2023-2026

On December 11th, 2023, Redelfi announced the approval of the 2023-2026 Business Plan update, which occurred as a result of the change of focus that includes the Company's acceleration of the expansion of the Green BU, in addition to the development of the recently launched BESS projects in Italy. With the Business Plan update, the Company confirms its intention to focus exclusively on the development of the Green BU.

## Estimates Update

In light of the publication of the New Business Plan 2023-2026 and following the further development of the Green BU, we adjust our estimates for both the current year and the coming years. Specifically, we estimate FY23E value of production of € 10.35 million and EBITDA Adj. of € 4.80 million, corresponding to a margin of 46.4%. For subsequent years, we expect value of production to increase to € 34.85 million (CAGR FY22A - FY26E: 49.9%) in FY26E, with EBITDA Adj. of € 24.15 million (corresponding to a marginality of 69.3%), up from € 1.27 million in FY22A (corresponding to an EBITDA Adj. Margin of 28.2%).

## Valuation Update

We conducted the assessment of Redelfi's equity value based on the DCF method and multiples of a sample of comparable companies. The DCF method (which in the calculation of WACC also includes for prudential purposes a specific risk of 2.5%) returns an equity value of € 95.8 million. Redelfi's equity value using market multiples turns out to be € 90.4 million (including a discount of 25.0%). **This results in an average equity value of approximately € 93.1 million. The target price is € 11.00, BUY rating and MEDIUM risk.**

# Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

CONSOLIDATED INCOME STATEMENT (€/mln)	FY22A	FY23E	FY24E	FY25E	FY26E
Revenues	3,96	10,20	18,10	26,60	34,70
Other Revenues	0,55	0,15	0,15	0,15	0,15
<b>Value of Production</b>	<b>4,51</b>	<b>10,35</b>	<b>18,25</b>	<b>26,75</b>	<b>34,85</b>
COGS	0,00	0,10	0,20	0,20	0,25
Services	1,57	2,70	7,05	7,30	5,60
Use of Asset Owned by Others	0,14	0,20	0,25	0,30	0,35
Employees	0,99	1,95	3,30	3,60	3,70
Other Operating Expenses	0,12	0,60	0,80	0,80	0,80
<b>EBITDA</b>	<b>1,68</b>	<b>4,80</b>	<b>6,65</b>	<b>14,55</b>	<b>24,15</b>
<i>EBITDA Margin</i>	37,3%	46,4%	36,4%	54,4%	69,3%
Extraordinary Items	(0,41)	0,00	0,00	0,00	0,00
<b>EBITDA Adjusted</b>	<b>1,27</b>	<b>4,80</b>	<b>6,65</b>	<b>14,55</b>	<b>24,15</b>
<i>EBITDA Adj. Margin</i>	28,2%	46,4%	36,4%	54,4%	69,3%
D&A	0,55	0,35	0,40	0,65	0,75
<b>EBIT</b>	<b>1,14</b>	<b>4,45</b>	<b>6,25</b>	<b>13,90</b>	<b>23,40</b>
<i>EBIT Margin</i>	25,2%	43,0%	34,2%	52,0%	67,1%
Financial Management	(0,76)	(0,50)	(0,80)	(0,80)	(0,80)
<b>EBT</b>	<b>0,38</b>	<b>3,95</b>	<b>5,45</b>	<b>13,10</b>	<b>22,60</b>
Taxes	0,10	1,00	1,40	3,40	5,75
<b>Net Income</b>	<b>0,27</b>	<b>2,95</b>	<b>4,05</b>	<b>9,70</b>	<b>16,85</b>
Minorities	0,01	0,00	0,00	0,00	0,00

CONSOLIDATED BALANCE SHEET (€/mln)	FY22A	FY23E	FY24E	FY25E	FY26E
<b>Fixed Assets</b>	<b>8,13</b>	<b>10,45</b>	<b>13,00</b>	<b>14,00</b>	<b>15,10</b>
Account receivable	2,45	0,60	0,55	0,55	0,60
Work in Progress	0,00	8,95	26,00	38,50	35,50
Account payable	0,47	0,60	1,50	1,50	1,30
<b>Operating Working Capital</b>	<b>1,98</b>	<b>8,95</b>	<b>25,05</b>	<b>37,55</b>	<b>34,80</b>
Other receivable	0,93	1,10	3,50	5,35	1,70
Other payable	0,87	2,10	2,30	4,20	6,45
<b>Net Working Capital</b>	<b>2,04</b>	<b>7,95</b>	<b>26,25</b>	<b>38,70</b>	<b>30,05</b>
Severance Indemnities & Other Provisions	0,31	0,40	0,55	0,70	0,90
<b>NET INVESTED CAPITAL</b>	<b>9,85</b>	<b>18,00</b>	<b>38,70</b>	<b>52,00</b>	<b>44,25</b>
Share Capital	0,42	0,42	0,42	0,42	0,42
Reserves	8,53	8,80	21,75	32,10	43,75
Net Income	0,27	2,95	4,05	9,70	16,85
<b>Equity</b>	<b>9,22</b>	<b>12,17</b>	<b>26,22</b>	<b>42,22</b>	<b>61,02</b>
Cash & Cash Equivalent	1,98	3,17	0,02	1,72	26,77
Short Term Financial Debt	0,51	2,50	4,00	3,50	3,00
M/L Term Financial Debt	2,09	6,50	8,50	8,00	7,00
<b>Net Financial Position</b>	<b>0,63</b>	<b>5,83</b>	<b>12,48</b>	<b>9,78</b>	<b>(16,77)</b>
<b>SOURCES</b>	<b>9,85</b>	<b>18,00</b>	<b>38,70</b>	<b>52,00</b>	<b>44,25</b>

CONSOLIDATED CASH FLOW (€/mln)	FY22A	FY23E	FY24E	FY25E	FY26E
EBIT	1,14	4,45	6,25	13,90	23,40
Taxes	0,10	1,00	1,40	3,40	5,75
<b>NOPAT</b>	<b>1,03</b>	<b>3,45</b>	<b>4,85</b>	<b>10,50</b>	<b>17,65</b>
D&A	0,55	0,35	0,40	0,65	0,75
Change in receivable	(2,09)	1,85	0,05	0,00	(0,05)
Change in inventories	0,00	(8,95)	(17,05)	(12,50)	3,00
Change in payable	0,24	0,13	0,90	0,00	(0,20)
Change in others	0,04	1,06	(2,20)	0,05	5,90
Change in NWC	(1,81)	(5,91)	(18,30)	(12,45)	8,65
Change in provisions	0,07	0,09	0,15	0,15	0,20
<b>OPERATING CASH FLOW</b>	<b>(0,16)</b>	<b>(2,03)</b>	<b>(12,90)</b>	<b>(1,15)</b>	<b>27,25</b>
Capex	(3,1)	(2,7)	(3,0)	(1,7)	(1,9)
<b>FREE CASH FLOW</b>	<b>(3,30)</b>	<b>(4,70)</b>	<b>(15,85)</b>	<b>(2,80)</b>	<b>25,40</b>
Financial Management	(0,76)	(0,50)	(0,80)	(0,80)	(0,80)
Change in Debt to Bank	0,42	6,40	3,50	(1,00)	(1,50)
Change in Equity	3,31	0,00	10,00	6,30	1,95
<b>FREE CASH FLOW TO EQUITY</b>	<b>(0,33)</b>	<b>1,20</b>	<b>(3,15)</b>	<b>1,70</b>	<b>25,05</b>

Source: Redelfi and Integrae SIM estimates

## Company Overview

Redelfi SpA, head of the industrial Group of the same name, is an Environmental, Social and Governance (ESG) management company, founded in Genoa in 2008 by Davide Sommari-va, the current President, and Raffaele Palomba, the current Chief Executive Officer. Through its subsidiaries, Redelfi operates in the field of the digital and greentransition, with a Green Business Unit oriented to the energy, infrastructure and electricity grid market, and, in particular, the development of the Battery Energy Solar System Park (BESS Park) in the USA, and recently also in Italy. The entire organization is characterized by a highly innovative approach to products and processes, with particular attention paid to Environmental, Sustainability and Governance (ESG) principles, and sustainability in corporate management.

The Group, with a registered office in Milan and operational headquarters in Genoa, has a total workforce of 28 resources, and boasts an important international market presence, thanks to its subsidiaries based in Switzerland and the USA. Its investment decisions are based on strong expertise in the analysis of megatrends, leading to the acquisition and active management of companies that pursue ESG criteria and deal with product and process innovation. Redelfi strength lies in its team of resources with varied and transversal skills, capable of identifying scalable business models, and of managing the life cycle of a company.

## New Business Plan 2023 - 2026

On December 11th, 2023, Redelfi communicated approval, by its Board of Directors, of the most recent update to the 2023-2026 Business Plan, following the change of focus oriented to accelerating the expansion of the Green Business Unit and the recently launched development of Battery Energy Solar System (BESS) projects in Italy.

In the related press release, Davide Sommariva, President of the Redelfi Board of Directors, commented: *“We are very proud to have respected the commitment made last year with the market and to present today an update to the Business Plan, which contains objectives that are even more ambitious and in line with the Company’s strategy, and envisages even better results for 2023 than expected in November 2022. The key events that have allowed Redelfi to accelerate its business in such a short time have been numerous, but certainly the entry into the Italian BESS market, which has enormous growth potential, constitutes a significant factor. We believe it is essential to concentrate all our resources on the Green Business Unit, in order to position ourselves, by the end of the 2023-2026 Plan, as an international leader in the BESS development sector.”*

Immediately after the end of the first half of the year, Redelfi launched an important project involving an investment in a 2.8 GW pipeline, to be built over three years, supported and accelerated by the purchase of 100.0% of the share capital of GPA Solutions Srl, formalized at the end of October.

With the update of the Business Plan, the Company confirms its intention to focus exclusively on the development of the Green Business Unit, on the basis of five specific drivers:

- The achievement of BESS Power Corp. targets for the development of a 2.4 GW pipeline in the USA;
- Further growth in Redelfi’s presence in the US market with another 2 GW;
- Completion of the first Italian 1 GW pipeline;
- The development of the second Italian pipeline of 2.8 GW;
- The creation of Renewable Energy Communities (CERs) in Italy.

In the coming years, Redelfi therefore intends to develop its business in the market of battery energy solar storage (BESS), as innovative and sustainable infrastructure to accelerate the energy transition, and which will have an increasingly greater impact on the Group’s revenues. The strategy emerges from the strong global growth in demand for BESS systems, particularly in the USA, where the Company is already present. The forecast data envisages an upward trend with a CAGR of 27.0% (Bloomberg) in installed power over the period 2023-2030, representing an increase of approximately 20 GW on the US market.

Italy is similarly affected by a growth in non-programmable renewable energy sources, leading to an increase in demand for battery-based storage system capacity. Indeed, foreca-

sts by Terna envisage a 90.0% increase in renewable energy production capacity for 2030 (equivalent to 122 GW of installed power), demanding an expected 75 GWh of related storage capacity. Redelfi is responding to this growth in demand with the development of four international pipelines, two in Italy, for a total of approximately 3.8 GW, and two in the USA, for a total of approximately 4.4 GW, which will garner an important slice of the market over the coming years.

As for the MarTech Business Unit, initially Redelfi's sole source of revenue, solid and constant growth in consultancy for third parties and in software development for third parties is expected over the next few years, but so also is the abandonment of innovative product projects under development by the subsidiary Enginius, namely Jarions and Adest, which were envisaged to launch by the end of 2024 and 2025 respectively. The new corporate strategy, focused on the development of the Green Business Unit, sees all resources allocated to the BESS market, setting aside, for the moment, activities that would have required huge investments and use of human resources. That said, the projects will likely be developed in the future, in collaboration with specialist partners. The GreenTech Business Unit will also be shelved under the very same logic.

## FY23E – FY26E Estimates

TABLE 3 – ESTIMATES UPDATES FY23E - FY26E

€/mln	FY23E	FY24E	FY25E	FY26E
<b>Value of production</b>				
New	10,4	18,3	26,8	34,9
Old	8,8	12,6	24,6	43,9
Change	18,3%	45,4%	9,0%	-20,5%
<b>EBITDA</b>				
New	4,8	6,7	14,6	24,2
Old	3,5	5,6	12,0	23,6
Change	37,1%	19,8%	21,3%	2,5%
<b>EBITDA margin</b>				
New	46,4%	36,4%	54,4%	69,3%
Old	40,0%	44,2%	48,9%	53,7%
Change	6,4%	-7,8%	5,5%	15,6%
<b>EBIT</b>				
New	4,5	6,3	13,9	23,4
Old	2,9	4,8	11,0	22,3
Change	53,4%	31,6%	26,4%	5,2%
<b>Net Income</b>				
New	3,0	4,1	9,7	16,9
Old	2,2	3,3	8,1	18,1
Change	37,2%	24,6%	20,5%	-6,9%
<b>Net financial position</b>				
New	5,8	12,5	9,8	(16,8)
Old	2,9	(2,0)	(10,0)	(24,4)
Change	n/a	n/a	n/a	n/a

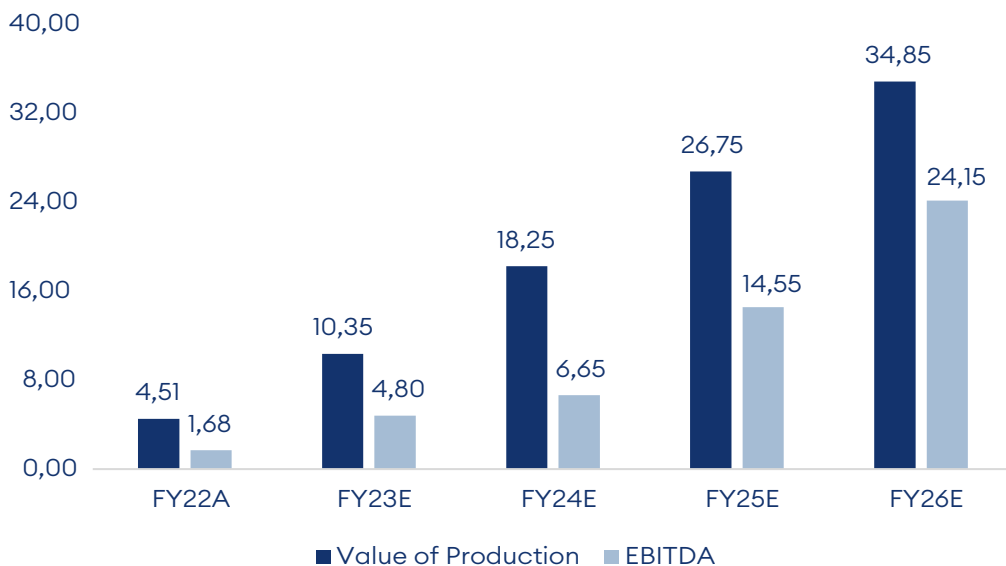
Source: Integrae SIM

Taking into account the information shared by the Company in its press release, we have adjusted our estimates for both the current year and the coming years.

In particular, we have revised the forecasts for the FY23E value of production upwards to € 10.35 million, with an EBITDA of € 4.80 million, corresponding to a margin of 46.4%. In the following years, we expect the value of production to rise to € 34.85 million (CAGR FY23E-FY26E: 49.9%) in FY26E, with an EBITDA of € 24.15 million, corresponding to a margin of 69.3%. The decline in the value of production estimated for FY26E (€ 43.85 million in our previous report versus the € 34.85 million of our current estimate) is attributable to the decision not to launch MarTech products in the two-year period 2024-25.

On the total value of production, the Green Business Unit will have an impact of more than 90.0%, with the remaining part deriving from Enginius IT activities. A direct effect of the change of direction and the choice of BESS as the reference sector will be an impact on project margins, which will reach values above 50.0% when fully operational, as seen in the estimates. On the balance sheet, we estimate a worsening of the NFP in the short term, estimated at approximately € 5.83 million at the end of the year, improving only in 2026, when we will bring to see the results of the development investments for the various BESS pipelines.

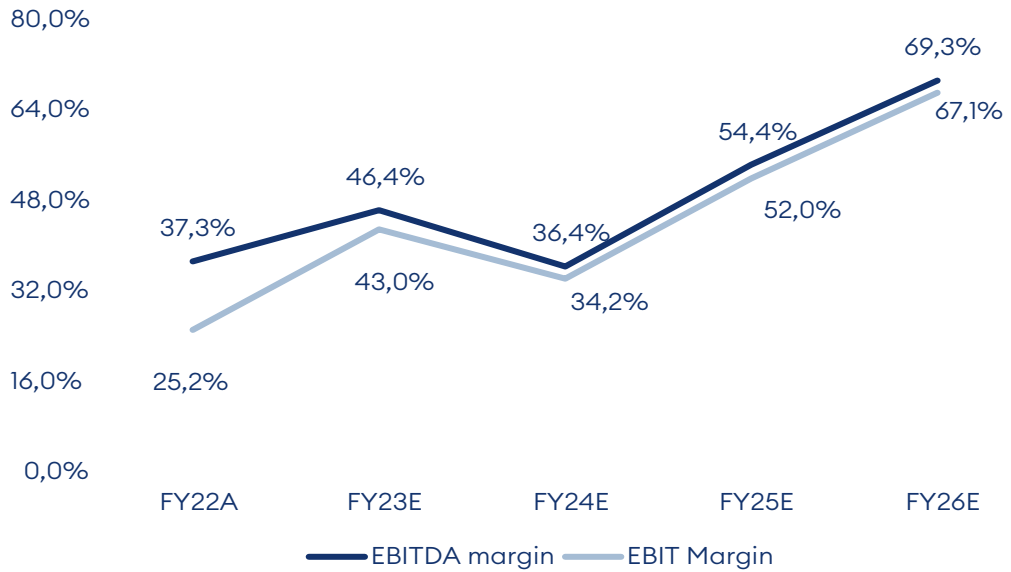
CHART 3 – VOP AND EBITDA FY22A - 26E (€/MLN)



Source: Integrae SIM

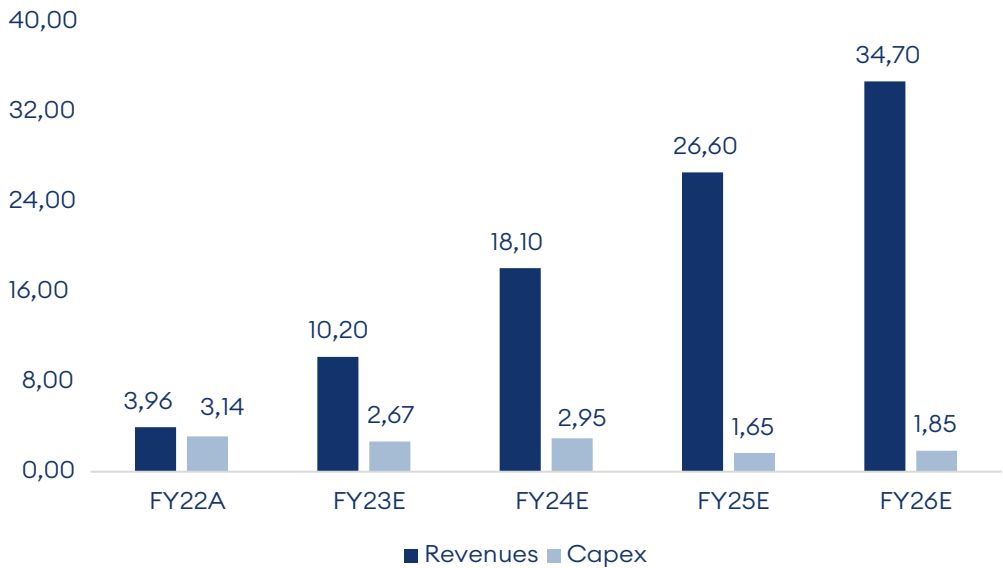


CHART 4 - MARGIN FY22A - 26E



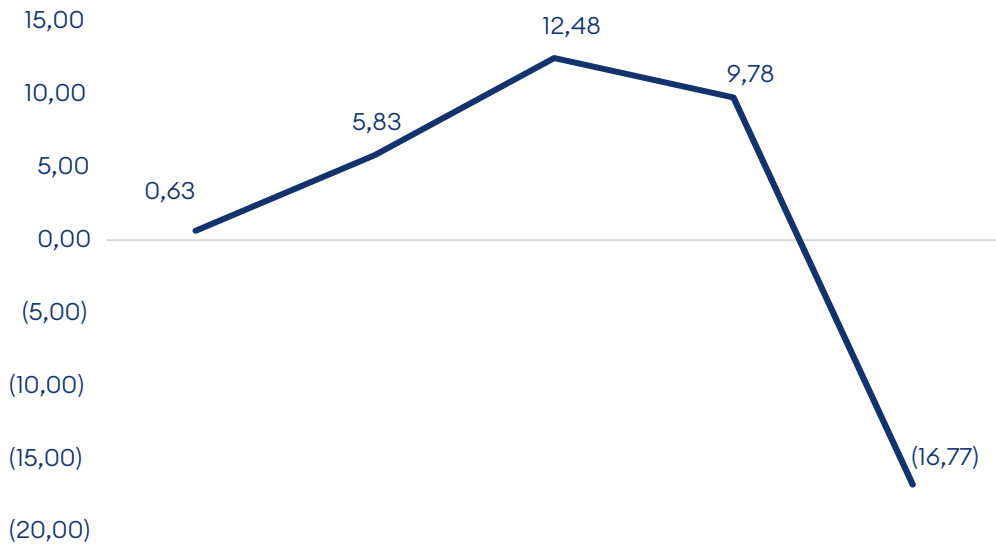
Source: Integrae SIM

CHART 5 - CAPEX FY22A - 26E (€/MLN)



Source: Integrae SIM

CHART 6 - NFP FY22A - 26E (€/MLN)



Source: Integrae SIM

# Valuation

We conducted our valuation of the equity value of Redelfi based on the DCF method and multiples of a sample of comparable companies.

## DCF Method

TABLE 4 – WACC

WACC				9,27%
D/E 33,33%	Risk Free Rate 3,66%	$\beta$ Adjusted 0,6	$\alpha$ (specific risk) 2,50%	
$K_d$ 4,00%	Market Premium 8,33%	$\beta$ Relevered 0,8	$K_e$ 11,40%	

Source: Integrae SIM

For prudential purposes, we included a specific risk of 2.5%. The result is therefore a WACC of 9.27%.

TABLE 5 – DCF VALUATION

DCF		% of EV
FCFO actualized	-3,6	-4%
TV actualized DCF	105,2	104%
<b>Enterprise Value</b>	<b>101,6</b>	<b>100%</b>
NFP	5,8	
<b>Equity Value</b>	<b>95,8</b>	

Source: Integrae SIM

With the above data and taking our estimates and assumptions as a reference, the result is an **equity value of € 95.8 million**.

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mIn	Growth Rate (g)	WACC						
		7,8%	8,3%	8,8%	9,3%	9,8%	10,3%	10,8%
	3,0%	169,2	150,0	134,2	120,9	109,7	100,0	91,5
	2,5%	152,2	136,2	122,7	111,3	101,5	92,9	85,4
	2,0%	138,2	124,6	113,0	103,0	94,3	86,7	80,0
	1,5%	126,4	114,7	104,6	95,8	88,1	81,3	75,2
	1,0%	116,4	106,1	97,2	89,4	82,5	76,4	70,9
	0,5%	107,8	98,7	90,8	83,8	77,5	72,0	67,0
	0,0%	100,2	92,2	85,1	78,7	73,1	68,0	63,4

Source: Integrae SIM

## Market multiples

In order to better capture the Group's diversification, we conducted our valuation using the weighted multiples of two different panels:

- The first containing companies belonging to the Green market;
- The second containing companies belonging to the MarTechmarket.

These companies are the same used to calculate Beta for the DCF Method. The panels were made up by:

TABLE 7.1 – MARKET MULTIPLES GREEN

Company Name	EV/EBITDA			EV/EBIT			P/E		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Enlight Renewable Energy Ltd	22,0x	15,7x	11,0x	32,0x	25,5x	16,5x	26,6x	18,8x	12,1x
Iniziativa Bresciane SpA	9,2x	8,4x	8,1x	32,0x	22,2x	22,4x	20,6x	10,1x	10,4x
Ameresco Inc.	15,6x	10,6x	8,2x	29,4x	15,7x	11,8x	29,2x	18,0x	13,5x
Altea Green Power SpA	11,1x	8,3x	6,2x	11,5x	8,6x	6,5x	15,7x	11,9x	8,8x
Renergetica SpA	11,3x	10,1x	9,9x	17,6x	15,3x	15,3x	17,8x	15,9x	16,4x
Terna SpA	18,7x	15,5x	10,2x	22,0x	18,1x	11,4x	35,7x	43,5x	18,9x
<b>Peer median</b>	<b>13,5x</b>	<b>10,3x</b>	<b>9,0x</b>	<b>25,7x</b>	<b>16,9x</b>	<b>13,6x</b>	<b>23,6x</b>	<b>17,0x</b>	<b>12,8x</b>

Source: *Infinancials*

TABLE 7.2 – MARKET MULTIPLES MARTECH

Company Name	EV/EBITDA			EV/EBIT			P/E		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Relatech SpA	5,4x	4,6x	3,9x	7,7x	6,3x	5,4x	11,8x	8,7x	7,2x
Criteo SA	4,6x	4,3x	3,8x	29,6x	18,2x	11,1x	8,9x	8,6x	8,3x
Agile Content SA	12,8x	10,2x	12,4x	n/a	83,9x	531,0x	n/a	n/a	n/a
<b>Peer median</b>	<b>5,4x</b>	<b>4,6x</b>	<b>3,9x</b>	<b>18,7x</b>	<b>18,2x</b>	<b>11,1x</b>	<b>10,3x</b>	<b>8,7x</b>	<b>7,8x</b>

Source: *Infinancials*

TABLE 8 – MARKET MULTIPLES VALUATION

€/mln	FY23E	FY24E	FY25E
<b>Enterprise Value (EV)</b>			
EV/EBITDA	56,9	61,2	116,6
EV/EBIT	108,0	107,3	181,6
P/E	61,8	62,0	114,1
<b>Enterprise Value post 25,0% discount</b>			
EV/EBITDA	42,7	45,9	87,5
EV/EBIT	81,0	80,5	136,2
P/E	46,3	46,5	85,6
<b>Equity Value</b>			
EV/EBITDA	51,1	48,7	106,9
EV/EBIT	102,2	94,8	171,8
P/E	61,8	62,0	114,1
<b>Average</b>	<b>71,7</b>	<b>68,5</b>	<b>130,9</b>

Source: Integrae SIM

Using EV/EBITDA, EV/EBIT and P/E market multiples, and applying a 25.0% discount, **the equity value of Redelfi is approximately € 90.4 million.**

# Equity Value

TABLE 9 – EQUITY VALUE

Average Equity Value (€/mln)	93,1
Equity Value DCF (€/mln)	95,8
Equity Value multiples (€/mln)	90,4
<b>Target Price (€)</b>	<b>11,00</b>

Source: Integrae SIM

The result is an average equity value of approximately € 93.1 million. **The target price is therefore € 11.00 (prev. € 7.50). We confirm a BUY rating and MEDIUM risk.**

TABLE 10 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	58,7x	20,6x	14,9x	6,8x
EV/EBIT	86,9x	22,2x	15,8x	7,1x
P/E	n.m	31,5x	23,0x	9,6x

Source: Integrae SIM

TABLE 11 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	32,5x	11,4x	8,2x	3,8x
EV/EBIT	48,1x	12,3x	8,8x	3,9x
P/E	n.m	16,6x	12,1x	5,0x

Source: Integrae SIM

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12/01/2023	1,02	Buy	4,00	Medium	Breaking News
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06/11/2023	4,11	Buy	7,50	Medium	Breaking News

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#### Equity Total Return (ETR) for different risk categories

Rating	Low Risk	Medium Risk	High Risk
BUY	ETR $\geq$ 7.5%	ETR $\geq$ 10%	ETR $\geq$ 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR $\leq$ -5%	ETR $\leq$ -5%	ETR $\leq$ 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

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