

EQUITY - SPAIN

Sector: Independent Power Producers (IPP)

Closing price: EUR 3.38 (1 Nov 2023)

Report date: 3 Nov 2023 (15:30h)

6m Results 2023

Independent Equity Research

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Opinion ⁽¹⁾: Below expectations

Impact ⁽¹⁾: We will have to lower our estimates

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Business description

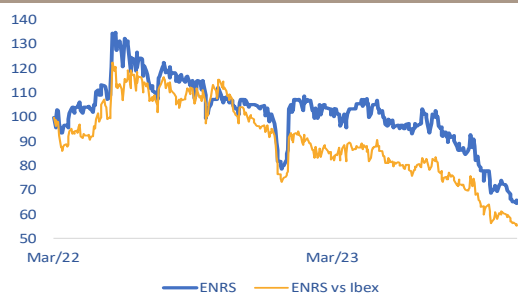
Enerside (ENRS), is a fully integrated renewables platform (in transition towards a build-to-own model) specialised in solar photovoltaic energy. It currently has a pipeline of +6.8GW of solar photovoltaic projects at various stages of development distributed in Latam (Brazil, Chile and Uruguay) and Europe (Spain and Italy).

Market Data

Market Cap (Mn EUR and USD)	126.2	132.9
EV (Mn EUR and USD) ⁽²⁾	156.9	165.3
Shares Outstanding (Mn)	37.3	
-12m (Max/Med/Mín EUR)	5.58 / 4.87 / 3.30	
Daily Avg volume (-12m Mn EUR)	0.07	
Rotation ⁽³⁾	14.9	
Factset / Bloomberg	ENRS-ES / ENRS SM	
Close fiscal year	31-Dec	

Shareholders Structure (%) ⁽⁵⁾

Joatham Grange	19.2
Antoni Gasch	19.0
Tomás Casanovas	9.6
Alejandro Alorda	9.3
Free Float	28.8

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-5.3	-28.1	-34.7	n.a.
vs Ibex 35	-1.6	-24.7	-42.5	n.a.
vs Ibex Small Cap Index	-1.4	-21.1	-39.0	n.a.
vs Eurostoxx 50	-3.4	-22.5	-41.8	n.a.
vs Sector benchmark ⁽⁴⁾	-6.4	-24.1	-37.7	n.a.

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 1.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) vs Stoxx Europe 600 Utilities.

(5) Others: Alternative Green Energy 8.3%, Javier García - Mateo 5.7%

(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

1H23: below estimates. Although the key to watch is the generation business

REVENUE INCREASED TO EUR 16.1MN THANKS TO THE EPC BUSINESS (+35.6% VS 1H22). ENRS reported 1H23 revenue of EUR 16.1Mn (vs EUR 11.9Mn in 1H22). Significant growth, as expected, driven exclusively by the construction (EPC business).

GROSS MARGIN ERODED BY GROWTH STRATEGY. The aggressive pricing strategy in the EPC business, macroeconomic backdrop and increase in raw material costs put pressure on the cost of sales. The company reported a loss at the gross profit level of EUR 12.7Mn (vs EUR 0.3Mn in 1H22, excluding capitalisations).

1H23 EBIT: LOSS OF EUR 16.4MN, MUCH WORSE THAN EXPECTED. In addition to the sharp contraction in the gross margin, earnings were affected by: (i) significant growth in staff costs (EUR 5.9Mn vs EUR 3.0Mn in 1H22) and other OPEX (EUR 3.1Mn vs EUR 1.3Mn in 1H22); and (ii) delays in selling developments. This resulted in an EBIT loss EUR 16.4Mn. These figures include EUR 8.1Mn of capitalised development costs related to the company's pipeline of own solar PV developments (excluding capitalisations, the recurring EBITDA loss amounts to EUR 21.7Mn). We will be revising our estimates.

NET DEBT DOUBLED TO EUR 31.7MN: By the June close, ENRS's net debt had climbed to EUR 31.7Mn (vs 16.3Mn at year-end 2022) due to hefty investments. We would not be surprised if additional funding needs continue to be plugged by solutions involving equity (and, presumably, dilution), at least in the short and medium term. 65% of long-term borrowings carry fixed rates

THE GOOD NEWS IS THE PROGRESS ON THE PIPELINE. The company has completed the construction and connection of its first solar farms (20 MW) in Chile and Brazil. ENRS had 6.8 GW of solar PV generation projects in the pipeline at the June 2023 close (+1.3 GW vs 2022; of which 36% are considered "high visibility" projects").

THE EQUITY STORY REMAINS INTACT: ATTENTION NEEDS TO REMAIN FOCUSED ON THE MEDIUM/LONG TERM. In our view, the 1H23 results (while disappointing) are "scantly" relevant, since the value generated by execution of the pipeline (the real equity story for a company like ENRS) has yet to be reflected in the P&L. On that front, the key milestone is "completion" of the strategic shift into independent power production (IPP) following the commissioning of the first facilities in Chile and Brazil. Against that backdrop, the chief catalyst remains progress on pipeline execution. Which should start to become tangible from 2024e. All signs suggest that market is not considering this upside. ENRS performance last 12 months: -35% (-42% vs Ibex 35; -38% vs sector).

Table 1. Results 1S23

EUR Mn	6m23 Real	6m22	6m23 Real vs 6m22
Total Revenues	16.1	11.9	35.6%
Construction services - EPC / BOS	16.0	11.7	36.8%
Development projects	0.0	0.0	n.a.
IPP / O&M	0.1	0.2	-42.5%
EBIT	-16.4	-4.8	-241.6%
PBT	-17.9	-5.0	-259.2%
NP	-15.7	-4.3	-262.0%

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Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	126.2	
+ Minority Interests	(0.0)	6m Results 2023
+ Provisions & Other L/T Liabilities	0.5	6m Results 2023
+ Net financial debt	31.7	6m Results 2023
- Financial Investments	1.5	6m Results 2023
+/- Others		
Enterprise Value (EV)	156.9	

LIGHTHOUSE

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
03-Nov-2023	n.a.	3.38	n.a.	n.a.	6m Results 2023	Enrique Andres Abad
12-Jun-2023	n.a.	4.98	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
02-May-2023	n.a.	5.40	n.a.	n.a.	12m Results 2022	David López Sánchez
07-Mar-2023	n.a.	5.30	n.a.	n.a.	Important news	David López Sánchez
06-Sep-2022	n.a.	5.52	n.a.	n.a.	6m 2022 Preliminary results	David López Sánchez
29-Jul-2022	n.a.	6.20	n.a.	n.a.	Initiation of Coverage	David López Sánchez

