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Energy Solar Tech

EQUITY - SPAIN
Sector: Electric Utilities

Closing price: EUR 4.55 (1 Nov 2023)
Report date: 2 Nov 2023 (9:30h)

Initiation of Coverage
Independent Equity Research

Energy Solar Tech, is a renewable energy company (founded in 2020) that offers its customers energy generation and efficiency technologies through a range of energy outsourcing solutions under the 'Energy as a Service' (EaaS). ETC has traded on BME Growth since 2022. Currently, ETC gets 100% of sales from Spain

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Market Data		
Market Cap (Mn EUR and USD)	122.1	128.7
EV (Mn EUR and USD)[1]	155.1	163.4
Shares Outstanding (Mn)	26.8	
-12m (Max/Med/Mín EUR)	9.68 / 6.63 / 4.55	
Daily Avg volume (-12m Mn EUR)	0.16	
Rotation[2]	30.0	
Factset / Bloomberg	ETC-ES / ETC SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)[6]	
Alberto Hernández Poza	21.1
Erbienergía Inversiones	12.6
José Abel Martín Sánchez	10.6
Alberto Torrego López	10.6
Free Float	44.8

Financials (Mn EUR)	2022	2023e	2024e	2025e
Adj. nº shares (Mn)	23.0	25.2	26.8	26.8
Total Revenues	13.3	52.0	75.6	115.1
Rec. EBITDA	2.7	9.0	16.1	31.6
% growth	*821.5*	*233.8*	*78.8*	*96.5*
% Rec. EBITDA/Rev.	*20.3*	*17.3*	*21.3*	*27.4*
% Inc. EBITDA sector[3]	*18.9*	*20.9*	*2.9*	*5.0*
Net Profit	2.2	3.4	5.0	14.3
EPS (EUR)	0.10	0.14	0.19	0.53
% growth	*851.0*	*39.8*	*37.8*	*185.7*
Ord. EPS (EUR)	0.11	0.14	0.19	0.53
% growth	*933.3*	*28.7*	*37.8*	*185.7*
Rec. Free Cash Flow[4]	-3.4	-1.0	-43.4	-14.3
Pay-out (%)	*0.0*	*0.0*	*0.0*	*0.0*
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	-3.8	15.1	58.5	72.9
ND/Rec. EBITDA (x)	-1.4	1.7	3.6	2.3
ROE (%)	*14.8*	*9.1*	*8.4*	*18.9*
ROCE (%)[4]	*17.1*	*9.5*	*7.7*	*13.0*
Ratios & Multiples (x)[5]				
P/E	47.1	33.7	24.4	8.6
Ord. P/E	43.3	33.7	24.4	8.6
P/BV	5.0	2.4	1.8	1.5
Dividend Yield (%)	*0.0*	*0.0*	*0.0*	*0.0*
EV/Sales	11.68	2.98	2.05	1.35
EV/Rec. EBITDA	n.a.	17.2	9.6	4.9
EV/EBIT	n.a.	30.9	16.9	6.8
FCF Yield (%)[4]	*n.a.*	*n.a.*	*n.a.*	*n.a.*

(1) Please refer to Appendix 3.
(2) Rotation is the % of the capitalisation traded - 12m.
(3) Sector: Stoxx Europe 600 Utilities.
(4) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.
(5) Multiples and ratios calculated over prices at the date of this report.
(6) Others: Treasury Stock 0.3%

The same old story? Low risk is not nothing; it creates value.

A (ANOTHER?) GROWTH STORY IN THE RENEWABLE ENERGY SECTOR... Between 2020 (when ETC was incorporated) and 2023e, the company has increased its revenue from EUR 0.3Mn to EUR 52Mn and its recurring EBITDA from break-even to EUR 9Mn. Its main/differentiating business line is energy outsourcing, which pursues a low-risk (Energy as a Service or "EaaS") business model. The acquisition of generation assets and engineering firm Sarpel in 2023 has driven a quantum leap in size and diversification, with three business lines (engineering, energy outsourcing and energy generation) whose shares should tend to even out.

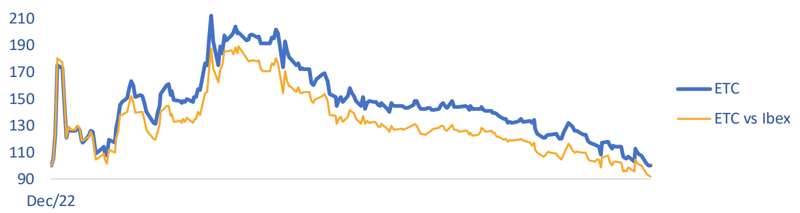
WITH A VERTICAL INTEGRATION STRATEGY CAPABLE OF TRIGGERING A SHARP STEP-UP IN SIZE (ALREADY IN 2023E). Our baseline scenario calls for considerable growth in revenue and recurring EBITDA to levels of EUR 115.1Mn and EUR 31.6Mn, respectively, in 2025e (vs EUR 13.3Mn and EUR 2.7Mn in 2022). More importantly, the company has already made a change in its revenue mix (less engineering, more outsourcing/generation), which explains this jump in size. This has already started becoming apparent (e.g. in the company's 9M23 earnings), but there should be plenty still to come (2024e-2025e).

WHILE KEEPING LEVERAGE IN CHECK. We expect ND to increase to 2025e because of the company's diversification strategy, reaching an estimated EUR 72.9Mn (ND/equity of 0.9x vs 2.3x ND/recurring EBITDA).

THE KEY LIES IN HOW THE MIX DEVELOPS. The 2023e-2025e period is shaping up to be key to see how growth materialises. Attention should focus directly on how the business mix shifts towards lines that command wider margins and generate higher operating CF (which looks set to soar from EUR 7.6Mn in 2023e to EUR 30.0Mn in 2025e). Our estimates are extremely dependent on how quickly the company executes the generation business pipeline.

IS ETC JUST MORE OF THE SAME OLD STORY? ANOTHER BIG INCREASE IN SIZE IN THE RENEWABLES SECTOR? NO. IT STANDS OUT FOR ITS LOW RISK. ETC is more than just strong growth, on paper, in Spain's renewables sector for two reasons: 1) its innovative and "objectively" low-risk business model: large share of energy outsourcing, control over leverage and vertical integration (diversification) and 2) large growth, not only in projections but already tangible (>EUR 50 Mn of revenue in 2023e). ETC is delivering less risky growth than the rest of the sector. And this adds value. "Real" value.

Relative performance (Base 100)



Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-14.8	-29.9	n.a.	-14.6	n.a.	n.a.
vs Ibex 35	-11.5	-26.6	n.a.	-22.6	n.a.	n.a.
vs Ibex Small Cap Index	-11.3	-23.1	n.a.	-17.0	n.a.	n.a.
vs Eurostoxx 50	-13.1	-24.5	n.a.	-20.8	n.a.	n.a.
vs Sector benchmark[3]	-15.7	-26.0	n.a.	-14.7	n.a.	n.a.

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

Energy Solar Tech (ETC) is a BME Growth company.

BME Growth is the segment of BME MTF Equity aimed at small and medium sized companies, directed and managed by the Spanish stock market and is subject to the CNMV supervision. BME MTF Equity is not a Regulated Market but instead falls within the classification of a Multilateral Trading Facility (MTF) as defined under the Markets in Financial Instruments Directive (MiFID). In July 2020, BME Growth obtained the status of SME Growth Market, a new category of EU regulations, which in Spain is called Mercado de Pymes en Expansión.

BME Growth is the Spanish equity market for companies of reduced capitalisation which aim to grow, with a special set of regulations, designed specifically for them, and with costs and process tailored to their particular features. Operations in BME Growth (former MAB) started in July 2009. There are currently c.140 companies listed on it. Companies listed on the MAB can choose to present their financial statements under IFRS or the General Accounting Plan (PGC) and Royal Decree 1159/2010 (NOFCAC).

Abbreviations

Energy

KWh	Kilovatio-hour
MWh	Megavatio- hour (1.000KWh)
GWh	Gigavatio- hour (1.000MWh)
TWh	Teravatio- hour (1.000GWh)

Power

KW	Kilowatt
MW	Megawatt (1,000KW)
GW	Gigawatt (1,000MW)
TW	Terawatt (1,000GW)

Project phases

RTB	Ready to Build

Other

APS	Announced Pledge Scenario
NZE	Net Zero Emissions Scenario
PPA	Power Purchase Agreement
IEA	International Energy Agency
IRENA	International Renewable Energy Agency

A quantum leap in scale (in revenue and EBITDA) with low risk (business model, financing)

Energy Solar Tech (ETC) is a renewable energy company (founded in 2020) that offers its customers energy generation and efficiency technologies through a range of energy outsourcing solutions under the 'Energy as a Service' (EaaS) model (vs the ownership model used mostly in the market). Under the EaaS model, ETC makes all the required investments and operates the assets to generate a return and ensure the lowest energy cost for its customers.

A renewable energy company offering a range of energy outsourcing and generation solutions...

Thanks to the acquisitions made in 2023 (e.g. engineering firm Sarpel and generation assets), ETC has diversified its business by added new business lines (engineering and generation). This has also enabled the company to: (i) become vertically integrated, covering the entire value chain, and (ii) implement a multi-technology strategy (wind and solar PV).

The numbers easily explain what has happened over the past four years. A simple comparison between revenue and recurring EBITDA generated in 2020 and 2023e will suffice: an increase in revenue from EUR 0.3Mn vs. EUR 52.0Mn and an increase in recurring EBITDA from break-even to EUR 9.0Mn. This also begs three key questions: Is what we have seen so far sustainable? What is the near-term (2023e-2025e) outlook for EBITDA and cash generation? What is ETC's equity story?

- **ETC is a vertically-integrated company (covering the entire value chain) now in the take-off phase (CAGR 2021–2023e revenue of 251%)**

ETC's business comprises the following activities:

...with three business lines: (i) energy outsourcing, (ii) engineering and (iii) energy generation.

- **Energy outsourcing (98% of revenue in 2022 and 25% in 2023e):** this was the company's core business line until 2022. ETC builds the asset on a customer's premises -ETC retains ownership- and then sells the power generated to that customer. As soon as an efficiency is unlocked that either lowers the asset's cost or reduces consumption, the savings are shared with the customer (e.g. a lower energy price). The company also holds a supplier licence, so it can sell power from the grid to the customer. This outsourcing model enables the company to obtain recurring revenue over the long term (billing customers on a monthly basis). It also implies high switching costs for customers (once the asset is installed), thus minimising the business risk of its model.
- **Engineering (65% of revenue in 2023e):** the company offers specialised energy project engineering and construction services (e.g. solar PV stations, wind farms, electrical substations). Here it targets both industrial customers and the rest of the renewables industry.

  The company began offering self-consumption projects (2% of revenue in 2022) as part of this business line in 2023. This entails the sale of projects where ETC calculates how much a customer can save with the project, then designs the asset and offers to sell it to the customer. ETC uses the margin obtained to build assets for its own network.
- **Energy generation (10% of revenue in 2023e):** power production through centralised generation assets, e.g. wind and solar PV assets. The business model focuses on developing and building solar PV stations and wind farms, over which ETC retains ownership. This provides the company with assets that give it a supplementary source of energy generation. ETC currently has 18 MW of wind capacity in operation (undergoing hybridisation, with 16 MW of solar PV capacity that will come on stream in 2Q24). Meanwhile, the company has agreed to acquire another 35-MW wind farm (which is 'ready to build') with scope for hybridisation, adding 15 MW of solar PV capacity that we estimate will enter into operation in 2025e.

The M&A-driven growth strategy employed in 2023e has changed ETC in several ways:

ETC has diversified its business mix and added capabilities through M&A.

- Diversifying its business by adding new business lines (project engineering and power generation), thereby reducing its risk profile and exposure to changes in energy prices.
- Adding capabilities: the acquisition of Sarpel and generation assets are complementary and enrich the company's capabilities, enhancing managerial efficiency and quality, having pooled all resources.

- Implementing a multi-technology approach: acquiring hybridisable wind farms allows ETC to diversify its energy sources in a bid to maximise grid independence and reduce power supply risk.

The snapshot is of a company still developing and now really taking off (as supported by its 1H23 earnings: 3.9-fold revenue growth vs 1H22).

The snapshot today is of a company still developing (with barely three years of 'life') and now really taking off. Revenue and recurring EBITDA have jumped from EUR 0.3Mn and break-even in 2020 to EUR 52.0Mn and EUR 9.0Mn in 2023e (recurring EBITDA of EUR 0.3Mn and EUR 2.7Mn in 2021 and 2022, respectively). In other words, this is a company whose historical P&L shows recurring EBITDA easily above break-even thanks to an appropriately sized cost structure. It also bears out the quantum leap in scale (in both revenue and recurring EBITDA) that we estimated for 2023e (and that should continue over the coming years). ETC has traded on n BME Growth since December 2022 (Mkt Cap c. EUR 122Mn). The company's IPO was directly motivated by the advantages of being in the market in terms of financing -it has carried out several equity raises since its IPO- key for a company looking to capitalise on the growth opportunities emerging in the renewables sector (but that will require heavy funding in light of the capital-intensive nature of its business lines).

- **Quantum leap in scale (in both revenue and recurring EBITDA), with 2023e making the start of this new phase (revenue growth in 2023e and 2025e of 8.7x and 2.2x vs 2022)**

The company's current situation now begs a question: what we can expect from ETC in the 2023e–2025e period in terms of growth, profitability and recurring FCF generation? The outlook for the renewable energy sector for the coming years is extremely bright. And solar PV and wind are poised to be winning technologies. Our 2023e-2025e projections in a nutshell:

Revenue 2025e: EUR 115.1Mn (vs EUR 13.3Mn in 2022), with significant growth in all three business lines.

- **Huge revenue growth (2025e: EUR 115.1Mn vs EUR 13.3Mn in 2022)…** Our baseline scenario for 2023e-2025e contemplates revenue of EUR 52.0Mn in 2023e and EUR 115.1Mn in 2025e (CAGR 2022-2025e: 105.5%). The fastest growing businesses should be energy outsourcing (CAGR 2022-2025e: 38.1%) and energy generation (CAGR 2022–2025e: 47.4%). The key growth drivers underpinning our forecasts are: (i) strong renewable energy sector tailwinds (wind and solar PV), (ii) growth in self-consumption and (iii) acquisition/commissioning of generation assets.

The shift in mix makes considerable gross margin expansion credible (EBITDA margin 2025e: 27%).

- **…and in recurring EBITDA (EBITDA 2025e: EUR 31.6Mn vs EUR 2.7Mn in 2022).** For 2023e, we estimate recurring EBITDA of EUR 9.0Mn (17.3% margin; vs EUR 2.5Mn in 2022), gradually rising to EUR 31.6Mn in 2025e (27.4% margin), fuelled by: (i) a change in the business mix, with the (higher margin) energy outsourcing and energy generation businesses increasing their share, (ii) a decrease in overhead as a percentage of revenue and (iii) the generation of cost synergies and efficiency gains as a result of the acquisition of Sarpel and of generation assets.

But the development and construction of the company's pipeline implies significant CAPEX.

- **However, the development and construction of its generation assets implies very significant CAPEX (preventing positive FCF generation until at least 2025e).** FCF generation in the 2023e-2025e period will be adversely affected by the stage of ETC's business, which will require hefty investment to develop and build its pipeline of wind and solar PV projects. If we look instead to recurring operating cash flow (i.e., stripping out the CAPEX needed to commission the generation assets), we are talking about a company that is capable of delivering gradual growth in operating cash flow (OCF), indicating it will generate positive FCF once CAPEX levels normalise. Recurring OCF is expected to soar from EUR 7.6Mn in 2023e to EUR 30.0Mn in 2025e.

Lo So, debt looks set to increase (ND/EBITDA 25e: c. 2.3x).

- **This will (inevitably) push up debt, which will peak in 2025e (ND 2025e: EUR 73Mn; ND/EBITDA 2025e: c.2.3x).** The energy generation business funded using project finance (non-recourse financing at each facility) where leverage tends to be very high (the investments and made using highly leveraged structures: c. 70% debt vs 30% equity), will be pushing debt higher constantly until 2025e. That year we estimate net debt of EUR 73Mn.

Overall, several takeaways can be seen in our financial projections for the coming years:

- The shift in the revenue mix with a gradual drop in the share of engineering and construction (65% of revenue 2023e vs 45% in 2025e) and increase in energy outsourcing (c. 25% of revenue in 2023e vs 30% in 2025e) and energy generation through the company's own solar PV stations and wind farms (c. 10% of revenue in 2023e vs 24% in 2025e).
- Growth (and along with it, the mix) oriented towards higher-margin areas (like energy generation). Recurring EBITDA is expected to jump from EUR 2.7Mn in 2022 (margin: 20.3%) to EUR 31.6Mn (margin: 27.4%) in 2025e.
- Change in the capital structure as ETC is ramping up its business. However, ND/recurring EBITDA should remain within a conservative range. This shows the importance attached to the company's growth, while keeping an eye on leverage levels. The direct implication is a capital structure with no risk of excessive leveraging, let alone during a period of hefty investment (2023e–2025e).

An equity story that pivots around a quantum leap in scale, which would give rise to a change in the business mix.

In sum, ETC's equity story points to a quantum leap in revenue and recurring EBITDA, with the 2023e-2025e period shaping up to be key to seeing how this growth develops and consolidates. Attention should be focused on changes in the business mix. The rest (i.e. margins, OCF) is the result of "pulling that thread". In other words, the model is extremely dependent on the company's success executing the generation business pipeline, but feasible without incurring major risks of either a business or financial nature (keeping leverage at acceptable levels).

- **In short, a growth story (and change in company profile) in a sector with strong tailwinds. This raises the question: ¿how should investors view ETC?**

ETC is in the midst of a (quantitative and qualitative) transformation. Our idea/view of the company (for medium- and long-term investors) is predicated on the following:

In short, a company in the midst of transformation and poised for a take-off (which has already started).

- **Rapidly growing renewable energy company** with strong business momentum shaped by considerable upsizing (under way but not complete) and a P&L already taking off. There is a lot of upsides during the projection period (2023e-2025e).
- **Control of the entire wind/solar PV project value chain.** From development and construction to O&M. This integration helps generate synergies and reduce costs and lead times.
- **An energy outsourcing model** whereby ETC makes all the required investments and retains ownership of the assets (guaranteeing technological renewal). It bills customers each month, giving rise to a recurring revenue base. This implies high switching costs for the customer and reduces the models business risk.
- **Long-term shareholders.** The company's long-term business strategy is consistent with its management team (which in addition controls c.32% of the shares). It places emphasis on growth, while still reining in the company's leverage and financial risk.

Put another way, ETC is theoretically in the right place (the renewable sector) at the right time (countries' increasing pledge to the energy transition, with the war in Ukraine underlining the importance of energy independence). It is also in perfect shape to grow: (i) low starting point (2022) for financial leverage and (ii) a profitable business able to generate recurring OCF.

Nevertheless, the company is not without risks: (i) a fiercely competitive sector, (ii) subject to energy price fluctuations, (iii) the company's current (capital-intensive) phase and (iv) potential for (virtually inevitable) dilution as part of its growth is equity financed.

One question we can ask is how today's share price is factoring in ETC's prospects and business model in the coming years. The objective is not to value the company but point out its potential as a value reserve. As we see it, in order to bring out the full potential of ETC, the businesses commanding the widest margins (and strongest CF generation) and showing the lowest business risk warrant a higher multiple.

Taking our revenue and EBITDA 2025e estimates as a reference, the energy outsourcing business would deliver revenue of EUR 35.0Mn and recurring EBITDA of EUR c.7.3Mn, the engineering business EUR 52.0Mn and EUR c.4.7Mn and the generation business EUR 28.2Mn and EUR 19.6Mn, respectively. And taking current EV/revenue and EV/EBITDA multiples of Spanish peers per business line:

- Engineering: Elecnor is trading at an EV/EBITDA of 6.3x.
- Generation: Ecoeneer is trading at an EV/EBITDA of 11.7x.
- Energy outsourcing: Greening Energy is trading at an EV/revenue of 1.8x.

This would lead to a value (aggregated by business) of ETC of EUR 304Mn. Well above the current Martket Cap (EUR 122Mn).

All preliminary. All highly theoretical, it is clear. But it is still a first indicator, which would indicate that if this (demanding) quantum leap in revenue and profitability is delivered, at current prices the value reserve would be "intuitively" very high (YTD share performance was -14.6% in absolute value and -22.6% vs IBEX 35; ETC would be trading EV/EBITDA Rec. 2025e of 4.9x). This is even without factoring in the likely increase in sector peer company multiples with a premium for the lower risk of ETC's business model.

We would keep a close eye on ETC's numbers for the potential take-off in EBITDA.

Lastly, the following table of KPIs directly related to risk showcases ETC's lower level of (business and financial risk) relative to its peers. The focus is on the energy outsourcing business (30% of the revenue mix in 2025e), since it is what is dictating ETC's business model and nature most.

Table 1. KPIs 2023e - Energy Solar Tech vs. main Spanish peers

EUR Mn	Mkt Cap	Free Float	Revenues	EBITDA	EBITDA/Revenues	ND	Equity	ND/Equity	ND/EBITDA
Greening Energy	157.2	16.5%	97.2	10.0	10.3%	32.6	34.6	0.9x	3.3x
Holaluz	71.4	22.3%	554.9	(10.9)	-2.0%	56.4	9.6	5.9x	n.a
Energy Solar Tech	**122.1**	**44.8%**	**52.0**	**9.0**	**17.3%**	**15.1**	**50.3**	**0.3x**	**1.7x**

In 2023, ETC will have obtained all its revenue in the Spanish market. This will in all likelihood be the case again in 2024 and 2025. ETC's size and model should (still) enable it to deliver exponential growth without looking beyond its market. The same is true for Holaluz. Another story, however, is Greening Energy, where 13% of its EBITDA (1H23) was obtained in Mexico (which concentrates 40% of its solutions backlog; and 15% of its generation project backlog), implying risk related to its geographical mix. ETC can "afford" to grow sharply while avoiding the risk arising from any geographical expansion, which is particularly important in the tightly regulated energy sector. In addition, its profitability/margin is significantly higher.

In terms of financial leverage, ETC shows far lower ratios than Holaluz and Greening Energy. This is an indication of: (i) the company's notably conservative profile; despite the growth strategy, it attaches importance to risk mitigation via diversification, while keeping an eye on leverage levels and (ii) the management team's long-term view/operation (with control of c.32% of ETC), which precludes an aggressive and leveraged investor process from unsettling the company by gradually forgetting about debt ratios.

In short, ETC is starting to take off and has already shifter its business mix. Moreover, it is gearing growth towards businesses with higher added value and OCF generation (extremely dependent on execution of the generation business pipeline), underpinned by a recurring revenue base (with lower business risk) and a conservative level of debt (with no risk posed by its capital structure).

Taking as a sole reference (with the inherent limitations) direct peer multiples for each of ETC's business lines, the share price would not be factoring in all of ETC's growth potential over the next 2-3 years. This is not all that surprising given how demanding the leap in size is, which is very common among renewables companies that, on paper, are delivering strong growth rates. But that it is, at the very least, a wake-up call about the potential of ETC.

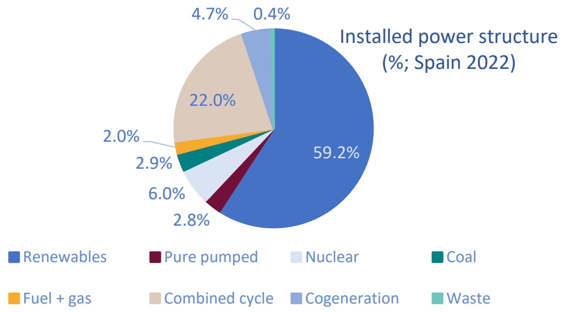
Is ETC just more of the same old story? A potential/virtual quantum leap in scale in the renewable sector? Another one? We don't think so, for two main reasons:

- Because ETC has already started its step-up in size. The process is not over, nor is it merely an expectation. This is easily understandable looking at the trend in revenue: EUR 0 in 2020, EUR 52 Mn in 2023e and EUR 115Mn in 2025e. By the end of 2023e, ETC looks set to be 45% on its way there. And this is without sacrificing margins.

- ETC's business is "objectively" less risky. This has two implications: 1) it makes delivering its growth outlook more credible and 2) implies that this growth, if delivered, will be more valuable. This is simply because its funding costs will be lower. No matter how you look at it, lower risk means lower cost of capital and, in relative terms, higher future cash flows. Generating FCF with low risk is not nothing; it adds value. "Real" value.

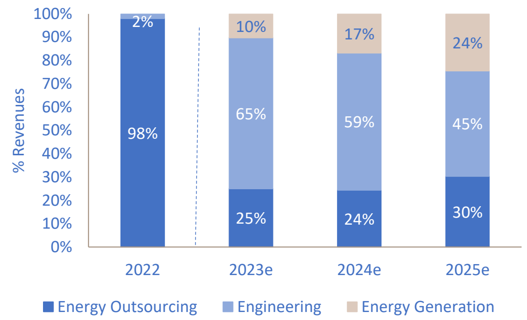
The company in 8 charts

Renewable energies in Spain: wind and solar PV are winning technologies in a growing sector

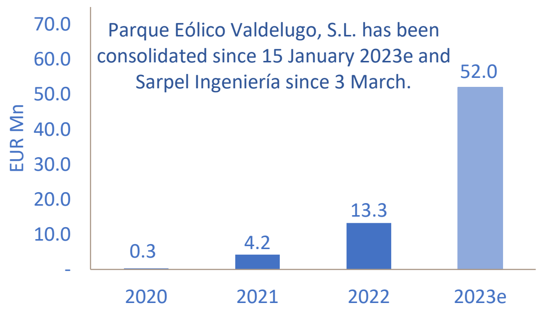


Renewable energies are divided into: Hydro (14.4%), Wind (25.2%), Solar PV (16.6%), Solar thermal (1.9%) and other renewables (1.1%).

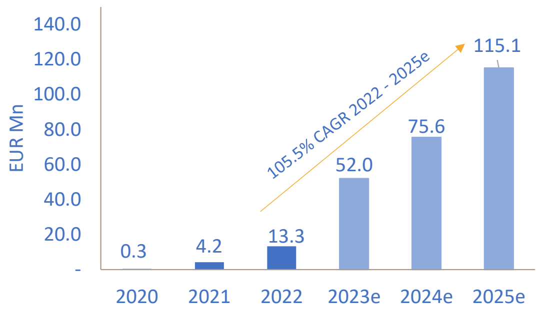
ETC: a vertically integrated renewable energy company (with three business lines)



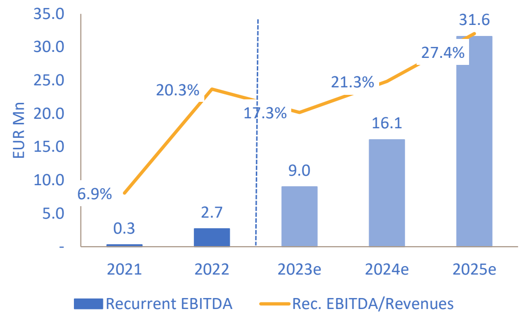
In 2023, the company has acquired several (wind and solar PV) generation assets and an engineering firm…



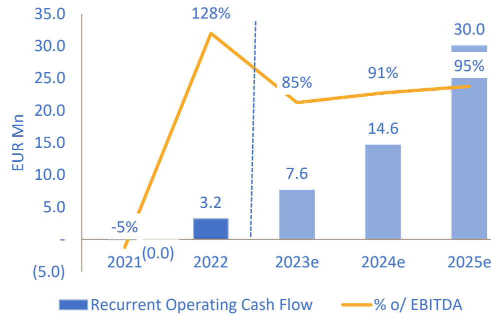
… which has driven a sharp step-up in scale and a change in the business mix.



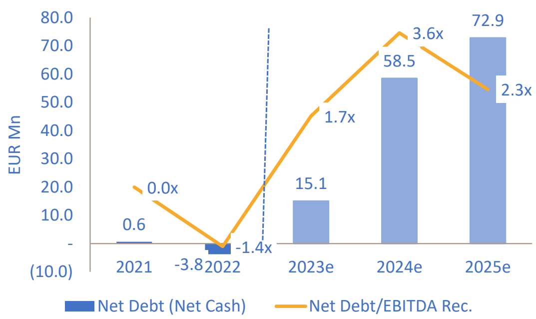
The outlook is for strong growth in recurring EBITDA (CAGR 2022–2025e of 134%) …



… lifting recurring operating cash flow (OCF) generation to EUR 30.0Mn in 2025e



Debt will increase with the development and construction of the wind and solar PV project pipeline

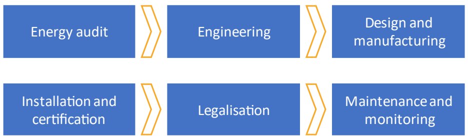


In 2024e, ETC shares should rally after falling over the past few months

A fast-growing, profitable and vertically integrated (energy as a service) renewable energy company

Energy Solar Tech (ETC) is a renewable energy company (founded in 2020) that offers its customers energy generation and efficiency technologies through a range of energy outsourcing solutions under the 'Energy as a Service' (EaaS) model. In other words, ETC partners its customers through an end-to-end outsourcing model. Under this model, customers can enjoy a lower energy cost and reduce their energy consumption. ETC has traded on BME Growth since 2022 (Mkt cap EUR c.122Mn).

Chart 1. Value chain - ETC Model



Unlike business models involving the sale of projects and assets acquired under long-term solar PV energy PPAs (power purchase agreements), ETC offers a service outsourcing business model (vs the ownership model used mostly in the market), just as the IT sector has evolved towards a SaaS (Software as a Service) model. Under this model, ETC makes all the required investments and operates the assets to generate a return and ensure the lowest energy cost for its customers. Currently, ETC gets 100% of sales from Spain.

ETC has developed over 100 self-consumption projects for customers in a range of sectors. All are industrial customers. Plans are to maintain this status quo. Success stories include: (i) energy outsourcing solution with installation of 2,400kWp for the manufacture of Drylock Technologies' hygiene products and (ii) energy outsourcing solution with installation of 1,114kWp at Pastisfred's bakery products plant.

Among companies in the renewable energy segment, listed peers in the United States include Ameresco (a cleantech integrator and renewable energy asset developer, owner and operator), Sunnova (a residential solar service provider), Sunrun (the leading home solar panel and battery storage company) and Sunpower (a designer of residential solar and storage solutions). Peers in Spain are EiDF (provider of solar PV self-consumption solutions for SMEs and large enterprises), Greening Energy (design and construction of industrial self-consumption facilities, solar water pumping and development of energy efficiency projects) and Holaluz (implementation of domestic self-consumption solutions). All these Spanish peers are also listed on BME Growth.

A business model predicated on value chain integration. Optimising costs through technological innovation

There are four pillars to ETC's technology strategy: (i) adapting and enhancing solar PV panels (it has 700w panels with 23% energy efficiency under production); (ii) neutralising energy demand peaks through short-cycle storage -ETC intends to launch a micro energy storage solution in 2023 that will reduce peak power demand and electricity consumption by between 80% and 95%-; (iii) generating energy in complementary cycles to solar PV generation via development of thermoelectric panels to generate power during night cycles, and (iv) deploying next energy generation and storage technologies; e.g. green hydrogen, battery storage.

The company runs three business lines at present:

- **Energy outsourcing (98% of revenue in 2022 and 25% in 2023e):** this was the company's core (and virtually only) business line until 2022. ETC builds the asset on a customer's premises -ETC retains ownership- and then sells the power generated to that customer. As soon as an efficiency is unlocked that lowers the asset's cost or reduces consumption, the savings are shared with the customer (e.g. lower energy costs). The company holds a supplier licence, so it can sell power from the grid to the customer as and when needed.

  This outsourcing model enables the company to obtain recurring revenue over the long term (billing customers on a monthly basis). ETC is in charge of: (i) building the asset (at no cost for the customer), (ii) securing the pertinent licences and permits and (iii) maintaining the asset. In short, it enjoys a recurring revenue model with high switching costs for customers once the asset is installed, which significantly mitigates business or churn risk.

Chart 2. Revenue growth 2020 - 9m23

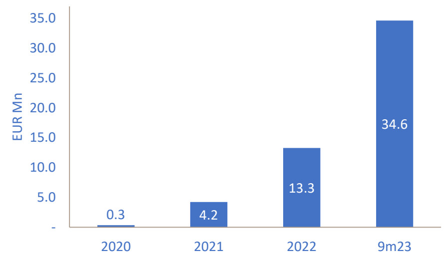
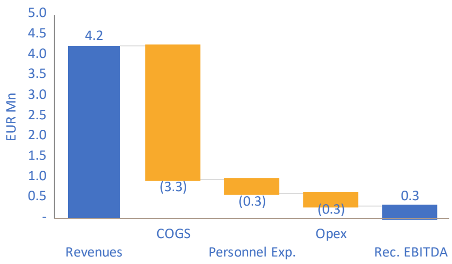
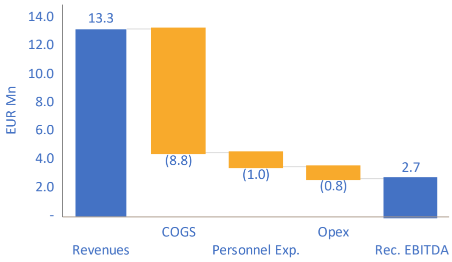


Chart 3. Recurring EBITDA 2021



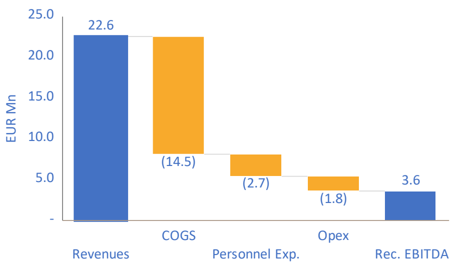
Note: we have adjusted capitalised expenses by EUR 0.2Mn.

Chart 4. Recurring EBITDA 2022



Note: we have adjusted the expenses associated with the listing on BME Growth (EUR 0.2Mn) and the capitalised expenses by EUR 0.5Mn.

Chart 5. Recurring EBITDA 1H23



Note: we have adjusted capitalised expenses by EUR 0.3Mn.

- **Engineering (65% of revenue in 2023e):** the company offers specialised energy project engineering and construction services (e.g. solar PV stations, wind farms, electrical substations) targeting industrial customers and the rest of the renewable industry.

  The company began offering self-consumption projects (2% of revenue in 2022) as part of this business line in 2023. This entails the sale of projects where ETC calculates how much a customer can save with the project, then designs the asset and offers to sell it to the customer. ETC uses the margin obtained to build assets for its own network.

- **Energy generation (10% of revenue in 2023e):** power production through centralised generation assets, e.g. wind and solar PV assets. ETC's business model focuses on developing and building solar PV stations and wind farms, over which it retains ownership. These assets give it a supplementary source of energy generation.

  Energy generation is an extremely capital-intensive business, but once the assets are built and come on stream they provide a source of recurring revenue, wide margins and highly predictable FCF generation.

In short, ETC has an integrated business model based on: (i) deploying a business model that enables it to adapt to customers' needs quickly and to renew technology (vs a long-term ownership model), (ii) integrating engineering and operations capabilities to boost efficiency and enhance management quality, and (iii) increasing the group's hybrid generation capacity by focusing on a multi-technology strategy so as to maximise grid independence.

M&A strategy: value chain integration and diversified revenue mix

The company acquired several wind farms and an engineering firm in 2023:

- **Valdelugo wind farm:** In December 2022, the company entered into an agreement to acquire a 49% interest in the Valdelugo wind farm operator. The 18 MW wind farm has been operating since March 2022 and undergoing hybridisation with the installation of 16 MW of solar PV panels. Estimates point to 68,400,000 KWh of wind output and 24,000,000 KWh of solar output (as of 2Q24) after hybridisation. In January 2023, it acquired another 49% stake in the operator, giving it control with a 98% interest. The total acquisition price was EUR 16.0Mn.

- **Sarpel Ingeniería:** with 120 employees (vs 38 employees at ETC at year-end 2022), this company provides engineering services and builds solar PV stations, wind farms, hydro power plants, co-generation plants, etc. Sarpel reported EUR 32.8Mn of revenue and EUR 2.6Mn of EBITDA in 2022. The total price (for 100% of the share capital) was EUR 19.5Mn, although the sellers subscribed for shares worth EUR 3.0Mn in the equity raise carried out by ETC to fund the transaction. The price also included an earnout of EUR 5.0Mn contingent of delivery of the business plan payable in 2024 and 2025 (EUR 3.0Mn and EUR 2.0Mn, respectively) plus another payment of EUR 1.0Mn in 2026 (if no contingencies arise in the preceding years).

- **Wind farm (with scope for hybridisation with solar PV technology):** ETC entered into an agreement with Erbienergía Inversiones to acquire a 35-MW wind farm undergoing hybridisation, with 15 MW of solar PV capacity. The wind farm is 'ready to build' and will be built by ETC. It is expected to come on stream within 15 months. Once it is in operation, the company estimates that it will produce 115,250 MWh, plus 22,500 MWh thanks to the wind farm's hybridisation.

  The company plans to start construction in the first quarter of 2024 and is forecasting average revenue of EUR 10.4Mn and average EBITDA of EUR 8.4Mn in 2025e (assuming an electricity price of EUR 75.4 per MW). The asset was acquired for EUR 13.3Mn (with payment to be made once the building permits are issued and not before December 2023). The company estimates a total construction cost for the wind farm of EUR 42.3Mn and for hybridisation of EUR c.11.5Mn.

Overall, this M&A activity has enabled ETC to change in three ways:

- **Business diversification:** adding new business lines (project engineering and power generation), thus reducing its risk profile and exposure to changes in energy prices.

- **Adding capabilities:** the acquisition of Sarpel and generation assets are complementary and enrich the company's capabilities, enhancing managerial efficiency and quality having pooled all resources.
- **Multi-technology:** acquiring wind farms with scope for hybridisation has allowed ETC to develop a multi-technology strategy to diversify its power generation sources so as to maximise grid independence.

How was this growth funded?

The capital raised to make these acquisitions came (primarily) though equity raises:

- To acquire the Valdelugo wind farm, the company carried out two equity raises: (i) a cash issue (December 2022), through the issuance of 23 million shares (EUR 7.2Mn) and (ii) a cash issue for EUR 5.0Mn, through the issuance of 783,907 shares. In parallel, the company raised finance through a variety of different schemes: (i) convertible loans (EUR 2.0Mn), (ii) bank loans (EUR 1.0Mn) and (iii) share options of the founders (EUR 1.9Mn). The company is currently in the process of arranging EUR 2.5Mn of bank loans. In conclusion, ETC raised EUR 12.4Mn of finance (including EUR 5.0Mn from the cash issue).

- ETC carried out two rights issues in May 2023, using the proceeds to acquire Sarpel Ingeniería: (i) a first cash issue of EUR 10.0 Mn, through the issuance of 1.8 million shares and (ii) a second cash issue for EUR 6.6Mn, through the issuance of 1.2 million shares.

- Lastly, the company has announced that the acquisition of the latest hybridisable wind farm will be financed with: (i) own capital (purchase of the asset) and (ii) junior and senior project finance debt (65%) for the construction.

As a result, the company's shareholder structure has changed as follows: (i) the founders now hold c.43% (vs 79.5% in 2020), (ii) Erbienergía (a group of family-run businesses involved primarily in renewable energies and energy storage), which was not a shareholder in 2020 and currently has a 12.6% shareholding, and (iii) free float of c.45% (vs 20.5% in 2020).

What recent performance suggests: exponential growth in revenue without undermining profitability, which is set to improve considerably in 2020

Looking at the performance of KPIs (e.g. sales, recurring EBITDA, net debt), ETC's business in the 2020- 2022 period featured:

Table 2. Key metrics

EUR Mn	2020	2021	2022
Total Revenues	0.3	4.2	13.3
Total Revenues growth	-	*1111.0%*	*213.7%*
Gross Margin	**0.3**	**1.0**	**4.5**
Gross Margin (o/Revenues)	*78.0%*	*22.5%*	*34.1%*
Overhead Cost	(0.2)	(0.7)	(1.8)
% o/Revenues	*-70.0%*	*-15.6%*	*-13.8%*
Recurring EBITDA	**0.0**	**0.3**	**2.7**
Rec. EBITDA/Revenues	*8.0%*	*6.9%*	*20.3%*
EBITDA	**0.0**	**0.3**	**2.5**
Rec. EBITDA/Revenues	*7.9%*	*6.9%*	*18.7%*
EBIT	**(0.0)**	**0.3**	**2.5**
Rec. EBIT/Revenues	-5.8%	6.5%	18.8%

EUR Mn	2020	2021	2022
Intangible Assets	-	-	0.1
Fixed Assets	1.0	5.8	11.1
Other Non Current Assets	0.0	0.0	8.4
Financial Investments	0.0	0.1	0.7
Goodwill & Other Intangilbles	0.1	0.1	0.4
Current Assets	0.2	0.9	2.2
Total assets	**1.4**	**7.0**	**22.8**
Equity	1.7	5.9	24.2
Minority Interests	-	-	-
Provisions & Other L/T Liabilities	-	-	0.0
Other Non Current Liabilities	-	-	-
Net financial debt	(0.5)	0.6	(3.8)
Current Liabilities	0.1	0.5	2.3
Equity & Total Liabilities	**1.4**	**7.0**	**22.8**

- **Exponential revenue growth and a change in the business mix:** over the last three years, ETC delivered exponential revenue growth led by the energy outsourcing business. This created a base of recurring revenue for the company, which it could leverage to continue growing. The company has prioritised this business line over project sales (integrated under the engineering business line in 2023e). The Valdelugo wind farm acquisition had a negligible impact on 2022 revenue since it was not consolidated (the company acquired a 49% interest). Energy outsourcing's share of revenue soared from 21% in 2020 to 98% by December 2022. In 2023, its weight in the revenue mix has eased back down to 25% due according to our estimates to M&A and the drop in energy prices.

Chart 6. Revenues and gross margin

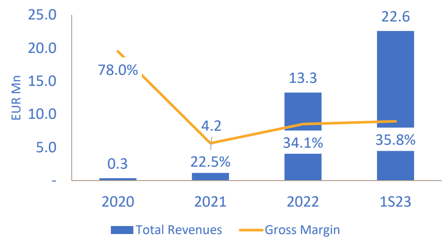


Chart 7. Recurring EBITDA

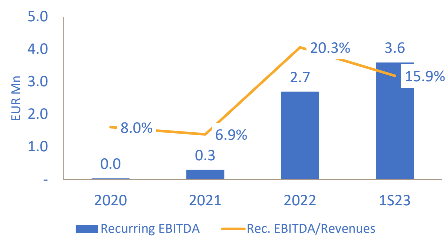


Table 3. Net Debt

	2020	2021	2022	1S23
Net Debt (Net Cash)	**(0.5)**	**0.6**	**(3.8)**	**18.1**
Net Debt/EBITDA Rec.	n.a	0.23x	n.a	5.0x
Net Debt/Equity	-0.30x	0.10x	-0.16x	0.36x

Table 5. Shareholders structure

Name	% Capital
Alberto Hernández Poza	21.1%
Erbienergía Inversiones	12.6%
José Abel Martín Sánchez	10.6%
Alberto Torrego López	10.6%
Treasury Stock	0.3%
Free Float	44.8%
Total	100%

Total revenue in 1H23 was EUR 22.6Mn (vs EUR 5.7Mn in 1H22). ETC has consolidated the Valdelugo wind farm since mid-January (EUR c.2.3Mn of revenue in 1H23) and Sarpel Ingeniería since 3 March (EUR c.14Mn in 1H23). For 2023e, we estimate revenue of around EUR 52.0Mn (vs EUR 13.3Mn in 2022), with outsourcing contributing 25%, engineering c.65% and generation 10%.

- **Contraction in gross margin caused by the change in the revenue mix:** the change in the revenue mix triggered a sharp contraction in gross margin, from 78.0% in 2020 to 34.1% in 2022. The main item under cost of sales is consumption of goods for resale, i.e. the expenditure incurred on energy purchases. In 1H23, gross margin widened by 1.7p.p. to 35.8%. On our estimates, it should expand to 36.4% in 2023e due to lower energy purchase costs.

- **Improved profitability**: the recurring EBITDA margin reached 20.3% in 2022 (vs 8.0% in 2020). Exponential revenue growth and the related change in mix have yet to undermine profitability thanks to gross margin expansion (since 2021) and a fixed overhead cost base that is not too excessive to cope with the 'step-up' in size. Looking at overhead (staff + other operating costs) per employee, we see an average cost of EUR c.61k in 2022 (vs EUR c.44k in 2021; +39%) and average revenue of EUR 0.4Mn in 2022 (vs EUR c.0.3Mn in 2021; +57%).

  Recurring EBITDA in 1H23 totalled EUR 3.6Mn, leaving a recurring EBITDA margin of 15.9%, affected by the consolidation of the (lower margin) engineering business. For 2023e, we expect a recurring EBITDA margin of 17.3% (EUR 9.0Mn).

- **Equity financed:** ETC carried out two equity raises in 2021 for EUR 8Mn (EUR c.2.0Mn registered in 2022). In 2022, it held another two rights issue, for EUR 14.7Mn, taking equity to EUR 24.2Mn. Finally, another two rights issues for EUR 16.6Mn were carried out before June 2023 for the acquisitions of the engineering firm, Sarpel, and the 49% interest in the Valdelugo wind farm. In sum, the company's strategy is to grow using equity financing, thereby reducing debt risk (and finance costs), but posing a strong threat of dilution for shareholders.

- **Net debt of EUR 18.1Mn in 1H23:** At year-end 2022, the company had net cash of EUR 3.8Mn. However, by the end of 1H23, it had net debt of EUR 18.1Mn because of M&A (EUR 7.2 of cash and EUR 25.4Mn of debt): (i) EUR 14.5Mn of bank borrowings (including the project finance facility at Valdelugo); and (ii) EUR 10.9Mn of other financial liabilities (EUR 6.0Mn of M&A earnouts).

Table 4. Debt maturity in 1H23

EUR Mn	2023	2024	2025	2026	More then 5	Total
Financial Debt	1.0	2.1	2.2	1.8	7.4	14.5
Other debt	0.3	3.4	2.0	1.0	4.2	10.9
Total	**1.3**	**5.5**	**4.2**	**2.8**	**11.6**	**25.4**

A shareholder body controlled by the founders and long-term investors. Free float c.45%.

Shareholdings of institutional investors are not significant. The members of the company's board, Alberto Hernández Poza (chairman, CEO and founder) and José Abel Martín Sánchez (member, COO and founder), hold shares representing 21.1% and 10.6%, respectively, of share capital. Overall, the board of directors' controls c.32% of the company.

Erbienergía Inversiones (without a seat on the board) became a shareholder in ETC through the first rights issue carried out to acquire the Valdelugo wind farm (in which it subscribed for the entire amount). It subscribed for shares in subsequent equity raises, reaching a 12.6% stake%.

In short, what is ETC today? Where is its strategy headed?

From a strictly descriptive point of view, ETC is a renewable energy company focused on being an energy transition enabler for its customers. Although it has only been in 'existence' for three years, it has delivered exponential and profitable growth: revenue of EUR 22.6Mn (vs EUR 13.3Mn in 2022) and EBITDA of EUR 3.6Mn in 1H23. For 2023, our estimates point to revenue of EUR 52.0Mn and recurring EBITDA of EUR 9.0Mn. The focus is to follow an Energy as a Service (EaaS) model (vs the ownership model used mostly in the market).

The company's equity story shows a continuation of the step-up in size seen until now, with growth in both revenue and profitability, underpinned by a strategy of procuring: (i) generation assets (allowing it to implement a multi-technology strategy) and (ii) engineering capabilities through M&A. From the investors' standpoint, we see five big "warning signs":

- **An innovative and low-risk business model (Energy as a Service).** ETC makes all the required investments and operates the assets to generate a return and ensure the lowest energy cost for its customers. It is in charge of: (i) building the asset, (ii) securing the pertinent licences and permits and (iii) maintaining the asset. This implies high switching costs for the customer and reduces the model's business risk.

- **Change in revenue mix complete:** in 2023e, with the acquisitions carried out, the company has now completed the change in its revenue mix (as seen in the 1H23 earnings and the preliminary 9M23 earnings). The company is growing but is not done yet. This also illustrates the scope for improvement in profitability and cash generation over the coming years by shifting towards businesses that contribute higher added value.

- **Recurring revenue base:** The outsourcing model enables the company to obtain a large percentage of recurring revenue over the long term (billing customers on a monthly basis). This bodes well for low business risk.

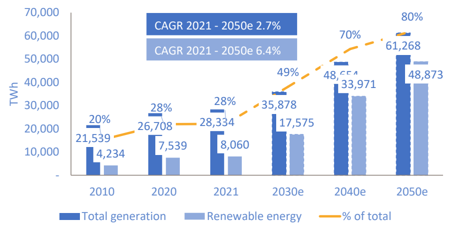
- **Control of the entire product value chain:** from development and construction to operation and maintenance, helping to generate synergies and reduce costs and lead times. This indicates 'objective' potential for margin expansion over the medium and long term.

- **The project's inherent strategic rationale**, 100% focused on a growing sector (like many others), but unique for its aspirations to reduce risks without sacrificing profitable growth through: i) a model of vertical integration and ii) multi-technology thanks to its diversification strategy.

To summarise, ETC theoretically provides a low-risk opportunity for its business model with recurring revenue, diversification and conservative financial leverage. The company is not, however, without risks since it operates in a highly competitive market and there is potential risk of dilution as much of its growth, as seen throughout its history, has been equity financed.

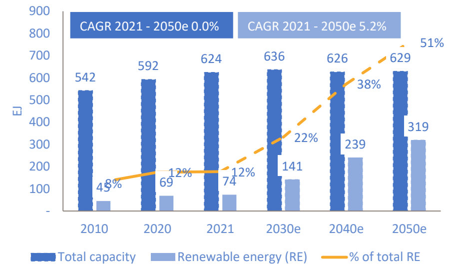
Renewable energies: momentum is (and will continue to be) unstoppable, even despite uncertainties

Chart 8. World electricity generation and as % of total renewable energies



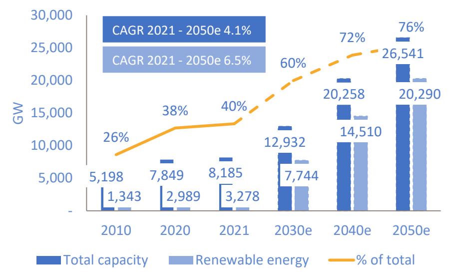
Sources: International Energy Agency (IEA). Forward-looking data assume the Announced Pledges Scenario according to IEA.

Chart 9. World energy supply and % of renewable energies as a % of total capacity



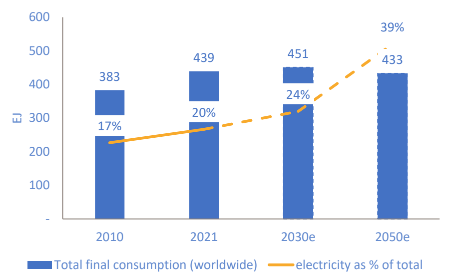
Sources: International Energy Agency (IEA).

Chart 10. Total world electricity capacity and % of renewable energies as a % of total capacity



Sources: International Energy Agency (IEA).

Chart 11. Total energy consumption (worldwide) and % of electricity over total capacity



Sources: International Energy Agency (IEA).

The pace of the world's clean energy transition has accelerated in recent years. According to the IEA (International Energy Agency), renewables accounted for roughly 30% of global electricity generation in 2022 (compared to less than 20% in 2010), with sharp increases in solar PV, wind, hydro and bioenergy generation.

Despite the rapid growth of renewable energies, globally the share of fossil-fuel based technologies (e.g. coal, oil, gas) in total primary energy supply increased from 77% in 2000 to 80% in 2021, driven by higher demand in emerging countries (more recently for coal because of the energy crisis). The weight of fossil fuels in the mix in developed economies decreased over the same period from 82% to 77%.

Against this backdrop, countries have stepped up their support of renewable energies since the signing of the Paris Agreement in 2015 and even more so in the wake of the pandemic to secure aid for economic recovery. The world's biggest economies are working harder on developing new technologies to drive their transition towards achieving net zero emissions (NZE) while bolstering their competitive positioning at the same time.

Energy transition: an unstoppable (and necessary) process facing myriad challenges and opportunities

The pandemic and the war in Ukraine have exacerbated the challenges (e.g. political friction, market fluctuations, supply chain disruptions, decrease in international co-operation) facing the energy transition. This has led to higher prices of the materials used by clean energy technologies, thereby hindering the transition process, and further impacted by the supply chain's heavy reliance on just a few countries (e.g. China). For instance, cobalt, lithium, nickel, steel and copper prices have all risen. The amount of these materials required by an electric vehicle, for example, is five times that of a conventional car. Nevertheless, over 10 million electric cars (i.e. 13% market share) were sold in 2022 according to the IEA. Electric cars are among the main drivers of growth in energy demand and are seeing their share in global energy consumption rise.

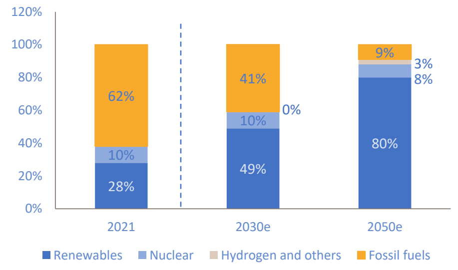
For the world to reach net zero CO_2 emissions by 2050, a profound and systemic transformation of the global energy system must be achieved. This will require efforts geared towards: (i) infrastructure upgrades, modernisation and expansion, (ii) regulation, to enable renewable energy deployment, integration and trade, (iii) capacity and supply chain (according to IEA estimates, of production capacity to 2030e, China will represent: (i) 80% of copper, (ii) 95% of cobalt and (iii) 60% of nickel and lithium) and (iv) the development of the skills and capacity necessary for the energy transition.

Despite the numerous barriers, the pace of the energy transition is healthy and accelerating, underpinned by: (i) increasingly ambitious energy and climate policies (e.g. the European Union's REPowerEU, Japan's Green Transformation Programme). REPowerEU is a plan for saving energy, producing clean energy and diversifying our energy supplies. It has mobilised close to EUR 300Bn (EUR 72Bn in grants and approximately EUR 225Bn in loans). Virtually the entire amount of the funds will be directed to accelerating and intensifying the transition to clean energy. (ii) technological development; and (iii) the growing importance of energy security (more so because of the war in Ukraine).

The energy transition also offers major opportunities for growth and employment in both new and expanding industries. The global market for clean technologies could be worth around USD 650Bn a year if countries fully implement their pledges. Moreover, the number of clean energy manufacturing jobs could jump from 6 million today to 14 million by 2030. These jobs would be tied to, for instance, electric vehicles, solar PV and wind.

One aspect of the energy transition is clear: the increasing share of electricity in total final consumption. In its baseline scenario (i.e. the Announced Pledges Scenario or APS), the IEA estimates that this share will go from 20% today to 24% by 2030e and 39% by 2050e. The main growth drivers are: (i) economic growth in emerging and developing countries where electricity plays a key role in a wide range of industrial, commercial and residential sectors, (ii) population growth and (iii) rising demand for cooling products -a major contributor to growth- on the back of rising incomes and temperatures.

Chart 12. Total electricity generation mix worldwide (2021 - 2050e)



Source: International Energy Agency.

In its APS scenario, the IEA estimates that electricity demand and supply will grow at similar rates. It expects demand to increase from 24,700 TWh in 2021 to 31,752 in 2030e and 53,810 in 2050e (CAGR 2021-2030e and CAGR 2021-2050e of 2.8% and 2.7%, respectively). Meanwhile, electricity supply looks set to increase from 28,334 TWh in 2021 to 35,878 TWh by 2030e and 61,268 TWh by 2050e (CAGR 2021–2030e and CAGR 2050e of 2.7% for both periods).

Solar PV and wind are two of the renewable energy sources expected to gain the most ground in terms of their share of energy supply and electricity generation globally:

- Solar PV. This source is set to see its share of power generation rise from 1% in 2021 to 4% by 2030e and 14% by 2050e. This would imply a CAGR 2021–2030e of 17% and a CAGR 2021-2050e of 10%. Solar PV's share of electricity is expected to increase from 4% in 2021 to 13% by 2030e and 31% by 2050e (CAGR 2021–2030e and CAGR 2021-2050e of 19% and 11%, respectively).

- Wind. Wind's share of energy supply is expected to rise from 1% in 2021 to 3% by 2030e and 10% by 2050e (CAGR 2021–2030e and CAGR 2021-2050e of 13% and 8%, respectively). Its share of electricity generation is expected to increase from 7% in 2021 to 16% by 2030e and 28% by 2050e (CAGR 2021–2030e 2021-2050e of 13% and 8%, respectively).

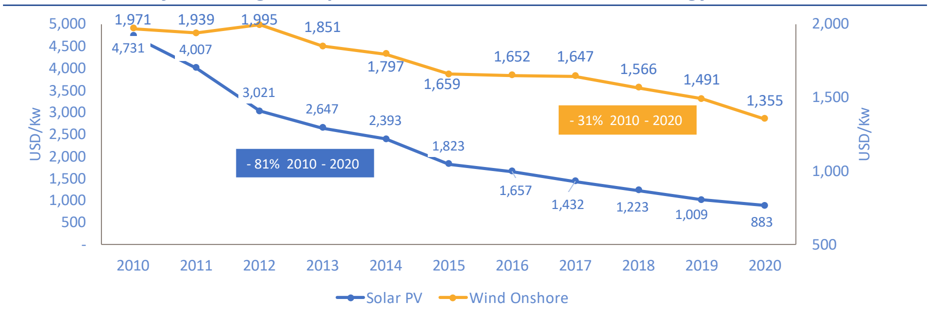
Renewable energies: the key pillar for reducing dependency on fossil fuels

The electricity sector has witnessed significant progress in renewable energy generation and installed capacity. Globally, renewables currently account for 83% of new capacity (vs. 15% in 2002) according to the IRENA (International Renewable Energy Agency). However, it is heavily concentrated in a limited number of countries and geographies. China, the EU and the US represent 75% of new capacity.

The largest capacity increases by energy source worldwide in the 2010–2022 period were: (1) solar PV, with a 26-fold increase from 2010, driven by: (i) lower costs thanks to advances in technology, (ii) policy and regulatory support and (iii) innovative financing models, and (2) wind, which increased by 5-fold over the same period. Offshore wind capacity additions were lower than onshore. Asia and Europe account for 50% of total capacity according to IRENA.

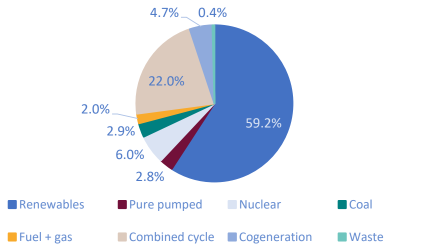
As noted previously, a key factor driving the growth of renewables is the reduction in renewable electricity costs (already the cheapest option). By way of illustration, according to IRENA a total of 163 GW of renewable capacity was installed in 2021, producing electricity at a lower cost than the world's cheapest fossil-fuel fired option. Since 2010, the costs of installing solar PV and onshore wind capacity have fallen by 81% and 31%, respectively.

Chart 13. Cost of installing solar photovoltaic and onshore wind energy



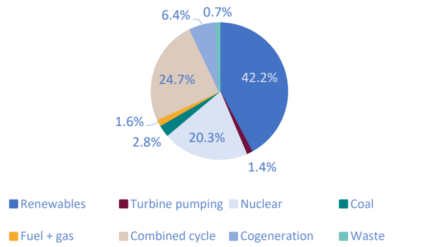
Source: IRENA

Chart 14. Installed power structure (%; Spain 2022)



Source: REE. Note: Renewable energies are divided into: Hydro (14.4%), Wind (25.2%), Solar photovoltaic (16.6%), Solar thermal (1.9%) and other renewables (1.1%).

Chart 15. Electricity generation structure (%; Spain 2022)



Source: REE

In Spain (where Energy Solar Tech does all its business), renewable energies account for 59.2% of installed capacity. By source: (i) wind represents 25.2%, (ii) solar PV 16.6% and (iii) hydro 14.4%. Renewable capacity increased by 9.1% in 2022 (or 5,899 MW). The largest driver of this increase was solar PV, which represented 76.3% (4,498MW; +29.4% vs 2021) of new capacity. Wind added 1,400 MW of new capacity.

Spain's total installed renewable energy capacity reached 70,452 MW in 2022. Also, that year, renewables' share of national power generation was 42.2% (vs 46.7% in 2021) according to Red Eléctrica. The decrease was primarily due to the sharp 39.7% drop in hydro output (to record lows). Conversely, wind and solar PV production reached new all-time highs of 61,176 GWh and 27,864 GWh, respectively.

The regions in Spain with the largest installed capacity of renewables are Castile and León, Castile-La Mancha, Andalusia and Extremadura, combining to account for 57.9% of total installed capacity of renewables in Spain's electricity system.

According to the targets outlined in the baseline scenario of Spain's Integrated National Energy and Climate Plan 2021–2030 (NECP), renewables' share of final energy consumption in Spain should reach 42% by 2030e. The NECP foresees total installed capacity in the electricity sector of 161 GW, of which 50 GW will be wind and 39 GW with be solar PV.

Investment in renewable energies: USD 499Bn globally in 2022 (CAGR 2013–2022 of 8.5%)

In 2022, global investment in transition technologies reached c. USD 1.4Tn (+70% in 2019) despite facing numerous hurdles (e.g. pandemic, supply chain issues, inflationary pressures, hikes in interest rates). The renewables and energy efficiency sectors had a combined value of USD 772Bn in 2022. Electrified transport technologies (including electric vehicles and charging infrastructure) reached USD 466Bn (+ 54% vs 2021), making them the largest sectors according to IRENA.

Specifically, annual investments in renewable energy peaked at USD 499Bn in 2022 (+43% vs 2020; CAGR 2013-2022 of 8.5%). The main growth drivers were: (i) increased demand for clean energies, (ii) stronger investor appetite and rising awareness about climate change and (iii) the importance of having stable and secure energy. Solar PV and onshore wind received more than 90% of renewable energy investments.

Meanwhile, among financing instruments, the share of debt financing used in renewable energy investments increased from 23% in 2013 to 56% in 2020. This is linked to the maturity and consolidation of major renewable technologies such as solar PV and onshore wind given their predictable future cash flows. The cost of capital of renewable energy generation technologies is a key element of total costs. According to the IRENA, for a solar PV or onshore wind project, the total cost of electricity would increase by 80% if the cost of capital is 10% instead of 2%.

For Spain, required investments (under the NECP) to decarbonise the economy over the 2021–2030e period are divided up between: saving and energy efficiency (EUR 83.54Bn), electrification and grids (EUR 58.58Bn), renewables (EUR 91.77Bn) and other measures (EUR 7.53Bn). This gives a total of EUR 241.41Bn, of which 80% will be investments by the private sector (EUR 190.51Bn) and the remaining 20% by the public sector (EUR 50.90Bn).

In short, the pace of the world's clean energy transition is unstoppable and has accelerated in recent years

The energy transition is a reality despite the myriad challenges it is facing at present (e.g. political friction, market fluctuations, supply chain disruptions, decrease in international co-operation). Countries' pledges, electrification, inroads in energy efficiency and renewable energies are all crucial for achieving the objective of reducing/eliminating the dependency on fossil fuels. From a sector viewpoint, the main trends that lie ahead are:

- **Commitment to decarbonisation and energy transition:** companies must step up their fossil fuel, natural gas and coal divestment to make room for more investment in renewables. Annual investment in renewable energy peaked at USD 499Bn in 2022 (+43% vs 2020; CAGR 2013-2022 of 8.5%) according to IRENA.

- **Sustainability is key:** countries are adopting increasingly ambitious energy and climate policies (e.g. the European Union's REPowerEU, Japan's Green Transformation Programme) to drive their clean energy transition. REPowerEU has mobilised nearly EUR 300Bn (EUR 72Bn in grants and EUR 225Bn in loans).

- **Electric vehicles:** Electric cars are among the main drivers of growth in electricity demand for their increasing share in energy consumption. The EU in general and Spain in particular will continue to earmark funds and assistance to accelerate vehicle fleet turnover.

- **Energy efficiency:** increased energy efficiency is imperative to sustain competitiveness and deliver the energy transition targets. Over the past few years, the reduction in renewable electricity costs (already the cheapest option) marks a major step in this direction. Since 2010, the costs of installing solar PV and onshore wind capacity have fallen by 81% and 31%, respectively.

- **Further deployment of self-consumption:** the development of distributed generation and self-consumption will come alongside the installation of batteries and other storage systems, optimising the energy management of consumers in all segments.

- **Highly competitive market:** competition is stiff in the renewable energies sector, even more so in the Spanish market. Here, the likely trend over the coming years is towards concentration (a hotbed for M&A). Moreover, business model and financial stability play a key role over the long term in the face of market mismatches (supply/demand).

In other words, the energy sector has found in the energy transition a (clearly evident and strong) growth driver for years to come. Moreover, there is interest among policymakers to reduce the dependency of domestic economies on fossil fuels, using renewable energies to drive sustainability, while achieving energy security and stable domestic energy sources (even more so in the wake of the war in Ukraine). This has prompted the public sector to legislate and, more importantly, invest (e.g. the European Union's REPowerEU) to cash in on the opportunity/address the challenge of the energy transition. It has also encouraged the private sector to leverage the benefits of the energy transition, e.g. the sharp reduction in energy prices and industrial costs, reduced energy dependence on imports -and the decrease in related costs- job creation and increased competitiveness. In short, the energy industry's revitalisation.

What it ETC's role in all this? As we see it, ETC is -theoretically- in the right place (the renewable sector) at the right time (increasing importance of energy independence). It employs a vertical integration and multi-technology strategy supported by "winning technologies" (wind and solar PV, especially in Spain). This leaves ETC poised to benefit from sector momentum through its three business lines (thus controlling the entire value chain): (i) energy outsourcing (which enjoys favourable regulation in Spain and public/private interest in its development), (ii) engineering (sector growth requires a high level of specialisation) and (iii) energy generation (wind and solar PV).

2022-2025e: Quantum leap in revenue (CAGR: 105.5%) and the EBITDA margin (+7p.p)

The company's 1H23 earnings revealed exponential topline growth (3.9x the 1H22 figure) to EUR 22.6Mn (vs EUR 13.3Mn in FY22). That growth can be apportioned between: (a) M&A-led growth, driven by the company's strategy of acquiring generation assets (wind and solar PV) as well as its acquisition of the engineering firm, Sarpel; by our estimates, the new generation assets contributed EUR 2.3Mn of revenue in 1H23, with Sarpel contributing EUR 14Mn; and (b) organic growth, which we estimate at EUR c.6.3Mn (vs c.5.7Mn in 1H22).

The recurring EBITDA margin in 1H23 was affected by the acquisition of the (lower margin) engineering business and came in at 15.9% (vs 6.9% and 20.3% in 2021 and 2022, respectively).

Elsewhere, ETC is in the process of hybridising the Valdelugo wind farm, which is expected to attain solar PV output of 24,000 MWh by 2Q24. Also, the company has agreed to acquire another 35-MW wind farm (which is 'ready to build') with scope for hybridisation, adding 15 MW of solar PV capacity. Construction of the wind farm is expected to begin in 1Q24 and take 15 months.

All of the above begs three key questions: (i) what is the company's real capacity for growth in the short and long term? (ii) how will that growth impact its margins? and, last but not least; (iii) how much will it have to invest and fund? The answer to those questions requires systematic analysis of the company's statement of profit or loss and balance sheet. That will provide insight as to whether the company's "growth story" (2020-2023) in renewables is sustainable in the long term.

Significant scope for revenue growth thanks to sector tailwinds and the company's vertical integration strategy (via M&A) in recent years…

The generation asset acquisition strategy and the purchase of Sarpel have laid the foundations for:

1. Business diversification, adding new business lines: (i) project engineering; and (ii) energy generation.
2. The addition of complementary capabilities that enrich the company (boosting its ability to grow). In addition to enhancing managerial efficiency and quality having pooled all resources.
3. Development of a multi-technology strategy has allowed ETC to diversify its power generation sources.

Our baseline scenario for 2023e-2025e contemplates revenue of EUR 115.1Mn in 2025e (CAGR 2022-2025e: 105.5%). Our numbers layer in the acquisition of the Valdelugo wind farm (2023e revenue: EUR 5.3Mn), the engineering firm, Sarpel (2023e revenue: EUR 33.7Mn), the wind firm with scope for hybridisation with solar PV technology (generating revenue from 2025e) and solar PV generation assets in 2024e (contributing to revenue from that same year). In other words, in 2023e most of the growth will be M&A-driven. Revenue in the outsourcing business has been affected by the drop in energy prices.

Elsewhere, given the sector's characteristics and the company's multi-technology and diversification strategy, we would not rule out additional investments to increase generation capacity or add capabilities in new business lines. Growth drivers by business line:

- **Energy outsourcing (CAGR 2022-2025e: 38.1%):** we are forecasting a slight drop in revenue in 2023e to EUR 13.0Mn. However, we expect a sharp recovery in the following years thanks to: (i) growth in self-consumption in Spain, driven by sharply higher electricity prices, prompting companies to opt for self-consumption; (ii) favourable regulatory developments (Spain passed its self-consumption roadmap in December 2021 with the aim of fostering its development in order to enhance industrial competitiveness); and (iii) the acquisition of Sarpel, giving ETC the ability to take on greater project volumes.

Chart 16. Total revenue (105.5% CAGR 2022 – 2025e)

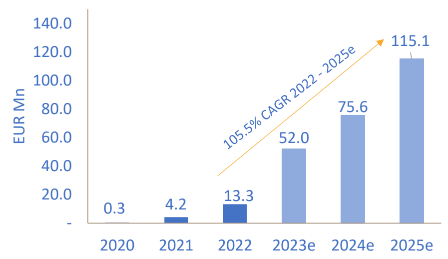


Chart 17. Revenue by business line

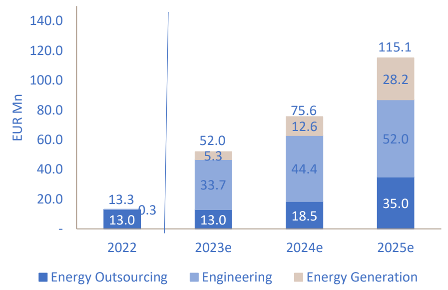


Chart 18. Revenue mix by business line 2022 – 2025e

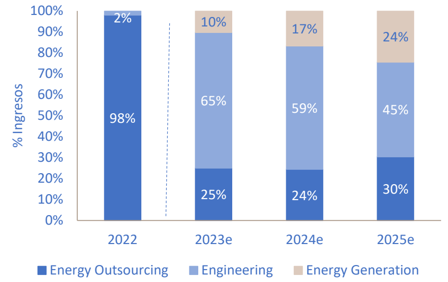
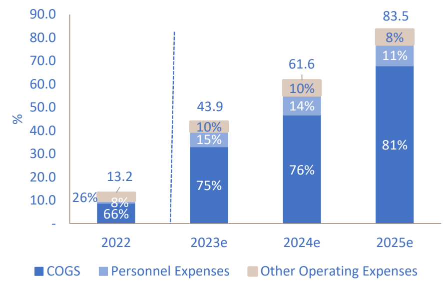


Chart 19. Cost Structure



In short, we estimate that this business will increase its share of the revenue mix from 25% in 2023e to 30% in 2025e (EUR 35.0Mn).

- **Project engineering (CAGR 2022–2025e: 19.7%):** we are estimating revenue of EUR 33.7Mn in 2023, with Sarpel consolidated from early March. We expect revenue growth to accelerate in the coming years to EUR 52.1Mn in 2025e (CAGR 2022-2025e: 19.7%). Within the revenue mix, however, we expect it to decrease from an estimated 65% in 2023e to 45% in 2025e. The main driver is sector specific: growth in renewables in Spain (particularly wind and solar PV) should accelerate in the coming years, boosting demand for highly-specialised engineering services.

- **Energy generation (CAGR 2022-2025e: 47.4%):** our estimates point to EUR 5.3Mn of revenue in 2023 thanks to the Valdelugo wind farm acquisition with wind capacity of 68,400 MWh. We expect this facility to also be producing solar PV energy in 2Q24. Elsewhere, we have factored in the acquisition of solar PV generation assets in 2024e (generating c.4.3Mn of revenue that same year). The wind farm with scope for hybridisation is expected to come on stream in 2025e, contributing close to EUR 11.7Mn. In short, in 2025e, we are looking for revenue of EUR 28.2Mn, which would represent 24% of the total (vs 10% in 2023e). Relatively faster growth in this business should unlock significant growth in ETC's profitability and its ability to generate recurring cash flow.

In short, we are looking at high double-digit growth across all the company's business lines, although the higher growth anticipated in outsourcing and generation will shape a clear change in the revenue mix between 2023e and 2025e. Specifically, the engineering business line is expected go from generating 65% of revenue in 2023e to 45% in 2025e, with the energy outsourcing (30% in 2025e vs 25% in 2023e) and energy generation (25% vs 10%) businesses taking the baton. In other words, the equity story pivots around a quantum leap in revenue, underpinned by the company's vertical integration and diversification strategy, which will ultimately change ECT's business profile and risk, injecting visibility thanks to the higher weight of recurring revenue.

…with the shift in revenue mix unlocking a significant improvement in the recurring EBITDA margin to 27.4% in 2025e (+7pp vs 2022)

In our opinion, the explosive growth anticipated in revenue in 2023e-2025e is compatible with margin expansion. In 2023e we expect the gross margin to widen to 36.4% (vs 34.1% in 2022) thanks to lower energy acquisition costs. We are forecasting a gross margin of 41% in 2025e.

In 2023e, we are forecasting an increase in overhead to EUR 9.9Mn (+442% vs 2022, driven by M&A activity): EUR c.6.5Mn of personnel expenses (12.5% of 2023e revenue, due to indirect labour) and EUR 3.4Mn of other operating expenses (6.6% of 2023e revenue).

From 2023e we are forecasting rapid EBITDA margin expansion to c.27% in 2025e (vs 20.3% and 17.3% in 2022 and 2023e, respectively). That significant margin expansion will mainly be driven by:

- The shift in revenue mix (in 2023e the engineering business will account for 65%), marked by a significant increase in the weight of the outsourcing and wind and solar farm operation businesses (which fetch an EBITDA margin of c.70%) for a combined share of revenue of c.55% in 2025e (vs 35% in 2023e).

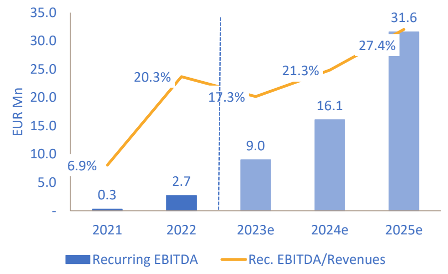
- In 2023e we think the energy outsourcing business will account for c.30% of recurring EBITDA, with engineering commanding a share of c.27% and generation, c.43%. The increased weight of the outsourcing and generation businesses in the revenue mix will increase their contribution to recurring EBITDA. In 2025e we are estimating shares of recurring EBITDA of c.23%, c.15% and c.62% for the outsourcing, engineering and generation businesses, respectively.

- Overhead should decrease as a percentage of revenue. Specifically, we are forecasting a decline from 19.1% to 13.6% between 2023e and 2025e.

- The generation of cost synergies and efficiency gains as a result of the acquisition of Sarpel and of generation assets.

The above factors explain the sharp estimated growth in EBITDA during the projection period to EUR 31.6Mn in 2025e (EBITDA margin: 27.4% vs 17.3% in 2023e). The quantum leap in ETC's scale and recurring EBITDA is also a big part of its equity story. Despite the plethora of EBITDA drivers, the story is simple and really pivots around one key driver: the revenue growth projected in our baseline scenario. Which is definitely a tall order.

Chart 20. Recurring EBITDA



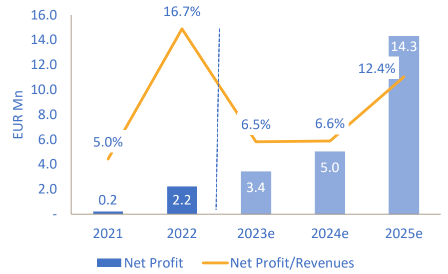
With a (proven) track record generating a profit (above breakeven since 2021). We are forecasting c.14.3Mn of net profit in 2025e

Below the EBITDA line, we would highlight:

- **Sharp growth in depreciation and amortisation charges...** from EUR 0.5Mn in 2022 to EUR 4.4Mn in 2023e and EUR 9.7Mn in 2025e. That growth will be driven by: (i) the generation asset and Sarpel acquisitions; (ii) the level of CAPEX needed to develop and build the current pipeline of wind and solar PV assets; and (iii) the goodwill recognised in the wake of the acquisitions. We are not estimating significant capitalisation of costs.

- **...and in finance costs:** We think borrowings will increase as a result of the hefty CAPEX contemplated during the projection horizon. In 2025e our estimates put net debt at EUR 72.9Mn, with the cost of debt forecast at c.7.0% (finance costs: c.EUR 5.1Mn in 2025e).

Chart 21. Net profit



As a result, net profit is forecast at EUR 3.4Mn in 2023e. Looking to 2025e, the sharp growth in revenue, coupled with the anticipated EBITDA margin expansion, is expected to push net profit to EUR 14.3Mn (12.4% of 2025e revenue).

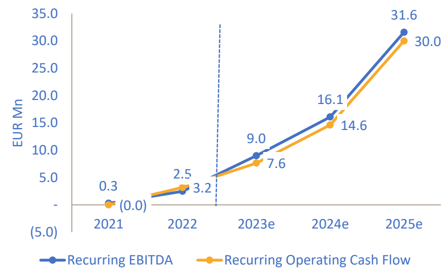
Free cash flow: the acquisition of generation assets and development and construction of the company's pipeline implies very significant CAPEX (preventing positive FCF generation in the medium term) ...

FCF generation in 2023e-2025e will be largely shaped by:

- **Working capital:** the working capital ratio was -0.6% of revenue in 2022. In 2023e-2025e we are forecasting a higher working capital requirement on the back of sharp growth in the construction business (which is WC intensive). We have projected the working capital requirement at 3.3% of revenue.

- **CAPEX:** The company is in the midst of a hefty investment process to build up its energy generation business. We are estimating CAPEX of EUR 54.1Mn in 2024e and EUR 37.5Mn in 2025e, fuelled by the investments needed to build the generation assets and hybridise certain facilities.

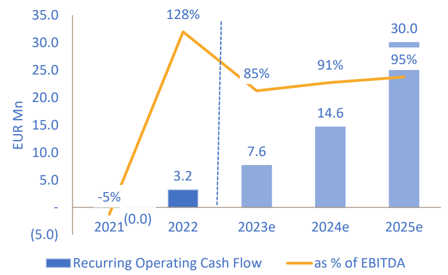
Chart 22. EBITDA and Recurring Operating Cash Flow



The levels of investment contemplated mean that the company is not expected to generate positive free cash flow between 2023e and 2025e. The reason is obvious: the sharp investments needed to develop and build the company's pipeline of wind and solar photovoltaic assets.

However, if we look instead to recurring operating cash flow (i.e., stripping out the CAPEX needed to commission the generation assets), we are talking about a company that is capable of delivering gradual growth in operating cash flow, indicating it will generate positive FCF once CAPEX levels normalise (refer to Appendix 2, page 27).

Chart 23. Conversion of EBITDA to Recurring Operating Cash Flow

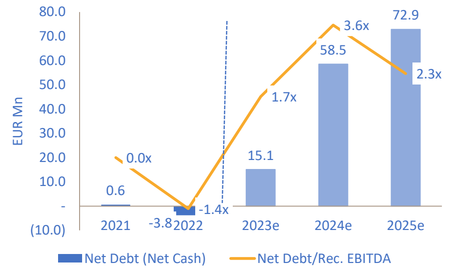


... inevitably impacting net debt. To land at EUR 72.9Mn (ND/recurring EBITDA: 2.3x) in 2025e

At year-end 2022, ETC had net cash of EUR 3.8Mn. That situation changed radically in 1H23 (net debt of EUR 18.1Mn at the June close). The company's borrowings are made up of: (i) EUR 14.5Mn of bank borrowings (including the project finance facility at Valdelugo); and (ii) EUR 10.9Mn of other financial liabilities (including EUR 6.0Mn of M&A earnouts).

We are expecting borrowings to increase significantly by 2025e as a result of the company's strategy of diversifying its business lines. Some CAPEX will be financed via equity raises and some via project finance (non-recourse financing at each facility) where leverage tends to be very high (the investments are made using highly leveraged structures: c.70% debt vs 30% equity), which will inevitably push debt higher (2025e: EUR 72.9Mn, implying a ND/equity multiple of 0.9x). The company is, however, notably conservative: despite the growth strategy, it attaches importance to risk mitigation via diversification, while keeping an eye on leverage levels.

Chart 24. Net debt and ND/Rec. EBITDA



ETC's IPO was directly motivated by the advantages of being in the market in terms of financing, key for a company looking to capitalise on the growth opportunities emerging in the renewables sector, a strategy that will require heavy funding in light of its capital-intensive nature.

In short, sharp (and stringent) growth in revenue and profitability. 2023e marks the start of the quantum leap (in revenue and recurring EBITDA) at the heart of the equity story

The renewable energy sector is burgeoning. ETC is in a good position to leverage a clear and intuitive sector growth driver thanks to its strategy of integrating its three business lines (balanced mix): (i) energy outsourcing; (ii) engineering; and (iii) generation. Our estimates (2023e-2025e) and investment thesis pivot around:

- Sharp revenue growth (CAGR 2022-2025e: 108.8%), with the energy outsourcing and generation (wind and solar PV) businesses increasing their share of the mix. Increasing recurring revenue and the ability to generate cash. Maximum exposure to renewable sources and winning technologies (wind and solar PV).

- Growth is being oriented (and along with it, the mix) towards the higher-margin areas (like generation). Recurring EBITDA is expected to jump from EUR 2.7Mn in 2022 (margin: 20.3%) to EUR 31.6Mn (margin: 27.4%).

- Increasing the company's ability to generate recurring operating cash flow (pre-CAPEX, boosted by the growth in recurring EBITDA). FCF (2024e - 2025e) will be adversely affected by the capital-intensive phase of the company's trajectory (in energy generation).

- Despite starting from a very healthy balance sheet (2022), net debt is expected to increase significantly (ETC is ramping up its business), forging change in its capital structure in 2023e-2025e. Nevertheless, leverage will remain below that of its main comps.

- In a nutshell: Very strong business momentum shaped by a quantum leap in size (underway but not complete) and a P&L that is taking off. There is a lot of upsides during the projection period (2023e-2025e).

In sum, ETC's numbers depict a company that in 2023e (via acquisitions) has managed to upsize very significantly (in light of its 1H23 earnings performance, as layered into our FY23e projections). The sharp growth forecast for 2023e-2025e will have two major effects: a shift in the business mix and a quantum leap in profitability. Materialisation of our estimates is extremely dependent on the company's success executing the generation business pipeline. But feasible without incurring major risks of either a business or financial nature (keeping leverage at acceptable levels).

Valuation inputs

Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value (1)
Free Cash Flow "To the Firm"	**(40.8)**	**(54.2)**	**(10.2)**	**n.a.**

			Best Case	Worst Case
Market Cap	**122.1**	At the date of this report		
Net financial debt	**18.1**	Debt net of Cash (6m Results 2023)		
Cost of Debt	7.0%	Net debt cost	6.8%	7.3%
Tax rate (T)	20.0%	T (Normalised tax rate)	=	=
Net debt cost	**5.6%**	**Kd = Cost of Net Debt * (1-T)**	**5.4%**	**5.8%**
Risk free rate (rf)	3.8%	Rf (10y Spanish bond yield)	=	=
Equity risk premium	6.0%	R (own estimate)	5.5%	6.5%
Beta (B)	1.2	B (own estimate)	1.1	1.3
Cost of Equity	**11.0%**	**Ke = Rf + (R * B)**	**9.9%**	**12.3%**
Equity / (Equity + Net Debt)	87.1%	E (Market Cap as equity value)	=	=
Net Debt / (Equity + Net Debt)	12.9%	D	=	=
WACC	**10.3%**	**WACC = Kd * D + Ke * E**	**9.3%**	**11.4%**
G "Fair"	**2.0%**		**2.0%**	**1.5%**

(1) The terminal value calculated beyond the last FCF estimate does not reflect the company's growth potential (positive/negative) at the date of publication of this report.

Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 23e	EPS 23e-25e	EV/EBITDA 23e	EBITDA 23e-25e	EV/Sales 23e	Revenues 23e-25e	EBITDA/Sales 23e	FCF Yield 23e	FCF 23e-25e
Ameresco	AMRC-US	1,264.7	14.6	35.5%	11.8	29.6%	1.6	15.3%	13.7%	15.2%	n.a.
Sunnova	NOVA-US	1,046.7	n.a.	19.9%	38.0	48.1%	11.1	30.9%	29.2%	n.a.	-38.3%
Sunrun	RUN-US	1,955.9	n.a.	76.4%	n.a.	68.3%	5.5	11.3%	n.a.	n.a.	-6.1%
Sunpower	SPWR-US	670.0	n.a.	50.9%	n.a.	n.a.	0.5	5.6%	0.4%	n.a.	52.5%
Comparables EE. UU			**14.6**	**45.7%**	**24.9**	**48.6%**	**4.7**	**15.8%**	**14.4%**	**15.2%**	**2.7%**
Greening Energy	GGR-ES	157.2	43.1	15.4%	17.0	71.7%	1.8	54.0%	10.3%	n.a.	n.a.
Holaluz	HLZ-ES	71.4	n.a.	49.4%	n.a.	91.3%	0.2	-6.8%	n.a.	n.a.	78.9%
Comparables España			**43.1**	**32.4%**	**17.0**	**81.5%**	**1.0**	**23.6%**	**10.3%**	**n.a.**	**78.9%**
ETC	**ETC-ES**	**122.1**	**33.7**	**98.4%**	**17.2**	**87.4%**	**3.0**	**48.8%**	**17.3%**	**n.a.**	**41.3%**

Free Cash Flow sensitivity analysis (2024e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 24e	EBITDA 24e	EV/EBITDA 24e
Max	**23.4%**	**17.7**	**8.8x**
Central	**21.3%**	**16.1**	**9.6x**
Min	**19.2%**	**14.5**	**10.7x**

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

Rec. FCF EUR Mn	CAPEX/Sales 24e		
EBITDA 24e	64.0%	71.1%	78.2%
17.7	**(36.5)**	**(41.9)**	**(47.2)**
16.1	**(38.1)**	**(43.4)**	**(48.8)**
14.5	**(39.7)**	**(45.0)**	**(50.4)**

What could go wrong?

We consider risks to be those that could have a significant negative impact on our projections, mainly those for operating profit and free cash flow.

1. **Delays commissioning wind and solar PV farms:** any delays in commissioning the various power generation assets acquired (wind and PV solar technology) would have a significant impact on projected revenue and profitability (and therefore cash generation). For example, a delay in commissioning the wind farm (hybrid wind-solar technology) would adversely impact 2025e revenue and EBITDA by EUR c.10Mn and EUR c.8Mn, respectively.

2. **Competition and business risks:** ETC's industry is highly fragmented, posing the risk of loss of clients and/or the emergence of newcomers with more attractive technology or deeper pockets, potentially hurting revenue.

3. **Energy price fluctuations.** Given ETC's 'energy as a service' business model, unhedged by long-term PPAs, any significant change in current market conditions would affect the business's projected profitability. However, this risk factor is mitigated by the fact that the company uses conservative energy price estimates to project its profitability and debt service capacity.

4. **Increase in raw material costs.** The prices of the raw materials needed to build solar panels and wind farms tend to fluctuate, potentially squeezing margins in the engineering and construction business or affecting the viability of future projects.

5. **Dilution risk.** ETC's business model is very capital intensive. Any acceleration of its growth plans or additional investments to execute new projects could imply the need for additional capital, prompting the company to once again tap the equity markets to finance its growth, leaving its current shareholders open to potential dilution.

6. **Reliance on the Spanish market:** all of the revenue generated by the company in 2022 was generated in Spain. An economic slowdown or sector slump in Spain could have a significant adverse impact on the business.

7. **Rising interest rates.** Our estimates contemplate high levels of capital expenditure in 2023e-2025e. The company could finance its investments via equity (as it has done to date), implying major dilution, or via debt. As it is impossible to estimate new equity injections, our model assumes the projected investments are financed exclusively via debt (net debt 2023e: EUR 15.3Mn; ND/EBITDA 23e: 1.7x), which would put the company's finance costs at EUR 0.9Mn in 2023e. The recent run-up in interest rates are driving business funding costs higher. An increase in ETC's borrowing cost to 8% (vs 7% in our baseline scenario) would increase the company's finance costs by c.15%.

8. **Significant competition for new projects:** The strong growth forecast in renewables is intensifying competition. Stronger competition could make it harder to source new projects or reduce the IRR on projects acquired.

9. **Regulatory developments:** The renewable energy sector is tightly regulated. Any change in the current regulatory framework governing ETC's business markets could have a direct impact on its capacity to generate free cash flow.

A board with 2/3 independents, an (objective) indicator of good governance

Table 6. Board of directors

Name	Position	Category	Date
Alberto Hernández Poza	President	Executive	2022
José Abel Martín Sánchez	Vice-Secretary	Executive	2022
Antonio García-Urgeles	Board menber	Independent	2023
Juan Joaquín Bonilla Hidalgo	Board menber	Independent	2022
Alfredo Gracía Flores	Board menber	Independent	2022
Alberto Mazagatos Uriarte	Board menber	Independent	2022
Guillermo Guerra Martín de Gomez Acebo	Secretary non board menber		2022

Table 7. Shareholder structure

Name	% Capital
Alberto Hernández Poza	21.1%
Erbienergía Inversiones	12.6%
José Abel Martín Sánchez	10.6%
Alberto Torrego López	10.6%
Treasury Stock	0.3%
Free Float	44.8%
Total	100%

The company was founded in February 2020 by Alberto Hernández Poza and José Abel Martín Sánchez, who are both still shareholders (c.32% of share capital) and members of the company's board and management team, holding the posts of: i) chairman and CEO and ii) board member and COO, respectively. ETC has been listed on BME Growth since December 2022.

- **A board of directors with a large percentage of independent members.** ETC's board of directors is composed of seven members, of whom two (the founders) have a sizeable ownership interest in the company (c.32% of share capital). The board must have at least three and no more than nine members. Of the seven board members, two are proprietary (Alberto Hernández and José Abel Martín, who are also executive directors) and four are independent (2/3 of the total), while there is also a non-director secretary. The maximum tenure for directors is four years and there is no limit to the number of terms a director can serve.

- **Independent committees.** The audit committee is chaired by and composed exclusively of independent directors.

- **Director remuneration.** Total remuneration paid to directors in 2022 was EUR c. 0.2Mn (19.0% of staff costs). The total annual director remuneration payable for discharging the oversight and decision-making duties inherent in directorships is capped at EUR 9 thousand. Directors receive EUR 500 for attending each board meeting and audit committee members EUR 500 for attending each committee meeting.

  Executive directors are entitled to be paid gross annual fixed remuneration of EUR 0.1Mn. They are also paid variable remuneration based on the level of achievement of the targets set at the beginning of each financial period. The board set maximum total annual remuneration for directors who discharge executive duties this year at EUR 0.4Mn (up from EUR 0.19Mn in 2022). Director contracts include severance payments for early termination equal to six months of their fixed annual remuneration.

- **Incentive plan.** ETC has a share-based incentive plan for certain key personnel of the group and related parties for 2023e, 2024e and 2025e (executive directors are not eligible to participate in this plan). The total number of ETC shares that could be delivered may not exceed 2% of share capital (over the plan's 3-year duration). There will be three separate distributions: 50% in 2023e, 25% in 2024e and 25% in 2025e. The shares confer beneficiaries the dividend, voting and any other rights inherent in ownership (the same as the rest of the company's shares).

- **Dividends.** ETC does not have a dividend policy and does not expect to approve any distributions in the coming years. The business is currently focused on developing and building up the pipeline, which requires capital.

- **Share buyback plan.** ETC has devised a share buyback plan to cover the conversion of shares and interest on amounts drawn under the EUR 2.0Mn convertible loan facility (which carries interest of 6.5% per annum). The minimum price per share in the buyback will be EUR 0.01, while the maximum price will be the current trading price on BME Growth at the acquisition date. The limit is EUR 6.38; i.e. the conversion price agreed with the creditors. Up to 313,480 shares -c.1,17% of share capital- may be repurchased. And the buyback is limited to 25% of average daily trading volume. The maximum cash amount earmarked for the share buyback plan will be EUR 2.0Mn.

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- **Related party balances and transactions.** At year-end 2022, ETC had the following balances and transactions with related parties: (i) EUR 1.4Mn worth of assets (EUR 0.6Mn of financial assets pledged as collateral for energy purchases, EUR 0.4Mn of advances and EUR 0.3Mn of trade receivables) and (ii) EUR 0.7Mn of loans and borrowings. Operating expenses with related parties in 2022 amounted to EUR 4.4Mn (vs EUR 0.7Mn in 2021) and primarily entailed transactions with the group's related party supplier; by law, the supplier may not be a subsidiary.

Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e
Intangible assets			-	-	0.1	0.3	0.7	0.8
Fixed assets			1.0	5.8	11.1	29.1	91.7	121.3
Other Non Current Assets			0.0	0.0	8.4	8.4	8.4	8.4
Financial Investments			0.0	0.1	0.7	0.7	0.8	0.8
Goodwill & Other Intangilbles			0.1	0.1	0.4	25.5	22.7	19.9
Current assets			0.2	0.9	2.2	15.1	21.2	31.1
Total assets			**1.4**	**7.0**	**22.8**	**79.2**	**145.4**	**182.3**
Equity			1.7	5.9	24.2	50.3	68.6	82.8
Minority Interests			-	-	-	(0.1)	(0.1)	(0.2)
Provisions & Other L/T Liabilities			-	-	0.0	0.0	0.0	0.0
Other Non Current Liabilities			-	-	-	-	-	-
Net financial debt			(0.5)	0.6	(3.8)	15.1	58.5	72.9
Current Liabilities			0.1	0.5	2.3	13.8	18.4	26.8
Equity & Total Liabilities			**1.4**	**7.0**	**22.8**	**79.2**	**145.4**	**182.3**

									CAGR	
P&L (EUR Mn)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023e**	**2024e**	**2025e**	**19-22**	**22-25e**
Total Revenues			**0.3**	**4.2**	**13.3**	**52.0**	**75.6**	**115.1**	*n.a.*	*n.a.*
Total Revenues growth			*n.a.*	*n.a.*	*213.7%*	*291.6%*	*45.3%*	*52.4%*		
COGS			(0.1)	(3.3)	(8.8)	(33.1)	(46.7)	(67.9)		
Gross Margin			**0.3**	**1.0**	**4.5**	**18.9**	**28.9**	**47.2**	*n.a.*	*n.a.*
Gross Margin/Revenues			*78.0%*	*22.5%*	*34.1%*	*36.4%*	*38.2%*	*41.0%*		
Personnel Expenses			(0.1)	(0.3)	(1.0)	(6.5)	(8.5)	(9.1)		
Other Operating Expenses			(0.1)	(0.3)	(0.8)	(3.4)	(4.3)	(6.5)		
Recurrent EBITDA			**0.0**	**0.3**	**2.7**	**9.0**	**16.1**	**31.6**	*n.a.*	*n.a.*
Recurrent EBITDA growth			*n.a.*	*942.1%*	*821.5%*	*233.8%*	*78.8%*	*96.5%*		
Rec. EBITDA/Revenues			*8.0%*	*6.9%*	*20.3%*	*17.3%*	*21.3%*	*27.4%*		
Restructuring Expense & Other non-rec.			(0.0)	-	(0.2)	-	-	-		
EBITDA			**0.0**	**0.3**	**2.5**	**9.0**	**16.1**	**31.6**	*n.a.*	*n.a.*
Depreciation & Provisions			(0.0)	(0.2)	(0.5)	(4.4)	(7.7)	(9.6)		
Capitalized Expense			-	0.2	0.5	0.4	0.8	0.8		
Rentals (IFRS 16 impact)			-	-	-	-	-	-		
EBIT			**(0.0)**	**0.3**	**2.5**	**5.0**	**9.2**	**22.8**	*n.a.*	*n.a.*
EBIT growth			*n.a.*	*n.a.*	*804.8%*	*101.1%*	*83.2%*	*148.2%*		
EBIT/Revenues			*n.a.*	*6.5%*	*18.8%*	*9.6%*	*12.2%*	*19.8%*		
Impact of Goodwill & Others			-	-	-	-	-	-		
Net Financial Result			(0.0)	(0.0)	(0.1)	(0.9)	(3.1)	(5.1)		
Income by the Equity Method			-	-	0.1	0.1	0.1	0.1		
Ordinary Profit			**(0.0)**	**0.2**	**2.5**	**4.2**	**6.2**	**17.8**	*n.a.*	*92.6%*
Ordinary Profit Growth			*n.a.*	*709.2%*	*955.0%*	*67.9%*	*47.8%*	*188.0%*		
Extraordinary Results			-	-	-	-	-	-		
Profit Before Tax			**(0.0)**	**0.2**	**2.5**	**4.2**	**6.2**	**17.8**	*n.a.*	*92.6%*
Tax Expense			(0.0)	(0.0)	(0.3)	(0.8)	(1.2)	(3.6)		
Effective Tax Rate			*n.a.*	*10.6%*	*10.7%*	*20.0%*	*20.0%*	*20.0%*		
Minority Interests			-	-	-	0.1	0.1	0.1		
Discontinued Activities			-	-	-	-	-	-		
Net Profit			**(0.0)**	**0.2**	**2.2**	**3.4**	**5.0**	**14.3**	*n.a.*	*85.9%*
Net Profit growth			*n.a.*	*544.8%*	*954.3%*	*53.0%*	*46.9%*	*185.7%*		
Ordinary Net Profit			**(0.0)**	**0.2**	**2.4**	**3.4**	**5.0**	**14.3**	*n.a.*	*80.8%*
Ordinary Net Profit growth			*n.a.*	*649.8%*	*n.a.*	*40.8%*	*46.9%*	*185.7%*		

									CAGR	
Cash Flow (EUR Mn)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023e**	**2024e**	**2025e**	**19-22**	**22-25e**
Recurrent EBITDA						**9.0**	**16.1**	**31.6**	*n.a.*	*n.a.*
Rentals (IFRS 16 impact)						-	-	-		
Working Capital Increase						(1.4)	(1.5)	(1.6)		
Recurrent Operating Cash Flow						**7.6**	**14.6**	**30.0**	*n.a.*	*n.a.*
CAPEX						(6.9)	(53.8)	(35.7)		
Net Financial Result affecting the Cash Flow						(0.9)	(3.1)	(5.1)		
Tax Expense						(0.8)	(1.2)	(3.6)		
Recurrent Free Cash Flow						**(1.0)**	**(43.4)**	**(14.3)**	*n.a.*	*-61.5%*
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						(40.6)	(13.3)	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						**(41.5)**	**(56.7)**	**(14.3)**	*n.a.*	*-4.5%*
Capital Increase						22.7	13.3	-		
Dividends						-	-	-		
Net Debt Variation						**18.9**	**43.4**	**14.3**		

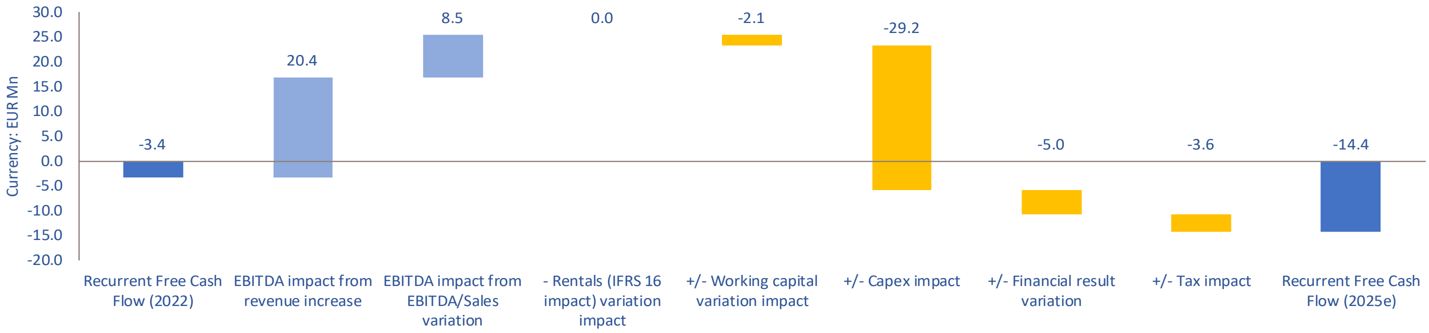
Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR 19-22	CAGR 22-25e
Recurrent EBITDA			**0.3**	**2.7**	**9.0**	**16.1**	**31.6**	*n.a.*	*n.a.*
Recurrent EBITDA growth			*942.1%*	*821.5%*	*233.8%*	*78.8%*	*96.5%*		
Rec. EBITDA/Revenues			*6.9%*	*20.3%*	*17.3%*	*21.3%*	*27.4%*		
- Rentals (IFRS 16 impact)			-	-	-	-	-		
+/- Working Capital increase			(0.3)	0.5	(1.4)	(1.5)	(1.6)		
= Recurrent Operating Cash Flow			**(0.0)**	**3.2**	**7.6**	**14.6**	**30.0**	*n.a.*	*n.a.*
Rec. Operating Cash Flow growth			*77.1%*	*n.a.*	*140.9%*	*91.4%*	*105.3%*		
Rec. Operating Cash Flow / Sales			*n.a.*	*23.9%*	*14.7%*	*19.4%*	*26.1%*		
- CAPEX			(5.0)	(6.5)	(6.9)	(53.8)	(35.7)		
- Net Financial Result affecting Cash Flow			(0.0)	(0.1)	(0.9)	(3.1)	(5.1)		
- Taxes			(0.0)	-	(0.8)	(1.2)	(3.6)		
= Recurrent Free Cash Flow			**(5.1)**	**(3.4)**	**(1.0)**	**(43.4)**	**(14.3)**	*n.a.*	*-61.5%*
Rec. Free Cash Flow growth			*-371.8%*	*32.7%*	*72.0%*	*n.a.*	*67.0%*		
Rec. Free Cash Flow / Revenues			*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*		
- Restructuring expenses & others			-	-	-	-	-		
- Acquisitions / + Divestments			(0.3)	(9.2)	(40.6)	(13.3)	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow			-	-	-	-	-		
= Free Cash Flow			**(5.4)**	**(12.6)**	**(41.5)**	**(56.7)**	**(14.3)**	*n.a.*	*-4.5%*
Free Cash Flow growth			*-415.3%*	*-134.4%*	*-230.5%*	*-36.4%*	*74.7%*		
Recurrent Free Cash Flow - Yield (s/Mkt Cap)			*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*		
Free Cash Flow Yield (s/Mkt Cap)			*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*		

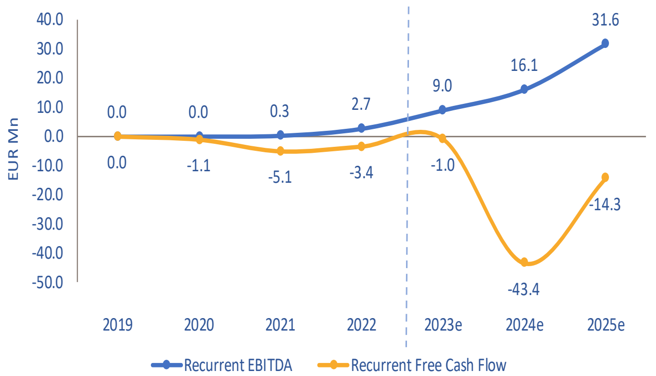
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)	2019	2020	2021	2022	2023e	2024e	2025e
Recurrent FCF(FY - 1)			**(1.1)**	**(5.1)**	**(3.4)**	**(1.0)**	**(43.4)**
EBITDA impact from revenue increase			0.3	0.6	7.9	4.1	8.4
EBITDA impact from EBITDA/Sales variation			(0.0)	1.8	(1.6)	3.0	7.1
= Recurrent EBITDA variation			**0.3**	**2.4**	**6.3**	**7.1**	**15.5**
- Rentals (IFRS 16 impact) variation impact			-	-	-	-	-
+/- Working capital variation impact			(0.2)	0.8	(1.8)	(0.1)	(0.1)
= Recurrent Operating Cash Flow variation			**0.0**	**3.2**	**4.5**	**7.0**	**15.4**
+/- CAPEX impact			(4.0)	(1.5)	(0.4)	(46.9)	18.1
+/- Financial result variation			(0.0)	(0.1)	(0.8)	(2.2)	(2.0)
+/- Tax impact			(0.0)	0.0	(0.8)	(0.4)	(2.3)
= Recurrent Free Cash Flow variation			**(4.0)**	**1.7**	**2.4**	**(42.5)**	**29.1**
Recurrent Free Cash Flow			**(5.1)**	**(3.4)**	**(1.0)**	**(43.4)**	**(14.3)**

C) "FCF to the Firm" (pre debt service) (EUR Mn)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR 19-22	CAGR 22-25e
EBIT			**0.3**	**2.5**	**5.0**	**9.2**	**22.8**	*n.a.*	*n.a.*
** Theoretical Tax rate*			*10.6%*	*10.7%*	*20.0%*	*20.0%*	*20.0%*		
= Taxes (pre- Net Financial Result)			(0.0)	(0.3)	(1.0)	(1.8)	(4.6)		
Recurrent EBITDA			**0.3**	**2.7**	**9.0**	**16.1**	**31.6**	*n.a.*	*n.a.*
- Rentals (IFRS 16 impact)			-	-	-	-	-		
+/- Working Capital increase			(0.3)	0.5	(1.4)	(1.5)	(1.6)		
= Recurrent Operating Cash Flow			**(0.0)**	**3.2**	**7.6**	**14.6**	**30.0**	*n.a.*	*n.a.*
- CAPEX			(5.0)	(6.5)	(6.9)	(53.8)	(35.7)		
- Taxes (pre- Financial Result)			(0.0)	(0.3)	(1.0)	(1.8)	(4.6)		
= Recurrent Free Cash Flow (To the Firm)			**(5.0)**	**(3.6)**	**(0.2)**	**(41.0)**	**(10.2)**	*n.a.*	*-42.4%*
Rec. Free Cash Flow (To the Firm) growth			*-377.6%*	*29.4%*	*93.5%*	*n.a.*	*75.0%*		
Rec. Free Cash Flow (To the Firm) / Revenues			n.a.	n.a.	n.a.	n.a.	n.a.		
- Acquisitions / + Divestments			(0.3)	(9.2)	(40.6)	(13.3)	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow			-	-	-	-	-		
= Free Cash Flow "To the Firm"			**(5.3)**	**(12.7)**	**(40.8)**	**(54.2)**	**(10.2)**	*n.a.*	*7.0%*
Free Cash Flow (To the Firm) growth			*-422.0%*	*-138.2%*	*-220.8%*	*-32.8%*	*81.1%*		
Rec. Free Cash Flow To the Firm Yield (o/EV)			*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*		
Free Cash Flow "To the Firm" - Yield (o/EV)			*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*		

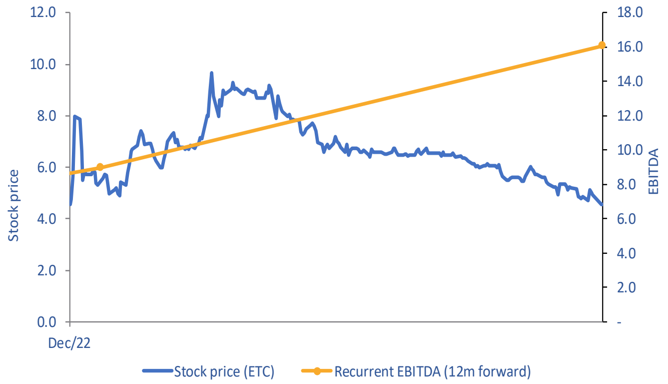
Recurrent Free Cash Flow accumulated variation analysis (2022 - 2025e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward



Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	122.1	
+ Minority Interests	0.1	6m Results 2023
+ Provisions & Other L/T Liabilities	0.1	6m Results 2023
+ Net financial debt	18.1	6m Results 2023
- Financial Investments	(1.5)	6m Results 2023
+/- Others	13.3	Ver nota
Enterprise Value (EV)	**155.1**	

Note: As of the date of this report, the value of the EUR 13.3Mn capital increase has been included as Other in the calculation of EV. Therefore, the EV multiples in this report (EV/Sales; EV/EBITDA...) reflect the effect of the capital increase. Although, as of today, the final capital achieved in the capital increase (we have assumed that 100% is obtained) is not known. Therefore, the number of shares and the adjusted number of shares do not include the shares to be issued in the future capital increase.

Appendix 4. Main peers 2023e

	EUR Mn	Comparables EE. UU					Comparables España			
		Ameresco	**Sunnova**	**Sunrun**	**Sunpower**	**Average**	**Greening Energy**	**Holaluz**	**Average**	**ETC**
Market data	Ticker (Factset)	AMRC-US	NOVA-US	RUN-US	SPWR-US		GGR-ES	HLZ-ES		ETC-ES
	Country	United States	United States	United States	United States		Spain	Spain		Spain
	Market cap	1,264.7	1,046.7	1,955.9	670.0		157.2	71.4		122.1
	Enterprise value (EV)	2,352.3	8,018.4	12,088.0	894.5		170.6	98.3		155.1
Basic financial information	Total Revenues	1,452.7	723.1	2,211.3	1,651.6		97.2	554.9		52.0
	Total Revenues growth	-16.1%	36.6%	0.4%	0.0%	5.2%	121.8%	-39.7%	41.1%	291.6%
	2y CAGR (2023e - 2025e)	15.3%	30.9%	11.3%	5.6%	15.8%	54.0%	-6.8%	23.6%	48.8%
	EBITDA	198.7	211.0	(227.8)	7.3		10.0	(10.9)		9.0
	EBITDA growth	11.7%	439.5%	-18.3%	-77.6%	88.8%	255.3%	n.a.	255.3%	262.8%
	2y CAGR (2023e - 2025e)	29.6%	48.1%	68.3%	n.a.	48.6%	71.7%	91.3%	81.5%	87.4%
	EBITDA/Revenues	13.7%	29.2%	n.a.	0.4%	14.4%	10.3%	n.a.	10.3%	17.3%
	EBIT	128.4	(103.1)	(765.6)	(79.2)		5.8	(17.8)		5.0
	EBIT growth	1.7%	-9.6%	-21.8%	n.a.	-9.9%	113.3%	-220.5%	-53.6%	101.1%
	2y CAGR (2023e - 2025e)	41.2%	63.2%	13.2%	53.7%	42.8%	49.3%	58.3%	53.8%	n.a.
	EBIT/Revenues	8.8%	n.a.	n.a.	n.a.	8.8%	6.0%	n.a.	6.0%	9.6%
	Net Profit	85.3	(227.7)	(251.5)	(75.8)		3.6	(15.7)		3.4
	Net Profit growth	-5.2%	-48.4%	-252.9%	-178.0%	-121.1%	63.0%	-207.0%	-72.0%	53.0%
	2y CAGR (2023e - 2025e)	41.3%	34.1%	55.5%	52.6%	45.9%	15.4%	50.1%	32.8%	n.a.
	CAPEX/Sales %	11.4%	248.6%	107.7%	2.9%	92.7%	52.4%	1.3%	26.8%	13.2%
	Free Cash Flow	191.8	(1,547.9)	(3,141.9)	(126.5)		(2.7)	(5.0)		(41.5)
	Net financial debt	847.8	6,508.1	9,063.2	59.6		32.6	56.4		15.1
	ND/EBITDA (x)	4.3	30.9	n.a.	8.2	14.4	3.3	n.a.	3.3	1.7
	Pay-out	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Multiples and Ratios	P/E (x)	14.6	n.a.	n.a.	n.a.	14.6	43.1	n.a.	43.1	33.7
	P/BV (x)	1.5	0.6	0.3	1.6	1.0	n.a.	n.a.	n.a.	2.4
	EV/Revenues (x)	1.6	11.1	5.5	0.5	4.7	1.8	0.2	1.0	3.0
	EV/EBITDA (x)	11.8	38.0	n.a.	n.a.	24.9	17.0	n.a.	17.0	17.2
	EV/EBIT (x)	18.3	n.a.	n.a.	n.a.	18.3	29.4	n.a.	29.4	30.9
	ROE	10.1	n.a.	n.a.	n.a.	10.1	n.a.	n.a.	n.a.	9.1
	FCF Yield (%)	15.2	n.a.	n.a.	n.a.	15.2	n.a.	n.a.	n.a.	n.a.
	DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Dvd Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Note 1: Financial data, multiples and ratios based on market consensus (Factset). In the case of the company analyzed, own estimates (Lighthouse).
Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

LIGHTHOUSE

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
02-Nov-2023	n.a.	4.55	n.a.	n.a.	Initiation of Coverage	Enrique Andres Abad

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