

6m Results 2024

 Opinion ⁽¹⁾: Below expectations

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

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Business description

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

1H24 Results: Low energy prices make 2024 a year of transition.

A SIGNIFICANT HIT TO REVENUE DUE TO ENERGY PRICES... ETC closed 1H24 with revenues of EUR 22.1Mn (vs. EUR 22.6Mn in 1H23, -2.0%). This poor revenue performance is explained by the sharp decline in energy prices: -54% compared to the first half of 2023 (average of 39.1 MW/h). This has directly impacted the generation business (9% of the 2023 mix) and to a lesser extent, outsourcing (22%).

...THIS IMPACT IS ALSO REFLECTED IN EBITDA, WHICH WAS FURTHER HIT BY THE SEASONALITY OF THE ENGINEERING BUSINESS. Recurring EBITDA reached EUR 2.3Mn in 1H24 (after adjusting for capitalized expenses; -34.8% vs 1H23), with a 5.3pp. decline in the EBITDA margin 1H24 (10.6%) compared to 1H23 (15.9%). The seasonality of the engineering business (69% of the 2023 mix) is key to understanding these results, as approximately 90% of projects concentrate the bulk of their execution in the second half of the year, and therefore the recognition of margins. The combination of low energy prices and engineering seasonality explains the decline in EBITDA and EBIT (-55.2%), in a year without inorganic growth and breakeven at net income level.

NET DEBT REMAINS LOW (EUR 16.7MN). Resulting in a net debt/recurring EBITDA ratio of 1.9x in 2023. This indicates a very healthy balance sheet. The weakness in energy prices has led to the postponement of the investment jump in generation to 2025, keeping net debt under control. Financial results are in line with 1H23.

2024: A YEAR OF TRANSITION. AWAITING THE SHIFT TOWARDS GENERATION. The progressive increase in the weight of generation remains strategic. However, this will not happen in 2024, a year in which all the focus is on the engineering business, sheltered from energy price volatility. 2H25 should see a significant increase in generation CAPEX, a jump in revenue and improved margins. 2024 is a year of transition. In 2H24, it will benefit from better prices per MWh: already in 3Q24, the average price has substantially reduced its decline (78.7 MWh, -19% vs. 3Q23). This will be added to the favorable seasonality in engineering, with revenues closed for 2024e above EUR 40Mn. All of this should allow ETC to repeat 2023 revenues and EBITDA this year and maintain margins. But it will not grow by approximately 30% in EBITDA (our previous estimate). This will lead us to revise 2024 numbers downwards.

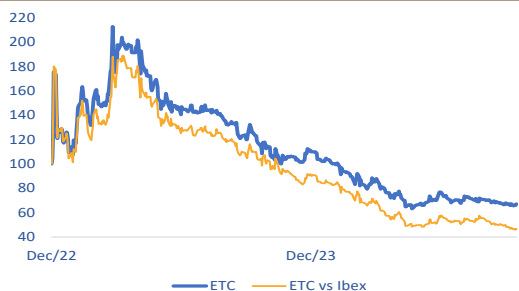
IN CONCLUSION: THE SCALING UP WILL BE DELAYED UNTIL 2025E. The energy price environment is delaying (but not canceling) growth in generation and the associated margin improvement. ETC's strategy remains: (i) vertical integration (business diversification: reducing operational risk) and (ii) focus on higher margin and operating cash flow lines (generation). This allows us to continue expecting revenues of approximately EUR 90Mn and an EBITDA margin of approximately 25% in 2026. The market continues to see this expectation as far away, leading to ETC's very poor performance -12m (-45% absolute, -57% vs. Ibex35, -53% vs. sector). EV/Sales 2023 of 1.9x: low multiples associated with a low-risk business vs. the sector. The business momentum and results are clearly improving in 2H24. However, the scaling up will not be visible this year.

Market Data

Market Cap (Mn EUR and USD)	82.2	91.9
EV (Mn EUR and USD) ⁽²⁾	97.6	109.1
Shares Outstanding (Mn)	27.0	
-12m (Max/Med/Mín EUR)	5.60 / 3.84 / 2.87	
Daily Avg volume (-12m Mn EUR)	0.05	
Rotation ⁽³⁾	14.2	
Factset / Bloomberg	ETC-ES / ETC SM	
Close fiscal year	31-Dec	

Shareholders Structure (%) ⁽⁵⁾

Alberto Hernández Poza	21.1
Erbienergía Inversiones	12.6
José Abel Martín Sánchez	10.6
Alberto Torregro López	10.6
Free Float	44.6

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-3.5	-1.6	-45.5	n.a.
vs Ibex 35	-8.7	-10.0	-57.5	n.a.
vs Ibex Small Cap Index	-1.7	-0.7	-50.1	n.a.
vs Eurostoxx 50	-6.7	-4.8	-55.6	n.a.
vs Sector benchmark ⁽⁴⁾	-8.2	-11.8	-53.0	n.a.

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

(2) Please refer to Appendix 2.

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

(4) vs Stoxx Europe 600 Utilities.

(5) Others: Treasury Stock 0.5%

(*) 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.

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Appendix 1. 1H24 Results table

EUR Mn	6m24 Real	6m23	6m24 Real vs 6m23
Total Revenues	22.1	22.6	-2.0%
Gross Margin	2.3	3.6	-34.8%
Gross Margin/Revenues	10.6%	15.9%	-5.3 p.p.
Recurrent EBITDA	2.3	3.6	-34.8%
Rec. EBITDA/Revenues	10.6%	15.9%	-5.3 p.p.
EBITDA	2.3	3.6	-34.8%
EBITDA/Revenues	10.6%	15.9%	-5.3 p.p.
EBIT	0.9	2.0	-55.2%
EBIT/Revenues	4.1%	9.0%	-4.9 p.p.
PBT	0.3	1.4	-79.3%
NP	-0.1	0.8	-118.3%

Note 1: Rec. EBITDA and EBITDA adjusted to exclude the impact of capitalised expenses.

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	82.2	
+ Minority Interests	0.1	6m Results 2024
+ Provisions & Other L/T Liabilities	0.1	6m Results 2024
+ Net financial debt	16.7	6m Results 2024
- Financial Investments	1.5	6m Results 2024
+/- Others		
Enterprise Value (EV)	97.6	

LIGHTHOUSE

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30-Sep-2024	n.a.	3.05	n.a.	n.a.	6m Results 2024	Alfredo Echevarría Otegui
27-May-2024	n.a.	3.11	n.a.	n.a.	Small & Micro Caps (Spain)	Alfredo Echevarría Otegui
18-Mar-2024	n.a.	3.94	n.a.	n.a.	12m Results 2023	Enrique Andrés Abad, CFA
02-Nov-2023	n.a.	4.55	n.a.	n.a.	Initiation of Coverage	Enrique Andrés Abad, CFA

