

Company: **Comal S.p.A.** Rating: **BUY** Target Price: **€5.0** Sector: **Renewable Energy**

From EPC-M contractor to all-around PV manufacturer

Leading innovations in Italy's solar energy sector

Established in 2001 and headquartered in Montalto di Castro (VT), Comal is a leading player in Italy's solar energy systems sector. Specializing in delivering high-power photovoltaic (PV) plants, the Company employs the EPC-M (Engineering, Procurement, Construction Management) and O&M (Operation & Maintenance) formulas, covering the entire project lifecycle - from design and construction to installation, testing, commissioning and ongoing maintenance. Recently, Comal expanded its offerings by introducing a new business line focused on supplying solar trackers, leveraging its proprietary technology previously integrated into the EPC-M offering. Additionally, Comal the company plans to enhance vertical integration by starting in-house manufacturing of PV modules from 2025.

Booming growth and significant CapEx to be managed

Driven by the thriving PV solar market, Comal's production value surged from €28.9mIn in 2019 to €136.2mIn in 2023, marking a 2019-23 CAGR of 47%. Concurrently, EBITDA mirrored this growth trajectory, escalating from €2.2mIn in 2019 to €10.0mIn in 2023, representing a 2019-23 CAGR of 46%. However, margin was impacted by material shortages and widespread price increases in the post-COVID era and has experienced a decline in recent years, dropping to 7.4% in 2023. The Company's commitment to ongoing investments and exponential growth has led to a significant debt load, as reflected in a Net Debt to EBITDA ratio of 3.0x in FY23.

Strategic lines and 2024-26 estimates

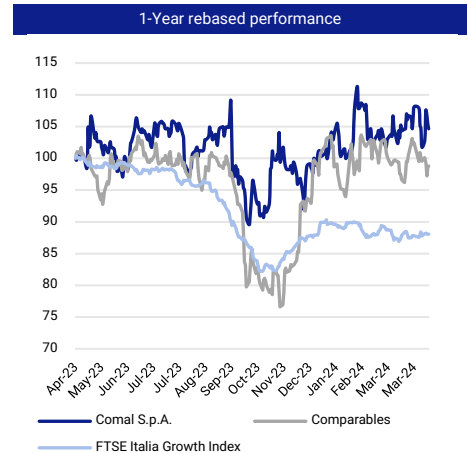
Comal is focused on expanding business in Italy and foreign markets, investing in research and development for improved customer solutions, optimizing processes and internalizing production to capitalize on growing business volumes amidst the rising importance of photovoltaics in global energy transition and sustainability efforts. Our projections for 2023-26 (E), which include the PV module factory project in L'Aquila, foresee a robust 21% CAGR in production value, aligning with the expected growth of Italian PV utility-scale systems capacity. We anticipate a revenue composition shift, with a greater emphasis on product supply over revenue from EPC-M activities. EBITDA is forecasted to increase at a 32% CAGR to €23.2mIn by 2026, accompanied by an improved margin of 9.5%. Despite the positive growth outlook, we expect Net Debt to continue rising throughout the period, reaching €51.7mIn by the end of 2026 before embarking on a downward trajectory supported by the positive cash flows we expect to start the same year.

Valuation: BUY; 12-month TP at €5.0

Our DCF estimates indicate a cumulative FCFs of €2.8mIn in 2024-28 (E) and a WACC of 7.8%, leading us to a fair value of €4.1/share. For relative valuation, the median EV/EBITDA for 2024 (E) of the peer group stands at 9.3x, significantly higher than Comal's current trading multiple of 5.8x (as of April 11, 2024). By averaging the DCF and Market Multiples approaches, our target price (TP) reaches €5.0/share. Considering the potential upside based on the difference between Comal's closing price and our target, we set a BUY recommendation.

April 17, 2024 at 18:00

Company Profile				
Bloomberg				CML IM
FactSet				CML-IT
Stock exchange				Italian Stock Exchange
Reference Index				FTSE Italia Growth Index
Market Data				
Price (as of April 11, 2024)				€ 3.6
Number of shares (mln)				11.5
Market cap. (mln)				€ 41
1-Year Performance				
Absolute				5.0%
Max/Min				3.8/3.1
(€/mln)	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Value of Production	136.2	151.5	191.1	243.8
	<i>yoy</i>	<i>75.1%</i>	<i>11.2%</i>	<i>26.1%</i>
		<i>27.6%</i>		
EBITDA	10.0	12.5	17.9	23.2
	<i>EBITDA margin</i>	<i>7.4%</i>	<i>8.3%</i>	<i>9.4%</i>
		<i>9.5%</i>		
EBIT	8.3	10.4	14.9	19.7
	<i>EBIT margin</i>	<i>6.1%</i>	<i>6.9%</i>	<i>7.8%</i>
		<i>8.1%</i>		
Net Income	4.1	4.8	7.6	10.7
	<i>Net Profit margin</i>	<i>3.0%</i>	<i>3.2%</i>	<i>4.0%</i>
		<i>4.4%</i>		
Net Financial Position (Cash)	30.2	46.8	50.5	51.7
Shareholders' equity	19.8	24.6	32.2	42.9
Net Operating Working Capital	37.0	54.7	65.1	80.2
CapEx	4.3	5.6	7.9	1.7
Free Cash Flow	(7.7)	(13.7)	(4.4)	1.1



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SWOT analysis

STRENGTHS

- Know-how and proven track record in delivering projects with the EPC-M formula
- A growing portfolio of orders
- Close commercial relationships over the national territory
- Patent for advanced and highly technological tracker device
- Booming reference market incentivised by governments
- Vertical integration

WEAKNESSES

- Strong exposure to a single country (Italy) and technology (solar PV)
- Rising financing costs
- High exposure to the regulatory framework
- Financial risks arising from the back-end-loaded cash generation profile of the business
- Dependence on capital-intensive bidding process to win new contracts
- Strong competition and reduction of the added value in full EPC contracts

OPPORTUNITY

- International expansion
- Strengthening O&M by capitalising on revamping needs
- Diversification in other renewable technologies

THREATS

- Regulatory and technological changes
- Impressive growth to be managed
- Difficulties in finding qualified personnel in the areas where the Company operates
- Weather-related risks in the EPC-M business

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The reference industry

Comal at a glance

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Renewables regulatory framework

2015: Sustainable Development Goals (SDGs) - Goal 7

In September 2015, the Agenda for Sustainable Development, adopted by all United Nations member States, provided a shared blueprint for peace and prosperity for people and our planet into the future. The 17 Sustainable Development Goals (SDGs) are an urgent call for action by all countries - developed and developing - in a global partnership.

Among them, Goal 7 is about "ensuring access to affordable, reliable, sustainable and modern energy for all". The Goal has 5 targets to be achieved by 2030:

- 7.1. Ensuring universal access to affordable, reliable and modern energy services.
- 7.2. Increasing substantially the share of renewable energy in the global energy mix.
- 7.3. Doubling the global rate of improvement in energy efficiency.
- 7.a. Enhancing international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology and promote investment in energy infrastructure and clean energy technology.
- 7.b. Expanding infrastructure and upgrading technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States and land-locked developing countries, in accordance with their respective programmes of support.

From the Paris agreement (COP21) to COP28's Renewables target

Acknowledging the urgency of combatting climate change to effectively address the Sustainable Development Goals (SDGs), 196 world leaders came together at the UN Climate Change Conference (COP21) in Paris on December 12, 2015 to establish the landmark Paris Agreement. This legally binding international treaty outlines crucial long-term objectives for tackling climate change, mandating substantial reductions in global greenhouse gas emissions. The Agreement's primary goals include limiting the global temperature increase to well below 2°C above pre-industrial levels and aspiring to a more stringent 1.5°C limit. Furthermore, the accord emphasizes the need for regular assessments to monitor collective progress towards fulfilling its objectives.

Recognizing the insufficiency of current efforts and understanding the crucial role of energy system transformation in achieving the goals set by the Paris Agreement, more than 130 national governments, including the European Union (EU), pledged in December 2023 at the COP28 climate change conference in Dubai to triple the global installed renewable energy capacity to a minimum of 11,000 GW by 2030 (as of 2022, approximately 3,600 GW according to IEA).

2009: EU's Renewable Energy Directive (RED) I

In Europe, the original Renewable Energy Directive (RED), adopted on April 23, 2009, established that 20% of the EU's gross final energy consumption and 10% of each Member State's transport energy consumption should have come from renewable energy sources by

2020. The Directive mandated national targets aligned with the EU's overall target, requiring Member States to develop indicative trajectories for target fulfilment, submit national renewable energy action plans and publish progress reports every two years. It also set out a number of mechanisms that Member States could have applied in order to promote investment in renewable energy, including support schemes, guarantees of origin, joint projects, cooperation with third countries and sustainability criteria for biofuels.

2018: RED II

In December 2018, as part of the "Clean energy for all Europeans" package, the revised RED came into effect. This Directive, which had to become national law in EU countries by June 2021, set a new binding renewable energy target for the EU of at least 32% of gross final energy consumption by 2030 and an increased 14% target for the share of renewable fuels in transport by 2030. In accordance with Regulation (EU) 2018/1999, EU countries should have proposed national energy targets and establish 10-year National Energy and Climate Plans (NECPs), due by March 2023, for the period 2021-2030.

2023: RED III

The revised RED, updated by Directive (EU) 2023/2413, resulted from three significant modifications:

- (i) In July 2021, as part of the "Fit for 55" package, the first amendment aimed to align the EU's renewable energy targets with its enhanced climate ambition, increasing the binding target to 40% by 2030 and promoting the uptake of renewable fuels, such as hydrogen, in industry and transport with additional sub-targets.
- (ii) In May 2022, as part of its "REPowerEU" plan following the Russian aggression against Ukraine, the second amendment sought to accelerate the clean energy transition, phasing-out dependence on Russian fossil fuels. This involved increasing the binding EU's renewable energy target to 45% by 2030 through measures like installing heat pumps, expanding solar PV capacity and importing renewable hydrogen and biomethane.
- (iii) In November 2022, a third amendment (released as a Council Regulation) aimed to speed up the deployment of renewable energy by presuming renewable energy plants to be of overriding public interest, allowing faster permitting for renewable projects and granting specific derogations from EU environmental legislation.

Thus, in October 2023, the update of the RED raised the 2030 renewable energy sources target to at least 42.5% by 2030 but aiming for 45%. Furthermore, the revised Directive streamlines procedures for permitting new renewable energy power plants, like solar panels or wind turbines, establishing a maximum approval time of 12 months in designated renewables-friendly areas and 24 months elsewhere.

EU's solar PV targets

Regarding solar PV, the "REPowerEU" plan outlined a strategy to double solar PV capacity to 320 GW by 2025 and achieve 600 GW by 2030. The plan incorporates a phased-in legal requirement to install solar panels on new public, commercial and residential buildings along with an initiative to double the deployment rate of heat pumps in district and communal heating systems. Under the plan, Member States are also required to identify and adopt plans for dedicated go-to areas for renewables, with shortened and simplified permitting processes.

Renewables industry global outlook**Renewables in 2023**

According to the International Energy Agency (hereafter "IEA"), the additions to renewable electricity capacity reached 507 GW in 2023, marking an increase of nearly 50% compared to the previous year's figure. The growth is attributable to sustained policy support in over 130 countries, catalyzing a noteworthy shift in the global growth trend. The acceleration observed globally in 2023 was predominantly fueled by a year-on-year expansion in China's booming market for solar PV by 116% and wind by 66%.

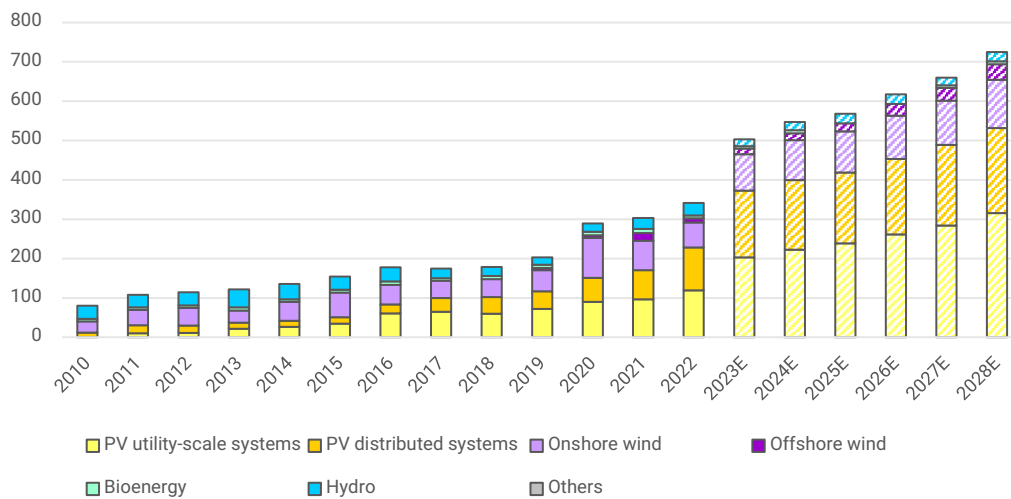
Renewable capacity additions: 3,700 GW over 2022-28

In the base case forecast in IEA's report *Renewables 2023*, almost 3,700 GW of new renewable capacity will come online over the 2023-2028, with solar PV and wind accounting for a record 96% of it because their generation costs are lower than for both fossil and non-fossil alternatives in most countries and policies continue to support them.

The Chinese government's commitment to achieving Net Zero by 2060, coupled with incentives outlined in the 14th Five-Year Plan (2021-2025) and the accessibility of locally manufactured equipment and low-cost financing, is serving as a significant catalyst for the country's renewable power growth throughout the forecast period. Simultaneously, expansion is gaining momentum in the United States and the European Union, driven by the US Inflation Reduction Act (IRA) and national policy incentives that align with the EU's objectives of decarbonization and bolstering energy security.

While commendable, this growth trajectory would only result in a 2.5-fold increase in global renewable capacity by 2030, falling short of the COP28 goal to triple capacity. Bridging this gap to achieve over 11,000 GW by 2030 requires governments to address current challenges promptly and expedite the implementation of existing policies.

Figure 1: Global renewable electricity capacity net additions, 2010-2028E (GW)

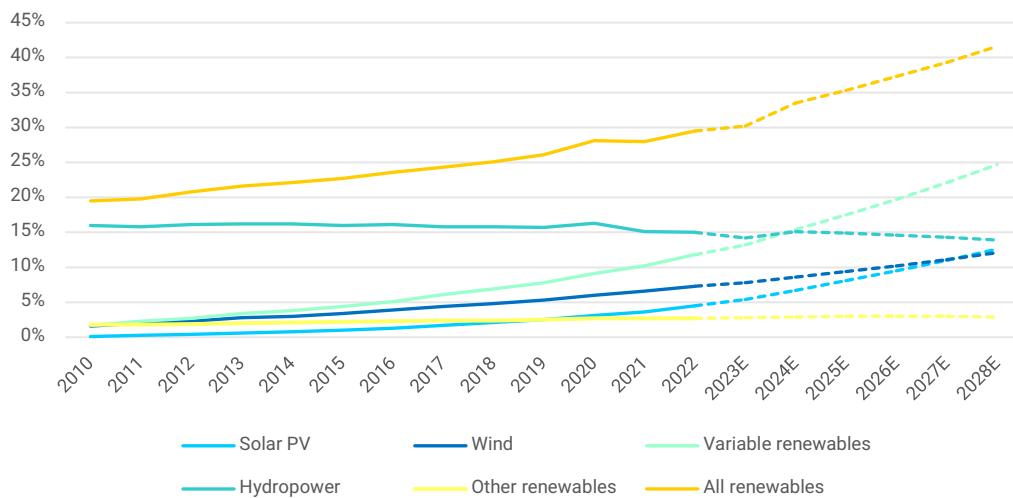


Source: IEA (2023), *Renewable Energy Progress Tracker*, IEA, Paris

Renewable energy: the largest source of electricity generation by 2025

By 2028, potential renewable electricity generation is expected to reach around 14,400 TWh, an increase of almost 70% from 2022, and renewable energy sources will account for 42% of global electricity generation, with the wind and solar PV share making up 25%. Furthermore, these forecasts implied that renewables would become the largest source of global electricity generation by early 2025, surpassing coal-fired electricity generation.

Figure 2: Share of renewable electricity generation by technology, 2010-2028E



Source: IEA (2023), Renewable Energy Progress Tracker, IEA, Paris

Solar PV market in Europe

EU's PV capacity is set to increase by 317 GW over 2022-28

In 2023, EU solar PV markets surfed the wave generated by political and energy shocks that emerged in 2022. The surge in electricity and gas prices and the fear of energy supply outages fuelled by the Russian invasion of Ukraine resulted in severe energy security concerns and put solar in a completely new light, making 2022 the year of solar PV acknowledgment as a pivotal, cost-effective and rapidly deployable technology for generation of power. In 2023, the impacts of this paradigm shift have become even more apparent – with new record installations across the EU which IEA estimated at 52 GW.

According to IEA, PV capacity in the EU is expected to increase over 150% (+ 317 GW) between 2022 and 2028, improving the already high growth recorded in previous six-year period (2016-2022). Regarding the PV capacity segment breakdown, the greatest growth is expected to occur in the PV utility-scale systems¹ which will surge from 72 GW in 2022 to 204 GW in 2028 with a CAGR equal to 19%. Alongside PV capacity, PV generation in Europe is set to increase from 205 TWh in 2022 to 558 TWh in 2028.

Figure 3: PV capacity by segment in Europe, 2016-2028E

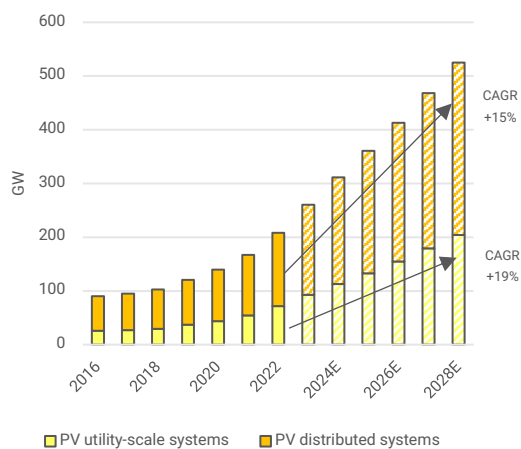
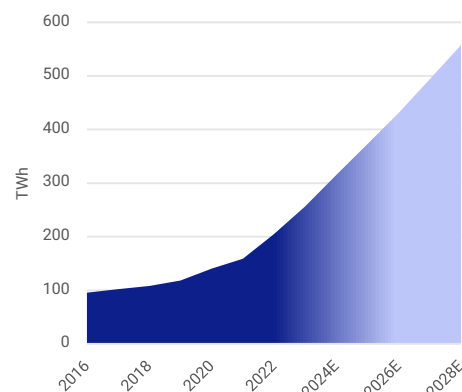


Figure 4: PV generation in Europe, 2016-2028E



Source: IEA (2023), Renewable Energy Progress Tracker, IEA, Paris

¹ Includes installations with capacity higher than 1 MW.

The main drivers for utility-scale growth are supportive policies, in the form of government auctions to achieve long-term renewable energy targets, and attractive market conditions for unsubsidised projects through bilateral contracts between IPPs and corporate consumers or utilities. Conversely, owing to high retail electricity prices and policies that remunerate excess generation, the business case for self-consumption is a major attraction for distributed² solar PV uptake.

However, in Europe, renewable projects are facing also challenges related to:

Grid congestion and prolonged connection queues

- (i) Grid congestion and prolonged connection queues, leading to increase project lead times and elevated costs for developers awaiting licensing. The EU Grid Action Plan, released in November 2023, outlines actions for key stakeholders to expedite grid investment and address these challenges.

Economic attractiveness of auctions

- (ii) Economic attractiveness of auctions, as several of them have experienced lower participation in the past year. This is attribute to doubts about their economic viability in a volatile price environment: developer, dealing with increasing costs in labor, equipment and financing are hesitant to participate in auctions due to uncertainties regarding contract mechanisms to address inflation-related cost hikes.

Challenges in obtaining permits and licenses for projects

- (iii) Challenges in obtaining permits and licenses for projects, with many countries facing prolonged and often unsuccessful processes due to complex procedures, limited development space, staffing shortages and social opposition. This has resulted in developers avoiding auctions, project abandonment and construction delays. However, there has been progress since the European Commission's May 2022 recommendations, leading to streamlined permitting procedure, defined timelines, identified priority areas and reduced requirements for small projects. Furthermore, the July 2023 release of the Renewable Energy Directive III granted renewables the status of overriding public interest and mandated specific permits to be issued within a two-year timeframe.

Solar PV market in Italy

Italy's PV capacity is expected to increase almost 30 GW over 2022-28

One of the largest growing EU solar markets last year was Italy, estimated by the IEA added 5 GW of capacity in 2023, doubling the 2.5 GW installed in 2022. Within the EU, only the Austrian market had a slightly higher growth rate. In previous years, the residential segment had played a crucial role in driving the Italian solar market, primarily due to its generous Superbonus incentive scheme. But the subsidy programme, which offered homeowners a tax credit of up to 110% for installing solar PV among others, was heavily amended in 2023.

Nevertheless, according to IEA, PV capacity in Italy is still expected to increase nearly 120% (+30 GW) between 2022 and 2028, five times its growth in previous six-year period (2016-2022). Regarding the PV capacity segment breakdown, the greatest growth will occur in the PV utility-scale systems which will surge from 5 GW in 2022 to 18 GW in 2028, a CAGR almost equal to 22%. PV generation in Italy is set to increase from 28 TWh in 2022 to 61 TWh in 2028.

² Distributed capacity solar PV is classified into three main categories:

1. residential (0 to 10 kW)
2. commercial and industrial (10 kW to 1 MW)
3. off-grid applications (such as solar home systems, small commercial applications, and mini-grids).

Figure 5: PV capacity by segment in Italy, 2016-2028E

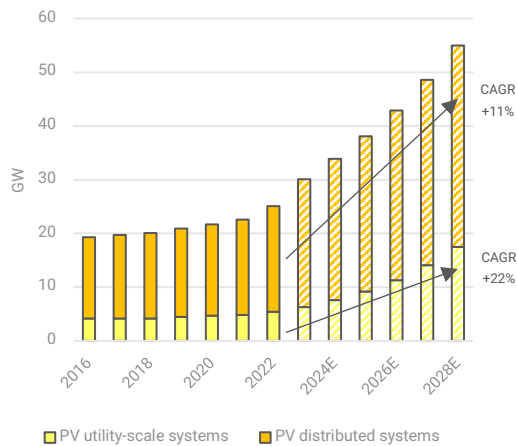
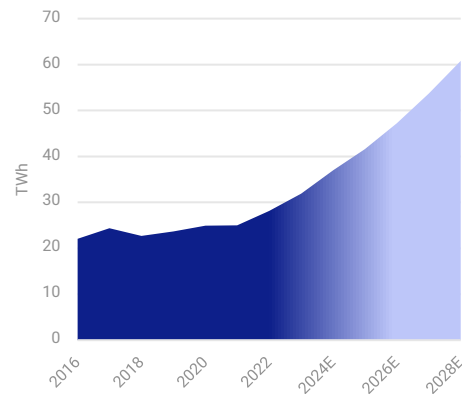


Figure 6: PV generation in Italy, 2016-2028E



Source: IEA (2023), Renewable Energy Progress Tracker, IEA, Paris

Solar tracker’s market outlook

Solar trackers: enhancing energy efficiency in PV industry

A solar tracker is a mechanical device designed to direct PV modules so they are perpendicular to the sun’s rays by tracking the sun’s position from sunrise to sunset. In the PV industry, the solar tracker maintains a strong value proposal as it can produce 15-25% additional energy compared to plants with fixed structures and, more importantly, increasing energy production early and late in the day when the cost of energy is higher. As the pricing, reliability and performance of single-axis trackers³ have improved, the systems have been installed in an increasing percentage of utility-scale projects.

Solar tracker market surges ahead, outpacing growth in PV-utility scale systems capacity

The solar tracker market continues to grow apace with a strengthened value proposal, driven by the pace of growth in solar installations globally. In recent years, there has been a steady increase in the relative volume of solar tracker installations, with the weight of fixed installations gradually decreasing. In this regard, according to Soltec Power Holding SA, the European industry leader, the share of solar trackers in the total number of installations is expected to increase from 20% in 2018 to 38% in 2030. Market growth can therefore be expected to outpace the expected global growth in PV utility-scale systems capacity, i.e. a CAGR greater than 22% from 2022 to 2028. Concerning the trajectory of solar tracker prices, an uptick in average prices was notable during the years 2021-2022, driven by the surge in raw material costs and challenges in international logistics. However, starting in 2023, a normalization of prices occurred, marked by a widespread decline across all markets. The ongoing enhancement of tracker technology and the increasing profitability of modules are anticipated to be key factors driving continuous price reductions in the future.

³ Single-axis trackers have only one degree of freedom that acts as an axis of rotation, usually they rotate along a true North meridian, following the sun’s east-to-west path. In contrast, dual-axis trackers, equipped with two perpendicular axes of rotation, have greater flexibility, adjusting both horizontally and vertically to optimize sun exposure.

Group's history, structure and people

Company's evolution

2001-2015: From conventional energy sources to solar

Established in 2001 by a team of seasoned technicians with extensive experience in the plant-industrial sector, Comal embarked on its journey in mechanical-plant engineering. In the early years, it played a crucial role in constructing large power production plants from conventional sources, including the Montalto di Castro plant, originally designed as a nuclear facility.

In response to the severe crisis in the plant engineering sector (2008-2009), Comal underwent a strategic corporate restructuring to venture into a new market. Within a short period, the Company successfully positioned itself as a key player in the construction of large PV energy production plants, achieving remarkable results in terms of turnover, technical performance, and client satisfaction.

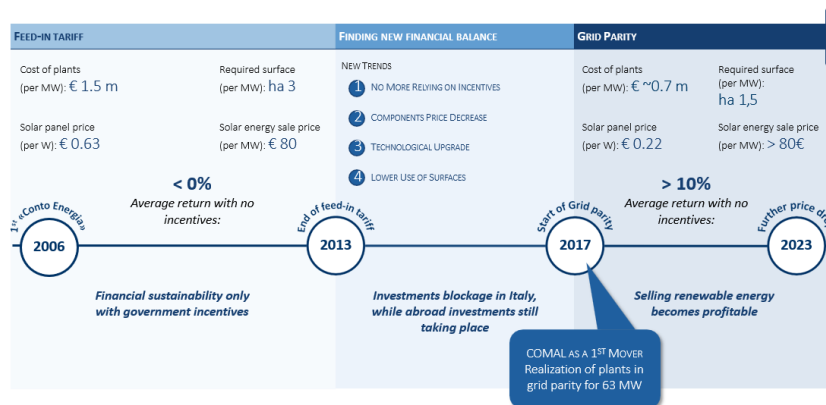
2016: EPC-M and O&M formulas

The period spanning 2013 to 2016 marked a pivotal phase in the Company's growth. During this timeframe, the Company played a key role as a subcontractor in the construction of 96 MW of PV plant in South Africa. This significant project not only contributed to the Company's expansion but also served as a crucial learning experience, providing valuable know-how in the construction of solar power plants. Since 2016, Comal has been operating in Italy and abroad under the EPC-M (Engineering, Purchase, Construction, and Management) and O&M (Operational and Maintenance) contractual formulas.

2017: Italian pioneer in grid parity

In 2017, driven by a commitment to research and development, the Company achieved a significant milestone by being the first Italian operators to realize a 63 MW solar plant in grid parity. This achievement signifies the attainment of a crucial equilibrium between the expenses associated with constructing and maintaining a PV system and the costs related to energy production from conventional sources. Consequently, a renewable plant achieving grid parity becomes inherently profitable without relying on public incentives.

Figure 7: Grid parity from 2017 to 2023



Source: Company data

2018: tracker "Sun Hunter" and Supply formula

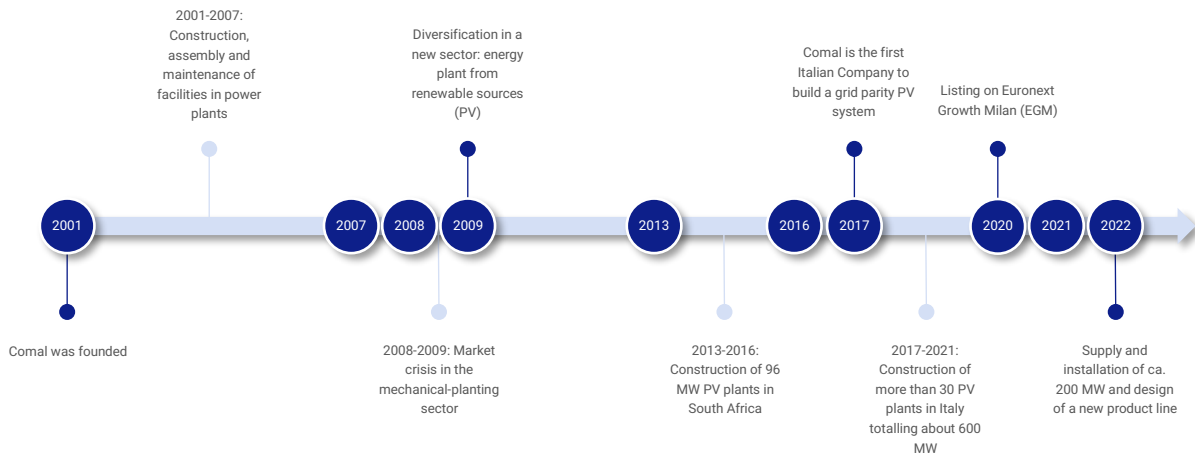
In 2018, Comal introduced the tracker "Sun Hunter", a revolutionary structural component for PV systems. This innovative tracker structure, featuring proprietary hardware and software, enables seamless panel mobility and solar tracking, resulting in a substantial increase in the overall production yield of the system. Since its introduction, Comal has embraced the Supply formula, establishing itself as the exclusive provider in Italy offering a comprehensive service that encompasses the supply of support structures for PV modules.

2020: Initial public offering (IPO)

On 16 December 2020, Comal underwent a major transformation, becoming a public company under the name Comal S.p.A. It began its public presence with the listing on AIM Italia, later turned into Euronext Growth Milan.

To date Comal can boast about 2 GW of installed power with sustained growth projections aligning with market expectations. Almost all turnover stems from the construction, supply and maintenance of large-scale PV systems, while a residual part remains linked to the conventional plant sector, wherein the company conducts mechanical maintenance activities for entities like Enel and General Electric.

Figure 8: Comal timeline from 2001 to 2023



Source: Banca Profilo elaborations on Company data

Headquarters and factory

Comal headquarter in Montalto di Castro

Comal headquarter is located in the industrial area of Montalto di Castro, in the province of Viterbo. It spans over 21,000 square metres, with approximately 8,000 square metres covered for offices, workshops and material depots and 13,000 square metres for raw material storage areas, prefabricated components and transit areas. The workshops are equipped with machine tools suitable for large production volumes, including ten overhead cranes, a CNC plasma cutting machine with drilling and tapping capabilities, radial drills, parallel and vertical lathes, shears, bending machines, punching machines, automatic and semi-automatic band saws, boring machines and grinding benches. Additionally, there are wire (tig) welding departments with automatic positioners and a submerged arc welding plant. The Company has also an experimental welding department that uses innovative techniques. The production cycle is completed by the sandblasting and painting department.

The plant's energy requirements are partially met by a 49 KW PV rooftop system.

Figure 9: Comal headquarter in Montalto di Castro



Source: Company data

Offices in Rome, Viterbo and Caltanissetta

In pursuit of recruiting specialized personnel and sustaining the remarkable growth trajectory, Comal has undertaken strategic expansions across Italy in recent years. In March 2021, the Company established an office in Rome, housing the sales and design departments. This office was subsequently expanded in October 2021, doubling its surface area to accommodate over 40 employees, predominantly engineers.

Additionally, Comal acquired an office in Viterbo dedicated to finance and management control.

A further development took place in November 2022, with the inauguration of a new office in Caltanissetta. This move holds significance as the city's central location in Sicily aligns with Comal's substantial presence in the region, anticipating robust growth in plant opportunities in the near future.

New solar tracker factory born from the agreement with Enel Green Power

In February 2022, Comal has signed an agreement with Enel Green Power for the construction of a tracker factory within the thermal power plant "Alessandro Volta" in Montalto di Castro. The factory will be located in an area of more than 30,000 square metres, no longer used for the plant's energy activities and will employ up to 70 workers, creating a potential opportunity also for the re-employment of personnel from the induced activities of disused thermoelectric plants in the upper Lazio region. The aim is to produce completely Italian trackers to support PV energy production of up to 1 GW per year, contributing to the growth of a national renewable energy chain and bringing back to Italy the production of equipment that was previously imported.

New PV module factory in L'Aquila

On January 8, 2024, Comal secured the "Next Appennino | Measure B1.2 - B3.3" tender for constructing an advanced industrial plant in the Province of L'Aquila, dedicated to the production of cutting-edge, high-efficiency PV modules. The project involves a total investment of €16.1mIn and the construction timeline targets completion in June 2025, promising the creation of numerous job opportunities in the Abruzzo region.

Group structure

Virtutis Solaris is the largest shareholder

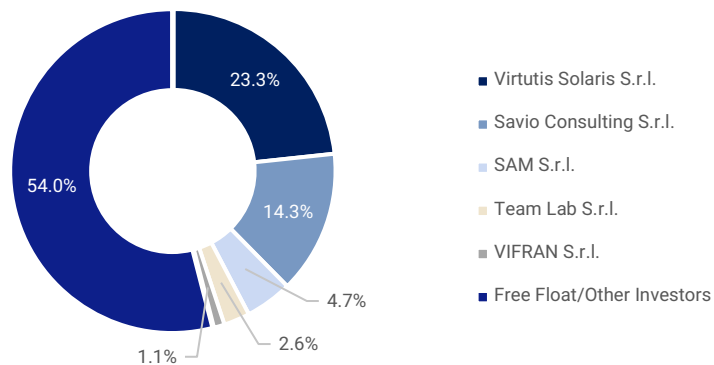
Comal S.p.A. has a share capital of €0.23mIn, distributed among 11,500,000 ordinary shares. The majority ownership is held by Virtutis Solaris S.r.l., a company founded and owned by Alfredo Balletti (Comal CEO) and Fabio Rubeo (BoD Director and Investor Relator of Comal), holding a 23.3% stake in the shares.

Free float equal to 54%

The free float is equal to 54.0% and it includes also the share owned by Zeus Capital. The remaining stake is owned by

- Savio Consulting (14.3%), a company controlled by Guido Paolini (BoD Chairman);
- SAM (4.7%), a company controlled by Barbara Paolini (BoD Director);
- Team Lab (2.6%), a company controlled by Francesco Campisi, the father of Alessandro Campisi (BoD Director);
- VIFRAN (1.1%), a company controlled by Francesco Vitale (BoD Director).

Figure 10: Shareholder structure

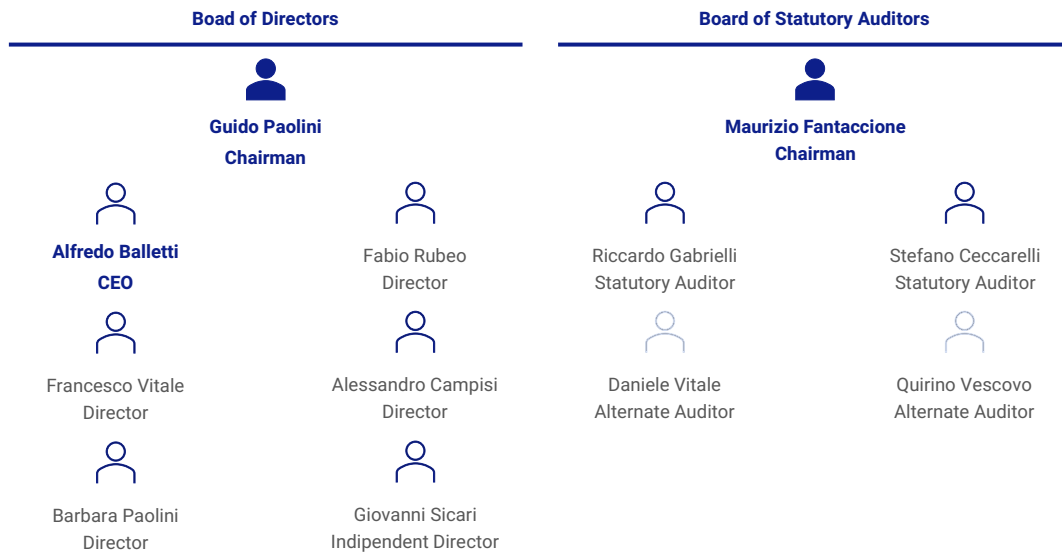


Source: Banca Profilo elaborations on Company data

Board of Director and Board of Statutory Auditors

The Board of Directors consists of six members, and the Board of Statutory Auditors, consists of three regular and two alternate members. They were appointed by the Shareholders' Meeting on April 28, 2023. They will continue to serve in their roles until the approval of the financial statements for the year ending December 31, 2025.

Figure 11: BoD and Board of Statutory composition



Source: Banca Profilo elaborations on Company data

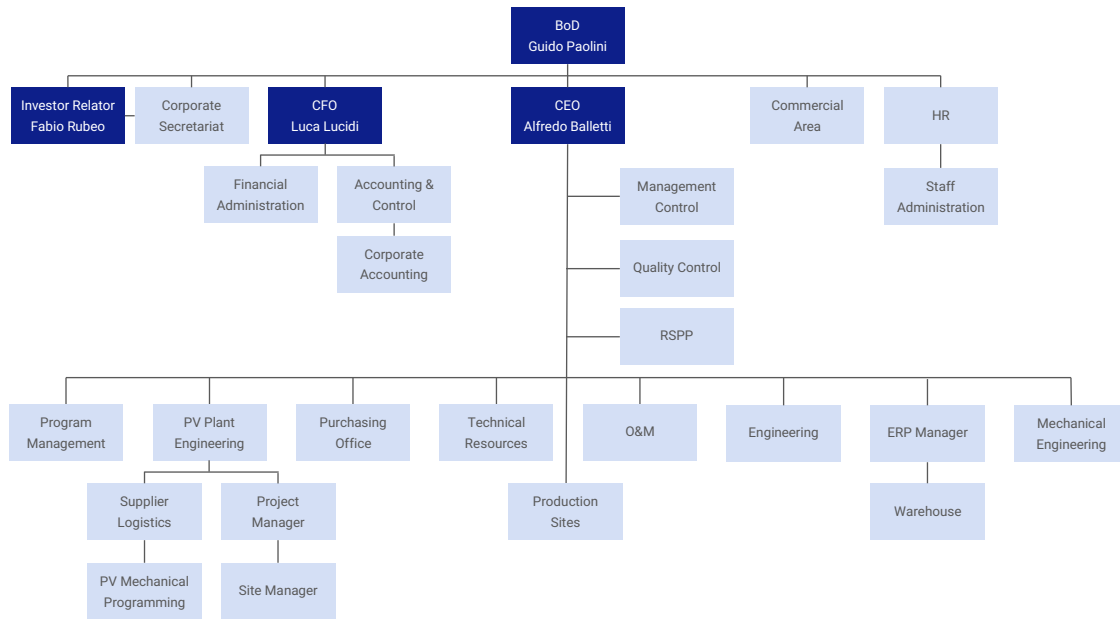
Growing staff

As of December 2023, the Group employed 302 people, with an increase since the beginning of the year of 108 units.

Guido Paolini: the Founder and Chairman

Guido Paolini founded the Company and currently serves as the Chairman of the Board of Directors. After completing his mechanical engineering degree at the Ubaldo Comandini Institute in Cesena, he gained extensive professional experience in plant engineering. He started as a coordinator and later became a site manager. Between 1969 and 1971, he worked as a coordinator with the company Dalmine Montubi S.p.A. on the construction of a methane loading and unloading plant. Later, from 1973 to 1981, he worked as a site manager with the company CO.GE.MI S.p.A. on various projects, including a methane gas dehydration project and various contracts at the Montalto di Castro nuclear power plant. In 2001, he founded Comal and served as its Sole Director or member of the Board of Directors. Additionally, he served as the Sole Director of Tirreno Impianti S.r.l. from 2011 to 2017 and as a member of the Board of Directors of B&C Energy S.r.l. from 2010 to 2012.

Figure 12: Comal Organisational chart



Source: Banca Profilo elaborations on Company data

Alfredo Balletti: the CEO and BoD Director

Alfredo Balletti is the Chief Executive Officer (CEO) and a member of the Board of Directors. After completing his Mechanical Engineering degree at the University of Rome 'La Sapienza' in 1983, he began his professional career as a researcher. From 1985 to 1988, he worked as a Quality Assurance Manager at EL-MO S.r.l. He then worked as a project manager at CO.GE.MI. S.p.A., managing orders for the construction of methane decompression chambers and the roof of the San Siro stadium in Milan. From 1992 to 1996, he served as the director and technical director of CO.M.AL. S.r.l. During this time, he was accountable for the design, construction and assembly of piping and carpentry at the Montalto di Castro power plant. From 1996 to 2006, he held the position of Director of Mechanical Production, Winding and Cabling at the Cisterna di Latina plant, as well as Director of the System Integration & Customer Service unit, specifically in the Naval-Satellite-Avionic and Land sector at the Pomezia, Catania and Genoa sites for Selex ES S.p.A. Since 2007, he has served as the Director of Operations at Comal S.p.A. In this role, he is responsible for designing, constructing and assembling piping and carpentry in thermoelectric power plants, as well as assembling and maintaining steam and gas turbines. Additionally, he oversees the design, construction and maintenance of large PV plants and serves as the reference designer of tracker in Comal.

Fabio Rubeo: Investor Relator and BoD Director

Fabio Rubeo is a member of the Board of Directors and Comal Investor Relator. After completing his Law degree at LUISS 'Guido Carli' University in Rome, he pursued his interest in astronomy and applied sciences by contributing to various significant projects in the astronomy-aerospace sector. In 2010, he joined a project to design and organize the construction of the world's largest apochromatic refractor telescope. He played an active role in building several observatories in the aerospace field, including the CSO Observatory, ALMA Observatory, and SPADE Observatory. Furthermore, he partnered with the University of Nairobi and 'La Sapienza' University of Rome for the master's degree course in 'space Mission Design and Management'. Additionally, he collaborated with the Department of Aerospace and Astronautical Engineering of 'la Sapienza' University of Rome to establish the first Italian observatory dedicated to space debris, known as the SPADE Observatory.

Luca Lucidi: the CFO appointed on December 11, 2023

Luca Lucidi was appointed as Chief Financial Officer (CFO) on December 11, 2023. He has extensive experience as a CFO in major companies. Among others, he was the CFO of

CY4Gate, managing its public listing. Currently, the new manager does not hold any shares in the Company.

Comal Business Model

Product range

Full in-house EPC-M company

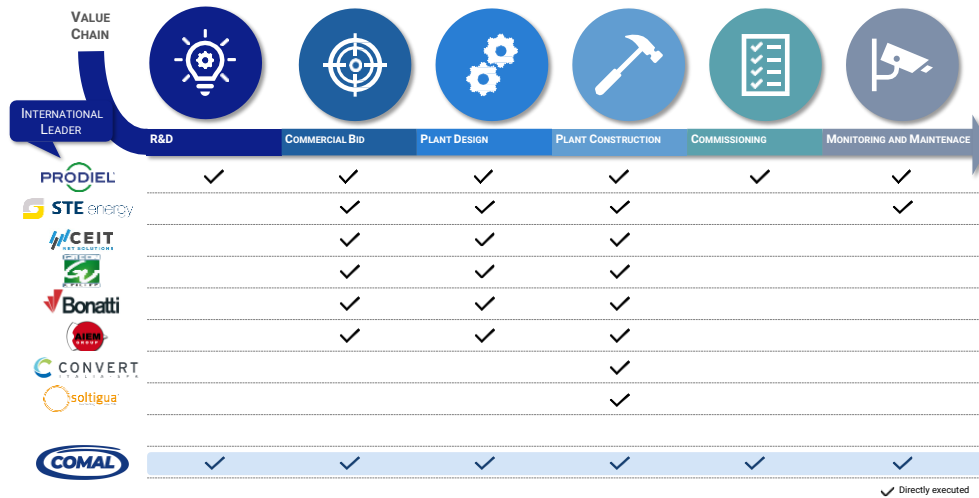
Over the past decade, Comal has successfully built high-capacity PV systems. Initially collaborating with other parties in the construction phase, the Company later transitioned to developing systems using the EPC-M formula. EPC-M, or Engineering, Procurement, and Construction Management, is a widely adopted professional engineering services contract for the development of manufacturing plants or heavy engineering facilities in various industries such as Energy, Agriculture, Chemical, Pharmaceutical and Food & Beverage. In essence, EPC-M allows project owners (the clients) to maintain complete control over their projects, while engineering consultants (the contractors) oversee the entire process from inception to completion. This entails handling all engineering stages, including planning, managing complex engineering requirements, coordinating contractors and vendors on behalf of the client, and offering a single point of contact.

Comal stands out by offering full coverage of business' value chain, ensuring lower cost and better timing control compared to some relevant competitors. The value chain comprises the following key activities:

- (i) Research and Development (R&D) activities are focused on enhancing solutions in the construction of PV systems and serve as a key knowledge asset for the Group, acting as an impetus for its development and dimensional growth. This strategic element has played a pivotal role in positioning Comal favourably in the current market landscape and will continue to set it apart from the competition, contributing not only to the expansion of market share but also to setting high standards through benchmarking initiatives.
- (ii) Commercial Bid phase involves participating in tenders through two channels:
 - a. Active screening of open tenders worldwide and identifying participation opportunities, a process conducted through the "Global Data" software by the Commercial Department.
 - b. Direct invitation from customers.
- (iii) Plant Design phase involves site organization, material procurement and on-site start-up processes.
- (iv) Plant Construction phase encompasses the installation of the electrical system, implementation of the Supervisory Control and Data Acquisition (SCADA) monitoring system, for functionality and production control, and the integration of a surveillance system.
- (v) Commissioning phase includes operational testing, system acceptance, commissioning and the ultimate handover.
- (vi) Monitoring and Maintenance - Once operational, the plant undergoes constant monitoring through the SCADA system, with periodic performance tests. Plant security is upheld through an active video surveillance system. Regarding O&M, following commissioning, Comal conducts ordinary and extraordinary maintenance for a contractually established period, typically 24 months. Currently, Comal oversees the maintenance of 500 MW, this segment not only guarantees a consistent revenue stream but also boasts the highest profit margins. The Company anticipates the growing significance of this business in the future, given the close correlation with

the completion of PV plants conducted by the EPC-M business and the prospect of extending the offer to third-party plants.

Figure 13: Value chain of EPC-M activity



Source: Company data

Tracker Sun Hunter: Comal's technologically advanced and cost-effective solution

In 2018, Comal introduced the "Sun Hunter 18AB" horizontal single-axis tracker which stands out for its exceptional adaptability, allowing seamless integration into various PV plant configurations to maximize power generation. Its unique features include the use of trackers with adjustable lengths and the independent setting of each tracker's angles, even during back-tracking. The tracker is characterized by four main components:

- i) The bearing is designed to be dirt-resistant, chemically resistant and maintenance-free. It can withstand high radial loads, is self-aligning with a rotation angle of $\leq 9^\circ$ and offers ease of assembly and disassembly. Additionally, it compensates for misalignment errors, ensuring optimal rotation conditions for trackers.
- ii) The drive motor slew driver is a self-powered engine with a high-torque transmission. The detection accuracy is precise at 0.1° , and the worm screw drive operates effectively in temperatures ranging from -20°C to $+120^\circ\text{C}$.
- iii) The controller ensures solar tracking and operates either in stand-alone mode or within a ZigBee wireless network. It is self-powered, utilizing a 30 W PV panel and a battery kit to charge one or two 24 V 6 Ah LI-ION batteries. The controller features proprietary technology in both hardware and software, incorporating a double wind protection system based on a proprietary algorithm.
- iv) The structure is constructed from carbon steel, adhering to EN 10219 standards. It undergoes a hot-dip galvanization process and is coated with Z450 for enhanced protection.

In response to the surging demand for this device, the Company has strategically introduced a dedicated business line exclusively centered on its sales. Previously, Comal has been selling its trackers as part of its EPC-M offering for the construction and installation of PV plants. The supply of trackers has had a significant impact on the Company's turnover, reaching 25% of the value of production in 2022. Strong growth is also expected from 2023 onwards, which is already reflected in the half-year figure, coinciding with the start-up of the new factory.

Figure 14: Comal Tracker Sun Hunter



Source: Banca Profilo elaborations on Company data

Shelter entirely designed by Comal

Comal crafts all-encompassing designs for shelters or transformer substations, offering capacities of 1 MW, 2.8 MW, 3 MW and 6 MW. These cabins seamlessly integrate with externally acquired inverters, affectively concluding the electrical chain within the PV plant. The shelter houses a low-voltage compartment, a transformer and a media switch, establishing a direct connection to the energy delivery point. Additionally, the shelter boasts remote control capabilities and a suite of sensors adept a detecting various operational state within the PV plant.

Figure 15: Example of Shelter



Source: Banca Profilo elaborations on Company data

Customer base

**Diversified clientele:
from energy funds to
utility players**

Comal's clientele is categorized into two distinct groups:

- i) Energy funds investing in PV plant to generate returns while contributing to the development of sustainable and environmentally friendly energy sources. Comal has served notable clients in this category, including Octopus Investments, KGAL, EOS and European Energy.
- ii) Energy and utility operators investing in PV systems to produce and distribute energy to end customers. Past and present clients within this category encompass Enel Green Power, A2A, Acea, Edison and Engie.

Figure 16: Comal customer base



Source: Company data

Competitive arena

Top EPC contractors for utility-scale solar projects

Wiki-Solar⁴s Q3 2023 update shows that over 35 EPC contractors have at least 1 GW of experience in constructing utility-scale solar projects globally. Among them, 20 contractors have over 2 GW of capacity. The recent growth of solar energy in Europe has boosted the rankings of contractors from Germany, Spain and France. Indeed, several European solar EPC companies have built over 2.5 GW of capacity in utility-scale solar projects, including Eiffage SA, Equans SAS, Enerparc AG, Juwi GmbH and BayWa AG.

Figure 17: Top 20 EPC contractors for utility-scale solar projects at Q3 2023

Wiki-Solar Top EPC contractors for utility-scale (4-MWac+) solar projects at Q3-2023							
Rank	EPC contractor [a]	[c]	Operating		Change since 01-Jan-22		
			Plants	GWac [b]	Plants	GWac [b]	Rank
1	SOLV Energy [US] (Inc Swinerton Renewable Energy)	Map	224	12.0	16	2.4	1
2	McCarthy Building [US]	Map	70	5.4	13	2.3	2
3	Eiffage [FR]	Map	106	4.6	39	1.3	6
4	First Solar [US]	Map	57	4.3	1	0.2	32
5	Sterling & Wilson [IN] (part of SP India)	Map	71	4.1	3	0.3	22
6	Equans (division of Bouygues) [FR] (Inc Fabricom)	Map	220	3.2	30	0.5	16
7	Abengoa [ES] (Inc Abener Energia)	Map	35	3.2	2	0.9	9
8	Belectric [DE] (now part of Elevion)	Map	171	3.0	14	0.2	30
9	Enerparc [DE]	Map	284	3.0	15	0.2	36
10	ACME Solar [IN]	Map	50	2.9	3	0.7	14
11	Larsen & Toubro [IN]	Map	53	2.8	3	1.1	7
12	Mahindra [IN]	Map	44	2.7	1	0.1	44
13	China Machinery Engineering Corporation [CN]	Map	4	2.6	2	2.2	3
14	BayWa r.e. [DE] (Inc GroenLeven)	Map	114	2.6	18	0.7	11
15	Juwi AG [DE] (Inc JSI Construction)	Map	150	2.5	12	0.3	23
16	Signal Energy [US]	Map	14	2.4	2	0.5	15
17	Mortenson Construction [US]	Map	25	2.4	1	0.1	42
18	Vinci Energies [FR] (Inc Semi Group, Omexom and others)	Map	43	2.3	5	0.2	35
19	Tata Power [IN]	Map	20	2.2	8	1.6	4
20	PowerChina [CN]	Map	13	2.2	6	1.5	5

Source: Wiki-Solar

Figure 18: Top 20 countries for utility-scale solar projects at the end 2023

Wiki-Solar Top countries for utility-scale (4-MWac+) solar projects at end 2023							
Rank	Country [a,c]	Operating		Change since 01-Jan-23		Rank	
		Plants	GWac [b]	Plants	GWac [b]		
1	China	Map	4,024	218.2	91	56.8	1
2	United States	Map	2,935	106.1	435	33.8	2
3	India	Map	1,491	70.8	124	15.7	3
4	Spain	Map	618	24.1	95	5.9	4
5	Germany	Map	1,839	16.5	221	3.8	6
6	Japan	Map	691	14.5	30	1.3	12
7	Australia	Map	179	13.1	38	2.9	8
8	Brazil	Map	108	12.1	33	5.3	5
9	Chile	Map	335	10.0	94	3.5	7
10	Vietnam	Map	140	9.9	2	0.4	32
11	United Kingdom	Map	1,095	9.7	132	1.7	11
12	France	Map	1,084	8.7	175	0.7	23
13	Mexico	Map	77	8.5	4	0.5	30
14	United Arab Emirates	Map	12	6.3	4	2.4	9
15	Netherlands	Map	467	5.4	138	1.7	10
16	South Africa	Map	56	3.5	4	0.8	20
17	Canada	Map	172	3.4	14	0.5	27
18	Turkiye	Map	271	3.4	2	0.8	19
19	Italy	Map	294	3.3	31	0.7	21
20	Ukraine	Map	93	2.6	0	0.0	

Source: Wiki-Solar

Comal the leading Italian player, Prodiel prime competitor

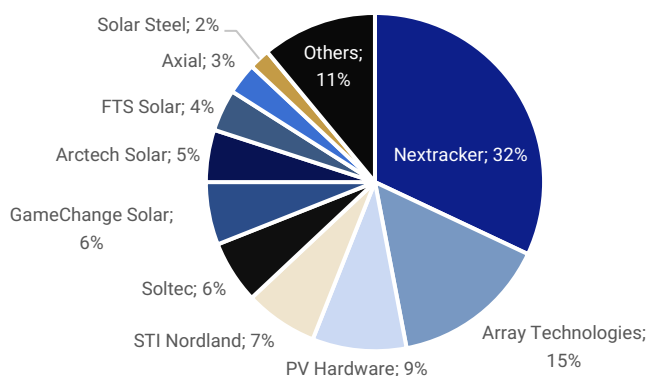
None of these entities actively participates in the Italian market, where Comal takes the role of leading player, having installed 200 MW in 2022 amid a total utility-scale PV capacity increase of 600 MW estimated by the IEA. The primary competition comes from local players and the Spanish group Prodiel (FY22 sales €94.7mIn).

US solar trackers leading the way

Also the global tracker market, marked by significant consolidation in 2022, continues to be dominated by foreign players. According to the IHS Markit's Global PV Tracker Report - 2022, Nexttracker, a US-based company, maintained its historical leadership by securing the largest share (32%) of global tracker shipments in 2021, amounting to nearly 17 GW. Array Technologies secured the second position with a 15% share in global shipments. However, by the end of 2021, Array Technologies acquired STI Norland, another US tracker manufacturer ranked 4th that year, resulting in a combined 22% share for Array. Although precise shipment data is unavailable, Array's standalone 15% share in 2021 translates to 8 GW, and with STI Norland's share, it exceeds 11 GW.

⁴ Wiki-Solar is an online tracker of information about the global deployment of solar photovoltaic power stations with a capacity of 4MW and above.

Figure 19: Market shares of the leading solar tracker manufacturers



Source: HIS Markit, The Global PV Tracker Report - 2022

EU competitors:
Soltigua, Convert Italia and Soltec

Competition in the Italian market is mainly represented by local players, such as Soltigua (FY22 sales €41.0m) and Convert Italia (FY22 sales €94.7m), a subsidiary of the American group Valmont Industries Inc. Soltec Power Holdings SA, the European leader and the world's fourth largest operator, has also been present on the Italian market since 2008 and generated 4.3% (€24.4m) of its 2022 revenue in Italy.

Listed competitors

Identifying suitable listed peers for COMAL has proven challenging. In our efforts, we conducted an overlap analysis on the revenue breakdown by activities and by country to pinpoint relevant comparables. Employing a quantitative approach, we computed a comprehensive score derived from the average of scores obtained by assessing revenue overlap across segments and regions between the candidate companies and Comal.

Our categorization focuses on two key segments: EPC contractors active in the renewables sector, though not exclusively, and manufacturers specializing in solar trackers. Notable entities identified for the former category include PLC S.p.A., ESI S.p.A., Grenergy Renovables SA, OX2 AB and Quanta Services Inc. Meanwhile, for the latter category, we pinpointed Soltec Power Holdings SA, Nextracker Inc, and Array Technologies Inc as prominent counterparts.

Table 1: Comal competitive arena

Companies	Alternative Energy Infrastructure Construction	Operation and Maintenance Services	Photovoltaic, Solar Cells and Systems Providers	Other	Overlap Score	Italy	Rest of Europe	Rest of the World	Overlap Score	Final Score
						100.0%	0.0%	0.0%	0.0%	
Comal S.p.A.	72.8%	2.4%	24.8%	0.0%		100.0%	0.0%	0.0%		
<i>Renewables EPC contractors</i>										
ESI S.p.A.	100.0%	0.0%	0.0%	0.0%	72.8%	95.4%	0.5%	4.1%	95.4%	84.1%
PLC S.p.A.	57.8%	42.3%	0.0%	0.0%	60.2%	100.0%	0.0%	0.0%	100.0%	80.1%
Grenergy Renovables SA	78.2%	0.0%	0.0%	21.8%	72.8%	0.2%	35.2%	64.6%	0.2%	36.5%
OX2 AB	100.0%	0.0%	0.0%	0.0%	72.8%	0.0%	100.0%	0.0%	0.0%	36.4%
Quanta Services Inc	29.6%	0.0%	0.0%	70.5%	29.6%	0.0%	0.1%	99.9%	0.0%	14.8%
<i>Solar Tracker manufacturers</i>										
Soltec Power Holdings SA	24.8%	1.8%	73.4%	0.0%	51.4%	4.3%	10.3%	85.4%	4.3%	27.8%
Nextracker Inc	0.0%	0.0%	100.0%	0.0%	24.8%	0.0%	2.2%	97.8%	0.0%	12.4%
Array Technologies Inc	0.0%	0.0%	100.0%	0.0%	24.8%	0.0%	6.4%	93.6%	0.0%	12.4%

Source: Banca Profilo elaborations and estimates

<p>PLC S.p.A. (IT): FY23 sales 66.7mln; EBITDA margin 5.4%</p>	<p>The PLC Group conducts EPC activities primarily through PLC System S.r.l. and Schmack Biogas S.r.l. in the construction of electricity infrastructures and renewable energy plants, including biogas and biomethane. Additionally, through Special Purpose Vehicles (SPVs), the group is involved in constructing turnkey renewable energy plants for subsequent asset sales to investors, utilities, or Independent Power Producers following the Built, Operate, and Transfer (BOT) model. The company was founded in 1996 and is headquartered in Milan, Italy.</p>
<p>ESI S.p.A. (IT): FY23 sales €17.0mln; EBITDA margin -9.3%</p>	<p>ESI, which stands for "Energy System Integrator", operates as an EPC in the construction of large-scale PV plants offering turnkey solutions and as a System Integrator in the design and construction of rural mini-grids. The company also specialises in the activity of technological modernisation (so-called revamping) of PV systems, as well as the maintenance of PV power plants, supervision and video surveillance systems. The company was founded in 2018 and is headquartered in Formello, Italy.</p>
<p>Grenergy Renovables SA (ES): FY23 sales €179.1mln; EBITDA margin 58.8%</p>	<p>Grenergy Renovables is a project developer and Independent Power Producer ("IPP") that generates energy through renewable sources. Its business model covers all project phases, from development, through construction and financial structuring to plant operation and maintenance. The company has transitioned from a singular focus on Solar PV to becoming a multi-technology Independent Power Producer (IPP), encompassing solar PV, wind, and storage. It operates in multiple regions, holding a significant presence in Europe (Spain, Italy, UK, Poland, Germany), the USA and LATAM (Chile, Colombia, Mexico, Peru). The company boasts a total capacity of 15.7GW, emphasizing a dual strategic approach with Build-to-Own (B2O) and Build-to-Sell (B2S) models. The company was founded in 2007 and is headquartered in Madrid, Spain.</p>
<p>OX2 AB (SE): FY23 sales SEK7.8bn; EBITDA margin 18.5%</p>	<p>OX2 AB engages in the development and sale of wind and solar farms. It mainly consists of sale of wind power projects and commissioned wind farms. It has operations in Sweden, Finland, Norway, and Poland. The company was founded in 2004 and is headquartered in Stockholm, Sweden.</p>
<p>Quanta Services, Inc. (US): FY23 sales \$20.9bn; EBITDA margin 8.5%</p>	<p>Quanta Services, Inc. engages in the provision of comprehensive infrastructure solutions to the electric power, oil and gas, and communication industries. It operates through the following segments: Electric Power Infrastructure Solutions, Renewable Energy Infrastructure Solutions, and Underground Utility and Infrastructure Solutions. The Renewable Energy Infrastructure Solutions focuses on comprehensive infrastructure solutions to customers that are involved in the renewable energy industry. The company was founded in 1997 and is headquartered in Houston, TX.</p>
<p>Soltec Power Holdings SA (ES): FY23 sales €588mln; EBITDA margin 1.0%</p>	<p>Soltec Power Holdings SA is a leading company in the PV energy sector with three fundamental divisions: an industrial division that designs, supplies and installs solar trackers, also offering construction services and maintenance services for solar PV plants, a development division, which allows the development of PV projects to be channelled from zero to "Ready to Build" and a new line of business dedicated to asset management, launched in 2022, for the management and operation of solar PV projects. Most of the revenue comes from the industrial division (Soltec Energías Renovables), indeed, Soltec is currently positioned as the fourth largest global supplier of solar trackers in cumulative terms, with a market share of 8% at the end of 2021. The company was founded in 2004 and is headquartered in Murcia, Spain.</p>
<p>Nextracker Inc. (US): FY23 sales \$2.3bn; EBITDA margin 16.2%</p>	<p>Nextracker, with an estimated market share of 36% at the end of 2021, is the leading provider of intelligent, integrated solar tracker and software solutions used in utility-scale and ground-mounted distributed generation solar projects around the world. It partners in 16 countries across 5 continents. The company was founded in 2013 and is headquartered in Fremont, CA.</p>
<p>Array Technologies Inc. (US): FY23 sales \$1.6bn; EBITDA margin 17.5%</p>	<p>Array Technologies, Inc. manufactures ground-mounting systems used in solar energy projects. The company sells its products to engineering, procurement and construction firms that build solar energy projects and to large solar developers, independent power producers and utilities, master supply agreements or multi-year procurement contracts. Array Tech in 2022 acquired STI Norland, creating one of the largest solar tracking companies in the world,</p>

their respective market shares stand at 22% and 6% at the end of 2021, summing up to 28%. Array Technologies was founded in 1989 and is headquartered in Albuquerque, NM.

Key peers' financials

Robust growth and promising EBITDA margin

Comal has consistently outpaced the median growth rates of comparable EPC contractors and solar tracker manufacturers in recent years, indicating a robust revenue expansion. This trend is anticipated to persist in the foreseeable future.

Notably, Comal's strategic move towards vertical integration with the in-house production of solar trackers positions it as a competitive frontrunner. The strategic diversification of its business operations enables Comal to maintain higher margins relative to its peers in the solar tracker manufacturing industry in 2021 and 2022 when supply-side issues, particularly raw material prices, have escalated significantly. The ongoing diversification initiatives are anticipated to distinguish Comal from its industry counterparts, fostering sustained higher margins over the long term. This strategic approach underscores Comal's resilience and proactive measures, showcasing its adept navigation of challenges and its commitment to maximizing profitability within the dynamic landscape of the industry.

Figure 20: Comal and peers VoP CAGR 2020-23

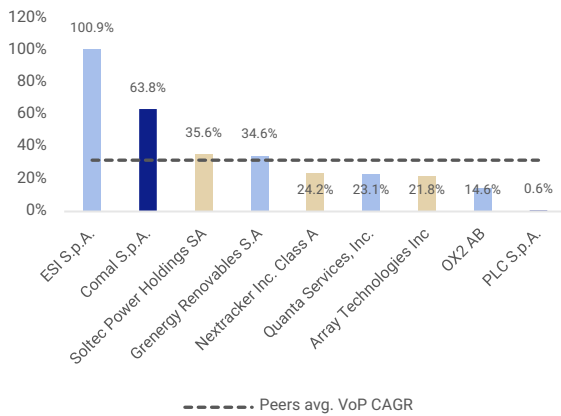
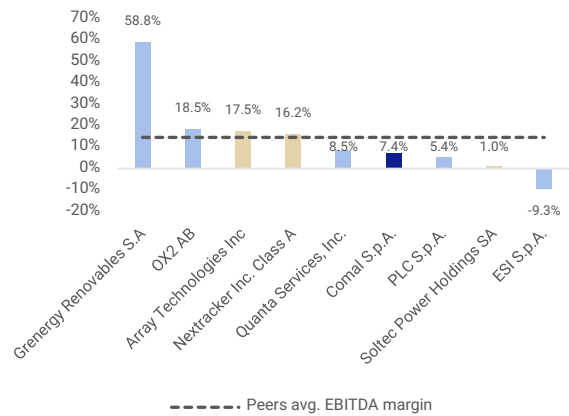


Figure 21: Comal and peers EBITDA margin FY23



Source: Banca Profilo elaborations and estimates

Historical financial performance

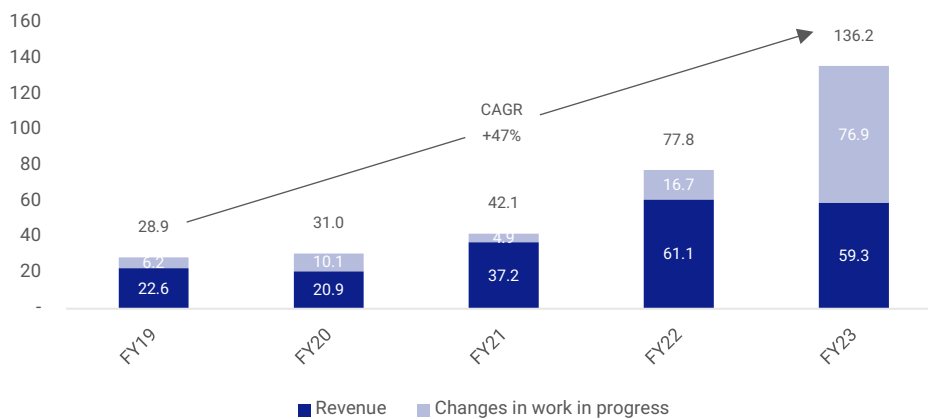
Main operating and financial data 2019-23

VoP surged from €28.9mIn in FY19 to €136.2mIn in FY23 with a 47% CAGR

In 2023, Comal experienced robust growth in the Value of Production, which reached €136.2mIn, a significant increase of 75% yoy from €77.8mIn in 2022. While there was a slight decrease in revenue from sales and services (related to the number of orders definitively tested and accepted by clients), this was offset by a substantial increase in contract work in progress, driven by the Company's strong expansion efforts. Overall, the value of production in 2023 aligns with the Company's growth trajectory, considering the volume of completed and ongoing orders acquired.

Taking a broader perspective, the Group's value of production surged from €28.9mIn in 2019 to €136.2mIn in 2023, representing a remarkable CAGR of 47% over the period. Comal has clearly outperformed the broader Italian market for solar PV installation, which grew at a CAGR of 10%.

Figure 22: Revenue and Value of Production 2019–23 (€/mIn)



Source: Banca Profilo elaborations on Company data

FY23 Revenue breakdown:
EPC-M (56%)
Supply (37%)
O&M (5%)
Other (2%)

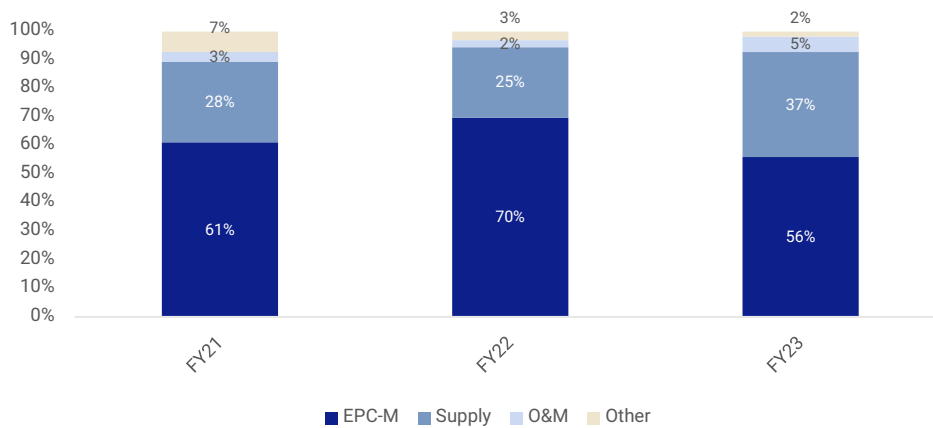
The primary revenue driver is the EPC-M (Engineering, Procurement, Construction Management) business, along with the supply of support structures for PV modules, which collectively amounted to €55mIn in 2023, constituting 93% of total revenue. In 2023, a significant shift was observed in the product mix, with solar tracker supply gaining prominence at the expense of EPC-M business. Indeed, the supply segment accounted for 37% of total revenue, up from 25% in 2022, a trend anticipated to persist.

O&M (Operational and Maintenance) revenue accounted for 5% of total revenue in 2023 and are projected to increase in the future, given their close correlation with the EPC-M business.

The "Other" category includes revenue from BOS (Balance of System) and electrical construction, as well as maintenance activities on industrial plants in the conventional energy sector.

All FY23 revenue were generated within Italy.

Figure 23: Revenue breakdown by segment 2021–23



Source: Banca Profilo elaborations on Company data

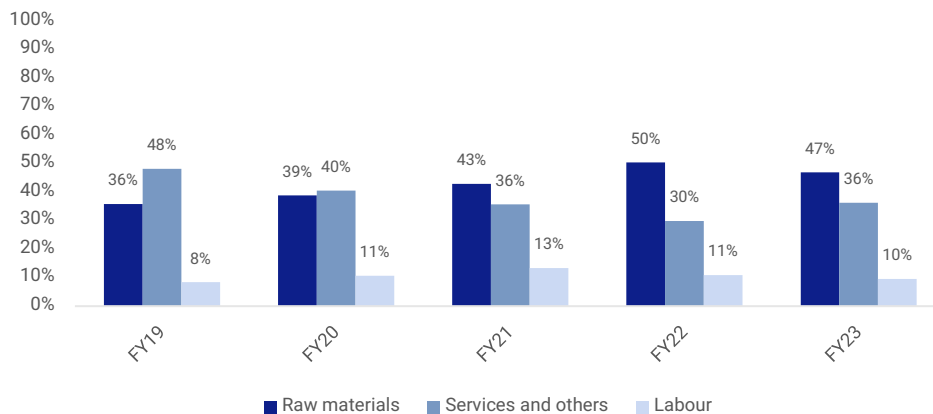
Raw material costs dominate cost structure – 47% of VoP in FY23

The cost structure is mainly impacted by the cost of raw materials, which have become increasingly important in recent years, peaking in 2022 at a 50% share of the annual Value of Production. Contributing to this result was the widespread increase in commodities cost following the COVID closures; in 2023 this effect was come down, bringing the incidence to 47%.

In second place there are the services and other costs, whose incidence on the Value of Production has decreased over time but had an uptick in 2023 to 36%, thus returning to 2021 levels. Within these costs, the most significant items are subcontracted work and costs directly attributable to construction sites, such as costs for supervision.

Despite the significant expansion of the Company's workforce, labour costs have remained stable over time.

Figure 24: Incidence of costs on VoP 2019–23



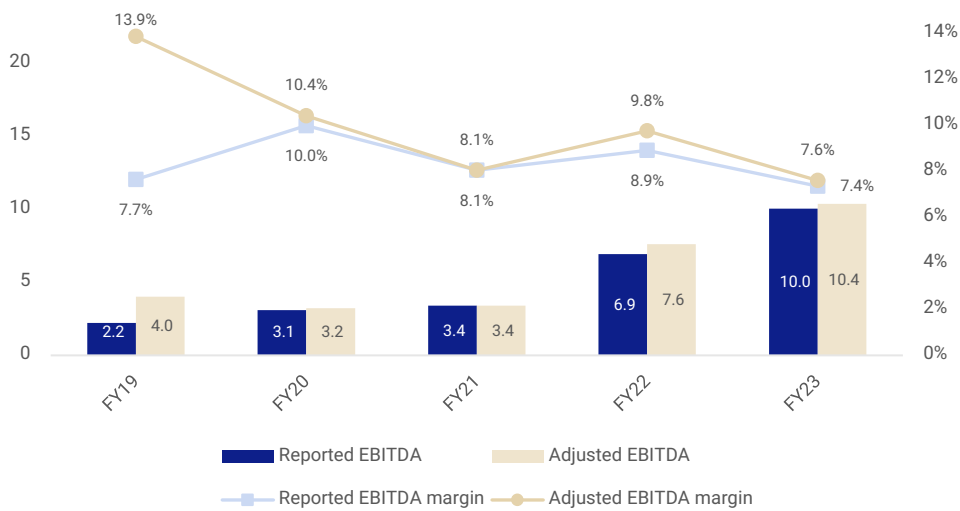
Source: Banca Profilo elaborations on Company data

FY23 EBITDA margin at 7.4%

In 2023, EBITDA surged to €10.0mIn, marking a 45% yoy increase from €6.9mIn in 2022. However, the EBITDA margin experienced a decline of 150bp, dropping from 8.9% to 7.4%, primarily due to elevated service costs.

The adjusted results were derived by excluding items recognized by the Company as non-recurring and non-attributable components of other income and other operating expenses.

Figure 25: EBITDA (€/mln) and EBITDA margin on VoP 2019-23

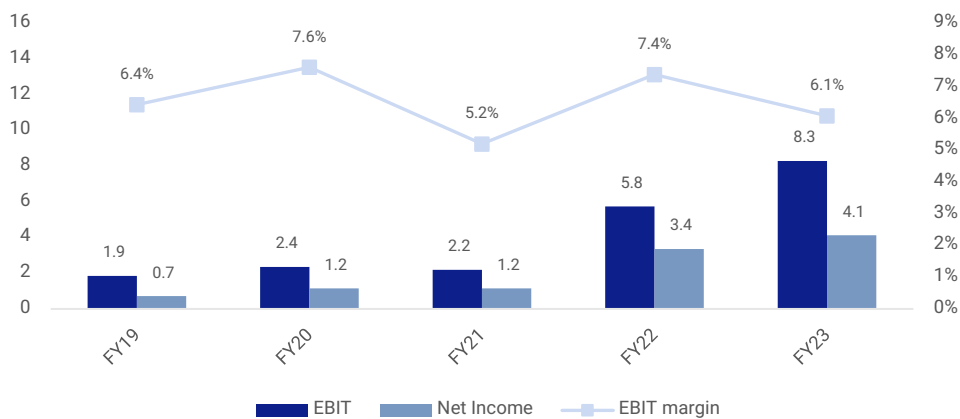


Source: Banca Profilo elaborations on Company data

Solid EBIT (€8.3mln in FY23) and Net Income (€4.1mln in FY23)

In 2023, the reported EBIT was €8.3mln with a margin of 6.1%, the former improved on the previous year's reading of €5.8mln, the latter decreased from 7.4% in 2022 due to the reduction in EBITDA margin. Net income improved by 23% yoy from €3.4mln in 2022 to €4.1mln in 2023.

Figure 26: EBIT, Net Profit (€/mln) and EBIT margin 2019-23



Source: Banca Profilo elaborations on Company data

Table 2: Income Statement 2019-23 (€/mln)

		Profit & Loss (€/mln)				
		FY19*	FY20	FY21	FY22	FY23
EPC-M				22.8	42.7	33.2
	% on Revenue			61.2%	69.8%	56.1%
O&M				1.2	1.5	3.2
	% on Revenue			3.3%	2.4%	5.4%
Supply				10.5	15.1	21.8
	% on Revenue			28.3%	24.8%	36.7%
Other				2.7	1.8	1.0
	% on Revenue			7.2%	3.0%	1.8%
Revenue		22.6	20.9	37.2	61.1	59.3
	yoy	11.3%	-7.6%	77.8%	64.1%	-3.0%
Value of Production		28.9	31.0	42.1	77.8	136.2
	yoy	41.7%	7.3%	35.9%	84.6%	75.1%
Cost of raw materials		(10.3)	(12.0)	(18.1)	(39.2)	(63.9)
	% on VoP	35.8%	38.9%	42.9%	50.4%	46.9%
Gross Profit		18.5	18.9	24.1	38.6	72.3
	Gross margin	64.2%	61.1%	57.1%	49.6%	53.1%
Cost of services		(10.8)	(11.6)	(14.1)	(21.4)	(45.2)
	% on VoP	37.3%	37.4%	33.5%	27.5%	33.2%
Lease and rentals cost		(0.2)	(0.6)	(0.6)	(1.0)	(2.9)
	% on VoP	0.6%	1.9%	1.4%	1.3%	2.2%
Other operating expenses		(3.0)	(0.4)	(0.3)	(0.8)	(1.1)
	% on VoP	10.2%	1.2%	0.8%	1.0%	0.8%
Added Value		4.6	6.4	9.0	15.4	23.0
	% on VoP	16.0%	20.6%	21.5%	19.8%	16.9%
Labour cost		(2.4)	(3.3)	(5.6)	(8.5)	(13.0)
	% on VoP	8.4%	10.7%	13.4%	10.9%	9.6%
EBITDA		2.2	3.1	3.4	6.9	10.0
	EBITDA margin	7.7%	10.0%	8.1%	8.9%	7.4%
D&A		(0.3)	(0.7)	(1.0)	(1.1)	(1.6)
	% on VoP	1.2%	2.4%	2.3%	1.4%	1.2%
Provisions and write-downs		0.0	0.0	(0.2)	(0.1)	(0.1)
	% on VoP	0.0%	0.0%	0.5%	0.1%	0.1%
EBIT		1.9	2.4	2.2	5.8	8.3
	EBIT margin	6.4%	7.6%	5.2%	7.4%	6.1%
Financial income and expenses		(0.1)	(0.3)	(0.4)	(0.5)	(1.9)
	% on VoP	0.3%	0.8%	1.0%	0.7%	1.4%
Financial asset adjustments		0.0	(0.1)	(0.0)	0.0	0.0
	% on VoP	0.0%	0.3%	0.0%	0.0%	0.0%
EBT		1.8	2.0	1.8	5.2	6.4
	Pretax margin	6.1%	6.5%	4.2%	6.7%	4.7%
Taxes		(1.1)	(0.8)	(0.6)	(1.9)	(2.2)
	Tax rate	59.6%	42.2%	33.9%	35.6%	35.1%
Net Income		0.7	1.2	1.2	3.4	4.1
	Net Profit margin	2.5%	3.7%	2.8%	4.3%	3.0%

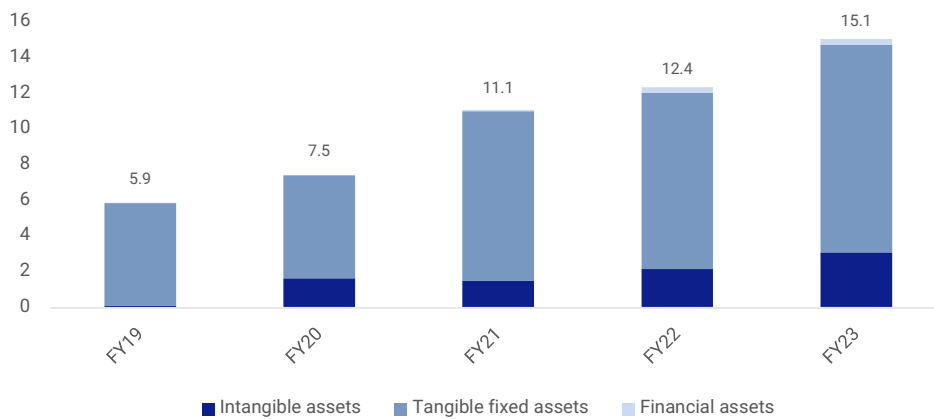
Source: Banca Profilo elaborations on Company data

Note: *Financial year 2019 is unaudited

Fixed assets to sustain growth

At the end of December 2023, Fixed Assets were €15.1mln increasing from €12.4mln in 2022. The increase recorded starting from 2021 is mainly attributable to the construction of the solar trackers new production line at the Montalto di Castro plant.

Figure 27: Fixed assets 2019-23 (€/mln)



Source: Banca Profilo elaborations on Company data

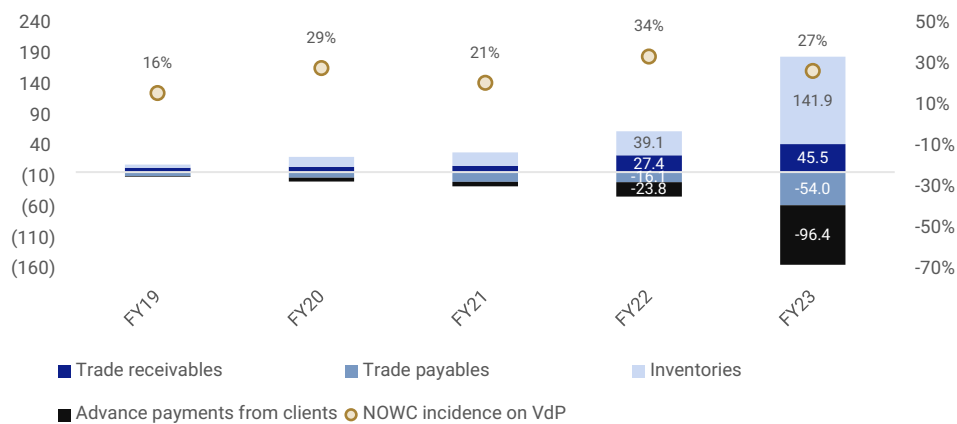
NOWC growing in line with the VoP

Net Operating Working Capital stood at €37.0mln at the end of 2023 (from €26.6mln at the end of 2022), including €45.5mln of Trade Receivables, €54.0mln of Trade Payables, €141.9mln of Inventories and €96.4mln of Advance payments from clients.

Even though the item of Trade Receivables increased by approximately 66% yoy, the Company does not believe that past due receivables may have any doubts as to their collectability and, therefore, as of 31 December 2023, it did not set aside any allowance for doubtful accounts. These receivables are almost entirely due from customers in Italy (98%) and the remainder is all due from other EU customers.

The rise in Inventories is mainly due to fluctuations in work in progress; the increase in this item is the result of the significant growth in job orders, which has a twofold significance: both in terms of the total amount of the contract order and, consequently, in terms of longer completion times. Nevertheless, the NOWC as a percentage of the value of production fell to 27% thanks to the parallel increase in Trade payables and Advance payments from clients.

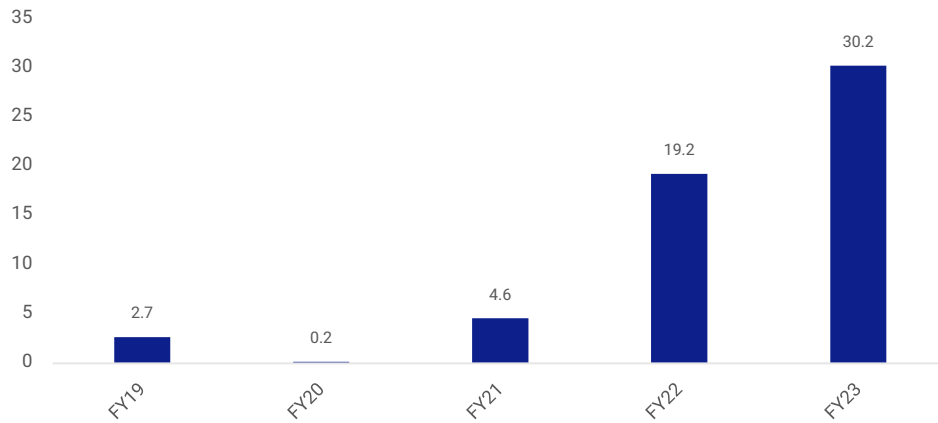
Figure 28: Net Operating Working Capital 2019-23 (€/mln)



Source: Banca Profilo elaborations on Company data

**Net Debt at €30.2mln
in December 2023**

At the end of December 2023, the reported Net Debt was €30.2mln, up from €19.2mln in 2022. The resources collected were used to build the Comal's tracker production plant, located in the Enel "Alessandro Volta" plant in Montalto di Castro, as well as for the optimization of raw material procurement and for investments focused on sustainability and research to improve the efficiency of the entire production process.

Figure 29: Net Debt (Cash) 2019-23 (€/mln)

Source: Banca Profilo elaborations on Company data

Table 3: Balance Sheet 2019-23 (€/mln)

Balance Sheet (€/mln)					
	FY19*	FY20	FY21	FY22	FY23
Intangible assets	0.1	1.7	1.5	2.2	3.1
Tangible fixed assets	5.7	5.8	9.5	9.9	11.6
Financial assets	0.0	0.0	0.1	0.3	0.3
Fixed Assets	5.9	7.5	11.1	12.4	15.1
Inventories	5.5	16.1	21.8	39.1	141.9
<i>% on VoP</i>	<i>19.2%</i>	<i>52.0%</i>	<i>51.9%</i>	<i>50.3%</i>	<i>104.2%</i>
Trade receivables	6.9	8.4	10.3	27.4	45.5
<i>% on VoP</i>	<i>23.7%</i>	<i>27.1%</i>	<i>24.3%</i>	<i>35.2%</i>	<i>33.4%</i>
Trade payables	(6.4)	(9.2)	(15.7)	(16.1)	(54.0)
<i>% on COGS w/o labour cost</i>	<i>26.3%</i>	<i>37.6%</i>	<i>47.5%</i>	<i>25.9%</i>	<i>47.7%</i>
Net Operating Working Capital	6.0	15.2	16.4	50.4	133.4
<i>% on VoP</i>	<i>20.8%</i>	<i>49.2%</i>	<i>38.9%</i>	<i>64.8%</i>	<i>98.0%</i>
Other current assets	0.9	1.4	1.0	1.5	5.8
Other current liabilities	(5.3)	(11.1)	(10.0)	(27.7)	(102.4)
Net Working Capital	1.6	5.5	7.4	24.2	36.8
<i>% on VoP</i>	<i>5.4%</i>	<i>17.8%</i>	<i>17.5%</i>	<i>31.1%</i>	<i>27.0%</i>
Non-current assets	0.0	0.0	0.0	0.3	0.1
Non-current liabilities	(2.8)	(1.7)	(1.6)	(1.9)	(1.9)
Net Invested Capital	4.7	11.3	16.9	35.0	50.1
CapEx	0.6	2.0	4.5	2.1	4.3
<i>% on VoP</i>	<i>2.2%</i>	<i>6.6%</i>	<i>10.8%</i>	<i>2.7%</i>	<i>3.2%</i>
Intangible	0.5	1.6	0.2	1.0	1.4
Tangible	0.2	0.5	4.3	1.1	3.0
Share capital	0.2	0.2	0.2	0.2	0.2
Reserves and retained earnings	1.2	9.8	11.0	12.1	15.5
Group Net Income	0.7	1.2	1.2	3.4	4.1
Shareholders' Equity	2.0	11.2	12.4	15.7	19.8
Net Financial Position (Cash)	2.7	0.2	4.6	19.2	30.2

Source: Banca Profilo elaborations on Company data

Note: *Financial year 2019 is unaudited

Cash burn to support growth

Since 2020, the company has been burning cash due to the growth in working capital needed to support the ever-increasing business volumes and continuous investments.

Table 4: Free Cash Flows 2023-26 (E) (€/mln)

Free Cash Flow (€/mln)					
	FY19*	FY20	FY21	FY22	FY23
EBIT	1.9	2.4	2.2	5.8	8.3
<i>Tax rate</i>	<i>59.6%</i>	<i>42.2%</i>	<i>33.9%</i>	<i>35.6%</i>	<i>35.1%</i>
NOPAT	0.8	1.4	1.5	3.7	5.4
D&A	0.3	0.7	1.0	1.1	1.6
Changes in NOWC	1.3	(4.1)	(0.1)	(17.6)	(10.4)
CapEx	(0.6)	(2.0)	(4.5)	(2.1)	(4.3)
Free Cash Flow	1.7	(4.1)	(2.3)	(14.9)	(7.7)

Source: Banca Profilo elaborations on Company data

Note: *Financial year 2019 is unaudited

2024-26 (E) Strategy and Estimates

Strategic guidelines	Comal's future strategy is grounded in the continued significance of photovoltaics as a key driver for global energy transition and sustainable development. The outlined expansion plan, crafted by the management, is delineated through 4 strategic pillars:
Business expansion in Italy and potential entry in the UAE	(i) To expand its presence in Italy and explore potential opportunities in the United Arab Emirates (UAE). To this end, Comal has successfully completed the process establishing a company based in Dubai, marking a strategic move to directly oversee one of the most promising regions for PV plants. In the Middle East, projects typically require collaboration with a local player in a joint venture, and recognizing the importance of a physical presence, this initiative enhances Comal's ability to establish key networks and foster strategic partnerships in the region.
Investment in R&D	(ii) To remain committed to significant investments in Research and Development (R&D), focusing on refining the patented "Sun hunter" tracker, advancing agrivoltaics, digitizing PV systems and developing transformer substations. R&D activities are central to the Group, acting as a driving force for development and dimensional growth. This strategic focus, which has proved critical in achieving the current market position, positions the Group for sustainable growth and differentiation from competitors in terms of market share and benchmarking.
Process optimization for efficiency	(iii) To pursue the optimization of processes to drive efficiency, intending to streamline operations and enhance overall productivity.
Internalization of high-value production processes	(iv) To mitigate costs and increase margin, Comal plans to internalize high-value production processes, a strategic move aimed at decreasing dependency on external factors and ensuring more control over production timelines.
PV module manufacturers by 2025	In this regard, on January 8, 2024, Comal secured the "Next Appennino Measure B1.2 - B3.3" tender for constructing an advanced industrial plant in the Province of L'Aquila, dedicated to the production of cutting-edge, high-efficiency PV modules. The project involves a total investment of €16.1mln, of which €6.9mln in subsidized financing, €4.9mln in plant account contributions, €0.2mln in direct contributions, €3.0mln in bank financing/own sources provided directly by Comal and €1.1mln in ordinary financing. The construction timeline targets completion in June 2025, promising the creation of numerous job opportunities in the Abruzzo region. This strategic initiative reflects Comal's corporate evolution, transitioning from a pure EPC-M provider to a comprehensive player across the entire PV sector. This move positions Comal as one of the few fully integrated operators at the European level along the solar energy generation value chain. Emphasizing its "Made in Italy" origin, this project is poised to contribute significantly to bolstering Italy's energy capacity and reducing dependency on foreign countries for crucial elements in the PV sector.

The Company's developmental objectives, coupled with the current growth trend in its order portfolio, necessitate significant investments in production facilities and human resources, but through these strategic initiatives, Comal, already established as a major player in photovoltaic installations, seeks to maintain and expand its competitive advantage over potential rivals. This success positions the Company well to navigate increased demand and capitalize on emerging market opportunities.

Our 2024-26 estimates

VoP to grow at a CAGR of 21% 2023-26 (E)

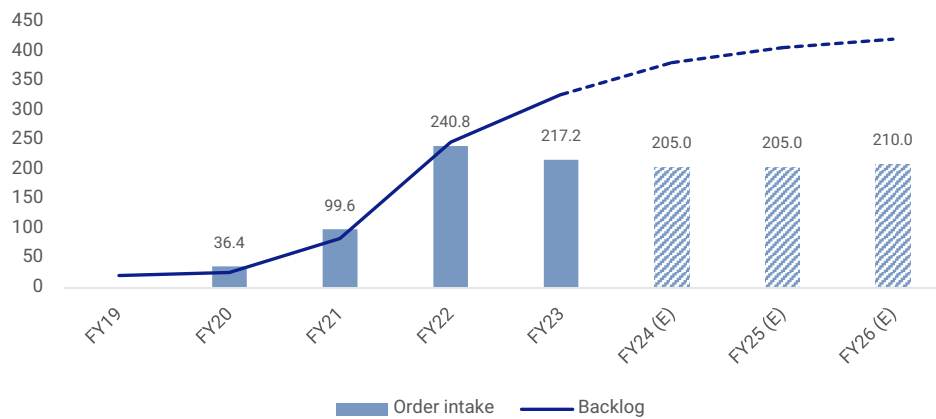
In light of the continued growth of contracts in the order backlog, we expect a further significant increase in production value and economic results in the near future.

The order backlog of €328mIn at 31 December 2023 gives us visibility on the expected production values for 2024, in particular we estimate a conservative deployment rate of 46%, leading to an expected production value of €151.5mIn in 2024. For the following years, we assume a stable volume of new orders per year, supported by robust market demand, and expect the deployment rate to improve to 48% in 2026.

Furthermore, we factor in the projected revenues from PV module sales, set to commence in June 2025 coinciding with the inauguration of the new factory. Our projections suggest a €10mIn uptick in production value for 2025, surging to €45mIn by 2026 upon reaching full production capacity.

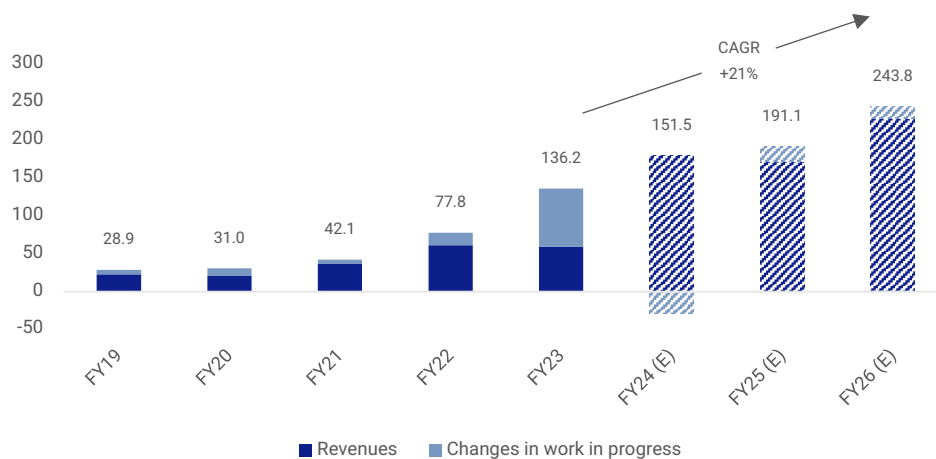
As a result, we anticipate the Company to align its growth trajectory with that of its Italian reference market, specifically the PV utility-scale systems sector, projected by the IEA to expand at a CAGR of 22% 2024-26 (E).

Figure 30: New order intake and Backlog evolution 2019–26 (E) (€/mIn)



Source: Banca Profilo elaborations and estimates on Company data

Figure 31: Revenue and Value of Production 2019–26 (E) (€/mIn)



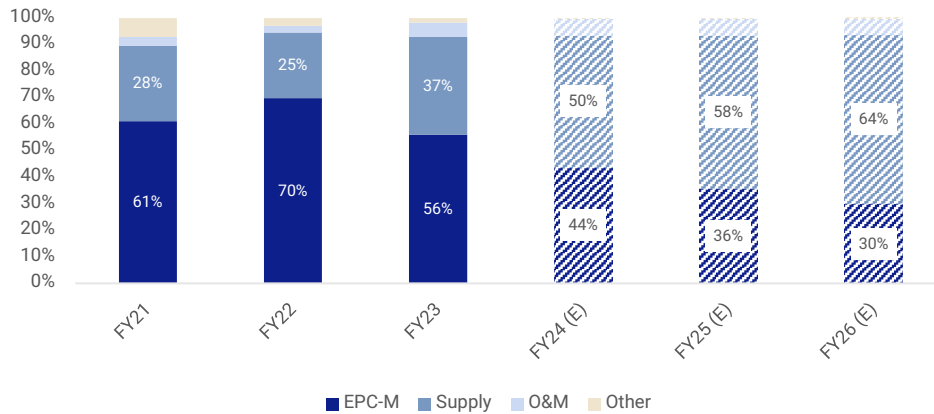
Source: Banca Profilo elaborations and estimates on Company data

Production mix shifted towards Supply

In regards to the production mix, the Company foresees a significant increase in the share of revenue derived from Supply, which surged to 37% in 2023. This trajectory is poised to intensify in the coming years, propelled by the recent scaling up of solar tracker manufacturing capacity and the next launch of the PV modules production line. Our estimate suggests the segment's contribution will exceed 60% in 2026. While the incidence of O&M activities will continued to be limited, it is expected to grow, displacing activities still associated with the maintenance of power generation plants from conventional sources.

The Group's aim is to increase the autonomy of each business over the coming years, with the core objective of isolating risks and capitalising on opportunities.

Figure 32: Revenue breakdown by segment 2021–26 (E) (€/mln)



Source: Banca Profilo elaborations and estimates on Company data

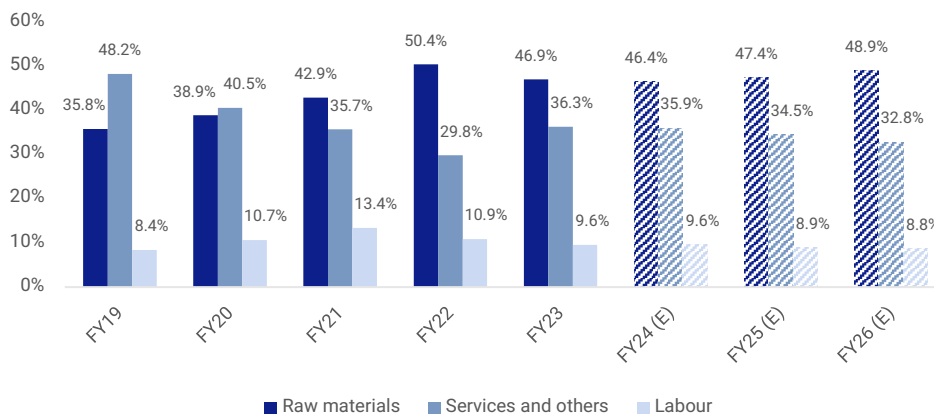
Cost structure unchanged but improving

We expect the impact of raw material costs impact on the value of production to remain elevated.

Given the recent almost doubling Group's headcount, which increased from 164 at the end of 2022 to 302 at the end of 2023, and the recent completion of the tracker factory, we project that labour costs will experience efficiency gains due to the learning curve over the forthcoming years, further reducing their impact on the value of production.

Lastly, we estimate that services and other costs will slowly decrease from the levels observed in 2023 in line with the expected reduction in the significance of EPC-M activities, whose subcontracting contracts currently represent the category's most impactful cost.

Figure 33: Incidence of costs on VoP 2019–26 (E)

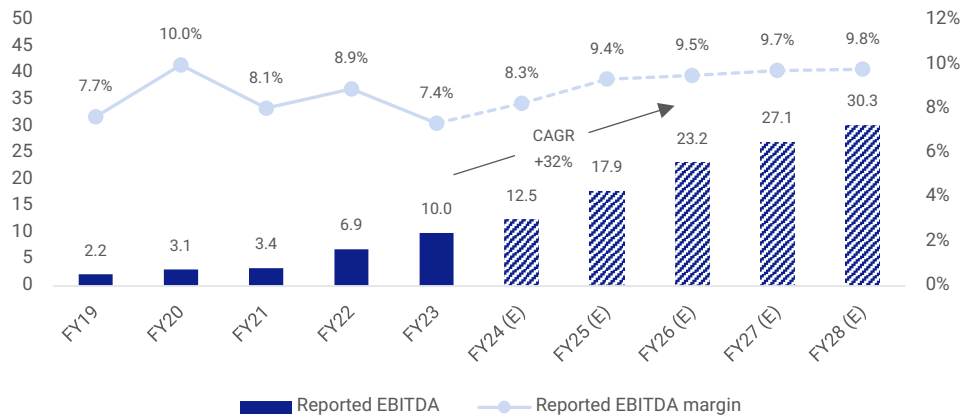


Source: Banca Profilo elaborations and estimates on Company data

EBITDA to reach €23.2m in FY26 (E) with a 9.5% margin

In 2024, we forecast EBITDA to increase to €12.5m from €10.0m in 2023, with an expected margin improvement of 90bps to 8.3%. We forecast EBITDA to reach €23.2m in 2026, with a margin of 9.5%, driven by revenue growth and productivity improvements.

Figure 34: EBITDA (€/mln) and EBITDA margin on VoP 2019-26 (E)

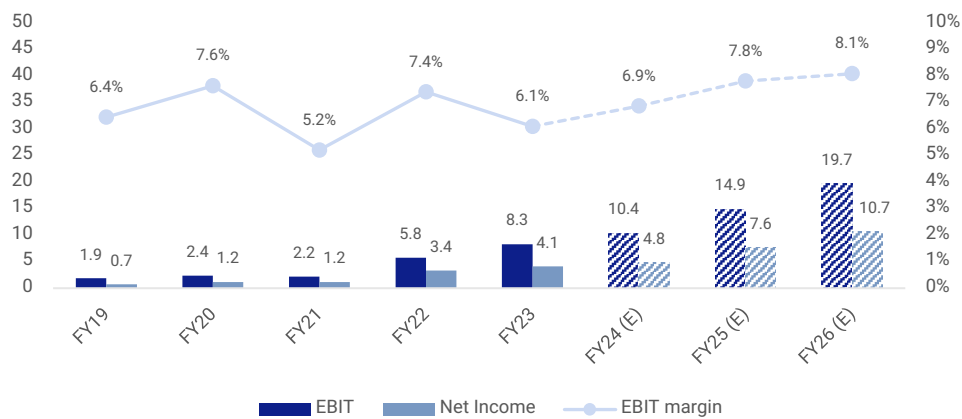


Source: Banca Profilo elaborations and estimates on Company data

Net Income to reach €10.7m in FY26 (E)

We end with a Net Income CAGR of 37% over 2023-26 (E): it is expected to rise from €4.1m in 2023 to €10.7m in 2026 (E). We assume that Comal will not pay any dividends during this period.

Figure 35: EBIT, Net Profit (€/mln) and EBIT margin 2019-26 (E)



Source: Banca Profilo elaborations and estimates on Company data

Table 5: Pro forma Income Statement 2023-26 (E)

		Profit & Loss (€/mln)			
		FY23	FY24 (E)	FY25 (E)	FY26 (E)
EPC-M		33.2	78.5	61.3	68.4
	<i>% on Revenues</i>	56.1%	43.7%	35.8%	29.9%
O&M		3.2	11.1	11.2	14.1
	<i>% on Revenues</i>	5.4%	6.2%	6.5%	6.2%
Supply		21.8	89.6	98.7	145.8
	<i>% on Revenues</i>	36.7%	49.8%	57.5%	63.8%
Other		1.0	0.6	0.3	0.2
	<i>% on Revenues</i>	1.8%	0.3%	0.2%	0.1%
Revenue		59.3	179.9	171.5	228.5
	<i>yoy</i>	-3.0%	203.5%	-4.6%	33.2%
Value of Production		136.2	151.5	191.1	243.8
	<i>yoy</i>	75.1%	11.2%	26.1%	27.6%
Cost of raw materials		(63.9)	(70.1)	(90.5)	(119.3)
	<i>% on VoP</i>	46.9%	46.3%	47.4%	48.9%
Gross Profit		72.3	81.4	100.6	124.6
	<i>Gross margin</i>	53.1%	53.7%	52.6%	51.1%
Cost of services		(45.2)	(50.0)	(60.4)	(73.5)
	<i>% on VoP</i>	33.2%	33.0%	31.6%	30.1%
Lease and rentals cost		(2.9)	(3.3)	(4.1)	(5.3)
	<i>% on VoP</i>	2.2%	2.1%	2.2%	2.2%
Other operating expenses		(1.1)	(1.1)	(1.1)	(1.1)
	<i>% on VoP</i>	0.8%	0.7%	0.6%	0.5%
Added Value		23.0	27.0	35.0	44.7
	<i>% on VoP</i>	16.9%	17.8%	18.3%	18.3%
Labour cost		(13.0)	(14.5)	(17.1)	(21.5)
	<i>% on VoP</i>	9.6%	9.6%	8.9%	8.8%
EBITDA		10.0	12.5	17.9	23.2
	<i>EBITDA margin</i>	7.4%	8.3%	9.4%	9.5%
D&A		(1.6)	(2.1)	(2.9)	(3.5)
	<i>% on VoP</i>	1.2%	1.4%	1.5%	1.4%
Provisions and write-downs		(0.1)	(0.1)	(0.1)	(0.1)
	<i>% on VoP</i>	0.1%	0.0%	0.0%	0.0%
EBIT		8.3	10.4	14.9	19.7
	<i>EBIT margin</i>	6.1%	6.9%	7.8%	8.1%
Financial income and expenses		(1.9)	(3.0)	(3.3)	(3.4)
	<i>% on VoP</i>	1.4%	2.0%	1.7%	1.4%
Financial asset adjustments		0.0	0.0	0.0	0.0
	<i>% on VoP</i>	0.0%	0.0%	0.0%	0.0%
EBT		6.4	7.4	11.6	16.3
	<i>Pretax margin</i>	4.7%	4.9%	6.1%	6.7%
Taxes		(2.2)	(2.6)	(4.0)	(5.7)
	<i>Tax rate</i>	35.1%	34.7%	34.7%	34.7%
Net Income		4.1	4.8	7.6	10.7
	<i>Net Profit margin</i>	3.0%	3.2%	4.0%	4.4%

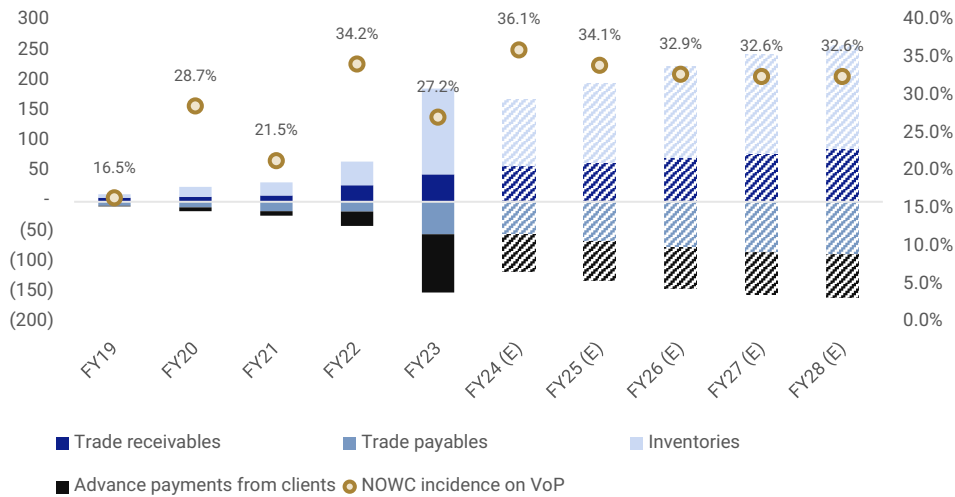
Source: Banca Profilo elaborations and estimates on Company data

Increasing NOWC to assist the organic business growth

In 2024 we expect an increase in NOWC as a percentage of the Production of Value, mainly due to an easing of the dynamics observed in 2023 regarding operating working capital liabilities, and thus a decrease in the number of days of payables and in Advance payments from clients. Going forward we then expect a stabilization in NOWC as a percentage of VoP in

the ensuing years at 2022 levels. Our projections indicate an increase in NOWC from €37.0m in 2023 to €54.7 in 2024, comprising €60.2m of Trade Receivables, €54.6m of Trade Payables, €110.0m of Inventories and €60.9m of Advance payments from clients. Overall, we expect its incidence on Value of Production to be 32.9% in 2026 (E).

Figure 36: Net Operating Working Capital 2019-26 (E) (€/mIn)



Source: Banca Profilo elaborations and estimates on Company data

€15.2mIn CapEx plan focused on tangible assets

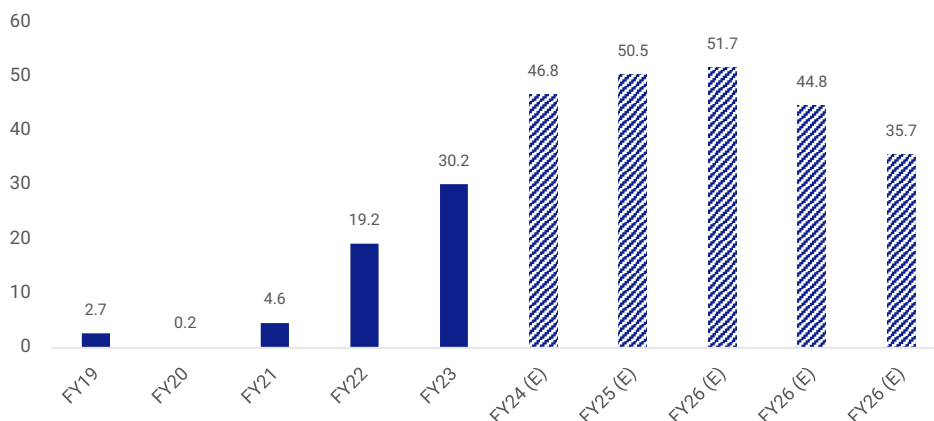
We forecast cumulative CapEx of €15.2mIn over the period 2024-26 (E), mostly in tangible assets which will be grounded in 2024 and 2025 for the construction of the PV module factory in L’Aquila. More specifically, we forecast €5.6mIn of CapEx in 2024 (E), €7.9mIn in 2025 and €1.7mIn in 2026 related only to ordinary maintenance.

Net debt peaking at €51.7mIn in FY26 (E)

Our estimates imply a further increase in Net Debt throughout the period, reaching €51.7mIn by the conclusion of 2026 before embarking on a downward trajectory.

Due to substantial investments and exponential growth in recent years, the Company’s financial condition is under significant strain, reflected in a Net Debt to EBITDA ratio of 3.0x in FY23. According to our projections, this ratio is anticipated to climb to 3.7x in FY24 (E) before beginning to decline in subsequent years, potentially reaching 2.2x by FY26 (E).

Figure 37: Net Debt (Cash) 2019-26 (E) (€/mIn)



Source: Banca Profilo elaborations and estimates on Company data

Table 6: Pro Forma Balance Sheet 2023-26 (E) (€/mln)

Balance Sheet (€/mln)				
	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Intangible assets	3.1	2.8	2.5	2.3
Tangible fixed assets	11.6	15.6	20.8	19.3
Financial assets	0.3	0.3	0.3	0.3
Fixed Assets	15.1	18.7	23.6	21.9
Inventories	141.9	110.0	130.9	150.3
<i>% on VoP</i>	<i>104.2%</i>	<i>72.6%</i>	<i>68.5%</i>	<i>61.6%</i>
Trade receivables	45.5	60.2	65.4	73.5
<i>% on VoP</i>	<i>33.4%</i>	<i>39.7%</i>	<i>34.2%</i>	<i>30.1%</i>
Trade payables	(54.0)	(54.6)	(66.3)	(76.4)
<i>% on COGS w/o labour cost</i>	<i>47.7%</i>	<i>43.8%</i>	<i>42.5%</i>	<i>38.4%</i>
Advance payments from clients	(96.4)	(60.9)	(64.9)	(67.2)
<i>% on VoP</i>	<i>47.7%</i>	<i>43.8%</i>	<i>42.5%</i>	<i>38.4%</i>
Net Operating Working Capital	37.0	54.7	65.1	80.2
<i>% on VoP</i>	<i>27.2%</i>	<i>36.1%</i>	<i>34.1%</i>	<i>32.9%</i>
Other current assets	5.8	6.3	5.8	7.2
Other current liabilities	(6.0)	(6.5)	(10.0)	(12.9)
Net Working Capital	36.8	54.6	60.9	74.6
<i>% on VoP</i>	<i>27.0%</i>	<i>36.1%</i>	<i>31.9%</i>	<i>30.6%</i>
Non current assets	0.1	0.1	0.1	0.1
Non current liabilities	(1.9)	(1.9)	(1.9)	(1.9)
Net Invested Capital	50.1	71.5	82.7	94.6
CapEx	4.3	5.6	7.9	1.7
<i>% on VoP</i>	<i>3.2%</i>	<i>3.7%</i>	<i>4.1%</i>	<i>0.7%</i>
Intangible	1.4	0.1	0.1	0.2
Tangible	3.0	5.5	7.7	1.5
Share capital	0.2	0.2	0.2	0.2
Reserves and retained earnings	15.5	19.6	24.4	32.0
Group Net Income	4.1	4.8	7.6	10.7
Shareholders' equity	19.8	24.6	32.2	42.9
Net Financial Position (Cash)	30.2	46.8	50.5	51.7

Source: Banca Profilo elaborations and estimates on Company data

Positive FCFs starting from FY26 (E)

We estimate positive FCFs starting from 2026 at €1.1mln. Cumulatively, for the period of 2024-26 (E), FCFs are projected at €(17.1)mln, including €15.2mln of CapEx and an increase in NOWC amounting to €43.2mln.

Table 7: Pro Forma Free Cash Flows 2023-26 (E) (€/mln)

Free Cash Flow (€/mln)				
	FY23	FY24 (E)	FY25 (E)	FY26 (E)
EBIT	8.3	10.4	14.9	19.7
<i>Tax rate</i>	<i>35.1%</i>	<i>26.9%</i>	<i>26.9%</i>	<i>26.9%</i>
NOPAT	5.4	7.6	10.9	14.4
D&A	1.6	2.1	2.9	3.5
Changes in NOWC	(10.4)	(17.7)	(10.4)	(15.1)
CapEx	(4.3)	(5.6)	(7.9)	(1.7)
Free Cash Flow	(7.7)	(13.7)	(4.4)	1.1

Source: Banca Profilo elaborations and estimates on Company data

Key Risk

	TYPE OF RISK	DESCRIPTION
EXTERNAL CONTEXT	<i>Ukraine war:</i> - high likelihood - low impact	Comal excludes that it may be subject to risks directly related to the war in Ukraine because it has no direct relationship with the warring nations: there are no current customers and/or current suppliers from Russia or Ukraine. Even the securities it holds in its portfolio have not been issued by either Russia or Ukraine.
	<i>Obsolescence:</i> - low likelihood - medium impact	High level of technological innovation in the Solar PV industry. Risk of having obsolete equipment and/or products compared to competitors.
	<i>Changes in regulations and incentives:</i> -medium-low likelihood -medium impact	Potential risk of contraction in demand deriving from changes in regulations and or incentives regarding Solar PV industry and renewable energy.
	<i>Procurement process risk:</i> - medium likelihood - medium impact	Most contracts are acquired through competitive bidding or invitations to tender. Thus, business activity is dependent on the ability to win contracts in an extremely competitive environment. The complexity of the tendering process means that significant resources (in terms of man-hours and financial means) are required in the preliminary stages of the contract award process, the cost of which may not be recoverable in the event of an unsuccessful award.
BUSINESS & STRATEGY EXECUTION	<i>Liquidity risk:</i> - medium likelihood - high impact	Liquidity risk takes the form of the possibility that a client will not meet its contracted obligations on the due dates. Management's choices to expand and diversify its customer portfolio, together with careful selection of its customers, are aimed at minimizing this risk. Even in the event of delays in the collection of receivables, the characteristics of the short-term financial assets held (trade receivables with reliable customers, verified tax receivables), substantial liquidity availability and substantial bank credit facilities ensure Comal's ability to meet the maturities of short-term financial liabilities without distress.
	<i>Personnel risk:</i> - high likelihood - medium impact	Retention of management and key people, especially engineers who, due to their well-established experience in the field or within the scope of their specific expertise, contribute significantly to the development of the Company's activities.
	<i>Rapid growth management:</i> - medium-low likelihood - medium-low impact	The prospect of high growth will entail an increase in technology and human capital investments compared to the current organisational structure. Should the actual growth in the coming years turn out to be lower than budgeted, Comal's ability to repay the investments in the organisational structure could be impaired, with consequent negative effects on its growth prospects as well as on its results.

Table 8: Risk matrix

Impact	Very high					
	High			Liquidity risk		
	Medium	Obsolescence	Changes in regulations and incentives	Procurement process risk	Personnel risk	
	Medium-Low		Rapid growth management			
	Low				Ukraine War	
Potential impact on the business VS likelihood of occurrence		Low	Medium-Low	Medium	High	Very high
		Likelihood				

Source: Banca Profilo elaborations on Company data

Valuation

DCF method and market multiples

Up until 2023, Comal has been burning cash to support its rapid growth, and we foresee continued negative cash flows for 2024 and 2025, especially given the significant new investments planned for the construction of the PV modules factory. However, we expect a turnaround with improved NOWC as early as next year, paving the way for the generation of positive FCFs from 2026 onwards. Leveraging this projection, we have employed a Discounted Cash Flow (DCF) method for valuation. In addition, we have curated a selection of international listed companies, referred to as peers, aligning with Comal's profile. This allows us to establish an appropriate sample for relative valuation using market multiples.

In both cases we use the estimated Net Debt at the end of 2024, which differs significantly from the FY23 figure due to the investments required for the construction of the new plant in L'Aquila.

DCF valuation

DCF assumptions: 2024-28 (E) €2.8mln of cumulated FCFs

To run the DCF model, we used our projections of FCFs for the 2024-28 (E) explicit period: €2.8mln of cumulated FCFs. We would consider the 2026-28 (E) average FCF of €7.0mln as the Terminal Value cash flow.

7.8% WACC

We would use an 7.8% WACC, derived from:

- risk free rate at 4.4%, as implicitly expected by consensus on the 30Y Italian BTP yield curve (moving average of the last 100 days);
- market risk premium equal to 5.5%;
- an unlevered beta of 0.7 coming from the average of chosen listed peers;
- target Debt to Equity structure, with 40% weight of Equity.

Table 9: WACC calculation

WACC Calculation	
Perpetual growth rate	2.0%
WACC	7.8%
Risk free rate (30Y)	4.4%
Equity risk premium	5.5%
Beta	1.5
KE	13%
Cost of debt	6.5%
Tax rate	26.9%
KD	4.7%

Table 10: DCF valuation (€/mln)

	DCF Valuation (€/mln)					
	FY24 (E)	FY25 (E)	FY26 (E)	FY27 (E)	FY28 (E)	Over
Free Cash Flow	(13.7)	(4.4)	1.1	8.6	11.3	7.0
Years	1	2	3	4	5	
Discount factor	0.93	0.86	0.80	0.74	0.69	
NPV Free Cash Flows	(12.7)	(3.8)	0.8	6.4	7.7	
Sum of NPVs						(1.6)
Terminal Value						119.2
NPV Terminal Value						95.1
Enterprise Value						93.5
Net Debt as of end 2024						46.8
Equity Value						46.6
Number of shares (mln)						11.5
Per share value (€)						4.1
Current price (€)						3.6

Source: Banca Profilo elaborations and estimates on Company data

DCF valuation: €4.1/share

The DCF method leads us to an Enterprise Value of €93.5mln and to an Equity Value of €46.6mln showing a fair value of €4.1/share.

Market multiples

EV/EBITDA multiples

To assess a relative valuation of Comal through the market multiples relative approach, we selected a sample of listed national and international EPC contractors active in the renewables sector, though not exclusively, and international manufacturers specializing in solar trackers.

Our selected sample comprises: PLC S.p.A., ESI S.p.A., Grenergy Renovables SA, OX2 AB and Quanta Services Inc. for the former category, and Soltec Power Holdings SA, Nextracker Inc, and Array Technologies Inc for the latter category.

Table 11: Comal and peers multiples

Comparables	
11/04/2024	FY24
PLC S.p.A.	9.8x
ESI S.p.A.	7.3x
Grenergy Renovables S.A	11.1x
OX2 AB	6.2x
Quanta Services, Inc.	18.6x
Median	9.8x
Soltec Power Holdings SA	3.8x
Nextracker Inc. Class A	19.0x
Array Technologies Inc	8.7x
Median	8.7x
Median	9.3x
Comal S.p.A.	5.8x

Table 12: Relative valuation

Valuation on EV/EBITDA market multiples (€/mln)	
	FY24
EV/EBITDA	9.3x
EBITDA	12.5
Enterprise Value	115.8
Net Debt as of end 2024	46.8
Equity Value	69.0
Number of shares (mln)	11.5
Price per share (€)	6.0
Current price (€)	3.6

Source: Banca Profilo elaborations and estimates on Company data

Median FY24 EV/EBITDA at 9.3x

To compute valuation through market multiples, we use the median FY24 EV/EBITDA at 9.3x (as of April 11, 2024).

Market multiples valuation: €6.0/share

The relative method leads us to an Enterprise Value of €115.8mln and to an Equity Value of €69.0mln or €6.0/share.

BUY with 12-month price target at €5.0

We took the simple average of the DCF and multiple valuation and end up with a TP of €5.0/share. Given the potential upside on Comal closing price (as of April 11, 2024), we set a BUY recommendation.



Comal S.p.A.

ID Card

Recommendation

Target Price

Upside

BUY

5.0 €

40%

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Company Overview

Established in 2001 and headquartered in Montalto di Castro (VT), Comal is a leading player in Italy's solar energy systems sector. Specializing in delivering high-power photovoltaic (PV) plants, the

Company employs the EPC-M (Engineering, Procurement, Construction Management) and O&M (Operation & Maintenance) formulas, covering the entire project lifecycle - from design and construction to

installation, testing, commissioning and ongoing maintenance. Recently, Comal expanded its offerings by introducing a new business line focused on supplying solar trackers, leveraging its proprietary

technology previously integrated into the EPC-M offering. Additionally, Comal the company plans to enhance vertical integration by starting in-house manufacturing of PV modules from 2025.

The Company is listed on the Euronext Growth Milan segment of the Italian Stock Exchange and Virtutis Solaris S.r.l., a company owned by Alfredo Balletti (Comal CEO) and Fabio Rubeo (BoD Director and

Investor Relator of Comal), holds a 23.3% stake in the shares. Free Float stands at 54%.

SWOT Analysis

Strengths

- Know-how and proven track record in delivering projects with the EPC-M formula
- A growing portfolio of orders
- Close commercial relationships over the national territory
- Patent for advanced and highly technological tracker device
- Booming underlying market
- Vertical integration

Opportunities

- International expansion
- Strengthening O&M by capitalising on revamping needs
- Diversification in other renewable technologies

Weaknesses

- Strong exposure to a single country (Italy) and technology (solar PV)
- Rising financing costs
- High exposure to the regulatory framework
- Financial risks arising from the back-end-loaded cash generation profile of the business
- Dependence on capital-intensive bidding process to win new contracts
- Strong competition and reduction of the added value in full EPC contracts

Threats

- Regulatory and technological changes
- Impressive growth to be managed
- Difficulties in finding qualified personnel in the areas where the company operates
- Weather-related risks in the EPC-M business

Main catalysts



Booming reference market incentivised by governments
Commencing production of Italian-made PV modules effective 2025
Geographical expansion in UAE

Main risks



Fragile financial footing characterized by considerable debt burden
Potential contraction of demand resulting from the development of new technologies or regulatory changes
Future positive cash flows depend heavily on optimizing working capital, a goal that remains unmet thus far

Comal S.p.A. ID Card

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Recommendation

BUY

Target Price

5.0 €

Upside

40%

Main financial data

(€/mln)	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Value of Production	77.8	136.2	151.5	191.1	243.8
<i>yoy</i>	84.6%	75.1%	11.2%	26.1%	27.6%
Gross Profit	38.6	72.3	81.4	100.6	124.6
<i>Gross margin</i>	49.6%	53.1%	53.7%	52.6%	51.1%
EBITDA	6.9	10.0	12.5	17.9	23.2
<i>EBITDA margin</i>	8.9%	7.4%	8.3%	9.4%	9.5%
EBIT	5.8	8.3	10.4	14.9	19.7
<i>EBIT margin</i>	7.4%	6.1%	6.9%	7.8%	8.1%
EBT	5.2	6.4	7.4	11.6	16.3
<i>Pretax margin</i>	6.7%	4.7%	4.9%	6.1%	6.7%
Net Income	3.4	4.1	4.8	7.6	10.7
<i>Net Profit margin</i>	4.3%	3.0%	3.2%	4.0%	4.4%
Net Financial Position (Cash)	19.2	30.2	46.8	50.5	51.7
Shareholders' equity	15.7	19.8	24.6	32.2	42.9
Net Operating Working Capital	26.6	37.0	54.7	65.1	80.2
CapEx	2.1	4.3	5.6	7.9	1.7
Free Cash Flow	(14.9)	(7.7)	(13.7)	(4.4)	1.1

Activity ratios

	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Days of inventory On Hand (DOH)	184	380	265	250	225
Days of Sales Outstanding (DSO)	129	122	145	125	110
Number of days of payables	94	174	160	155	140
Fixed Assets Turnover ratio (FAT)	6.3	9.0	8.1	8.1	11.2

Liquidity ratios

	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Current ratio	1.4	1.1	1.4	1.4	1.5
Cash conversion cycle	218	328	250	220	195

Solvency ratios

	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Net Debt (Cash)-to-Equity	1.2x	1.5x	1.9x	1.6x	1.2x
Net Debt (Cash)-to-EBITDA	2.8x	3.0x	3.7x	2.8x	2.2x
Interest Coverage ratio	10.8x	4.3x	3.4x	4.5x	5.9x

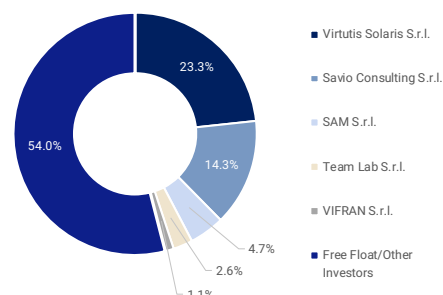
Profitability ratios

	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Return On Invested Capital (ROIC)	10.6%	10.8%	10.6%	13.2%	15.2%
Return On Capital Employed (ROCE)	3.6%	1.9%	3.3%	4.0%	4.8%

Company Description

Company Sector	Process Plants, Utilities and Energy Construction
Price (as of April 12, 2024)	3.6
Number of shares (mln)	11.5
Market Cap (€/mln)	41.7
Reference Index	FTSE Italia Growth Index
Main Shareholders	Virtutis Solaris S.r.l.
Daily Average Volumes	33,721
Sample of comparables	PLC (IT), ESI (IT), Greenergy Renovables (ES), OX2 (SE), Quanta Services (US), Soltec Power Holdings (ES), Nexttracker (US) and Array Technologies (US)

Shareholder Structure



Data of peers

Median	FY22	FY23	FY24 (E)	FY25 (E)
Sales growth (yoy)	43.7%	6.9%	28.2%	18.4%
EBITDA margin	8.1%	12.3%	12.9%	12.2%

Multiples of peers

Median	FY24 (E)	FY25 (E)
EV/EBITDA	9.3x	6.3x

Source: Bloomberg, Facset, Banca Profilo estimates and elaborations

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THE BANK PUBLISHES ON ITS WEBSITE WWW.BANCAPROFILO.IT, ON A QUARTERLY BASIS, THE PROPORTION OF ALL RECOMMENDATIONS THAT ARE 'BUY', 'HOLD', 'SELL' OR EQUIVALENT TERMS OVER THE PREVIOUS 12 MONTHS, AND THE PROPORTION OF ISSUERS CORRESPONDING TO EACH OF THOSE CATEGORIES TO WHICH SUCH PERSON HAS SUPPLIED MATERIAL SERVICES OF INVESTMENT FIRMS SET OUT IN SECTIONS A AND B OF ANNEX I TO DIRECTIVE 2014/65/EU OVER THE PREVIOUS 12 MONTHS.

ADDITIONAL INFORMATION

THE BANK PROVIDES ALL OTHER ADDITIONAL INFORMATION, ACCORDING TO ARTICLE 114, PARAGRAPH 8 OF LEGISLATIVE DECREE 58/98 ("FINANCIAL DECREE") AND COMMISSION DELEGATED REGULATION (EU) 2016/958 AS OF 9 MARCH 2016 (THE "COMMISSION REGULATION") ON THE RELEVANT SECTION OF ITS WEBSITE (WWW.BANCAPROFILO.IT, IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA").