

Initiation of coverage
Buy

19 January 2018 – 5:30PM

MARKET PRICE: **EUR0.32**

TARGET PRICE: **EUR0.41**
Energy services
Data

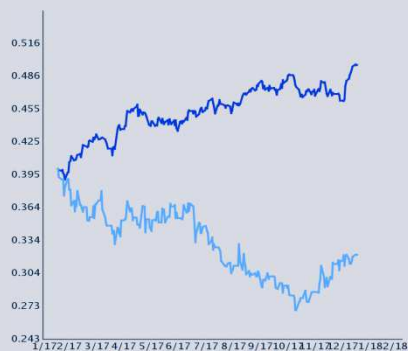
Shares Outstanding (m):	63.51
Market Cap. (EURm):	20.0
Enterprise Value (EURm):	39.5
Free Float (%):	23.9%
Av. Daily Trad. Vol. (m):	0.09
Main Shareholder:	Mr. Rinaldi 40.2%
Reuters/Bloomberg:	AGA.MI AGA IM
52-Week Range (EUR)	0.26 0.39

Source: Factset, UbiBanca estimates

Performance

	1m	3m	12m
Absolute	6.0%	9.7%	-18.8%
Rel. to FTSE IT	1.1%	4.7%	-38.7%

Source: Factset

Graph area Absolute/Relative 12 M


Source: Factset

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Ready to start

We initiate coverage of Agatos, a leading EPC company for the construction of renewable feedstock power plants (photovoltaic, hydro, biomass, bio-fuel, mini wind), with a Buy rating and a target price of EUR0.41 per share. In our view, the current share price does not reflect the potential of Agatos for the following reasons: 1) the company is embarking on a new cycle as project developer and EPC contractor, focused on the exploitation of its innovative and patented waste-to-biomethane gas BIOSIP process. A first plant has been permitted and the permit is "shovel-ready" and construction of this plant as EPC could generate revenues of >EUR15 million, further EPC contracts for projects of a similar size could be added in future, 2) the company has a pipeline of products and applications being developed and patented in its R&D facilities and offers a wide service range covering almost the entire renewable energy industry and should therefore be able to win new tenders assisted by leveraging on its track record (>500 plants already realized) and the partnership with ENEL, 3) the reference market is growing, particularly for energy efficiency and biogas segments that are the core activities of Agatos. In addition, the upcoming issue of free warrants (one every two shares) with an attractive strike price increases the appeal of the share. The company is exposed to certain significant risks mostly related to low visibility on the conversion of new contracts into revenues, a small number of key employees which could limit Agatos' capacity to expand and possible changes in the regulatory framework.

- > After the reverse merger with TE Wind, resulting in its listing on the AIM segment, Agatos is set to embark on a new expansion phase: the activities inherited with TE Wind activities are likely to be gradually divested (50% capacity already sold) while the company is expected to develop significantly its EPC business, mostly due to innovative bio-methane plants, energy efficiency and O&M activity.
- > 2017 is likely to be seen as a year of transition, with stable revenues, an EBITDA margin of almost 9.4% (4.3% in 1H17). Agatos is controlled and managed by its founders: Mr. Rinaldi (40% stake), Mr. Positano (18% stake), and Mrs. Nilsson (15% stake). The free float is close to 24%.
- > We forecast a CAGR of 50% in revenues over the next three years mostly due to new contracts for building waste-to-gas plants, an EBITDA margin which could rise to 15% in 2019 and a bottom line of about EUR1.2 million. Net debt (EUR17.9 million at June-17) is expected to fall to EUR10.6 million in 2019.
- > Our target price of EUR0.41 per share is based on a DCF analysis and implies upside potential of nearly 30%.

Financials

	2016 *	2017E	2018E	2019E
Revenues (EURm)	7.47	5.50	16.68	25.29
EBITDA (EURm)	-0.60	0.52	1.96	3.78
EBITDA margin (%)	-8.1%	9.4%	11.8%	14.9%
EBIT (EURm)	-4.47	-1.08	0.60	2.38
EPS (EUR)	-0.09	-0.04	-0.01	0.02
CFPS (EUR)	-0.05	0.00	0.03	0.06
DPS (EUR)	0.00	0.00	0.00	0.00

Source: Company Data, UBI Banca Estimates * Pro-forma

Ratios

	priced on 18 January 2018			
	2016 *	2017E	2018E	2019E
P/E(x)	nm	nm	nm	17.7
P/CF(x)	-14.7	nm	15.7	6.7
P/BV(x)	1.3	1.4	1.6	1.5
Dividend Yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA(x)	0.0	74.2	19.3	9.5
Debt/Equity (x)	1.2	1.0	1.0	0.7
Debt/EBITDA (x)	-29.7	28.8	7.1	2.8

Source: UBI Banca Estimates * based on 2016 average price

Key Financials

(EURm)	2016 *	2017E	2018E	2019E
Revenues	7.47	5.50	16.68	25.29
EBITDA	-0.60	0.52	1.96	3.78
EBIT	-4.47	-1.08	0.60	2.38
NOPAT	-4.47	-1.08	0.37	1.48
Free Cash Flow	-3.93	-1.43	0.80	3.23
Net Capital Employed	33.09	29.17	27.97	25.89
Shareholders' Equity	14.72	13.44	12.90	13.54
Net Financial Position	17.90	14.84	13.84	10.61

Source: Company data, UBI Banca estimates

* Pro-forma

Key Profitability Drivers

	2016 *	2017E	2018E	2019E
Net Debt/Ebitda (x)	nm	28.8	7.1	2.8
Net Debt/Equity (x)	1.2	1.0	1.0	0.7
Interest Coverage (%)	0.0	0.0	0.0	0.0
Free Cash Flow Yield (%)	nm	nm	3.9%	15.9%
ROE (%)	-34.8%	-16.3%	-3.1%	8.5%
ROI pre-tax (%)	-13.2%	-3.3%	1.9%	8.2%
ROCE (%)	-8.2%	-2.0%	1.2%	5.1%

Source: Company data, UBI Banca estimates

* Pro-forma

Key Valuation Ratios

	2016	2017E	2018E	2019E
P/E (x)	nm	nm	nm	17.7
P/BV (x)	1.3	1.4	1.6	1.5
P/CF (x)	nm	nm	15.7	6.7
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
EV/Sales (x)	5.1	7.0	2.3	1.4
EV/EBITDA (x)	nm	74.2	19.3	9.5
EV/EBIT (x)	nm	nm	62.9	15.1
EV/CE (x)	1.1	1.3	1.4	1.4

Source: Company data, UBI Banca estimates

Key Value Drivers

(%)	2016	2017E	2018E	2019E
Payout	0.0%	0.0%	0.0%	0.0%
NWC/Sales	33.4%	124.6%	24.9%	13.7%
Capex/Sales	12.4%	25.6%	6.3%	2.0%

Source: Company data, UBI Banca estimates

Investment Case

We initiate coverage of Agatos with a Buy rating and a target price of EUR0.41 per share based on a DCF valuation, which implies potential upside of nearly 30%.

Agatos is a leading EPC (engineering, procurement, construction) company for the construction of renewable feedstock power plants (photovoltaic, hydro, biomass, bio-fuel, mini wind). Founded in 1998, the company has an excellent track record with >500 power plants realized and >80 power plants under maintenance and innovative proprietary technologies (BIOSIP, or a zero-waste bio-methane waste-to-energy plant and a new kind of photovoltaic panel). In February 2017, it completed a reverse take-over of TE Wind (a listed company active in the mini wind sector) through a capital increase of EUR14.7 million and Agatos is now controlled by Mr. Rinaldi, Mr. Positano and Mrs. Nilsson with a combined shareholding of 73%.

We believe there are several key factors that could drive share price performance in the coming months and make Agatos an attractive investment:

- Agatos is embarking on a new cycle as EPC contractor having successfully developed on behalf of a client-owned SPV a permit that allows the SPV to build on a site in the Milan area and operate a 35.000 tons/year waste-to-biomethane gas plant based on Agatos' patented zero-waste BIOSIP process. The plant is expected to be operational at the end of 2018. The development fee and the EPC contract to be awarded to Agatos by the SPV could contribute EPC revenues of around EUR15 million (more than double the level of sales expected for 2017). The company's clients plan to build further plants in the future both in Italy and in countries with a high environmental sensitivity giving a significant boost to turnover;
- The company controls the entire EPC value chain and has a wide product range covering almost the entire renewable energy industry (photovoltaic, Hydro, cogeneration, biomass, waste-to-energy, mini wind) and should therefore be in a good position to win new tenders by leveraging on its strategic partnerships, primarily with ENEL, while reducing the overall risk;
- Agatos operates in a core market, Italian renewable and energy efficiency that is growing also thanks to the newly approved National Energy Strategy. Domestic development is crucial to increasing the efficiency of the Italian grid. In addition, low environmental impact processes for the treatment of the organic fraction of urban waste are strongly needed; we therefore expect significant development of BIOSIP projects. The so called "smart grid" adopting a Distributed Generation (DG) approach (production sites close to consumption, exploitation of local renewable energy sources and cogeneration power plants), should drive the construction of additional renewable energy capacity, enhancing the opportunities for EPC companies such as Agatos.
- Further opportunities could come from the exploitation of its innovative photovoltaic panel (heliotope panel) currently under certification, and from entry into new businesses (asset management service). In addition, Agatos is gradually disposing the assets acquired in the reverse takeover of TE Wind (91 turbines installed with 3.5 MW capacity) and already sold around 50% of capacity at the end of 2017, reducing the invested capital and improving its net financial position;
- Last but not least, the free warrants (one every two shares) that should be distributed shortly present an attractive strike price (EUR0.32 in 2019, EUR0.35 in 2020 and EUR0.38 in 2021) increasing the appeal of the share.

Clearly there are certain risks associated with an investment in Agatos: there is low visibility on the conversion of new EPC contracts into revenues and this could have a material impact our estimates; Agatos has limited financial resources to support growth but finalized last December EUR1.5 million capital increase and granted approval for further capital increases up to EUR12.1 million; there is a small number of key employees which could limit Agatos' capacity to expand.

Our estimates indicate CAGR in sales of >50% in 2017-19 and an EBITDA margin that could rise to 15% in 2019 (from 9.4% in 2017). Net debt is expected to decline thanks to higher operating cash flow and the disposal of mini wind plants.

Company profile

Founded in 1998, Agatos is a traditional EPC company (Engineering, Procurement and Construction) specializing in energy production plants (mainly cogeneration that produce electricity and useful heat) from renewable sources (photovoltaic, waste-to-energy, biomass, hydroelectric, mini-hydro, mini-wind farms). The company has had a partnership arrangement with Enel since 2004 and is also partner of Enel Green Power and Enerblu (for cogeneration plants with an exclusive covering in north-east of Italy) and has an excellent track record having completed >500 plants and having >80 plants under maintenance.

What makes Agatos unique in its industry are patented technologies such as BIOSIP (an innovative waste-to-energy process based on the transformation of OFMSW, or organic fraction of municipal solid waste, and sewage sludge into bio-methane), COBSIP (biomass cogeneration plant) and the heliotrope photovoltaic panel which is light and flexible (currently under certification). Agatos has always emphasized investment in R&D (not capitalized). By participating in Consorzio Matelios, an entity that has successfully competed and received public grants for research, Agatos invests in new product development about EUR1 million p.a. representing >10% of sales. Agatos together with the Milan Polytechnic has also won a grant for the development of a new system to reduce energy consumption in water networks.

The Group operates in electricity and gas generation through the Distributed Generation (DG) approach, with cogeneration production facilities connected directly to end-users as well as to the national grid. In addition, Agatos operates in the O&M segment (Operations & Maintenance) and has a subsidiary in Romania (consolidated) for the O&M of photovoltaic plants. Moreover, it has a 20% stake in a 4.8MW photovoltaic plant (80% Enel, not consolidated) and other minorities in special purpose companies (total book value EUR2.2 million or 7% of the net invested capital), for realizing a single project, typically with a 10% stake, on which Agatos retains the O&M service.

The reverse take-over with TE Wind (realized in February 2017) allowed Agatos to be listed while entering in a new business (mini wind, or turbines that have on average 40 KW capacity each) with 91 turbines installed, a total capacity of 3.55 MW (of which 3.36 MW already connected to the grid and 3.3 MW incentivised). We estimate that activities coming from TE Wind would generate about 15% of consolidated turnover in 2017 (17.5% on pro-forma 2016) but their weight should decline following the disposal of 50% of TE Wind capacity last December and further disposals expected.

The business model is relatively straightforward:

- The company's normal activities involve acting as EPC contractor of turnkey projects in the B2B and B2C channels, to improve energy efficiency for third parties, relieving the end-user of any permitting efforts. The payments for Agatos are based on the work in progress. For B2B larger contracts preliminary activities and execution last 18 months;
- Agatos provides the engineering of the project, offers solutions for the financing (through the banking system or alternative channels) and follows all the authorization process, the connection to the grid, the procedures to get fiscal incentives and the installation of the plant;
- Generally, the company also supplies the O&M for the projects realized, typically with long term contracts;
- The company builds and manages small to mid-size cogeneration plants (from 0.2MW to 2MW of power capacity) that are normally owned and located near to

the end-customer; however, some are also built to sell electricity to the Gestore dei Servizi Energetici (GSE);

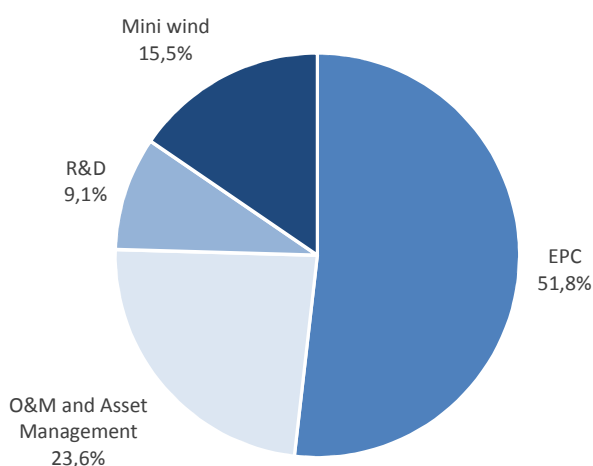
EPC activity can be divided into four segments:

- 1) Photovoltaic (generally under the "SEU", or "efficient system of user" rules or the direct connection between the photovoltaic panels installed on the roofs and the final customer without passing through the national grid, and therefore saving transmission and distribution costs);
- 2) Renewable or mini and micro hydro (<200 kW capacity), mini wind (exploiting the knowledge of TE Wind), and COBSIP or biomass cogeneration plant with hybrid technology;
- 3) Energy Efficiency (cogeneration plants fed with methane, GPL or biogas);
- 4) Bio-methane with the proprietary BIOSIP process.

Up to date photovoltaic and energy efficiency segments represented the bulk of EPC activity but bio-methane could grow significantly from 2018 onwards due to new contracts for the BIOSIP process. The company recently finalised a capital increase of EUR1.54 million which was entirely subscribed in order to support the development of BIOSIP project permits for re-sale. Agatos is expected to adopt a project-based organisation in developing its BIOSIP contracting activities, creating a dedicated SPV for each project which Agatos will sell to clients and equity sponsors and then build and operate as EPC contractor.

TE Wind has a different business model, more capital intensive, based on the sale of energy generated by proprietary mini wind farms. Following the National Energy Strategy's de-emphasising incentives for new mini-wind projects, Agatos aims to divest the proprietary wind farms (two major disposals realized at the end of 2017)

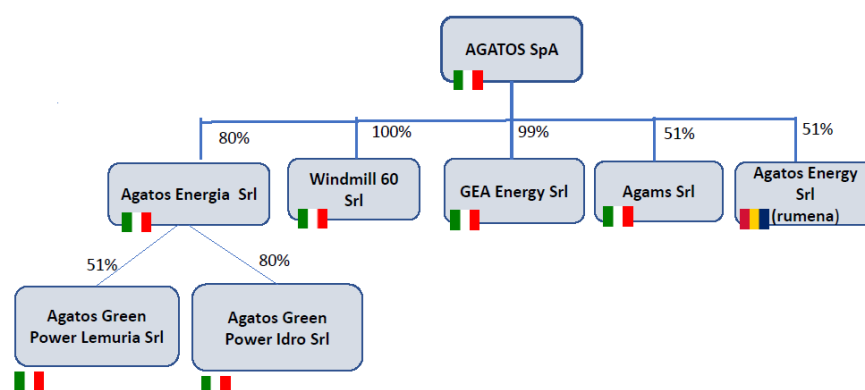
Figure 1 – Agatos: 2017E revenues breakdown



Source: UBI Banca estimates

Agatos S.p.A. acts as a holding company controlling and consolidating seven companies. However, the company has already started to dispose the companies coming from TE Wind through the sale of Windmill 60 and Reia Wind last December.

Figure 2 – Agatos: Group structure



Source: Company data

The Group's cost structure shows that raw materials represented about 13.5% of sales in 1H17. Service costs, mostly costs for EPC projects and for the O&M of the power plant accounted for about 51% of sales in 1H17 and labour costs (43 employees) were 15.7%.

The company's balance sheet contains a very significant amount for fixed assets (EUR32 million at June-17) which includes EUR12.7 million of merger-related losses allocated to goodwill, about 40% of total invested capital. Because the company applies Italian GAAP accounting rules, goodwill was subject to amortization (EUR0.37 million in 1H17).

Agatos's operating net working capital was just EUR0.2 million in 1H17 (less than 4% of revenues) and in 2016 (on pro-forma basis) the company reported 190 days for trade receivables and 6 for inventories vs. around 135 days for trade payables. Net invested capital totaled EUR37.2 million at June-17.

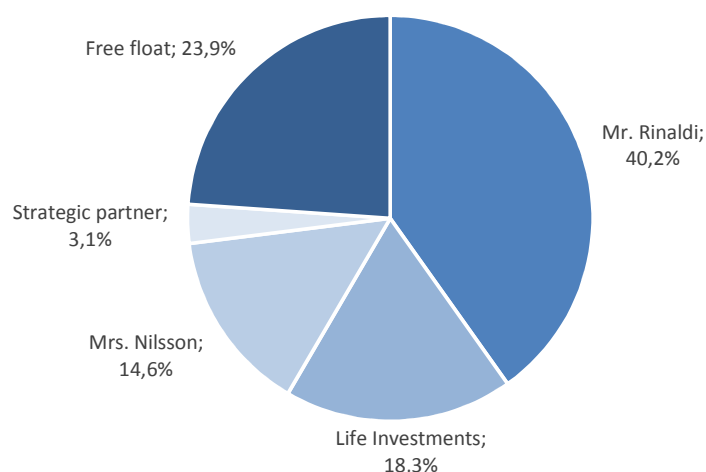
Capital employed is financed by net equity (EUR14.1 million at June-17, which grew due to the successful capital increase of EUR1.5 million finalized in December 2017 and potential further capital increases to service the new warrants worth up to EUR12.1 million) and net debt (EUR17.2 million at June-17) and gearing is approximately 127%. Most of the gross debt (EUR18.8 million at June-17) is long-term debt: EUR4.5 million is due within two years, EUR2.5 million in 2-5 year and EUR10.9 million thereafter. The bulk of the financial debt is represented by bonds. In particular the company had three bonds in place at June-17:

1. A non-convertible bond of EUR0.7 million expiring in July-20 (fixed rate 6%) coming from TE Wind;
2. A convertible bond of EUR3.7 million expiring in October-18 (fixed rate 6%) also coming from TE Wind.
3. A convertible bond of EUR6.5 million expiring in July-26 (fixed rate 4.75%, conversion at the average market price of Agatos in the 30 days before the conversion period, in June of every year up to 2026, with a discount of 5%) which was successfully placed last July and could be extended to further issues in the coming months (up to a maximum of EUR11.45 million as approved by AGM).

Shareholders structure

Agatos was listed on the AIM segment of the Milan Stock Exchange on 27 February 2017 following a reverse merger with TE Wind. The company's share capital comprises 63.51 million shares (after the completion of the capital increase) with no nominal value.

Figure 3 – Shareholder structure after the completion of the capital increase



Source: Company data, UBI Banca estimates

After the exit of the founder of TE Wind in October (its residual stake was sold at EUR0.22 per share), Agatos is now controlled and managed by Mr. Positano (CEO) through Life Investments (18.3% stake), Mr. Rinaldi, Chairman (40.2% stake) and Mrs. Nilsson (14.6% stake) while free float is close to 24%. The three main shareholders (combined shareholding 73.0%) are bound by a lock up agreement which expires in February 2018.

The board of directors is composed of three members of whom one is independent and two are active in managing the company. The total remuneration of the board is EUR70k p.a.

In December 2017 the company finalized a capital increase of EUR1.54 million reserved for several qualified investors at EUR0.265 per share increasing the number of shares by 10.3% and augmenting the free float to 23.9.% (from 19.6% before the capital increase). One of the new shareholders, an entrepreneur experienced in the energy industry (a strategic investor), which retains 3.1% stake, is bound by a lockup agreement lasting 24 months. A further rights issue of up to EUR12.15 million through the distribution of free warrants (1 warrant every two shares with a strike price at EUR0.32 in 2019, EUR0.35 in 2020 and EUR0.38 in 2021 to be finalized shortly) to existing shareholders has been approved by the AGM.

Strategy

Agatos hopes to generate strong growth in revenues and margins by exploiting its patented technologies, in particular BIOSIP, and to develop its EPC activities. In this respect, the listing through the acquisition of TE Wind could be seen as a means of gaining access to fresh financial resources which are crucial to achieve new tenders and realize new projects and also to increase its brand awareness. The company's strategy may be summarised as follows:

- **Growth through the development of BIOSIP project permits and EPC contracts:** the authorization for the first BIOSIP project (received in September) is the first fundamental step for the success of this proprietary technology: Agatos is expected to begin construction of the new plant on behalf of the client owned project SPV in 2018 (12,000 Sqm to transform 35,000 tons of urban waste into energy). This EPC contract should add about EUR15 million to Agatos revenues in 2018-19 and would also be a key reference for further BIOSIP projects in other countries. In order to fund the development of this business through the creation of SPVs (which would be 51% controlled by Agatos and 49% owned by the strategic investor) the company finalized a capital increase of EUR1.54 million reserved for previously identified qualified investors;
- **Developing asset management.** At the beginning of the year Agatos (51%) and New Future Energy (49%) founded AGAMS to offer asset management services for renewable energy plants, covering those activities that do not compete with the O&M contractors. New Future Energy will transfer to Agams 16 asset management contracts for plants with a capacity of about 60MW. These new business lines should generate a higher EBITDA margin than the other businesses (we estimate about 20-25%);
- **Develop EPC for the photovoltaic sector,** exploiting the possibilities offered by SEU ("efficient system of user") rules or the direct connection between the photovoltaic power plant and the final customer without passing through the national grid, and therefore saving transmission and distribution costs. Agatos has already an excellent track record in this segment and has also launched O&M services for the retail segment;
- **New clients:** Agatos will continue to bid for new EPC contracts and/or expand existing ones. In particular the company aims to develop the energy efficiency business which benefits from high rates of growth in the Italian market;
- **Exploit its heliotrope photovoltaic panel** (currently under certification): in this case the business model is to generate revenues through royalties on its patented technology;
- **Disposal of mini wind plants:** Agatos already disposed around 50% of its mini wind capacity last December (for a total consideration of EUR4.9 million) with a view to reducing the group's net invested capital (EUR37.2 million at June-17) and improving the net financial position. The current book value of the existing mini wind plants is about EUR12.2 million (around EUR0.14 million each) representing 36% of total net invested capital. We expect further disposals in the coming months

Reference market

Agatos operates as an EPC in electricity and heat generation according to the Distributed Generation (DG) approach coming from renewable resources. The definition of Distributed Generation is given by the European Directive 2009/72/EC, which includes in this category plants connected to the distribution grid that generate electricity and/or heat. These facilities are small to medium in size, are often cogeneration, are connected to the distribution grid and located in the proximity of the final consumers or near renewable sources and generated investments in Energy Efficiency for EUR6.1 billion in Italy in 2016 (*source: Energy Strategy Group of Politecnico di Milano*), or +8% compared with 2015.

The reason for the reorganization of the distribution network is necessary in order to pursue a greater de-carbonization of the national electric power system and to facilitate more open and easier user participation, especially for plants powered by renewable energy. Therefore investments on Energy Efficiency are expected to grow in the coming years reaching EUR6.6 billion in 2017 increasing to EUR8.3 billion in 2020 (CAGR 8%).

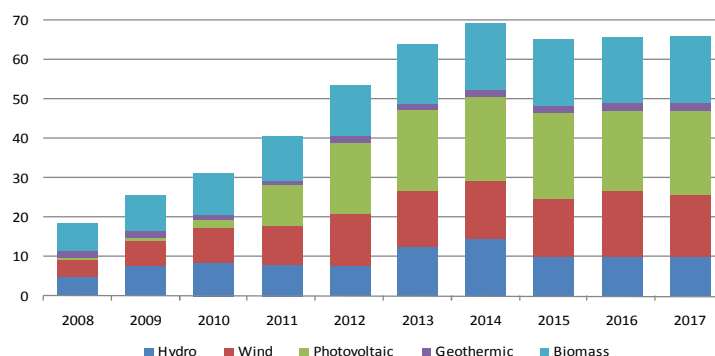
As shown in the table below, electricity production in Italy remained substantially stable in the past five years (but was up 1.4% in 1H17, following the macroeconomic recovery), but the mix of sources changed, with a gradual decline of traditional fuels compensated by the growth of renewable sources which reported a CAGR of 3.9% in 2012-16. Within renewable, sources from biomass and waste, the segment that Agatos is targeting for the future, reported the highest growth (CAGR 11.6%).

Figure 4 – Gross production in Italy by sources 2012-16

GWh	2012	2013	2014	2015	2016	CAGR 12-16
Thermoelectric	205,075	176,897	157,439	172,658	179,839	-3.2%
Solid fuels	49,141	45,104	43,455	43,201	35,608	-7.7%
Natural gas	129,058	109,876	93,637	110,860	126,023	-0.6%
Petrol	7,023	5,418	4,764	5,620	4,127	-12.4%
Other	19,852	16,499	15,583	12,976	14,081	-8.2%
Hydroelectric pumping	1,979	1,898	1,711	1,432	1,825	-2.0%
Renewables	92,222	111,999	120,677	108,904	107,654	3.9%
Hydro	41,875	52,773	58,545	45,537	42,250	0.2%
Wind	13,407	14,897	15,178	14,844	17,648	7.1%
Photovoltaic	18,862	21,589	22,306	22,942	22,104	4.0%
Geothermal	5,592	5,650	5,916	6,185	6,289	3.0%
Biomass and waste	12,487	17,090	18,732	19,396	19,363	11.6%
Total production	299,276	290,794	279,827	282,994	289,318	-0.8%

Source: AEEGSI on Terna data

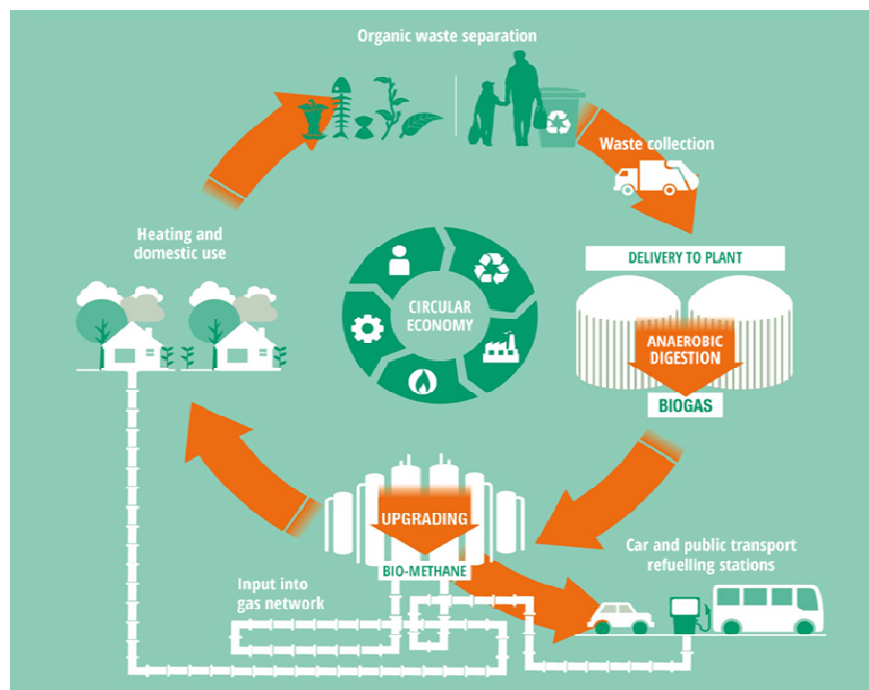
Figure 5 – Energy produced by renewable sources and incentivized in Italy



Source: AEEGSI on GSE data

Bio-methane, as a primary energy source for power generation, can potentially enable a decarbonisation path of the electricity sector at an overall lower cost than with the sole further penetration of mostly intermittent renewable sources such as wind and solar. In addition, its production process makes available a number of other products, by-products and services that can lead to a reduction of greenhouse gas emissions.

Figure 6 – Circular economy from biogas coming from urban waste



Source: Herambiente

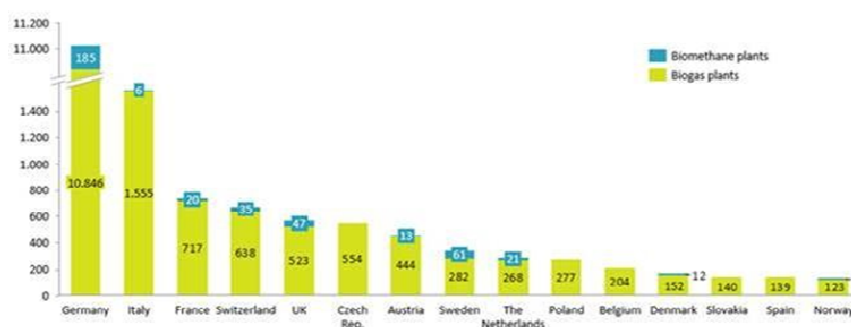
The European Commission issued a renewable energies directive proposal which foresees the reduction of the biofuels produced from starchy biomass, sugar and oil -the so-called first-generation biofuels-, lowering the obligation from 7% at present to 3.8% by 2030. At the same time the Commission encourages the development of advanced biofuels, biogas, electrification and natural gas in transport as complementary elements toward the reduction of transport sector emissions: advanced biofuels obligation could rise from 0.5% at present to 3.6% by

2030.

Against this backdrop, Italy has established a bio-methane target for 2030 of at least 10 % of total grid injection, given that Italy can sustainably produce about 8 billion cubic meters of bio-methane just through the technology of anaerobic digestion of agricultural and waste matrices alone and new national legislation is expected by next summer to promote this type of plant as a source of renewable energy, primarily by encouraging bio-methane production. As a result of substantial growth in recent years, installed capacity, at end-2015, amounted to 1,450 MW electricity output generated in 1,900 Organic Municipal Waste and agriculture biogas plants, corresponding to 25 TWh thermal biogas output, (source EBA) while ISPRA estimates that urban waste production in Italy was 29.5 million tons in 2015 of which 14 million tons was differentiated waste. Of these 14 million tons only 18% (or 2.5 million tons) is used for bio treatments.

We therefore believe there is a lot of room to develop the production of bio-methane in Italy in the coming years.

Figure 7 – Number of biogas and bio-methane plants in Europe in 2015



Source: EBA

Figure 8 – Biomass potential in Italy

Biomass

- Animal manure: 130,000,000 t/y
- Food industry residues: 5,000,000 t/y
(Animal by-products - Cat. 3): 1,000,000 t/y
- Sewage sludge: 3,500,000 t/y
- Organic fraction MSW: 10,000,000 t/y
- Crop residues: 8,500,000 t DM/y
- Energy crops: 400,000 ha

8 billions m³ CH₄/y or 25 TWh/y of EE (3300 MWe)

Source: Biomaster

The photovoltaic market in Italy was broadly unchanged in 2016, with no growth in existing capacity of 17.7 GWp in 550k plants (source: GSE). This was due to continued changes in the regulatory framework which significantly reduced incentives. We do not expect significant recovery in this market in the future and there may even be the possibility of a reduction in large plants (>0.2 MWp).

SWOT Analysis

Figure 9 - SWOT Analysis

Strengths	Weaknesses
Agatos has developed innovative proprietary patented technologies (BIOSIP or bio methane plant and innovative photovoltaic panel) which present attractive prospects.	High leverage: Agatos net debt to EBITDA ratio (on pro-forma basis) is expected to reach 20x in 2017 with gearing of 1.1x. However, the successful capital increase of last December and the disposal of part of mini wind farms should improve financial ratios.
Wide and innovative product range covering almost the entire renewable energy industry backed by intensive investments in R&D partially financed by public entities.	The business is totally dependent on a small number of key personnel, involved in many different projects.
Proactive management with long-term vision and proven track record.	No dividends expected in the next few years.
Clients of primary standing and strategic partnership with Enel.	Limited liquidity of the share.
Full control of the entire EPC value chain.	High number of legal entities.
Opportunities	Threats
Growing reference market, particularly for energy efficiency segment and for biomethane.	Changes in regulatory frameworks that could also be an opportunity.
Upcoming free warrants (one every two shares) present an attractive strike price (EUR0.32 in 2019, EUR0.35 in 2020 and EUR0.38 in 2021). However, potential warrant conversion could dilute EPS significantly.	Goodwill of EUR12.9 million at June-17 (about 78% of current market cap) related to the merger with TE Wind, which could be written down in future.
Financial deleverage thanks to the disposal of mini wind power plants.	New projects could be postponed (external risk).
Possible expansion outside Italy, in particular in countries with high environmental sensitivity.	Risks on contractual guarantees.

Source: UBI Banca estimates

2016 and 1H17 results and recent events

Agatos completed the reverse merger with TE Wind on February 24, 2017, so 2015 and 2016 data are therefore presented on a pro-forma basis, as reported by the company. Please note that in preparing its financial statements, the company uses Italian GAAP which permits amortisation of goodwill.

2016 was clearly a year of transition for the group: Agatos alone reported robust sales growth sustained by EUR2.0 million of non recurring revenues (contractual penalty of EUR1.3 million and contributions for the development of the heliotrope of photovoltaic panel for EUR0.7 million) though profitability fell slightly, while TE Wind, despite very strong revenues (linked to the new wind farms coming on stream), reported a negative EBITDA (mostly due to technical problems and delays) and was impacted by a EUR2.1 million write down of immaterial and material assets (of which EUR1.3 million non-recurring) which led to a net loss of >EUR5 million.

Figure 10 – 2016 results of TE Wind and of Agatos

(EURm)	TE Wind			Agatos		
	2015A	2016A	% Chg.	2015A	2016A	% Chg.
Sales	0.63	1.31	106.2%	5.72	6.16	7.7%
EBITDA	(0.71)	(1.10)	nm	0.63	0.50	-21.0%
D&A	(0.90)	(3.37)		(0.13)	(0.36)	
EBIT	(1.60)	(4.47)	nm	0.50	0.13	-73.5%
Pretax Profit	(2.65)	(5.21)	nm	0.39	0.64	61.4%
Net Result	(2.58)	(5.27)		0.30	0.14	-51.4%
Net debt/(cash)	13.65	15.67	14.8%	1.50	2.23	48.4%

Source: Company data

First half 2017 revealed stable revenues and a solid improvement in EBITDA. However, higher D&A costs (impacted by EUR0.41 million of goodwill amortization) depressed EBIT which was negative for EUR0.66 million.

Figure 11 – 2016 and 1H17 pro-forma results

(EURm)	2015A	2016A	% Chg.	1H16A	1H17A	% Chg.
Sales	6.36	7.47	17.5%	2.68	2.60	-3.0%
EBITDA	(0.08)	(0.60)		0.09	0.11	30.2%
D&A	(1.03)	(3.86)		(0.51)	(0.78)	
EBIT	(1.11)	(4.47)		(0.42)	(0.66)	
Pretax Profit	(1.97)	(4.56)		(0.98)	(1.12)	
Net Result	(2.28)	(5.13)		(0.95)	(1.13)	
Net debt/(cash)	15.15	17.90		15.78	17.93	

Source: Company data

Net debt remained substantially stable in the first six months. Fixed assets totalled EUR32.8 million, of which EUR15.8 million were intangible assets: these included EUR12.7 million of goodwill. Total net invested capital was EUR37.2 million, +12% compared to the position at Dec-16 (on pro-forma basis).

Figure 12 – Gross debt structure at 30 June 2017

(EURm)	Amount at 30/6/17	Maturity	Spread
Mediocredito	1.25	30/09/2028	4.75%
Mediocredito	0.79	31/03/2028	4.40%
Bper	3.55	31/12/2031	3.50%
Bper	0.38	30/06/2019	2.70%
Total bank debt	5.98		
Bond	0.76	11/10/2018	6.00%
Bond convertible	6.54	25/07/2026	4.75%
Bond convertible	3.86	11/10/2018	6.00%
Total bonds	11.16		
Total gross debt	17.14		

Source: Company data

Main 2017 events:

- The reverse merger with TE Wind was completed on February 27;
- In April, Agatos brought a cogeneration power plant on stream (1.1 GW) for a total EPC value of EUR0.5 million;
- In June Agatos signed a contract with Huhtamaki (a leading Finnish company in the packaging industry) for the planning and design of a new gas trigeneration plant combining cooling, heat and power generation. The contract is worth EUR1.95 million (26% of 2016 pro-forma revenues) and should be completed in 12 months;
- In order to replace the current outstanding bonds of TE Wind (2013-18 convertible bond for EUR4.65 million and 2014-20 6% bond for EUR6.1 million) thereby reducing the average financial cost while extending the maturity, the company announced the issue of a new 2017-26 convertible bond with a fixed 4.75% rate up to EUR11.45 million (EUR4.95 million are bonds and EUR6.5 million are convertible bonds). In June, the first placement of the new bond was subscribed at 87.4% by TE Wind bond holders and at 18.9% by convertible bond holders, resulting in a total conversion of EUR6 million (or 52.5% of the original offer and 56% of the outstanding TE Wind bonds);
- In September the first BIOSIP project was authorized;
- In September and October IRIS Fund Sicav, the founder of TE Wind, sold its 6.33% stake in Agatos at an average price of EUR0.22 per share, substantially increasing the free float, which is now 19.7%;
- In October Agatos acquired a PV plant (around 1MW capacity) in Sardinia for EUR0.48 million, of which EUR0.28 million paid through the cancellation of trade receivables. The plant benefits from incentivized tariffs through to 2029 which should allow repayment of the existing leasing and generation of attractive levels of profitability;
- In November the board of the company re-approved interim results, lowering its net equity due to a different PPA of the goodwill arising from the reverse merger with TE Wind;

- In December the board of Agatos announced a right issue of EUR1.54 million reserved for several identified qualified investors at EUR0.265 per share. The right issue has been entirely subscribed with cash in of EUR1.34 million for the company in 2017 and EUR0.2 million in March-18, thus implying the issue of 5.02 million new shares, with a dilution of around 8.8%. EUR0.5 million were invested by an industrial strategic partner (which already paid EUR0.3 million, while the residual payment should take place in March) who will have a stake of 3.1% of Agatos but also the possibility of entering with a 49% stake in the SPVs created for realizing new BIOSIP plants. A further capital increase of up to EUR12.15 million, through the distribution of free warrants to existing shareholders (one warrant every two shares with a strike price of EUR0.32 per share in 2018, EUR0.35 in 2020 and EUR0.38 in 2021) and the issue of new shares (with or without pre-emption rights) has been approved by the AGM.
- At the end of the year, Agatos also announced the disposal of two companies coming from TE Wind: Windmill S.r.L. and Reia Wind S.r.L. for a total consideration of EUR4.9 million of which EUR2.15 million through the deconsolidation of the existing mortgage loan on the wind farms (in 2018) and EUR2.75 million to be paid by the buyer in installments along the duration of the incentivized period (2021-2032). We are particularly positive on this deal: the disposal would deprive Agatos of 24 turbines (of which 8 still to be connected to the grid) with a capacity of 1.72 KW (around 50% of the capacity of TE Wind) increasing the focus of Agatos on EPC activity while reducing the invested capital and improving net financial position. In addition, the companies disposed reported significant operating losses in the past and were the main source of technical problems reported by the company.

Financial projections

Agatos is present in several sectors with different business models (EPC professional activities, O&M, asset management service, sale of energy generated by wind farms), and therefore with different margins. In other words, the product mix could materially affect profitability. In addition, the company is starting its first EPC BIOSIP project and we believe that this segment will be the main growth driver in the coming years. To arrive at our forecasts we have estimated sales for each division:

- **EPC:** EPC division represents the bulk of consolidated turnover and clearly future growth will depend on the Agatos management team's ability to win new contracts, and on the structure of project financing. The company has an excellent track record in this regard, having already completed >500 projects, the low invested capital of this business and will benefit from the fresh financing resources deriving from the capital increase, although visibility on the conversion of new contracts into revenues remains low. Our revenue forecasts are based on limited growth for PV, mostly due to the stagnation of photovoltaic investments in Italy caused by the continuous changes of the regulatory framework and reduced incentives. Other renewable (mini hydro, mini wind, COBSIP) should also remain marginal compared to other segments while we expect buoyant growth in the energy efficiency segment driven by new contracts, many of which have already been signed. The Bio-methane segment should benefit from the new plant already authorized (EUR15 million revenues expected in 2 years) and our estimates incorporate projections for two further BIOSIP projects of similar value (one in 2018 and one in 2019). Altogether we estimate that EPC could contribute with >14 million sales in 2018 and around EUR22.5 million in 2019. The contribution margin for this division could be in the region of 20-25%;
- **O&M and asset management:** we expect revenues to grow by about 8% next year and by 5% in 2019. Our forecasts include a cautious projection of limited growth in the new asset management business. Gross margin could be in the region of 50%;
- **TE Wind activities:** based on the current capacity (3.37 MW already connected to the grid) and considering the disposal of Windmill and Reia Wind (controlled companies with 1.7 MW of capacity) and the delays in the connection we expect a slowdown in revenues this year and in 2018-19. Installed capacity is likely to halve due to the recent disposals or even disappear should Agatos divest entirely its wind plant portfolio.

It should be noted that our estimates do not include any revenue contribution from the heliotrope photovoltaic panel which is currently under certification.

Figure 13 - Revenues trends by division

(EURm)	2017E	2018E	2019E
EPC photovoltaic	1.20	1,30	1,39
EPC other renewables	0.10	0,18	0,19
EPC energy efficiency (cogeneration)	1.55	5,00	5,40
EPC bio-methane	0.00	7,60	15,50
TOTAL EPC	3.35	14,08	22,48
O&M e Asset Management	1.30	1,40	1,47
R&D contributions	0.50	0,60	0,72
TE Wind activities	0.85	0,60	0,62
Agatos Consolidated	5.50	16,68	25,29
Sales growth %	1.3% *	203,3%	51,6%

Source: UBI Banca estimates

* Like for like

We expect consolidated sales to grow at a CAGR of >50% in 2016-19 with minimal growth this year (excluding non-recurring 2016 revenues) but sharply accelerating in 2018, mostly driven by bio-methane and energy efficiency EPC.

We expect EBTDA to be positive for the full year, as was already evident in the first half. We believe that it will further increase significantly in 2018-19 along with rising revenues, due to efficiencies, economies of scale and operational leverage to reach 14.9% in 2019, which is above Agatos' 2015-16 margins on a stand-alone basis (11% on average excluding non-recurring costs of EUR0.18 million reported in 2016).

D&A costs, including depreciation of goodwill, are likely to be EUR1.6 million this year with some slowdown in 2018-19 due to the recent disposals, resulting in an operating loss of about EUR1.1 million in 2017, but an operating profit of EUR0.6 million in 2018 and EUR2.4 million in 2019.

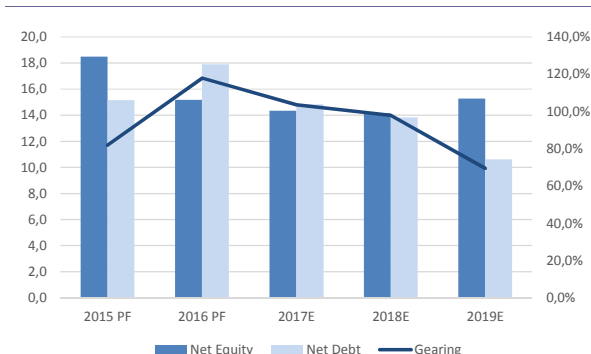
Below the operating line, Agatos is expected to report a progressive decline of financial charges with an average cost of financial debt of about 5%. The tax rate should be minimal as the company could exploit >EUR1.5 million of tax losses carried forward deriving from TE Wind.

Consequently after an expected negative net attributable result of about EUR2.2 million in the current year, we expect a substantial breakeven in 2018 and EUR1.2 million of net profit attributable in 2019. We expect no dividend for the next few years.

Agatos reported net debt of EUR17.9 million at June-17 with gearing of 1.27x. Free cash flow generation is expected to improve over the coming years due to lower capex (expected to decline from EUR1.4 million in 2017 to EUR0.5 million in 2019) reaching EUR1 million in 2018 and >EUR3 million in 2019. We therefore estimate net debt of around EUR14.8 million at Dec-17 falling to EUR14.1 million at Dec-18 and to EUR10.6 million in 2019.

Figure 14 – Financial structure (EURm)

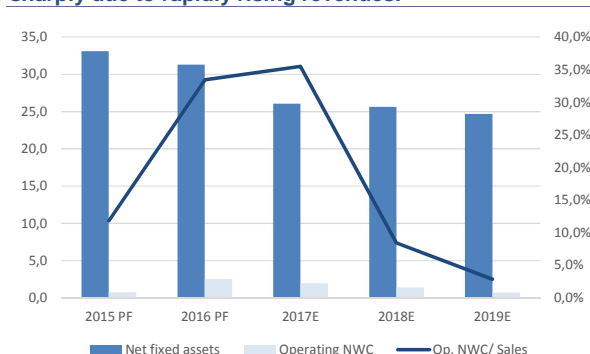
Net debt is expected to decline due to higher operating cash flow and lower capex.



Source: Company data, UBI Banca estimates

Figure 15 – Net fixed assets and operating NWC

Net fixed assets are expected to decrease in 2017-19 as D&A exceeds capex and for the re-cons assets disposal while operating NWC on sales is expected to decline sharply due to rapidly rising revenues.

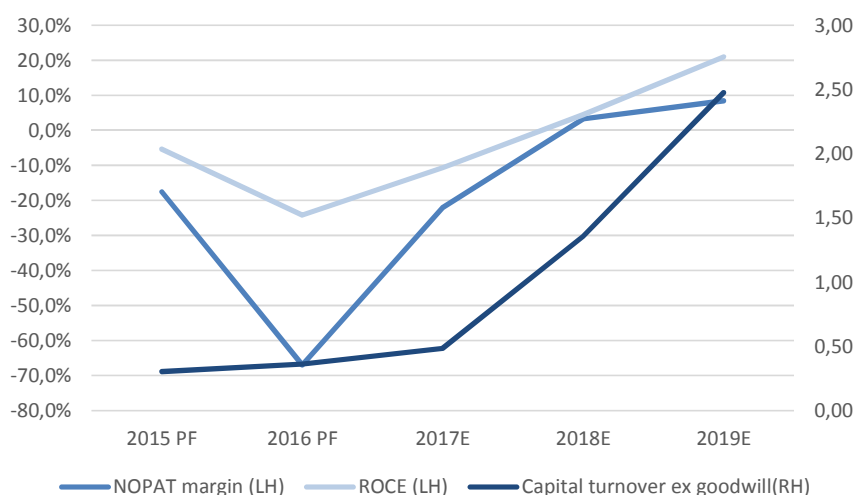


Source: Company data, UBI Banca estimates

Agatos' operating net working capital rose significantly on a pro-forma basis in 2016 (190 days for trade receivables vs. 136 days for trade payables) but we expect a gradual improvement as revenues accelerate in coming years mostly due to changes in the business mix.

Net fixed assets were EUR31.3 million at Dec-16, equating to >4 times reported revenues due to the presence of significant goodwill (EUR12.4 million) and the TE Wind wind farm assets. This resulted in low capital turnover (sales / capital employed) of 0.23x in 2016 (0.36 ex goodwill) which is however expected to improve significantly in 2018-19 mainly due to higher revenues, the recent asset disposals, lower capex and a declining NWC/sales ratio, reaching 0.66x in 2018 (1.36 ex goodwill) and 1.09x in 2019 (2.48 ex goodwill). Higher capital turnover coupled with higher NOPAT margins are expected to generate positive ROCE next year with a stronger improvement in 2019 when we expect ROCE to be >20%, exceeding WACC (estimated at 5.2%) and therefore generating value.

Figure 16 – NOPAT margin, Capital Turnover and ROCE trend



Source: Company data, UBI Banca estimates

Valuation

Our target price of EUR0.41 per share, excluding any conversion of warrants, is based on a DCF analysis, after application of a 30% liquidity discount for the listing on the AIM market and the modest liquidity of the shares. We have not performed a relative valuation as Agatos' main peers (Energy Lab, Enertronica and TerniEnergia) do not present reliable and/or updated estimates with the sole exception of TerniEnergia. At our target price, Agatos trades at 22.5x EV/EBITDA in 2018 and 11.2x in 2019.

We should stress that the liquidity of Agatos has improved significantly over the past few months: average daily volume has risen to >70,000 shares since September compared with an average of 15,000 shares traded daily in the first six months of the year and the free float turnover has consistently exceeded 10% over the first three months (33.1% in December 2017).

DCF

Our prudent DCF model (before the 30% discount) gives a fair value of EUR0.59 per share.

Our model incorporates the following assumptions:

- > a risk-free rate of 2.5%, which is our long-term assumption for the interest rate on Italian bonds (2% inflation target of ECB plus 0.5% real interest, in line with the long term historical average);
- > a market risk premium of 4.5%;
- > a leveraged beta of 0.68 (0.48 unleveraged), based on the average of the Utility (0.54) and Green and renewable (0.41) industries in Europe (*source: Damodaran Jan-17*);
- > A debt spread of 4%;
- > A debt/equity ratio of 41/59, which is in line with our 2019E forecasts;
- > A terminal growth rate of 0.5% and an operating margin of 10.0% at terminal value, which is in line with our expectation for 2019 (9.4% EBIT margin).

We calculated a WACC of 5.07%.

Figure 17 - WACC and embedded DCF assumptions

WACC assumptions		Embedded DCF assumptions	
Risk-free rate	2.5%	Revenue CAGR 2017-2025 (%)	20.3%
Debt spread (%)	4.0%	Target EBIT margin 2025 (%)	10.0%
Cost of debt [net] (%)	4.4%	D&A. on sales (avg. 2017-2025) (%)	8.6%
Market risk premium (%)	4.5%	Capex on sales (avg. 2017-2025) (%)	6.5%
Beta (x)	0.68		
Cost of equity (%)	5.6%		
Weight of Debt	41%		
Weight of Equity	59%		
WACC	5.07%		

Source: UBI Banca estimates

Figure 18 – DCF Valuation

Our DCF valuation implies an EV/EBITDA of 11.9x at terminal value			
	Valuation (EUR m)	% Weight	Per share (EUR)
Sum of PV 2017-25 FCF	15.93	30%	0.25
Terminal value	37.35	70%	0.59
Total Enterprise value	53.28	100%	0.84
- minorities	(0.47)		(0.01)
- Pension provision	(0.71)		(0.01)
- Net cash (debt)	(14.84)		(0.23)
Total Equity value	37.26		0.59
Number of shares outstanding (m)	63.51		
Fair value per share (EUR)	0.59		

Source: UBI Banca estimates

Applying to our fair value a 30% discount we arrive at a target price of EUR0.41 implying potential upside of nearly 30%.

Our valuation shows limited sensitivity to the terminal growth rate (increasing it from 0.5% to 1% our fair value would increase by 13%) and WACC although a lower beta and/or stronger growth would increase our DCF fair value.

Figure 19 – Sensitivity analysis

g / WACC	0.00%	0.25%	0.50%	0.75%	1.00%
4,62%	0,58	0,62	0,66	0,70	0,75
4,77%	0,56	0,60	0,63	0,67	0,72
4,92%	0,54	0,57	0,61	0,65	0,69
5,07%	0,53	0,55	0,59	0,62	0,66
5,22%	0,51	0,54	0,57	0,60	0,64
5,37%	0,49	0,52	0,55	0,58	0,61
5,52%	0,48	0,50	0,53	0,56	0,59

Source: UBI Banca estimates

At our EUR0.41 per share target price, Agatos would trade at 11.2x 2019 EV/EBITDA and on a P/E of 22.7x.

Figure 20 – Implicit multiples based on our EUR0.42 target price

(x)	2017E	2018E	2019E
P/E	nm	nm	22,7 x
EV/EBITDA	76,6 x	22,5 x	11,2 x
EV/EBIT	nm	73,3 x	17,8 x
EV/Sales	7,18 x	2,65 x	1,67 x
P/BV	1,5 x	2,0 x	1,9 x
EV/ Capital employed	1,4 x	1,6 x	1,6 x

Source: UBI Banca estimates

The outstanding 1.63 million warrants, expiring in 2018, are currently out of the money (strike price at EUR0.50, variable switch ratio) while the new free warrants (one warrant every two shares) which should be distributed in the next few months present a strike price in line with the current market price (EUR0.32 in 2019, EUR0.35 in 2020 and EUR0.38 in 2021) strongly increasing the appeal of the share.

Appendix: short description of listed competitors

Energy Lab engages in the providing energy solutions for solar plants. It operates through the following business units: Photovoltaic Systems, Energy Efficiency, and Biomass Plants. The Photovoltaic Systems transform solar energy into electricity. The Energy Efficiency offers energy efficiency for small and medium-sized enterprises. The Biomass Plants deals with the installation including the design, construction, and maintenance biomass. The company was founded in 2007 and currently has a market capitalization of EUR7 million.

Figure 21 – Energy Lab: 2015-16 results and 1H16-1H17 results

(EURm)	2015A	2016A	% chg.	1H16A	1H17A	% chg.
Sales	26.9	9.5	-64.6%	5.4	6.5	21.5%
EBITDA	4.4	0.5	-89.3%	1.7	1.6	-4.5%
% margin	16.5%	5.0%		31.1%	24.4%	
EBIT	3.5	-1.0	Nm	0.9	0.8	-11.6%
% margin	12.9%	-10.4%		17.3%	12.6%	
Net result	1.5	-2.2	Nm	0.3	0.1	-60.1%
Net debt	10.5	14.4	36.9%	14.4	14.2	-1.1%

Source: Company data

Enertronica engages in the renewable energy solutions. It works in the renewable energy, and energy saving sector. The company operates through the photovoltaic plants, lightening and electricity sale. Enertronica company was founded in 2005 and currently has a market capitalization of EUR14 million.

Figure 22 – Enertronica: 2015-16 results and 1H16-1H17 results

(EURm)	2015A	2016A	% chg.	1H16A	1H17A	% chg.
Sales	108.3	89.9	-17.0%	68.5	45.4	-33.7%
EBITDA	7.9	5.3	-32.4%	5.0	6.0	19.7%
% margin	7.3%	5.9%		7.3%	13.3%	
EBIT	7.3	4.7	-35.1%	4.6	4.6	0.4%
% margin	6.7%	5.2%		6.7%	10.1%	
Net result	3.7	2.5	-33.0%	2.8	2.8	-0.4%
Net debt	21.3	-10.8	nm	10.8	-14.5	nm

Source: Company data

ErgyCapital aims at developing early mover opportunities in “green” energy in Europe. ErgyCapital combines investments in power generation companies and companies offering products, technologies and services for renewable energy and energy conservation. It operates through the following segments: Holding, Photovoltaic, Biogas, and Geothermal. The Photovoltaic segment focuses on power generation and the related services to support its operations and maintenance. The Biogas segment manages the energy installations derived from renewable biogas. The Geothermal segment designs and implements heating and cooling systems from low-enthalpy geothermal technology for residential and commercial use. The company was founded in 2007 and was incorporated by Intek at December 2017 and consequently delisted.

Figure 23 – Ergycapital: 2015-16 results and 1H16-1H17 results

(EURm)	2015A	2016A	% chg.	1H16A	1H17A	% chg.
Sales	15.1	14.1	-6.4%	3.2	2.1	-34.1%
EBITDA	7.3	7.0	-4.0%	0.2	-0.8	nm
% margin	48.7%	49.9%		6.1%	-38.8%	
EBIT	2.4	2.1	-15.4%	-0.3	-1.0	nm
% margin	16.2%	14.7%		-10.6%	-48.4%	
Net result	-2.7	-1.4	-47.3%	-0.2	-3.5	
Net debt	78.7	68.4	-13.1%	57.7	16.6	-71.3%

Source: Company data

TerniEnergia is an energy company, which engages in renewable energy, energy efficiency, energy and waste management. It operates in the waste management sector, recovery of the material and energy, development and production of technologies. The company is also active outside Italy and is currently in a turnaround phase after changes in the management structure and is selling non-core assets (photovoltaic plants, biodigestion plant, LED lamp production), cutting costs and trying to spin-off its EPC and O&M businesses with the target of becoming a company offering smart services and solutions for the transmission and distribution of energy. The company, founded in 2005, is listed on the STAR segment of the Italian Stock Exchange and currently has a market capitalization of EUR29 million.

Figure 24 – TerniEnergia: 2015-16 results and 1H16-1H17 results

(EURm)	2015A	2016A	% chg.	1H16A	1H17A	% chg.
Sales	368.7	86.1	-76.6%	50.5	40.2	-20.4%
EBITDA	25.2	17.3	-31.4%	9.5	6.8	-28.4%
% margin	6.8%	20.1%		18.8%	16.9%	
EBIT	17.1	7.9	-54.1%	5.9	-6.2	nm
% margin	4.6%	9.1%		11.7%	-15.4%	
Net result	2.6	1.1	-59.0%	1.1	-6.5	nm
Net debt	87.4	93.9	7.4%	93.9	87.5	-6.8%

Source: Company data

Income Statement

(EURm)	2016 *	2017E	2018E	2019E
Net Revenues	7.47	5.50	16.68	25.29
EBITDA	-0.60	0.52	1.96	3.78
EBITDA margin	-8.1%	9.4%	11.8%	14.9%
EBIT	-4.47	-1.08	0.60	2.38
EBIT margin	-59.8%	-19.7%	3.6%	9.4%
Net financial income /expense	-0.10	-0.85	-0.68	-0.54
Associates & Others	-0.02	0.00	0.00	0.00
Profit before taxes	-4.58	-1.93	-0.08	1.84
Taxes	-0.55	-0.23	0.01	-0.18
Minorities & discontinuing ops	0.00	-0.03	-0.33	-0.51
Net Income	-5.13	-2.19	-0.40	1.15

Source: Company data, UBI Banca estimates

* Pro-forma

Balance Sheet

(EURm)	2016 *	2017E	2018E	2019E
Net working capital	2.50	6.85	4.15	3.47
Net Fixed assets	31.30	26.05	25.63	24.69
M/L term funds	-0.71	-3.73	-1.81	-2.27
Capital employed	33.09	29.17	27.97	25.89
Shareholders' equity	14.72	13.44	12.90	13.54
Minorities	0.47	0.90	1.23	1.74
Shareholders' funds	15.19	14.34	14.13	15.28
Net financial debt/(cash)	17.90	14.84	13.84	10.61

Source: Company data, UBI Banca estimates

* Pro-forma

Cash Flow Statement

(EURm)	2016 *	2017E	2018E	2019E
NFP Beginning of Period	15.15	17.90	14.84	13.84
Group Net Profit	-5.13	-2.19	-0.40	1.15
Minorities	0.00	0.03	0.33	0.51
D&A	3.86	1.60	1.36	1.40
Change in Funds & TFR	0.00	0.00	0.00	0.00
Gross Cash Flow	-1.26	-0.56	1.29	3.05
Change In Working Capital	-1.74	0.54	0.55	0.68
Other	0.00	0.00	0.00	0.00
Operating Cash Flow	-3.01	-0.02	1.84	3.73
Net Capex	-0.92	-1.41	-1.04	-0.51
Other Investments	0.00	0.00	0.00	0.00
Free Cash Flow	-3.93	-1.43	0.80	3.23
Dividends Paid	0.00	0.00	0.00	0.00
Other & Chg in Consolid. Area	1.18	1.00	0.00	0.00
Chg in Net Worth & Capital Incr.	0.00	1.34	0.20	0.00
Change in NFP	-2.75	0.91	1.00	3.23
NFP End of Period	17.90	16.99	13.84	10.61

Source: Company data, UBI Banca estimates

* Pro-forma

Financial Ratios

(%)	2016	2017E	2018E	2019E
ROE	-34.8%	-16.3%	-3.1%	8.5%
ROI	-13.2%	-3.3%	1.9%	8.2%
Net Fin. Debt/Equity (x)	1.2	1.0	1.0	0.7
Net Fin. Debt/EBITDA (x)	nm	28.8	7.1	2.8
Interest Coverage	0.0	0.0	0.0	0.0
NWC/Sales	33.4%	124.6%	24.9%	13.7%
Capex/Sales	12.4%	25.6%	6.3%	2.0%
Pay Out Ratio	0.0%	0.0%	0.0%	0.0%

Source: Company data, UBI Banca estimates

Per Share Data

(EUR)	2016	2017E	2018E	2019E
EPS	-0.09	-0.04	-0.01	0.02
DPS	0.00	0.00	0.00	0.00
Op. CFPS	-0.05	0.00	0.03	0.06
Free CFPS	-0.07	-0.02	0.01	0.05
BVPS	0.26	0.23	0.20	0.21

Source: Company data, UBI Banca estimates

Stock Market Ratios

(x)	2016 *	2017E	2018E	2019E
P/E	nm	nm	nm	17.7
P/OpCFPS	-6.2	nm	11.0	5.4
P/BV	1.3	1.4	1.6	1.5
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
Free Cash Flow Yield (%)	nm	nm	3.9%	15.9%
EV (EURm)	37.82	38.26	37.92	35.81
EV/Sales	5.1	7.0	2.3	1.4
EV/EBITDA	nm	74.2	19.3	9.5
EV/EBIT	nm	nm	62.9	15.1
EV/Capital Employed	1.1	1.3	1.4	1.4

Source: Company data, UBI Banca estimates

* Based on average 2016 price

Growth Rates

(%)	2016	2017E	2018E	2019E
Growth Group Net Sales	17.5%	-26.4%	203.3%	51.6%
Growth EBITDA	nm	nm	280.8%	92.6%
Growth EBIT	nm	nm	nm	294.6%
Growth Net Profit	nm	nm	nm	nm

Source: Company data, UBI Banca estimates

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