

Company Update

No rating (from Buy)

7 April 2021 – 5:30PM

MARKET PRICE: **EUR0.90**

TARGET PRICE: **Suspended**

Energy services

Data

Shares Outstanding (m):	12.13
Market Cap. (EURm):	10.92
Enterprise Value (EURm):	22.90
Free Float (%):	66.3%
Av. Daily Trad. Vol. (m):	0.01
Main Shareholder:	Mr. Rinaldi 19.1%
Reuters/Bloomberg:	AGA.MI AGA.MI
52-Week Range (EUR)	0.73 1.61

Source: Factset, UBI Banca estimates

Performance

	1m	3m	12m
Absolute	2.7%	-5.3%	-13.5%
Rel. to FTSE IT	-5.4%	-14.2%	-58.8%

Source: Factset

Graph area Absolute/Relative 12 M



Source: Factset

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Update on recent events

Despite the impact of the COVID-19 outbreak, which penalized 1H20 results (sales down 53%, negative EBITDA margin, net loss of EUR 1.5 million), Agatos was able to fully finance its key project (BIOSIP Marcallo) thanks to the partnership with Sorgenia. The project, which should be completed in 2Q22, represents in our view a turnaround point for the company which could boost revenues and margins in future. After two transition years, which saw deep changes in the shareholder and management structure and the adoption of a new strategy with a strong focus on the circular economy, Agatos is now ready to publish a business plan which should be released in the coming weeks. Pending the new business plan we suspend our rating and target price.

- > From a strategic standpoint, Agatos is readdressing its activities towards the exploitation of its innovative and patented biomass-to-gas processes, photovoltaics and energy efficiency projects with a strong focus on the circular economy. The COVID-19 outbreak slowed the speed of the path for a few months, as 1H20 results clearly showed. Nonetheless, Agatos continues to develop a growing pipeline of new projects in each of its target segments. These projects could translate into new orders and greater geographical and technological diversification, with benefits for sales and margins in future.
- > Agatos has been able to fully finance its BIOSIP Marcallo project together with its partner Sorgenia and in March 2021 was announced the formal notification of the start of the works (called Notice to Proceed) for the biomethane project, which is expected to be completed in 2Q22. In our view, the construction of the BIOSIP plant of Marcallo is crucial as this first BIOSIP project will be the reference to get new contracts.
- > The company should present a new business plan in the coming weeks.
- > Pending the new business plan, there is insufficient data to build our estimates or valuation. **Our rating and target price on the stock are currently suspended.**

Financials

	2018A	2019A	1H20A
Revenues (EURm)	7.49	6.62	1.70
EBITDA (EURm)	0.01	0.25	-0.20
EBITDA margin (%)	0.1%	3.8%	-11.9%
EBIT (EURm)	-2.43	-1.37	-0.93
Net result (EUR)	-3.04	-2.35	-1.46
Net debt (EUR)	14.81	13.75	15.83
Net equity (EUR)	13.77	12.04	10.81

Source: Company Data

Recent Developments

- At the end of December 2020 Agatos announced the disposal of 75% of the capital of the SPV controlling the biomethane, BIOSIP process-based, plant of Marcallo to Sorgenia for EUR0.15 million plus the disposal of EUR0.48 million of financing that the SPV had received from Agatos that Sorgenia has purchased for EUR0.60 million. Following the deal, Agatos remains a shareholder of the SPV with 25% stake and creditor of the SPV for EUR2.3 million. The SPV (Green Power Marcallese SrL) has also obtained from Sorgenia a shareholder financing of EUR5.85 million completing in this way the equity for the Project, and EUR18.8 million, of which 15million as a long-term project financing, of bank financing from BPM. Therefore, the project is now fully financed. In March 2021 was announced the formal notification of the start of the works (called Notice to Proceed). The plant is expected to be completed in 2Q22. In our view, the construction of the first biomethane plant based on the Agatos patent, the BIOSIP process, is crucial as this first BIOSIP project will be the reference to get new contracts, particularly abroad.
- In April 2020, BIOSIP technology has been patented in the US and Europe up to 2036. In China, the patent registration request was also approved in July. In our view, this was a positive news as BIOSIP technology allows a sharp reduction of residual waste compared with similar technologies while reducing emissions and can be fed with both urban waste and zootechnical waste.
- The EGM of June 25 2020 approved the issue of convertible bonds up to EUR5 million which was entirely subscribed by Nice&Green, an independent Swiss company specialized in corporate financing with focus on small and mid-sized listed companies to help them secure funding needed for their growth. The bond has been issued in three tranches for a total of EUR2,25 million and was fully converted by N&G at the end of 2020. The bond has no interest and Agatos could pay back each tranche with an increase of 3% of the nominal value or, alternatively, convert the bond into shares at a price equal to 94% of average share price in the six days before the conversion request. Nice&Green converted all the bonds subscribed, no bonds are outstanding, and has also sold all the shares received.
- Last September Agatos finalized the grouping of its share with a 1:10 ratio. Share numbers has decreased to 9.28 million and, following the bond conversion of Nice&Green, the share number has increased to 12.14 million. Nice&Green which reached in November a 9.65% stake, informed Agatos to have sold its entire stake in Agatos, as announced by Agatos on March 10. Therefore, the free float is now at around 66.3% and the main shareholder remains Mr. Rinaldi with a 19.1% stake.
- Revenues were down 53% in 1H20 due to the COVID-19 outbreak which effectively stopped all the main sales and construction activities from the end of February. Consequently, EBITDA was negative for EUR0.2 million (from breakeven in 1H19 and EUR0.25 million in the entire 2019). EBIT remained negative for EUR0.93 million and net loss reached EUR1.46 million (vs. a net loss of EUR0.95 million in 1H19). Net debt remained broadly stable at EUR15.83 million at June-20. In the second half of the year the company reimbursed the bond loan "Te Wind S.A. 2014 - 2020 6%", the convertible bond loan "Agatos 2018 - 2020 TF 7%" and the VAT line of the subsidiary GEA Energy for Eur0.6 million.
- In March 2020, Agatos signed an agreement to build a new BIOSIP plant fed with zootechnical waste to produce liquefied biomethane. This is another application of the BIOSIP technology using the treatment of livestock / zootechnical waste, called BIOSIP AGRI process. A JV has already been formed (with Agatos owning a minority stake) with an ESCO (majority stake) and a cattle breeder which will provide all the waste. The plant is a perfect example of circular economy as the cattle breeder will strongly decrease its disposal cost while respecting the outstanding environmental rules.

- > In June 2020, the company formed a JV (85% Agatos) with a Piedmont farmer (which will provide the waste) to convert an existing biomethane plant (1 MW capacity) applying the BIOSIP technology. The total investment is expected to reach EUR18 million and the majority of the JV should be sold to a financial investor and the end of the authorization process.
- > In August 2020, Agatos has received EUR1.6 million contribution from Ministry of Economic Development, of which EUR1.14 million non-repayable and EUR0.5 million of subsidized financing, for its project "Sub-Zero-Waste". The project concerns the development of an innovative system that involves the integration of "hot" greenhouse crops integrated with a BIOSIP plant, which produces the by-products useful for this cultivation from organic waste and residues. The goal is to produce quality vegetables and fruit in full compliance with the circular economy. Agatos intends to use the project as a scientific demonstration to commercialize such integrated systems in the agricultural sector. The cost of the entire project is estimated at EUR2.5 million.

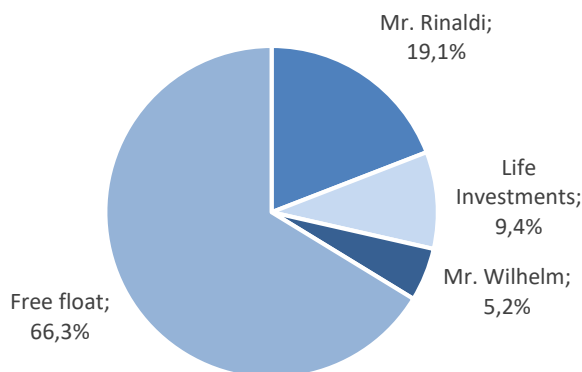
Figure 1 – 1H20 results

(EURm)	IH19A	IH20A	% Chg.
Sales total	3,65	1,70	-53,4%
EBITDA	0,03	-0,20	nm
% margin	0,7%	-11,9%	
EBIT	-0,73	-0,93	nm
% margin	-20,0%	-54,7%	
Pre tax result	-0,89	-1,56	nm
Net result	-0,95	-1,46	nm
Net debt (cash)	15,55	15,83	1,8%

Source: Company data

Figure 2 – Shareholder structure

Following the exit of Nice&Green last month the free float has increased to 66.3%.



Source: Company data

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<i>Date</i>	<i>Rating</i>	<i>Target Price (EUR)</i>	<i>Market Price (EUR)</i>
19 January 2018	Buy	0.41	0.31
1 October 2018	Buy	0.31	0.21
2 July 2019	Buy	0.17	0.12