

UPDATE

EQUITY RESEARCH

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# Comal

Euronext Growth Milan | Energy & Renewable | Italy

Production 17/10/2023, h. 06:30 pm

Published 18/10/2023, h. 07:00 am



Rating

**BUY**

unchanged

Target Price

**€ 8,70**

unchanged



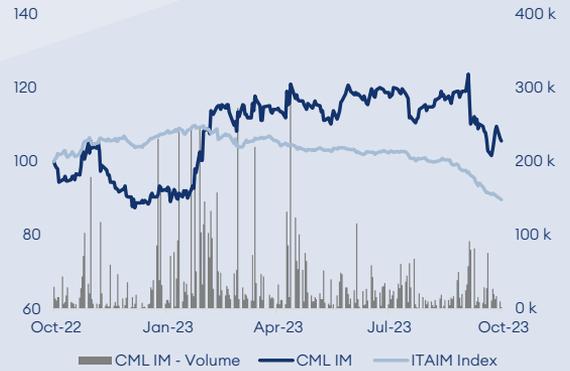
Risk

Medium

Upside potential

**171,8%**

## Stocks performance relative to FTSE Italia Growth



## Stock Data

Price	€ 3,20
Target price	€ 8,70
Upside/(Downside) potential	171,8%
Ticker	CML IM
Market Cap (€/mln)	€ 36,80
EV (€/mln)	€ 57,19
Free Float	37,30%
Share Outstanding	11.500.000
52-week high	€ 3,76
52-week low	€ 2,61
Average daily volumes (3 months)	22.895,00

Key Financials (€/mln)	FY22A	FY23E	FY24E	FY25E
Revenues	61,1	81,0	102,0	129,0
VoP	77,8	103,5	122,0	143,0
EBITDA	6,9	9,5	11,6	14,3
EBIT	5,8	8,0	10,0	12,6
Net Profit	3,4	4,6	6,2	8,3
EBITDA margin	8,9%	9,2%	9,5%	10,0%
EBIT margin	7,4%	7,7%	8,2%	8,8%
Net Profit margin	4,3%	4,4%	5,1%	5,8%

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Stock performance	1M	3M	6M	1Y
Absolute	-11,4%	-11,1%	-7,5%	5,6%
to FTSE Italia Growth	-3,3%	1,2%	7,6%	15,9%
to Euronext STAR Milan	-6,9%	0,2%	8,3%	7,8%
to FTSE All-Share	-10,3%	-9,6%	-8,4%	-24,6%
to EUROSTOXX	-9,2%	-6,4%	-2,6%	-15,0%
to MSCI World Index	-9,0%	-6,6%	-9,6%	-13,0%

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	8,6x	6,3x	5,1x	4,2x
EV/EBIT	10,3x	7,4x	5,9x	4,7x
P/E	11,6x	7,4x	5,8x	4,6x

## 1H23A Results

In the half year results as of 1H23A, Comal reported a value of production of € 47.03 million, up 22.3% compared to the figure of 1H22A, equal to € 38,44 million. EBITDA for the period came in at € 4.19 million, almost doubling (+94.3%) the 1H22A result of € 2.16 million, with a margin on the value of production of 8.9%. EBIT amounted to € 3.52 million, up 114.2% compared to € 1.64 million in 1H22A, with an EBIT Margin of 7.5%. Net Income was also positive and equal to € 1.63 million, up 93.0% compared to the value of 1H22A, equal to € 0,85 million.

## Estimates Update

In light of the published 1H23A half-year results, we substantially confirm our estimates for both the current year and the coming years, revising only the impact on the income statement of the higher financial charges. In particular, we estimate an FY23E value of production equal to € 103.50 million, and an EBITDA equal to € 9.50 million, corresponding to a margin of 9.2%. In the following years, we expect the value of production to rise to € 143.00 million (CAGR 22Y-25E: 22.5%) in FY25E, with an EBITDA equal to € 14.30 million (corresponding to a margin of 10.0%), up from € 6.93 million in FY22A (corresponding to an EBITDA Margin of 8.9%).

## Valuation Update

We conducted our valuation of the equity value of Comal based on the DCF method and multiples of a sample of comparable companies. The DCF method (including, for prudential purposes, a specific risk of 2.5% in the calculation of the WACC) returned an equity value of € 113.4 million. Using market multiples, the equity value of Comal is € 86.6 million. The results give an average equity value of € 100.0 million. **The target price is € 8.70, with a BUY rating and MEDIUM risk.**

# Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

INCOME STATEMENT (€/mln)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenues	37,23	61,10	81,00	102,00	129,00
Work In Progress	3,89	15,89	21,00	19,00	13,00
Other Revenues	1,00	0,76	1,50	1,00	1,00
<b>Value of Production</b>	<b>42,12</b>	<b>77,76</b>	<b>103,50</b>	<b>122,00</b>	<b>143,00</b>
COGS	18,05	39,19	52,10	61,35	71,80
Services	14,09	21,38	28,40	33,35	39,00
Use of assets owned by others	0,59	1,01	1,30	1,50	1,70
Employees	5,65	8,46	11,20	13,10	15,00
Other Operating Expenses	0,35	0,80	1,00	1,10	1,20
<b>EBITDA</b>	<b>3,39</b>	<b>6,93</b>	<b>9,50</b>	<b>11,60</b>	<b>14,30</b>
<i>EBITDA Margin</i>	<i>8,1%</i>	<i>8,9%</i>	<i>9,2%</i>	<i>9,5%</i>	<i>10,0%</i>
<i>Extraordinary Items</i>	<i>0,05</i>	<i>(0,66)</i>	<i>0,00</i>	<i>0,00</i>	<i>0,00</i>
<b>EBITDA Adj.</b>	<b>3,34</b>	<b>7,59</b>	<b>9,50</b>	<b>11,60</b>	<b>14,30</b>
EBITDA Adj. Margin	7,9%	9,8%	9,2%	9,5%	10,0%
D&A	1,20	1,18	1,50	1,60	1,70
<b>EBIT</b>	<b>2,19</b>	<b>5,75</b>	<b>8,00</b>	<b>10,00</b>	<b>12,60</b>
<i>EBIT Margin</i>	<i>5,2%</i>	<i>7,4%</i>	<i>7,7%</i>	<i>8,2%</i>	<i>8,8%</i>
Financial Management	(0,44)	(0,53)	(1,40)	(1,20)	(0,80)
<b>EBT</b>	<b>1,75</b>	<b>5,22</b>	<b>6,60</b>	<b>8,80</b>	<b>11,80</b>
Taxes	0,59	1,86	2,00	2,60	3,50
<b>Net Income</b>	<b>1,16</b>	<b>3,36</b>	<b>4,60</b>	<b>6,20</b>	<b>8,30</b>
<b>BALANCE SHEET (€/mln)</b>					
<b>Fixed Assets</b>	<b>11,11</b>	<b>12,38</b>	<b>12,90</b>	<b>13,50</b>	<b>14,30</b>
Account receivable	10,25	27,66	36,80	42,80	50,00
Work in Progress	21,84	39,12	49,00	55,00	60,00
Account payable	23,06	39,90	50,00	58,00	67,00
<b>Operating Working Capital</b>	<b>9,04</b>	<b>26,89</b>	<b>35,80</b>	<b>39,80</b>	<b>43,00</b>
Other receivable	1,03	1,54	2,10	2,60	3,20
Other payable	1,50	3,51	4,00	5,20	6,50
<b>Net Working Capital</b>	<b>8,57</b>	<b>24,92</b>	<b>33,90</b>	<b>37,20</b>	<b>39,70</b>
Severance Indemnities & Other Provisions	1,03	1,20	1,30	1,40	1,50
<b>NET INVESTED CAPITAL</b>	<b>18,64</b>	<b>36,10</b>	<b>45,50</b>	<b>49,30</b>	<b>52,50</b>
Share Capital	0,23	0,23	0,23	0,23	0,23
Reserves	10,96	12,12	15,48	20,08	26,28
Net Income	1,16	3,36	4,60	6,20	8,30
<b>Equity</b>	<b>12,35</b>	<b>15,71</b>	<b>20,31</b>	<b>26,51</b>	<b>34,81</b>
Cash & Cash Equivalent	9,29	6,39	9,81	10,21	13,31
Short Term Debt to Bank	4,20	10,78	16,00	15,00	14,00
M/L Term Debt to Bank	9,67	14,86	19,00	18,00	17,00
<b>Net Financial Position</b>	<b>4,58</b>	<b>19,24</b>	<b>25,19</b>	<b>22,79</b>	<b>17,69</b>
Other financial debt	1,72	1,15	0,00	0,00	0,00
<b>NFP Adjusted</b>	<b>6,29</b>	<b>20,39</b>	<b>25,19</b>	<b>22,79</b>	<b>17,69</b>
<b>SOURCES</b>	<b>18,64</b>	<b>36,10</b>	<b>45,50</b>	<b>49,30</b>	<b>52,50</b>

CASH FLOW (€/mln)	FY22A	FY23E	FY24E	FY25E
EBIT	5,75	8,00	10,00	12,60
Taxes	1,86	2,00	2,60	3,50
<b>NOPAT</b>	<b>3,89</b>	<b>6,00</b>	<b>7,40</b>	<b>9,10</b>
D&A	1,18	1,50	1,60	1,70
Change in receivable	(17,41)	(9,14)	(6,00)	(7,20)
Change in inventories	(17,28)	(9,88)	(6,00)	(5,00)
Change in payable	16,84	10,10	8,00	9,00
Change in others	0,93	(1,21)	0,70	0,70
Change in NWC	(16,93)	(10,13)	(3,30)	(2,50)
Change in provisions	0,17	0,10	0,10	0,10
<b>OPERATING CASH FLOW</b>	<b>(11,68)</b>	<b>(2,53)</b>	<b>5,80</b>	<b>8,40</b>
Capex	(2,5)	(2,0)	(2,2)	(2,5)
<b>FREE CASH FLOW</b>	<b>(14,13)</b>	<b>(4,55)</b>	<b>3,60</b>	<b>5,90</b>
Financial Management	(0,53)	(1,40)	(1,20)	(0,80)
Change in Debt to Bank	11,77	9,36	(2,00)	(2,00)
Change in Equity	0,00	0,00	0,00	0,00
<b>FREE CASH FLOW TO EQUITY</b>	<b>(2,89)</b>	<b>3,42</b>	<b>0,40</b>	<b>3,10</b>

Source: Comal and Integrae SIM estimates

## Company Overview

Founded in 2001, Comal SpA was born as a company operating in the mechanical plant engineering sector for the construction of traditional energy plants, and then became active in the plant engineering sector for the production of energy from solar sources. The Company, head of the Group of the same name, builds cutting-edge, high output solar plants, according to the combined Engineering, Procurement, Construction and Management (EPC-M) and Operation & Maintenance (O&M) formula, covering all stages of the production chain in order to offer a turnkey service from design through to construction of the structural and robotic components, installation, testing, commissioning and plant maintenance. The Group mainly operates in Italy, but is also active abroad and participates on an ongoing basis with local operators in tenders for the construction of energy production plants all over the world, particularly in Europe, Africa and the Middle East. To date, a total of more than 45 plants have been built, totaling a power output of over 750MW.

In parallel with plant construction, the Company also carries out the ordinary and extraordinary maintenance of plants producing energy from conventional sources, mostly thermoelectric plants. Comal can boast of being currently the leading plant builder in Italy in the production range of 5MW up to 80-100MW, as well as being a pioneer in the building of plants in Grid Parity, that is, with an economically convenient return obviating the need for public incentives.

# 1H23A Results

TABLE 2 – 1H23A VS 1H22A

€/mln	VoP	EBITDA	EBITDA %	EBIT	Net Income	NFP	NFP Adj.
1H23A	47,03	4,19	8,9%	3,52	1,63	23,63	23,63
1H22A	38,44	2,16	5,6%	1,64	0,85	19,24*	20,39*
Change	22,3%	94,3%	3,3%	114,2%	93,0%	n/a	n/a

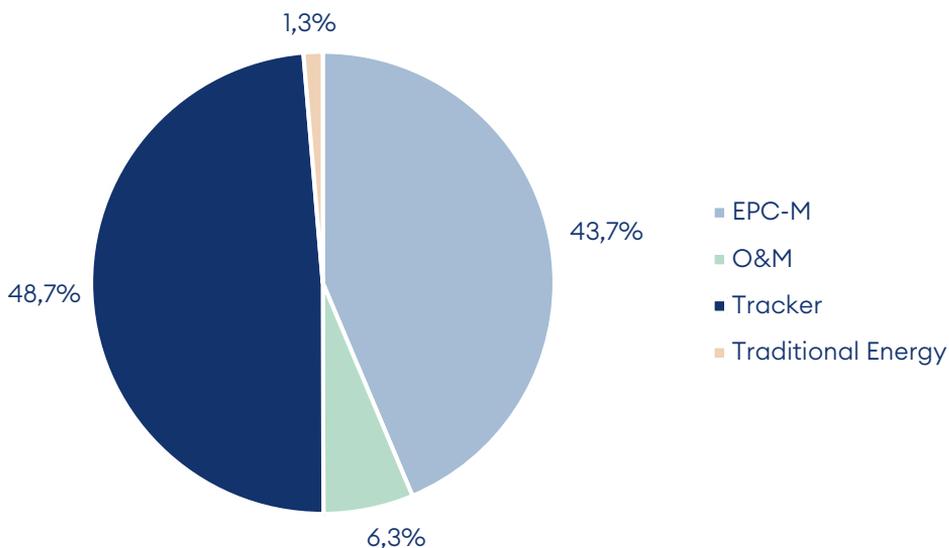
Source: Integrae SIM

\*NFP and NFP Adj. as of 31/12/2022

In the results press release, Alfredo Balletti, CEO of Comal, commented: “We are satisfied with the growth achieved in this half-year, which is mainly the fruit of the placing of new plant construction orders. The set-up and commissioning of the new tracker production line are also continuing at the Enel power plant in Montalto di Castro. Furthermore, the Group continues to maintain its commitment to investing in its own technological capabilities. We are optimistic about the future, given the growth in demand for renewable energy, and, as market leaders, thanks to our continuous investments, we aim to play an increasingly leading role.”

Comal closed the first half of the year in line with expectations, reporting a value of production of € 47.03 million, compared to the estimated year-end value of € 103.50 million, and up 22.3% compared to the first half-year of the previous year, as a result of the significant increase in orders. The totality of revenues is generated in Italy.

CHART 1 – REVENUES BREAKDOWN BY SEGMENT



Source: Comal

The total value of production, excluding works in progress on order and the change in inventories for a total of € 20.42 million, amounts to total revenues of € 26.29 million, broken down as follows: 43.7% from the provision of EPC-M services (vs. 67.0% in 1H22A), 48.7% from the supply of the Tracker SunHunter product (vs. 27.0% in 1H22A), and 6.3% from the provision of O&M services (3.0% in 1H22A). Conventional energy revenues, on the other hand, attributable to maintenance on existing industrial plants, accounted for 1.3% of total revenues, compared to 3.0% in 1H22A.

We note, in particular, the significant rise in revenues from the supply and installation of trackers, the impact of which on the total growth went from 27.0% to 48.7%, as expected following the construction of the new factory in Montalto di Castro, expressly designed for the production of this new innovative component. Entry into operation of the factory will allow the creation of annual tracker volumes for approximately 1GW of energy, which will contribute to making the company even more competitive on the solar market, considering that such components were up until now imported from abroad.

The half-year result is in line with the company's growth trend, both considering the increase in tracker production volumes and in orders acquired, completed and in progress. The order backlog, including binding projects signed between parties, amounted to € 365.00 million on the date of publication of the results, compared to € 280.00 million recorded at the end of the first half-year of the previous financial year. Contributing to the increase in the backlog were the following contracts:

- With DCS Srl SPV, for the construction of a 150 MWp ground-based plant, according to the EPC-M formula, and Tracker supply, for € 53.00 million;
- The construction of two plants in the Province of Viterbo, for a total of 39 MWp;
- The construction of an 80 MWp plant in the Province of Cagliari;
- The construction of an 87 MWp plant and the supply of Trackers for a 93 MWp plant.

EBITDA for the period amounted to € 4.19 million, almost doubling (+94.3%) the result of the first half-year of 2022, equal to € 2.16 million, with a margin on the value of production of 8.9%, in line with the year-end value of 2022, and significantly higher than 5.6% in 1H22A. The company also reported, in items relating to other revenues and other operating expenses, both positive and negative components that are non-recurring and not attributable to ordinary operations. Therefore, the value of the reported Adjusted EBITDA was equal to € 4.47 million, for an Adjusted EBITDA Margin of 9.5%.

EBIT, after depreciation and amortization of € 0.67 million, amounted to € 3.52 million, up 114.2% compared to € 1.64 million in 1H22A, with an EBIT Margin of 7.5%. Net Income was also positive and growing, equal to € 1.63 million, up 93.0% vs. € 0.85 in 1H22A.

## FY23E – FY25E Estimates

TABLE 3 – ESTIMATES UPDATES FY23E - FY25E

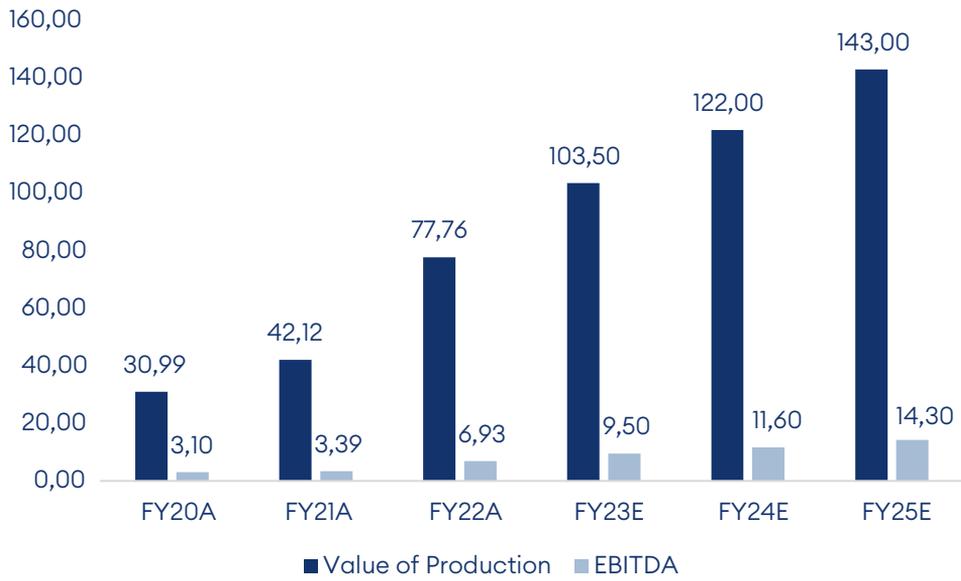
€/mln	FY23E	FY24E	FY25E
<b>Value of production</b>			
New	103,5	122,0	143,0
Old	103,5	122,0	143,0
Change	0,0%	0,0%	0,0%
<b>EBITDA</b>			
New	9,5	11,6	14,3
Old	9,5	11,6	14,3
Change	0,0%	0,0%	0,0%
<b>EBITDA margin</b>			
New	9,2%	9,5%	10,0%
Old	9,2%	9,5%	10,0%
Change	0,0%	0,0%	0,0%
<b>EBIT</b>			
New	8,0	10,0	12,6
Old	8,0	10,0	12,6
Change	0,0%	0,0%	0,0%
<b>Net Income</b>			
New	4,6	6,2	8,3
Old	5,3	6,7	8,5
Change	-13,2%	-7,5%	-2,4%
<b>Net financial position</b>			
New	25,2	22,8	17,7
Old	23,5	20,6	14,3
Change	n/a	n/a	n/a
<b>NFP Adjusted</b>			
New	25,2	22,8	17,7
Old	24,5	21,6	15,3
Change	n/a	n/a	n/a

Source: Integrae SIM

In light of the published 1H23A half-year results, we substantially confirm our estimates for both the current year and the coming years, revising only the impact on the income statement of the higher financial charges.

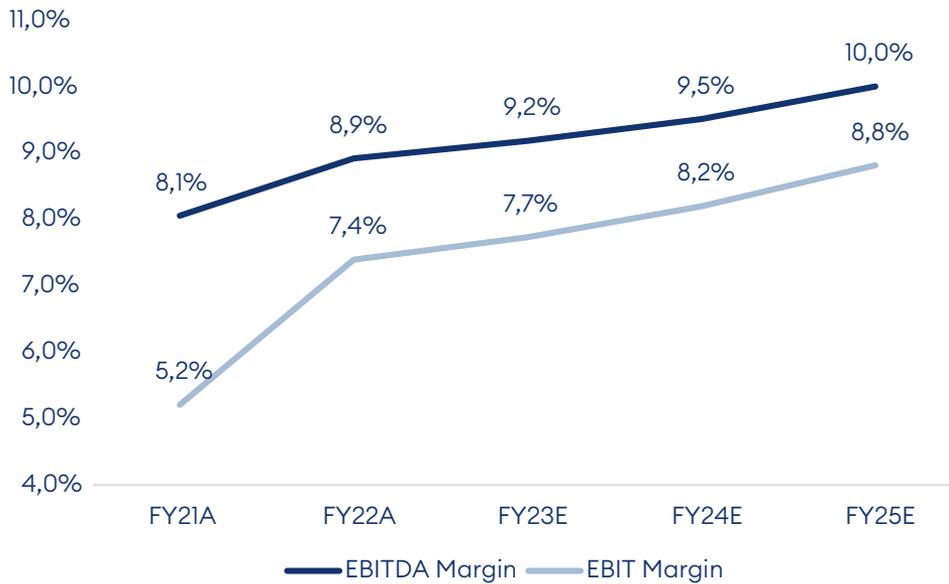
In particular, we estimate an FY23E value of production equal to € 103.50 million, and an EBITDA equal to € 9.50 million, corresponding to a margin of 9.2%. In the following years, we expect the value of production to rise to € 143.00 million (CAGR 22Y-25E: 22.5%) in FY25E, with an EBITDA equal to € 14.30 million (corresponding to a margin of 10.0%), up from € 6.93 million in FY22A (corresponding to an EBITDA Margin of 8.9%).

CHART 2 – VOP AND EBITDA FY20A-25E



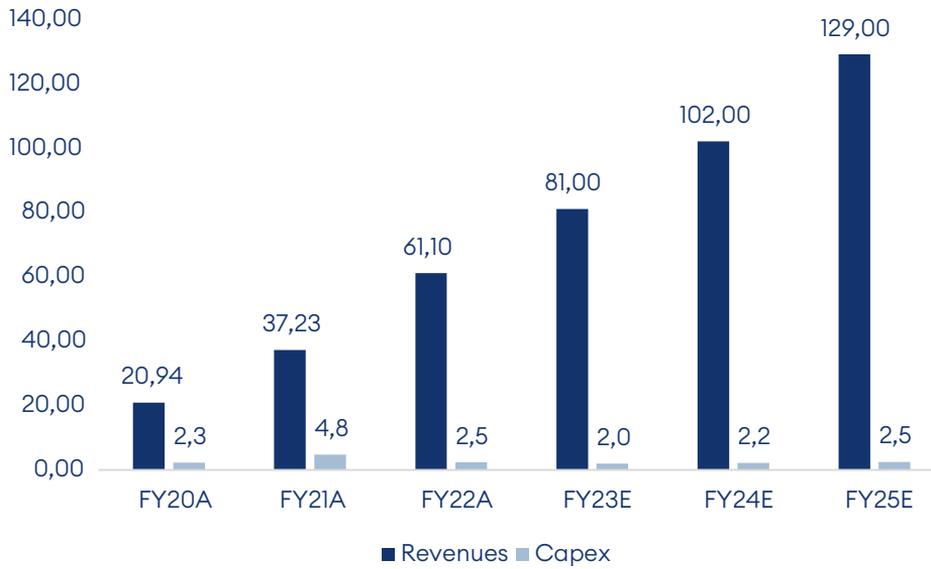
Source: Integrae SIM

CHART 3 – MARGIN FY21A-25E



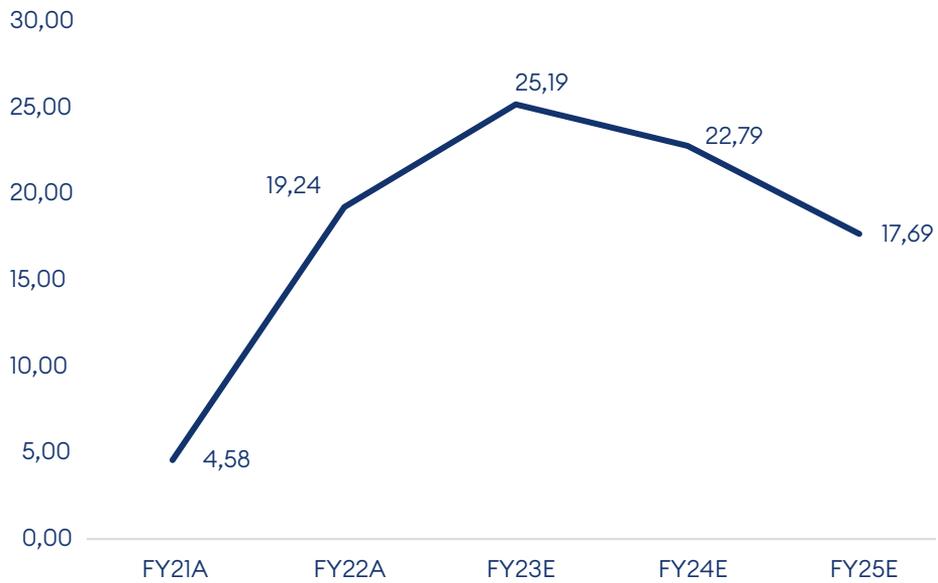
Source: Integrae SIM

CHART 4 – CAPEX FY20A-25E



Source: Integrae SIM

CHART 5 – NFP FY21A-25E



Source: Integrae SIM

# Valuation

We conducted our valuation of the equity value of Comal based on the DCF method and multiples of a sample of comparable companies.

## DCF Method

TABLE 4 – WACC

WACC				6,2%
D/E 150,00%	Risk Free Rate 3,64%	$\beta$ Adjusted 0,59	$\alpha$ (specific risk) 2,50%	
$K_d$ 4,00%	Market Premium 8,33%	$\beta$ Relevered 1,23	$K_e$ 11,06%	

Source: Integrae SIM

For prudential purposes, we included a specific risk of 2.5%. The result is therefore a WACC of 6.15%.

TABLE 5 – DCF VALUATION

DCF		% of EV
FCFO actualized	10,3	7,7%
TV actualized DCF	123,6	92,3%
<b>Enterprise Value</b>	<b>133,8</b>	<b>100%</b>
NFP Adjusted	20,39	
<b>Equity Value</b>	<b>113,4</b>	

Source: Integrae SIM

With the above data and taking our estimates and assumptions as a reference, the result is an **equity value of € 113.4 million**.

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mln	WACC							
		4,7%	5,2%	5,7%	6,2%	6,7%	7,2%	7,7%
Growth Rate (g)	3,0%	353,5	264,9	209,8	172,2	144,9	124,3	108,1
	2,5%	269,1	213,1	174,9	147,2	126,3	109,8	96,6
	2,0%	216,5	177,7	149,6	128,3	111,6	98,2	87,2
	1,5%	180,6	152,0	130,4	113,4	99,8	88,6	79,3
	1,0%	154,5	132,5	115,3	101,4	90,1	80,6	72,5
	0,5%	134,7	117,2	103,1	91,6	81,9	73,8	66,8
	0,0%	119,1	104,8	93,1	83,3	75,0	67,9	61,7

Source: Integrae SIM

## Market multiples

Our *panel* is made up of companies operating in the same sector as Comal. These companies were the same used to calculate Beta for the DCF method. The panel consists of:

TABLE 7 – MARKET MULTIPLES

Company Name	EV/EBITDA			EV/EBIT		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Altea Green Power SpA	10,5x	7,8x	6,0x	11,0x	8,1x	6,2x
ESI SpA	4,7x	3,3x	2,6x	6,1x	4,1x	n/a
Iberdrola SA	8,6x	8,2x	7,7x	13,6x	13,0x	12,4x
Iniziativa Bresciane S.p.A.	9,2x	8,4x	n/a	15,1x	12,3x	n/a
Renergetica SpA	18,0x	15,0x	9,9x	21,2x	17,5x	11,0x
<b>Peer median</b>	<b>9,2x</b>	<b>8,2x</b>	<b>6,9x</b>	<b>13,6x</b>	<b>12,3x</b>	<b>11,0x</b>

Source: *Infinancials*

TABLE 8 – MARKET MULTIPLES VALUATION

€/mln	FY23E	FY24E	FY25E
<b>Enterprise Value (EV)</b>			
EV/EBITDA	87,4	95,1	98,0
EV/EBIT	108,8	122,6	139,1
<b>Equity Value</b>			
EV/EBITDA	62,2	72,3	80,3
EV/EBIT	83,6	99,8	121,4
<b>Average</b>	<b>72,9</b>	<b>86,1</b>	<b>100,8</b>

Source: *Integrae SIM*

Using EV/EBITDA and EV/EBIT market multiples, the equity value of Comal is approximately € **86.6 million**.

# Equity Value

TABLE 9 – EQUITY VALUE

Average Equity Value (€/mln)	100,0
Equity Value DCF (€/mln)	113,4
Equity Value multiples (€/mln)	86,6
<b>Target Price (€)</b>	<b>8,70</b>

Source: Integrae SIM

The results give an average equity value of approximately € 100.0 million. **The target price is therefore € 8.70 (prev. € 8.70). We confirm a BUY rating and MEDIUM risk.**

TABLE 10 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	15,9x	12,7x	10,4x	8,4x
EV/EBIT	20,9x	15,1x	12,0x	9,6x

Source: Integrae SIM

TABLE 11 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	8,6x	6,3x	5,1x	4,2x
EV/EBIT	10,3x	7,4x	5,9x	4,7x

Source: Integrae SIM

# Disclosure Pursuant to Delegated Regulation UE n. 2016/958

## Analyst/s certification

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02/02/2023	2,76	Buy	4,00	Medium	Breaking News
25/04/2023	3,39	Buy	8,70	Medium	Update
15/05/2023	3,51	Buy	8,70	Medium	Breaking News
12/06/2023	3,53	Buy	8,70	Medium	Breaking News

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#### Equity Total Return (ETR) for different risk categories

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BUY	ETR $\geq$ 7.5%	ETR $\geq$ 10%	ETR $\geq$ 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR $\leq$ -5%	ETR $\leq$ -5%	ETR $\leq$ 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

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