

eVISO

Sector: Technology

## Business development is the key priority

*eVISO has developed a proprietary AI platform for commodity markets with physical delivery and has successfully deployed it in the Italian energy business. Growth potential in energy is not yet fully exploited and, in our view, eVISO could take advantage on the current environment of high electricity prices to gain market share. The exploitation of the AI platform in other commodities (fruits, cereals, metals...) is a key opportunity and management priority. eVISO has already achieved important milestones in the apple market. The business shift from buy&sell of electricity to data driven services should boost profitability in the medium term and trigger market re-rating. We have increased our top line estimates (on higher electricity prices) and lowered our EBITDA estimates on higher business development costs. We confirm our Buy rating with TP of Eu3.5/share*

- **First monetization of the AI platform in the agri-business.** eVISO has recently announced, that negotiations started on its marketplace dedicated to apples with differed delivery at 3 / 6 / 12 months and beyond. "Smartmele" is a unique marketplace in the business, with digital transactions settled with characteristics and guarantees typical of those of regulated markets. eVISO powers and manages the marketplace in exchange of a phase-up fee (paid by the participants to the market, both buyers and sellers) and a transaction fee. The venture is still at early stage, but it has strong potential in a USD87bn global market.
- **Expansion of data driven scalable services in energy.** During 2021, eVISO launched two services in the energy business to monetize its AI capabilities: 1) the digital platform CORTEX, dedicated to resellers, which gives the chance to automatically change technical and legal conditions of the contracts with their clients; 2) the calculation tool BILLING3.OAAS, able to produce the calculation of the bills for the entire Italian electricity market. The group has recently announced that more than 10k requests has been processed by Cortex in CY 2021. In addition, the first agreement with a large client has been signed in 2H 2021 to monetize BILLING3.OAAS calculation tool. With these ventures, the group can directly monetize its AI capabilities with the sale of high margin solutions to other operators in the electricity value chain. Finally, eVISO announced the achievement of >1k clients in the gas business, confirming a successful expansion into another energy vertical.
- **More tailwinds than headwinds in the current high electricity price environment.** The price of electricity in the Italian market has achieved unprecedented increases over the last few months. Buy&Sell of electricity in the Italian market represented around 90% of eVISO's top line in FY2021. Current high electricity prices should have a strong impact on top line in FY2022E, but negligible on Gross Margin. Credit risk versus resellers could theoretically increase, but we believe it is under control. The decision of the Italian government to eliminate the system charges from the bill of small consumers should have a negative but temporary effect on Net Working Capital, but it could be an additional trigger to permanent gain market of share for eVISO (leveraging on the strong balance sheet and credit rating).
- **Top line estimates revised upwards; EBITDA estimates revised downwards on higher business development costs.** Our top line estimates have been revised upwards, by 50% in FY 2022 (Jul-21 / Jun-22) and by 28% in FY 2023 on higher electricity price. While our estimates on gross margin are roughly unchanged, we have incorporated in our numbers higher G&A costs. In our view, the group is investing in business development to support future growth and exploit further its AI platform. While business development costs are upfront, results should materialize in the medium/long term.
- **BUY confirmed with TP of Eu3.5/share.** We value eVISO with multiples of other Italian technological players. We have added to our sample Almaxwave (Artificial Intelligence player) and the recently listed Datrix (Augmented Analytics group). The addition has no impact on the median multiples. We confirm our BUY rating with TP of Eu3.5/share. The revision of our estimates is offset the multiples re-rating of peers (from June 2021). Exploitation of the AI platform outside the buy&sell of electricity business should trigger a re-rating of the stock.

BUY

Unchanged

TP 3.5

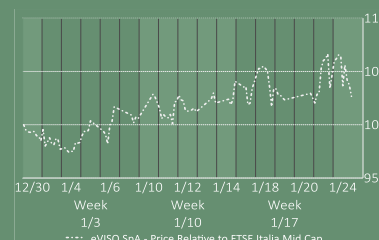
Unchanged

Target price upside: 52%

Change in EPS est.	FY22E	FY23E
	-12.5%	-21.9%

Ticker (BBG, Reut)	EVS IM	EVS MI
Share price Ord. (Eu)		2.3
N. of Ord. shares (mn)		24.7
Total N. of shares (mn)		24.7
Market cap (Eu mn)		57
Total Market Cap (EU mn)		57
Free Float Ord. (%)		21%
Free Float Ord. (Eu mn)		12
Daily AVG liquidity Ord. (Eu k)		106

	1M	3M	12M
Absolute Perf.	-9%	-15.1%	15.8%
Rel.to FTSEMIDCap	-1%	-4.2%	-3.5%
52 weeks range		1.9	3.0



	FY21A	FY22E	FY23E
Sales	77	177	187
EBITDA adj.	3.3	4.8	5.8
Net profit adj.	1.5	2.6	3.3
EPS adj.	0.068	0.107	0.132
DPS - Ord.	0.016	0.025	0.032
EV/EBITDA adj.	14.4x	10.4x	8.0x
P/E adj.	37.0x	21.6x	17.5x
Dividend yield	0.7%	1.1%	1.4%
FCF yield	-0.5%	-0.2%	8.4%
Net debt/(Net cash)	(7.5)	(6.9)	(11.1)
Net debt/EBITDA	nm	nm	nm

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## Financial Summary (FY ends on 30/06)

P&L account (Eu mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Total Revenues	48.6	76.7	176.8	187.0	187.8
Gross Margin	4.9	6.3	8.8	10.1	12.3
EBITDA reported	2.3	3.3	4.8	5.8	8.2
D&A	(0.7)	(1.2)	(1.9)	(2.1)	(2.1)
EBIT reported	1.7	2.1	2.9	3.7	5.1
Net financial charges	(0.1)	(0.4)	(0.1)	(0.0)	(0.0)
Associates	0.0	0.0	0.0	0.0	0.0
Extraordinary items	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	1.6	1.8	2.8	3.6	5.0
Taxes	(0.4)	(0.4)	(0.7)	(1.0)	(1.4)
Minorities	0.0	0.0	0.0	0.0	(1.4)
Discontinued activities	0.0	0.0	0.0	0.0	0.0
Net profit reported	1.2	1.3	2.0	2.7	3.6
<b>EBITDA adjusted</b>	<b>2.3</b>	<b>3.3</b>	<b>4.8</b>	<b>5.8</b>	<b>7.2</b>
<b>EBIT adjusted</b>	<b>1.7</b>	<b>2.3</b>	<b>3.5</b>	<b>4.3</b>	<b>5.6</b>
<b>Net profit adjusted</b>	<b>1.2</b>	<b>1.5</b>	<b>2.6</b>	<b>3.3</b>	<b>4.2</b>

Margins (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Gross margin	10.0%	8.2%	5.0%	5.4%	6.6%
EBITDA margin (adj)	4.8%	4.3%	2.7%	3.1%	3.8%
EBIT margin (adj)	3.4%	3.0%	2.0%	2.3%	3.0%
Pre-tax margin	3.2%	2.3%	1.6%	1.9%	2.7%
Net profit margin (adj)	2.4%	2.0%	1.5%	1.7%	2.2%

Growth rates (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Sales	12.8%	57.9%	130.4%	5.8%	0.5%
EBITDA	11.8%	41.4%	43.8%	21.0%	41.4%
EBITDA adjusted	11.8%	41.4%	43.8%	21.0%	24.1%
EBIT	13.1%	27.4%	36.2%	27.9%	37.4%
EBIT adjusted	13.1%	39.1%	50.5%	23.1%	32.2%
Pre-tax	11.4%	13.0%	58.0%	31.0%	37.8%
Net profit	10.2%	14.8%	54.4%	29.7%	36.6%
Net profit adjusted	10.2%	31.5%	73.8%	23.0%	29.9%

Per share data	FY20A	FY21A	FY22E	FY23E	FY24E
Shares	20.000	24.571	24.662	24.662	24.662
N. of shares AVG	20.000	22.286	24.662	24.662	24.662
N. of shares diluted AVG	10.000	22.286	24.662	24.662	24.662
<b>EPS</b>	<b>0.058</b>	<b>0.060</b>	<b>0.083</b>	<b>0.108</b>	<b>0.147</b>
<b>EPS adjusted</b>	<b>0.058</b>	<b>0.068</b>	<b>0.107</b>	<b>0.132</b>	<b>0.171</b>
<b>DPS - Ord.</b>	<b>0.017</b>	<b>0.016</b>	<b>0.025</b>	<b>0.032</b>	<b>0.044</b>
DPS - Sav.	0.000	0.000	0.000	0.000	0.000
BVPS	0.147	0.887	0.868	0.951	1.066

Enterprise value (Eu mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Share price Ord. (Eu)		2.3	2.3	2.3	2.3
Market cap	na	56.2	57.0	57.0	57.0
Net debt/(Net cash)	(0.0)	(7.5)	(6.9)	(11.1)	(17.4)
Adjustments	(1.4)	(0.9)	(0.2)	0.1	0.1
Enterprise value		47.9	49.8	46.0	39.7

Cash flow (Eu mn)	FY20A	FY21A	FY22E	FY23E	FY24E
EBITDA adjusted	2.3	3.3	4.8	5.8	7.2
Net financial charges	(0.1)	(0.4)	(0.1)	(0.0)	(0.0)
Cash taxes	(0.5)	(0.4)	(0.7)	(1.0)	(1.4)
Ch. in Working Capital	(1.1)	(0.0)	(0.6)	1.6	3.4
Other operating items	0.1	0.2	0.3	0.0	0.0
<b>Operating cash flow</b>	<b>0.8</b>	<b>2.7</b>	<b>3.7</b>	<b>6.4</b>	<b>9.2</b>
Capex	(2.1)	(3.0)	(3.8)	(1.6)	(2.1)
<b>FCF</b>	<b>(1.3)</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>4.8</b>	<b>7.1</b>
Disposals/Acquisitions	0.4	0.0	0.0	0.0	0.0
Changes in Equity	0.0	7.9	0.0	0.0	0.0
Others	0.0	0.1	0.0	0.0	0.0
Dividends	(0.3)	(0.3)	(0.4)	(0.6)	(0.8)
<b>Ch. in NFP</b>	<b>(1.3)</b>	<b>7.4</b>	<b>(0.5)</b>	<b>4.2</b>	<b>6.3</b>

Ratios (%)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Capex/Sales</b>	<b>4.4%</b>	<b>3.9%</b>	<b>2.1%</b>	<b>0.9%</b>	<b>1.1%</b>
Capex/D&A	3.1x	2.4x	2.0x	0.8x	1.0x
FCF/EBITDA	-56.6%	-8.3%	-2.3%	82.8%	98.7%
FCF/Net profit	-115.1%	-20.7%	-5.4%	180.0%	194.9%
<b>Dividend pay-out</b>	<b>nm</b>	<b>30.1%</b>	<b>30.1%</b>	<b>30.1%</b>	<b>30.1%</b>

Balance sheet (Eu mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Working capital	(0.7)	(0.5)	0.1	(1.5)	(4.9)
Fixed assets	4.0	13.0	14.9	14.4	14.2
Provisions & others	(0.3)	(0.2)	(0.5)	(0.6)	(0.6)
<b>Net capital employed</b>	<b>2.9</b>	<b>12.3</b>	<b>14.5</b>	<b>12.3</b>	<b>8.9</b>
<b>Net debt/(Net cash)</b>	<b>(0.0)</b>	<b>(7.5)</b>	<b>(6.9)</b>	<b>(11.1)</b>	<b>(17.4)</b>
Equity	2.9	19.8	21.4	23.5	26.3
Minority interests	0.0	0.0	0.0	0.0	0.0

Ratios (%)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Working capital/Sales</b>	<b>-1.4%</b>	<b>-0.6%</b>	<b>0.0%</b>	<b>-0.8%</b>	<b>-2.6%</b>
<b>Net debt/Equity</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>
<b>Net debt/EBITDA</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>

Valuation	FY20A	FY21A	FY22E	FY23E	FY24E
<b>EV/CE</b>		<b>3.8x</b>	<b>3.3x</b>	<b>3.6x</b>	<b>4.2x</b>
P/BV		2.8x	2.7x	2.4x	2.2x
EV/Sales		0.6x	0.3x	0.2x	0.2x
EV/EBITDA		14.4x	10.4x	8.0x	4.9x
<b>EV/EBITDA adjusted</b>		<b>14.4x</b>	<b>10.4x</b>	<b>8.0x</b>	<b>5.5x</b>
EV/EBIT		22.7x	17.3x	12.5x	7.9x
<b>EV/EBIT adjusted</b>		<b>20.8x</b>	<b>14.4x</b>	<b>10.8x</b>	<b>7.0x</b>
P/E		42.4x	27.8x	21.4x	15.7x
<b>P/E adjusted</b>		<b>37.0x</b>	<b>21.6x</b>	<b>17.5x</b>	<b>13.5x</b>
ROCE pre-tax	77.5%	29.1%	25.2%	30.6%	50.5%
<b>ROE</b>	<b>39.3%</b>	<b>7.7%</b>	<b>12.3%</b>	<b>13.9%</b>	<b>16.1%</b>
EV/FCF		-174.3x	-453.8x	9.6x	5.6x
<b>FCF yield</b>		<b>-0.5%</b>	<b>-0.2%</b>	<b>8.4%</b>	<b>12.4%</b>
<b>Dividend yield</b>		<b>0.7%</b>	<b>1.1%</b>	<b>1.4%</b>	<b>1.9%</b>

### Share price performance

Good market performance from IPO



Source: Factset

### Valuation

Market multiples recently down from record highs

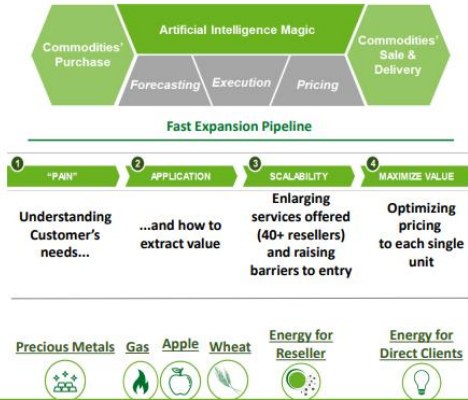


Source: Factset

## Key Charts

eVISO's AI platform

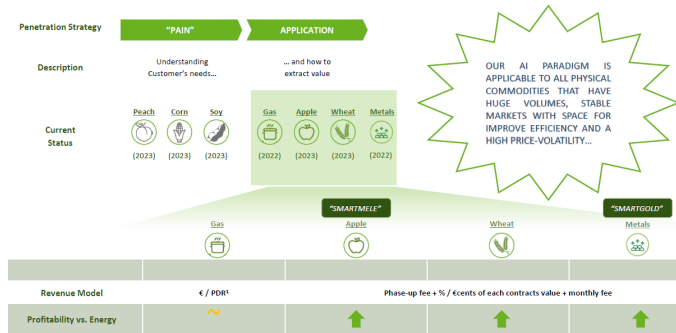
A proprietary AI platform to create value in the business of commodities,...



Source: Company presentation

## Expansion into new commodity markets

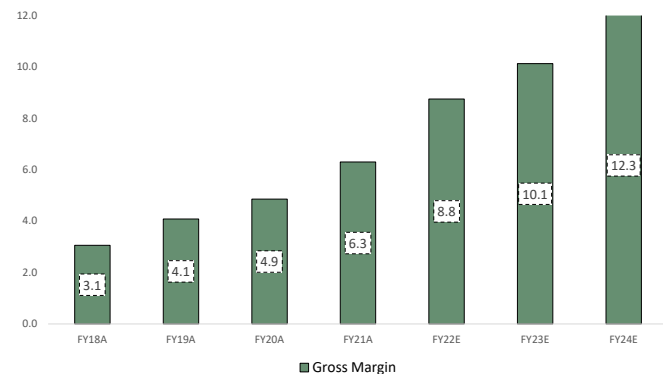
Ongoing expansion into other commodities



Source: Company presentation

## Evolution of gross margin – Eu mn

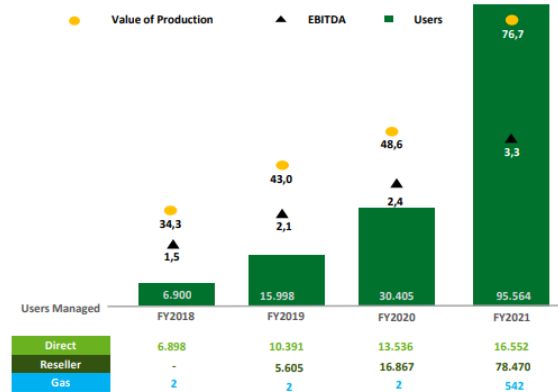
Strong P&L growth profile...



Source: eViso, Alantra estimates

## Historical results

...already successfully exploited in the energy business in Italy



Source: Company presentation

## Recent launch of a marketplace in the apple business

"Smartmele" is the first application in agri-commodities

**Marketplace for Apples**

Plan and control your apple trading in a data-driven platform

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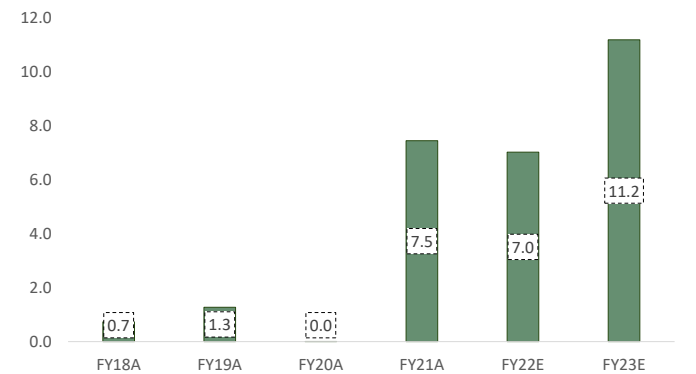
**Benefits for Buyers and Sellers**

- + Control & Planning**
  - Secure a % of volume with long term contracts.
  - Price and cash planning at 6 - 12 months.
  - Reduce risk of cost spikes in spot markets.
- + Scalable**
  - Based on a solid legal framework.
  - Clear Standards on products & quality.
  - Built for finance controllers.

Source: eVISO

## Evolution of net cash – Eu mn

...and sound balance sheet



Source: eViso, Alantra estimates

## Profile

<b>Background</b>	<p>eVISO has developed a proprietary Artificial Intelligence platform for commodity markets with physical delivery, leveraging on the engineering know-how and sector expertise of its founder and management team. eVISO's AI platform is able to automatically collect, cluster and analyze Big Data and to elaborate forecasts to be applied on both demand and supply sides, optimizing volume and pricing</p> <p>eVISO has successfully deployed its AI platform in the Italian electricity trading and sale business. The group buys electricity on the wholesale market and sells it to end-users or resellers, with an innovative business model: a) 1-to-1 approach to clients and preliminary selection of the most profitable end-users; b) Monitoring of clients' meters and grouping in different clusters, to enhance forecasting capabilities and to save penalties paid on the market; c) Algo trading execution in the complex electricity market. Efficiencies and value creation can be shared with the clients. The group has delivered sales growth, very low churn and gross margin above industry standard</p>
<b>Positioning</b>	<p>eVISO (a digital native player) has developed solutions in the electricity market that incumbents, with legacy business models and traditional commercial approaches, have difficulties to replicate</p> <p>First mover competitive advantage is an entry barrier for potential newcomers. We do not see examples of B2C players in the Italian electricity market, which leverage on an AI technology. This also makes eVISO a potential technology partner for resellers and for incumbents. Some ad-hoc services have been launched in 2021</p> <p>According to our estimates, the group should remain a niche player in the electricity business, suggesting potential for M/L term further expansion</p>
<b>Growth</b>	<p>We expect 35% sales CAGR over FY21-24 period, driven by electricity, but with initial contribution from other commodities</p> <p>We expect eVISO to continue to post above sector-average profitability in the energy business: the expansion of the direct client base and diversification in new commodities with a platform approach (most of revenues flow to gross margin) should be two profitability tailwinds in the future. By contrast, expansion in the reseller business (although important to cover fixed costs) should be a headwind. Overall, we expect eVISO to post 25% gross margin CAGR with yield on revenues declining from 8.2% in 2021 to 6.6% in 2024</p> <p>Although we expect eVISO to invest in its AI platform in the coming years, GM growth should trigger margin expansion. We expect EBITDA to grow from Eu3.3mn in FY21 to Eu7.2mn in FY24, posting a 29% CAGR</p>
<b>Strategy</b>	<p>eVISO is managing expansion into other commodities: gas (where the electricity business model can be replicated and upselling potential exploited), apples and metals. In agri-commodities the business model should be skewed to services / marketplace. While new ventures should represent only 3.8% of sales in FY24E, successful expansion would pave the way for margin improvement, the penetration of other areas and the future exploitation of the huge amount of collected data</p> <p>Over the coming years, new opex / capex will be needed to (i) develop the AI platform; (ii) build a new headquarter. Operating cash flow generation and the proceeds from the IPO should support the expected acceleration of the growth plan</p>

### Strengths

Proprietary AI platform for data analysis, forecasting and execution  
Proven and profitable application in the Italian electricity market  
Limited capital requirements and strong FCF generation

### Weaknesses

Time required to train high quality salesforce  
Intrinsically low margin business  
Credit risk (commercial receivables versus SMC clients)

### Opportunities

Expansion in other commodities  
Market share growth in the electricity business and sale of services to other utilities  
Data monetisation in global commodities

### Threats

Increasing commercial competition on high-margin clients  
Failure to exploit the platform in new commodities  
Regulatory changes in the electricity market

### Key shareholders

O Caminho Srl, 52.7%  
Iscat Srl, 13.9%  
Pandora SS, 12.2%  
Free Float, 21.2%

### Management

Gianfranco Sorasio - Founder & CEO  
Carlo Cigna - Algo Intelligence Director  
Sergio Amorini - Sales and Customer Care Director  
Federica Berardi - CFO  
Joao Cordovil Wemans - Data Service Director  
Lucia Fracassi - COO

### Next events

1H 2022 results: 22 March 2022  
General meeting: 27/28 October 2022

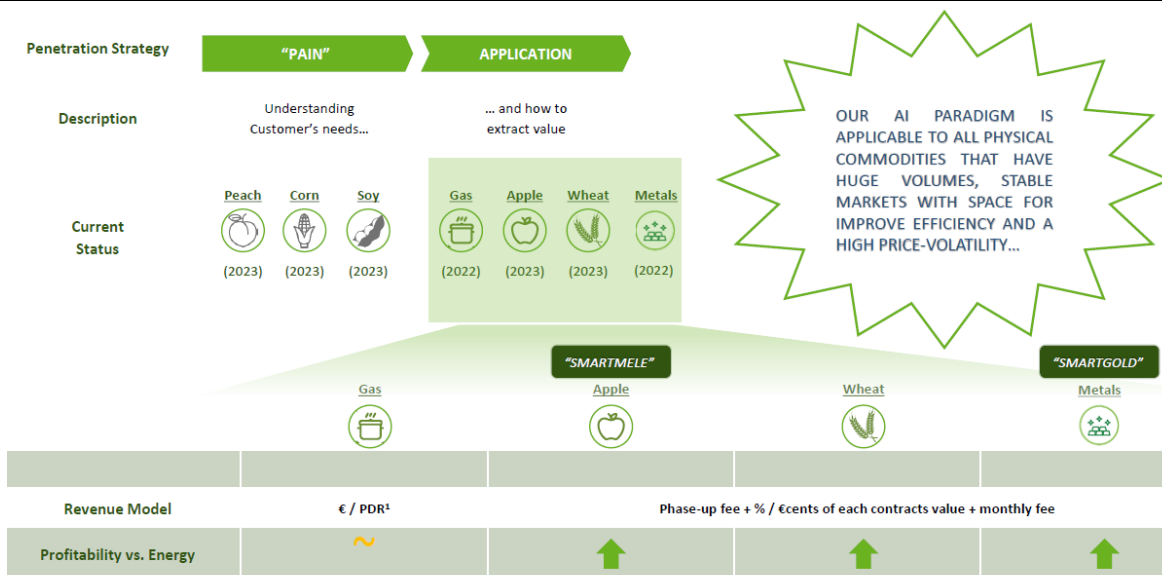
## First monetization of the AI platform in the agri-business

eVISO has announced in January 2022, that negotiations started on its marketplace dedicated to apples with differed delivery at 3 / 6 / 12 months and beyond. Total value of the transactions was Eu100k. The first transaction, valued Eu88k, took place between the Italian leading producer Lagnasco and the international distributor Novafruit.

“Smartmele” is an innovative marketplace with digital transactions settled with characteristics and guarantees typical of those of regulated markets. We believe that was an important achievement for the group: the first exploitation of eVISO’s AI capabilities in agri-commodities. This is consistent with the strategic intent to expand the AI platform outside the energy business.

### Group’s strategy to expand outside the Italian electricity business

*The first transaction on the “Smartmele” marketplace goes in the direction of exploiting the proprietary AI platform outside the energy business*



Source: eVISO

In apples, the business model is different compared to the consolidated activities in energy commodities, consisting of buy & sell of products in exchange of a small margin. In the apple business, the group powers and manages the marketplace in exchange of a phase-up fees (paid by the participants to the market, both buyers and sellers) and a transaction fee. The business model has potential to be significantly margin accretive.

## eVISO's « Smartmele market place

In the apple business, the group powers and manages the marketplace in exchange of a phase-up fees (paid by the participants to the market, both buyers and sellers) and a transaction fee

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Source: eVISO

The total global market of apples is valued USD87bn and no marketplaces similar to that of eVISO are in place at the moment. Only part of the total market (forward transactions) is addressable by the group. It should represent around 20-25% of the total. The venture is still at an early stage, but we have simulated the potential fees that the group could achieve in the business. Assuming a 5% penetration and 4% fee on the transactions, eVISO could generate fees of Eu39mn in the medium / long term. The gross margin of the business should be very high (close to 90% in our view). Value creation potential is also very high.

### Sensitivity of the potential annual fees in the global apple business based on market share and pricing – Eu mn

eVISO has potential to generate a strong top line with high margin in the apple business

	1%	3%	5%	10%	15%
3%	6	18	29	59	88
4%	7	21	34	69	103
4%	8	23	39	78	117
5%	9	26	44	88	132
5%	10	29	49	98	147

Source: Alantra estimates

## Business development goes on in the energy business

During 2021, eVISO has launched additional services to monetize the capabilities of its AI platform in the energy business:

- the digital platform CORTEX, dedicated to resellers, which will have the chance to automatically change technical and legal conditions of the contracts with their clients. In 2019 in Italy (ARERA 2020 Survey), low voltage users alone submitted a total of 4.5m requests. For eVISO, the speed to handle requests is a source of competitive advantage. CORTEX, which works machine to machine and via web, has a processing capacity of 5k requests per month. eVISO charges a commission per request successfully executed with a low marginal cost. More than 10k requests has been processed by Cortex in CY 2021
- In 2021 the group has also launched a calculation tool (BILLING3.OAAS) able to produce the calculation of the bills for all the entire Italian electricity market. This tool has potential to be sold to re-sellers and large operators to support their billing process and offer a range of digital services related to billing data. The first agreement with a large client has been signed in 2021 to monetize BILLING3.OAAS calculation tool
- In December 2021, the group has announced the achievement of more than 1k PDR under management in the gas business from 692 at the end of June 2021.

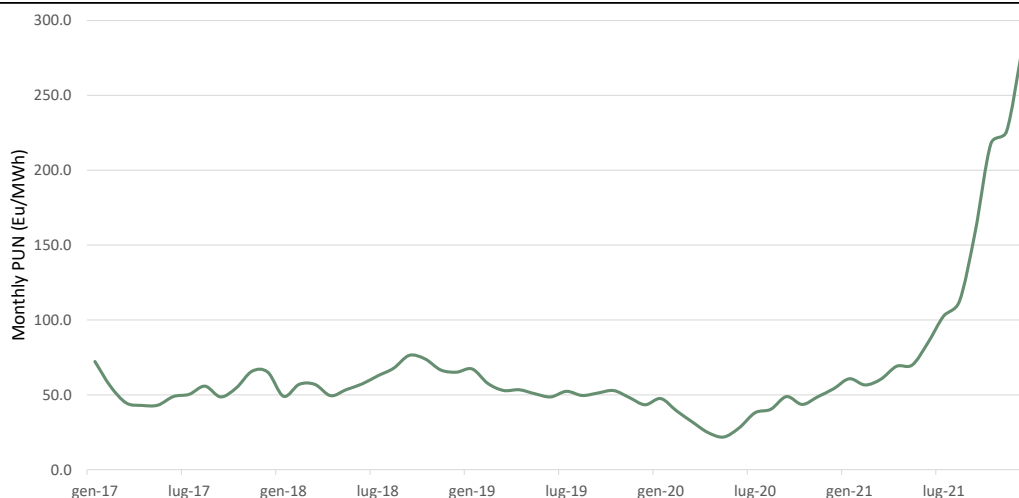
The ventures represent upside risks to our estimates. The group can directly monetize its AI capabilities with the sale of high margin solutions to other operators in the electricity value chain or expand into another vertical of the energy business.

## We see more positives than negatives in the current environment of high energy prices

The price of electricity in the Italian market has achieved unprecedented increases over the last few months, due to a combination of: 1) rise in the price of natural gas; 2) recovery of demand. According to GME, the National Single Price (PUN) achieved a level of Eu281/MWh in December 2021 from Eu85/MWh in June 2021 and an average of Eu39/MWh in CY2020 and Eu52/MWh in CY2019.

### Monthly evolution of the price of electricity (National Single Price - PUN) in the Italian market

*Unprecedented increases in the Italian price of electricity over the last few months*



Source: GME

## **Strong impact on top line, but negligible effect on gross margin**

Buy&Sell of electricity in the Italian market represented around 90% of eVISO's top line in FY2021. Current high electricity prices should have a strong impact on top line in FY2022E.

However, the impact on gross margin should be negligible, for the following reasons:

1. The entire business with resellers and the vast majority of the business with final customers are based on contracts with a spread over the PUN. In most of the cases, the spread is quantified in terms of Eu/MWh. As a consequence, the gross margin in absolute terms is not linked to the price of electricity
2. The group had a negligible % of contracts based on a fixed price in the Direct business in FY 2021. These contracts will disappear in FY2022
3. For some contracts in the direct business, the spread over the PUN is based on the price of the previous 1 or 2 months. This means that, in a scenario of increasing prices, gross margin is diluted by the time leg. However, the effect is only temporary, and it is reverted in a scenario of declining prices.

High prices could put some pressure on the business with resellers with a deterioration of the credit risk. However, we believe that credit risk for eVISO remains low as: 1) the financial profile of resellers is preliminary scrutinized before starting the commercial relationships; 2) for some receivables, eVISO uses factoring and the credit risk is transferred to banks; 3) some invoices to resellers are immediately cashed in. In addition, in order to incorporate more stringent obligations and scrutiny within the legal framework binding the resellers, in December 2021, the company successfully completed the update of almost all the contracts with resellers (except for few, non-material in terms of in volumes, recently acquired resellers). The new legal framework that became effective on the 1 January 2022, among other financial obligations, shifted payments to automatic SDD B2B.

## **The intervention of the government to mitigate electricity bills should be a temporary negative in terms of NWC**

The Italian government has approved a plan to mitigate the increase in electricity prices in 4Q 2021 and 1Q 2022 for householders and small corporates, with the elimination of the system charges from the electricity bills. The intervention has an estimated cost of around Eu3bn per quarter for the government. The portfolio of clients directly or indirectly served by eVISO is mainly represented by households or small corporates. The system charges are simple pass-through items for eVISO. As a consequence, the decision of the government should have a negative impact on top line (lower than that of the electricity price hike), but no impact on gross margin.

However, the system charges generate a positive impact on the net working capital of eVISO, linked to cash-in of electricity bills within few days and payment of the system charges after 60 days. As a consequence, the group should have a negative impact on net working capital from the elimination. This impact should be evident in the Net Financial Position at the end of 1H 2022 (Dec-2021). Although the group should put in place actions to offset the negative impact, we expect a decline of Net Cash of around Eu2-4mn in Dec 2021 versus June 2021.

## **eVISO can leverage on a strong balance sheet and gain market share in current environment**

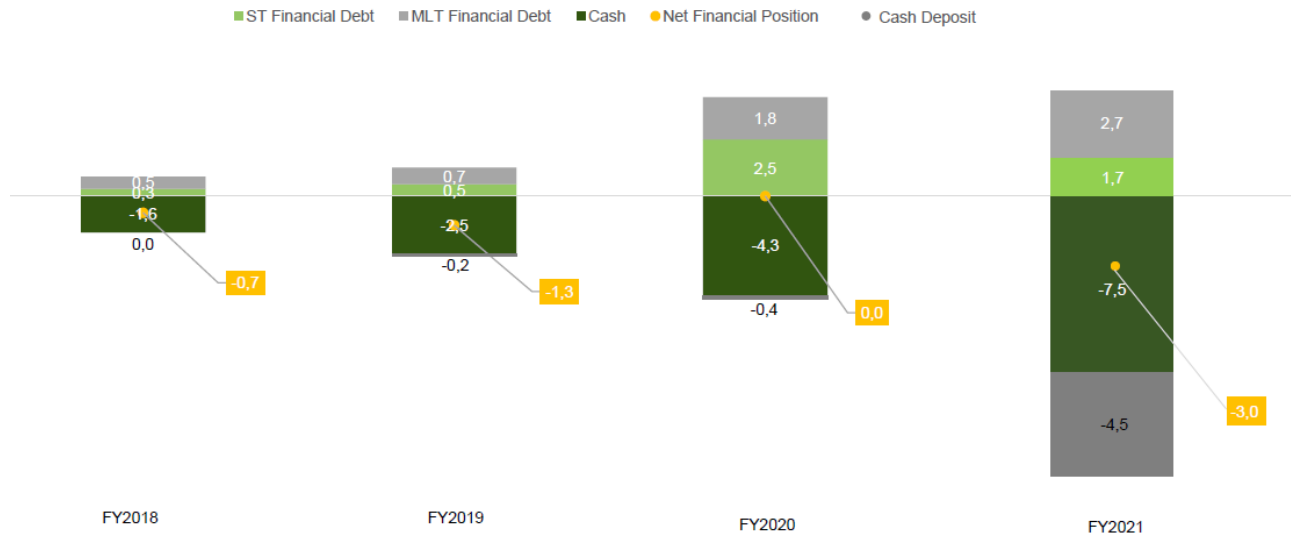
eVISO faces current market environment with a strong balance sheet. The group reported an adjusted Net cash of Eu7.5mn at the end of June 2021 (including Eu4.5mn security deposits). Cerved Rating Agency has recently confirmed the rating A3.1 on eVISO (equivalent to A- of S&P's and Fitch, and to A3 of Moody's). In our view, the group is in the position to leverage on its strong financial position and to gain market share, for two main reasons:

1. Some electricity traders and wholesale operators could struggle to continue to operate in the electricity market, as increasing guarantees are needed in a scenario of rising electricity prices. In addition, some operators have a material share of contracts based on fixed prices, which have become significantly loss making. According to press articles (Il Sole 24 Ore, HuffPost) several players in Italy have defaulted or are close to default. In the UK, 25 operators have been obliged to leave the market.
2. eVISO can face the higher capital absorption of the business linked to the elimination of the system charges and continue to expand its volumes. Other competitors are not in the same position and eVISO can gain share.



## Historical evolution of eVISO's net financial position

eVISO can leverage on a strong balance sheet and gain market share in current environment



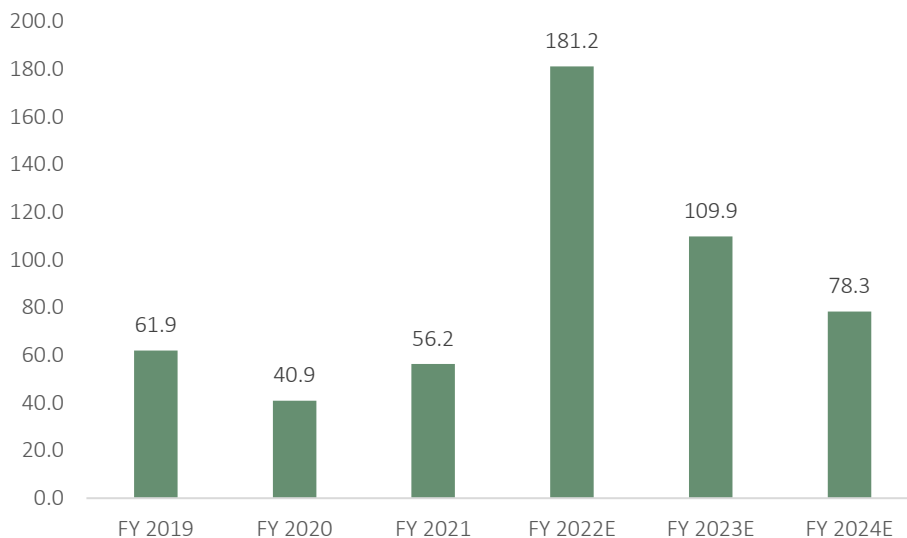
Source: GME

## EBITDA estimates revised downwards on higher G&A to support business development and long-term growth

We have assumed in our estimates a gradual decline and normalization of the electricity price in the Italian market from January 2022. We also assume that the elimination of the system charges should be over from April 2022.

### Annual evolution of the price of electricity (National Single Price - PUN) in the Italian market – Historical trend and our estimates – Eu/MWh

We have assumed in our estimates a gradual decline and normalization of the electricity price in the Italian market from January 2022



Source: GME, Alantra estimates. Note: FY from Jul to Jun.

Under these assumptions, our top line estimates have been revised significantly upwards, by 49% in FY 2022 (Jul-21 / Jun-22) and by 28% in FY 2023.

While our estimates on gross margin are roughly unchanged, we have incorporated in our numbers higher business development and G&A costs. In our view, the group is investing in business development to support future growth and exploit further its AI platform. Our EBITDA estimates are down 14% in FY2022E and 22% in FY2023E. While business development costs are upfront, results should materialize in the medium/long term.

#### Change in estimates

*Top line estimates revised upwards on higher electricity price. EBITDA revised downwards on higher G&A and business development costs*

(Eu mn)	New		Change		Old	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Total Revenues / Value of Production	176.8	187.0	49.2%	27.9%	118.5	146.2
EBITDA Adjusted	4.8	5.8	-13.9%	-21.8%	5.5	7.4
EBIT Adjusted	3.5	4.3	-18.3%	-26.2%	4.2	5.8
Pretax Profit	2.8	3.6	-32.8%	-36.6%	4.1	5.7
Net profit	2.0	2.7	-31.9%	-35.9%	3.0	4.1
Net profit restated	2.6	3.3	-12.2%	-21.6%	3.0	4.1
EPS	0.107	0.132	-12.5%	-21.9%	0.122	0.169
Net financial position	6.9	11.1	2.5%	7.6%	6.8	10.3

Source: Alantra estimates

## Detailed top line and GM estimates

### Detailed top line estimates

We expect strong top line growth in the coming years

Eu mn	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Electricity</b>	<b>33.7</b>	<b>42.4</b>	<b>47.8</b>	<b>75.6</b>	<b>173.5</b>	<b>181.4</b>	<b>179.5</b>
YoY Growth		25.7%	12.8%	58.1%	129.6%	4.5%	-1.1%
on total sales %	100.0%	100.0%	100.0%	99.8%	98.9%	97.7%	96.2%
<b>Direct</b>	<b>27.8</b>	<b>34.8</b>	<b>33.6</b>	<b>39.7</b>	<b>67.1</b>	<b>67.6</b>	<b>65.8</b>
YoY Growth		25.3%	-3.6%	18.2%	69.0%	0.7%	-2.6%
on electricity sales %	82.5%	82.2%	70.3%	52.5%	38.7%	37.2%	36.7%
<b>Retail (CLARA)</b>			<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
YoY Growth				nm	0.0%	0.0%	0.0%
on electricity sales %			0.0%	0.0%	0.0%	0.0%	0.0%
<b>Reseller</b>		<b>1.1</b>	<b>8.0</b>	<b>28.2</b>	<b>90.2</b>	<b>96.7</b>	<b>95.7</b>
YoY Growth			654.3%	253.8%	219.4%	7.3%	-1.1%
on electricity sales %		2.5%	16.7%	37.3%	52.0%	53.3%	53.3%
<b>Services BAU and BIG DATA</b>	<b>0.6</b>	<b>0.7</b>	<b>0.8</b>	<b>1.2</b>	<b>1.4</b>	<b>1.5</b>	<b>2.7</b>
YoY Growth		12.2%	10.1%	61.3%	13.0%	11.3%	76.6%
on electricity sales %	1.8%	1.6%	1.6%	1.6%	0.8%	0.8%	1.5%
<b>AOD platform revenues</b>	<b>5.3</b>	<b>5.8</b>	<b>5.5</b>	<b>6.4</b>	<b>14.9</b>	<b>15.6</b>	<b>15.3</b>
YoY Growth		9.2%	-5.4%	17.5%	131.5%	4.5%	-1.7%
on electricity sales %	15.7%	13.7%	11.5%	8.5%	8.6%	8.6%	8.5%
<b>Other Commodities</b>				<b>0.2</b>	<b>2.0</b>	<b>4.3</b>	<b>7.1</b>
YoY Growth					828.7%	118.0%	65.3%
on total sales %				0.3%	1.1%	2.3%	3.8%
<b>Total Revenues</b>	<b>33.7</b>	<b>42.4</b>	<b>47.8</b>	<b>75.7</b>	<b>175.5</b>	<b>185.7</b>	<b>186.5</b>
YoY Growth		25.7%	12.8%	58.4%	131.8%	5.8%	0.5%
<b>Other items</b>	<b>0.6</b>	<b>0.7</b>	<b>0.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Value of Production</b>	<b>34.3</b>	<b>43.0</b>	<b>48.6</b>	<b>75.7</b>	<b>175.5</b>	<b>185.7</b>	<b>186.5</b>
YoY Growth		25.5%	12.8%	55.9%	131.8%	5.8%	0.5%

Source: Alantra estimates

## Detailed Gross Margin estimates

Gross margin as % of sales should be diluted by the increase in the electricity price in FY 2022

Eu mn	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Electricity</b>	<b>2.5</b>	<b>3.4</b>	<b>4.1</b>	<b>4.9</b>	<b>6.7</b>	<b>7.5</b>	<b>9.0</b>
YoY Growth		38.2%	20.2%	20.3%	35.9%	12.7%	19.4%
gross margin %	7.3%	8.0%	8.6%	6.5%	3.9%	4.2%	5.0%
on total gross margin %	80.7%	83.5%	84.3%	78.2%	76.5%	74.5%	73.0%
<b>Direct</b>	<b>2.1</b>	<b>3.0</b>	<b>3.5</b>	<b>3.8</b>	<b>4.4</b>	<b>4.9</b>	<b>5.5</b>
YoY Growth		43.4%	17.5%	8.2%	14.6%	10.9%	13.2%
gross margin %	7.6%	8.7%	10.5%	9.7%	6.6%	7.2%	8.4%
on electricity gross margin %	85.3%	88.5%	86.5%	77.8%	65.6%	64.6%	61.2%
<b>Retail (CLARA)</b>				<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
YoY Growth					0.0%	0.0%	0.0%
gross margin %				14.1%	14.1%	14.1%	14.1%
on electricity gross margin %				0.0%	0.0%	0.0%	0.0%
<b>Reseller</b>		<b>0.0</b>	<b>0.2</b>	<b>0.8</b>	<b>2.0</b>	<b>2.3</b>	<b>2.9</b>
YoY Growth			756.4%	267.4%	152.1%	17.0%	23.6%
gross margin %		2.4%	2.7%	2.8%	2.2%	2.4%	3.0%
on electricity gross margin %		0.7%	5.2%	16.0%	29.6%	30.8%	31.9%
<b>Services BAU and BIG DATA</b>	<b>0.2</b>	<b>0.3</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>	<b>0.4</b>	<b>0.6</b>
YoY Growth		9.8%	-16.6%	35.2%	3.9%	11.3%	76.6%
gross margin %	40.3%	39.4%	29.8%	25.0%	23.0%	23.0%	23.0%
on electricity gross margin %	10.0%	7.9%	5.5%	6.2%	4.7%	4.7%	6.9%
<b>AOD platform revenues</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
YoY Growth							
gross margin %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
on electricity gross margin %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Other Commodities</b>				<b>0.1</b>	<b>0.5</b>	<b>0.9</b>	<b>1.4</b>
YoY Growth					489.2%	106.6%	50.3%
gross margin %				36.7%	23.3%	22.1%	20.0%
on total gross margin %				1.2%	5.2%	9.3%	11.5%
<b>Other items</b>	<b>0.6</b>	<b>0.7</b>	<b>0.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Gross Margin</b>	<b>3.1</b>	<b>4.1</b>	<b>4.9</b>	<b>6.3</b>	<b>8.8</b>	<b>10.1</b>	<b>12.3</b>
YoY Growth		33.6%	18.9%	29.7%	39.0%	15.7%	21.8%
gross margin on VoP %	9.1%	9.6%	10.2%	8.3%	5.0%	5.5%	6.6%

Source: Alantra estimates

## Peers

### Trading multiples

>30% discount versus peers on EV/EBITDA and EV/EBIT

Company	Country	Mkt Cap (Eu mn)	EV/Sales			EV/EBITDA			EV/EBIT			PE		
			FY21A	FY22E	FY23E	FY21A	FY22E	FY23E	FY21A	FY22E	FY23E	FY21A	FY22E	FY23E
eVISO (Calendarized)	ITALY	57	0.4 x	0.3 x	0.2 x	12.2 x	9.1 x	6.6 x	17.1 x	12.4 x	8.6 x	27.4 x	19.3 x	15.2 x
Premium (discount) to Peers' Italian Technology			-93%	-92%	-90%	-31%	-39%	-43%	-41%	-40%	-48%	-38%	-38%	-33%
CY4Gate SpA	ITALY	162	8.8 x	5.9 x	5.1 x	20.8 x	14.8 x	12.5 x	34.1 x	21.2 x	17.8 x	46.3 x	29.0 x	22.8 x
PITECO SpA	ITALY	203	6.9 x	6.1 x	5.4 x	14.6 x	12.6 x	10.8 x	22.9 x	18.7 x	16.7 x	12.4 x	18.3 x	17.3 x
Expert.ai S.p.A.	ITALY	110	3.1 x	2.6 x	1.9 x	na	na	15.6 x	na	na	na	na	na	na
Tecma Solutions SpA	ITALY	85	6.4 x	3.9 x	2.3 x	35.4 x	17.9 x	10.5 x	50.9 x	23.0 x	13.5 x	74.5 x	33.8 x	20.1 x
Almawave S.p.A.	ITALY	128	3.5 x	2.8 x	2.3 x	14.2 x	12.0 x	9.6 x	23.4 x	20.1 x	15.7 x	41.5 x	34.3 x	26.9 x
Datrix S.p.A.	ITALY	63	5.0 x	3.0 x	2.2 x	nm	53.6 x	13.7 x	nm	nm	24.2 x	nm	nm	29.1 x
ALL PEERS Italian Technology			5.6 x	4.0 x	3.2 x	21.3 x	22.2 x	12.1 x	32.8 x	20.7 x	17.6 x	43.7 x	28.8 x	23.3 x
Median			5.7 x	3.4 x	2.3 x	17.7 x	14.8 x	11.7 x	28.7 x	20.6 x	16.7 x	43.9 x	31.4 x	22.8 x

Source: Factset, Alantra

### Financials – eVISO (calendarized) versus selected peers

Lower margins versus technological peers (due to peculiarities of the business model), but similar growth rates

Company	Country	Mkt Cap (Eu mn)	FY21A - FY23E average margins					CAGR FY20A - FY23E			
			EBITDA Margin	EBIT Margin	Net Income Margin	Capex / Sales	Dividend Payout	Sales	EBITDA Adj	EBIT Adj	EPS Adj
eVISO (Calendarized)	ITALY	57	3.3%	2.0%	1.4%	1.7%	30.1%	44.1%	31.7%	35.8%	40.8%
CY4Gate SpA	ITALY	162	40.7%	27.3%	22.2%	20.4%	0.0%	69.9%	65.6%	60.4%	20.6%
PITECO SpA	ITALY	203	48.4%	31.7%	32.9%	na	29.8%	21.3%	29.0%	29.6%	20.7%
Expert.ai S.p.A.	ITALY	110	-5.8%	-29.9%	-25.3%	22.2%	0.0%	30.8%	nm	nm	nm
Tecma Solutions SpA	ITALY	85	20.5%	15.5%	11.1%	16.5%	0.0%	62.5%	54.9%	54.8%	55.3%
Almawave S.p.A.	ITALY	128	24.1%	14.6%	9.6%	15.6%	0.0%	23.0%	24.8%	25.9%	0.0%
Datrix S.p.A.	ITALY	63	5.1%	-4.2%	-4.5%	15.1%	0.0%	40.1%	nm	nm	nm
PEERS Italian Technology			22.2%	9.2%	7.7%	18.0%	5.0%	41.3%	43.6%	42.7%	24.1%
Median			22.3%	15.1%	10.4%	16.5%	0.0%	35.5%	42.0%	42.2%	20.6%

Source: Factset, Alantra

### Performance

Recent market performance in line with that of peers

Company	Country	Mkt Cap (Eu mn)	Performance					
			1W	1M	3M	6M	1YR	3YR
eVISO	ITALY	57	-8.0%	-8.7%	-15.1%	-6.9%	15.8%	na
CY4Gate SpA	ITALY	162	-6.3%	-9.4%	-14.1%	20.9%	20.4%	na
PITECO SpA	ITALY	203	-7.4%	-8.6%	-13.7%	4.3%	-6.5%	143.9%
Expert.ai S.p.A.	ITALY	110	-4.1%	-6.9%	-12.3%	-25.0%	-14.4%	62.9%
Tecma Solutions SpA	ITALY	85	-1.8%	1.4%	38.5%	54.3%	70.3%	na
Almawave S.p.A.	ITALY	128	-9.0%	-0.4%	0.2%	-0.8%	na	na
Datrix S.p.A.	ITALY	63	-2.9%	-8.1%	na	na	na	na
PEERS Italian Technology			-5.2%	-5.3%	-0.3%	10.7%	17.5%	103.4%
Median			-5.2%	-7.5%	-12.3%	4.3%	6.9%	103.4%

Source: Factset, Alantra

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