

Company Note
TerniEnergia
1H19A Results

TerniEnergia is currently implementing a Recovery and Relaunch plan, which should complete the industrial turnaround process initiated at the end of 2017.

1H19 results

In 1H19A, revenues were down by 1.3% to EUR 11M, mainly due to the decrease in Softeco's activities. EBITDA came in at EUR 0.3M vs. EUR 0.7M in 1H18A, with a margin of 3.1%. The net loss was EUR 3.3M vs. a EUR 3.5M loss in 1H18A. Net debt was EUR 66.7M vs. EUR 65.2M at YE18A.

Outlook

With the implementation of the Recovery and Relaunch Plan, TerniEnergia aims to pursue the transformation of the group into a "One Smart Company" and to overcome the current situation of financial tensions. The key step is the merger by incorporation of Softeco Sismat into TerniEnergia, which should support an enhancement of the group's technological strengths, through the development of the Consulting, Green Enterprise & City, Smart Mobility and Digital Energy business lines.

Valuation

While the transitional restructuring and relaunch phase is underway, there is insufficient data on which to build our estimates or valuation. **Our rating and target price on the stock are currently Suspended.**

14 January 2020: 12:30 CET
Date and time of production

Suspended
Target Price: Suspended

Italy/Multi-Utilities
Update

MTA
**Price Performance
(RIC: TRNI.MI, BB: TER IM)**

TerniEnergia - Key Data

| Price date (market close) | 10/01/2020 | | |
|---------------------------|------------|------|-------|
| Target price (EUR) | Suspended | | |
| Target upside (%) | NM | | |
| Market price (EUR) | 0.40 | | |
| Market cap (EUR M) | 18.84 | | |
| 52Wk range (EUR) | 0.46/0.36 | | |
| Price performance % | 1M | 3M | 12M |
| Absolute | -2.7 | 8.1 | -4.8 |
| Rel. to FTSE IT All Sh | -5.9 | -2.1 | -22.7 |

| Y/E Dec (EUR M) | FY16A | FY17A | FY18A |
|-------------------|-------|--------|--------|
| Revenues | 84.17 | 28.51 | 24.51 |
| EBITDA | 15.35 | -1.87 | 1.72 |
| EBIT | 8.10 | -13.98 | -4.03 |
| Net income | 1.15 | -40.52 | -10.05 |
| EPS (EUR) | 0.02 | -0.86 | -0.21 |
| Net debt/-cash | 93.86 | 89.79 | 65.22 |
| Adj P/E (x) | 39.7 | Neg. | Neg. |
| EV/EBITDA (x) | 9.1 | Neg. | 50.3 |
| EV/EBIT (x) | 17.2 | Neg. | Neg. |
| Div ord yield (%) | 0 | 0 | 0 |

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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Corporate Broking Research

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1H19A Results

The key points of TerniEnergia's 1H19A results were as follows:

- **Revenues were down by 1.3% to EUR 11M** vs. EUR 11.2M in 1H18A. The slight decrease was mainly attributable to the lower load of activities of Softeco, as it is in a phase of acquisition of new contracts. We recall that the Softeco business, which is linked to the acquisition of multi-year contracts, is cyclical, with a peak in activity once the contract is about to expire and lower load phases in the period of contract renewals or acquisition of new contracts;
- **EBITDA came in at EUR 0.3M** vs. EUR 0.7M in 1H18A, with a margin at 3.1%;
- **The net loss was EUR 3.3M**, improving by around 6.6% vs. the EUR 3.5M loss in 1H18A, thanks to lower financial charges and a positive net result from assets held for sale;
- **Net debt was EUR 66.7M** vs. EUR 65.2M at YE18A. The increase is attributable to the application of IFRS16 for around EUR 1.3M.

TerniEnergia – 1H19A key data

| EUR M | 1H18A | 1H19A | chg % |
|-----------------|-------|-------|-------|
| Revenue | 11.2 | 11.0 | -1.3 |
| EBITDA | 0.7 | 0.3 | -51.4 |
| EBITDA margin % | 6.2 | 3.1 | |
| EBIT | -1.3 | -2.7 | NM |
| Net income | -3.5 | -3.3 | -6.6 |
| Net debt* | 65.2 | 66.7 | 2.3 |

*1H18 refers to YE18; NM: not meaningful; A: actual; Source: Company data

Outlook

Since 2018, the group has been engaged in the implementation of a Recovery and Relaunch Plan, aimed at restoring the long-term financial and equity balance of the group, while a simultaneous corporate rationalisation process will culminate with the merger by incorporation of Softeco Sismat Srl into TerniEnergia by the end of 1H20.

According to management, the coming months will be decisive to complete the merger by incorporation of Softeco Sismat into TerniEnergia. This operation will allow the group to focus on the industrial activities with greater added value, through the development and enhancement of the Consulting, Green Enterprise & City, Smart Mobility and Digital Energy business lines, mainly based on the activities currently held by Softeco.

Furthermore, management aims to develop alliances and partnerships with companies with complementary skills, in order to begin projects in new areas.

TerniEnergia – Key Data

| Rating Suspended | Target price (EUR/sh) Suspended | | Mkt price (EUR/sh) Ord 0.40 | | Sector Multi-Utilities |
|---|------------------------------------|--------------|--------------------------------|-----------|---------------------------|
| Values per share (EUR) | 2017A | 2018A | NA | NA | NA |
| No. ordinary shares (M) | 47.09 | 47.09 | NA | NA | NA |
| Total no. of shares (M) | 47.09 | 47.09 | NA | NA | NA |
| Market cap (EUR M) | 43.72 | 21.38 | NA | NA | NA |
| Adj. EPS | -0.86 | -0.21 | NA | NA | NA |
| CFPS | -0.60 | -0.09 | NA | NA | NA |
| BVPS | 0.45 | 0.24 | NA | NA | NA |
| Dividend ord | 0 | 0 | NA | NA | NA |
| Income statement (EUR M) | 2017A | 2018A | NA | NA | NA |
| Revenues | 28.51 | 24.51 | NA | NA | NA |
| EBITDA | -1.87 | 1.72 | NA | NA | NA |
| EBIT | -13.98 | -4.03 | NA | NA | NA |
| Pre-tax income | -20.16 | -8.61 | NA | NA | NA |
| Net income | -40.52 | -10.05 | NA | NA | NA |
| Adj. net income | -40.52 | -10.05 | NA | NA | NA |
| Cash flow (EUR M) | 2017A | 2018A | NA | NA | NA |
| Net income before minorities | -40.5 | -10.1 | NA | NA | NA |
| Depreciation and provisions | 12.1 | 5.8 | NA | NA | NA |
| Others/Uses of funds | 0 | 0 | NA | NA | NA |
| Change in working capital | 25.4 | -8.7 | NA | NA | NA |
| Operating cash flow | -3.1 | -13.0 | NA | NA | NA |
| Capital expenditure | -3.9 | 0 | NA | NA | NA |
| Financial investments | 0 | 0 | NA | NA | NA |
| Acquisitions and disposals | 0 | 0 | NA | NA | NA |
| Free cash flow | -6.9 | -13.0 | NA | NA | NA |
| Dividends | 0 | 0 | NA | NA | NA |
| Equity changes & Other non-operating items | 18.9 | 7.3 | NA | NA | NA |
| Net cash flow | 12.0 | -5.7 | NA | NA | NA |
| Balance sheet (EUR M) | 2017A | 2018A | NA | NA | NA |
| Net capital employed | 110.8 | 76.6 | NA | NA | NA |
| of which associates | 0 | 0 | NA | NA | NA |
| Net debt/-cash | 89.8 | 65.2 | NA | NA | NA |
| Minorities | 0 | 0 | NA | NA | NA |
| Net equity | 21.0 | 11.4 | NA | NA | NA |
| Minorities value | 0 | 0 | NA | NA | NA |
| Enterprise value | 133.5 | 86.6 | NA | NA | NA |
| Stock market ratios (x) | 2017A | 2018A | NA | NA | NA |
| Adj. P/E | Neg. | Neg. | NA | NA | NA |
| P/CFPS | Neg. | Neg. | NA | NA | NA |
| P/BVPS | 2.1 | 1.9 | NA | NA | NA |
| Payout (%) | 0 | 0 | NA | NA | NA |
| Dividend yield (% ord) | 0 | 0 | NA | NA | NA |
| FCF yield (%) | -806.0 | -6,326.7 | NA | NA | NA |
| EV/sales | 4.7 | 3.5 | NA | NA | NA |
| EV/EBITDA | Neg. | 50.3 | NA | NA | NA |
| EV/EBIT | Neg. | Neg. | NA | NA | NA |
| EV/CE | 1.2 | 1.1 | NA | NA | NA |
| D/EBITDA | Neg. | 37.9 | NA | NA | NA |
| D/EBIT | Neg. | Neg. | NA | NA | NA |
| Profitability & financial ratios (%) | 2017A | 2018A | NA | NA | NA |
| EBITDA margin | -6.6 | 7.0 | NA | NA | NA |
| EBIT margin | -49.0 | -16.5 | NA | NA | NA |
| Tax rate | 55.8 | 45.1 | NA | NA | NA |
| Net income margin | -142.1 | -41.0 | NA | NA | NA |
| ROCE | -12.6 | -5.3 | NA | NA | NA |
| ROE | -103.2 | -61.9 | NA | NA | NA |
| Interest cover | -2.3 | -0.9 | NA | NA | NA |
| Debt/equity ratio | 426.9 | 570.6 | NA | NA | NA |
| Growth (%) | | 2018A | NA | NA | NA |
| Sales | | -14.0 | NA | NA | NA |
| EBITDA | | NM | NA | NA | NA |
| EBIT | | 71.2 | NA | NA | NA |
| Pre-tax income | | 57.3 | NA | NA | NA |
| Net income | | 75.2 | NA | NA | NA |
| Adj. net income | | 75.2 | NA | NA | NA |

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Company Snapshot

Company Description

TerniEnergia, established in September 2005 and part of the Italeaf Group, is the first Italian global technological enabler, committed to bringing energy solutions and efficient recovery of integrated and sustainable resources to the world. Organised into two strategic business lines (Assets and Smart solutions and services), with about 300 employees and a geographical presence worldwide, with operative and commercial offices, TerniEnergia develops innovative solutions, products and services based on digital and industrial technologies for the energy supply chain, grids, smart mobility, industrial automation and the recovery of marginal resources. TerniEnergia, also through its subsidiaries (Softeco Sismat, Greenled Industry, GreenAsm, Purify, Wisave, Ant Energy), participates in the energy revolution of distributed power generation and smart grids, with innovative digital solutions.

Key data

| | | | |
|------------------------|-----------------|----------------|----------------------------|
| Mkt price (EUR) | 0.40 | Free float (%) | 44.9 |
| No. of shares | 47.09 | Major shr | Italeaf |
| 52Wk range (EUR) | 0.46/0.36 | (%) | 42.2 |
| Reuters | TRNIMI | Bloomberg | TERIM |
| Performance (%) | Absolute | | Rel. FTSE IT All Sh |
| -1M | -2.7 | -1M | -5.9 |
| -3M | 8.1 | -3M | -2.1 |
| -12M | -4.8 | -12M | -22.7 |

Key Risks

Company specific risks:

- Execution risk related to the transitional restructuring phase to a smart energy company;

Sector generic risks:

- Regulatory changes;

Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 10/01/2020)

Our Mid Corporate Definition

Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies have revenues ranging from EUR 50M-EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation below EUR 1Bn.

Notes

Notes

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Equity rating key: (long-term horizon: 12M)

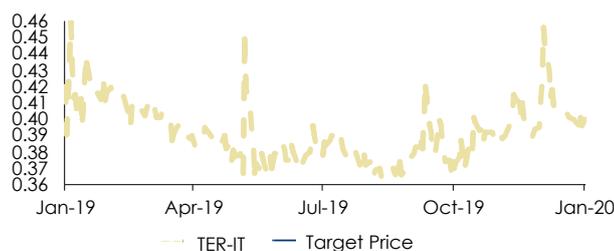
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Equity Rating Key (long-term horizon: 12M)

| Long-term rating | Definition |
|------------------|---|
| BUY | If the target price is 20% higher than the market price |
| ADD | If the target price is 10%-20% higher than the market price |
| HOLD | If the target price is 10% below or 10% above the market price |
| REDUCE | If the target price is 10%-20% lower than the market price |
| SELL | If the target price is 20% lower than the market price |
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| TARGET PRICE | The market price that the analyst believes the share may reach within a one-year time horizon |
| MARKET PRICE | Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated |

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The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history-12-months->

Target price and market price trend (-1Y)**Historical recommendations and target price trend (-1Y)**

| Date | Rating | TP (EUR) | Mkt Price (EUR) |
|-----------|-----------|----------|-----------------|
| 18-May-18 | Suspended | | 0.40 |
| 18-May-18 | Suspended | | 0.40 |
| 18-May-18 | Suspended | | 0.40 |

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at November 2019)**

| Number of companies considered: 115 | BUY | ADD | HOLD | REDUCE | SELL |
|--|-----|-----|------|--------|------|
| Total Equity Research Coverage relating to last rating (%) | 50 | 18 | 30 | 1 | 0 |
| of which Intesa Sanpaolo's Clients (%) (*) | 79 | 57 | 37 | 0 | 0 |

(*) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months; percentage of clients in each rating category

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Equity rating key (short-term horizon: 3M)

| Short-term rating | Definition |
|-------------------|--|
| LONG | Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event |
| SHORT | Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event |

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