

10 May 2023

algoWatt

Euronext Growth Milan | GreenTech | Italy

Sundrone introduces the use of AI



Rating
BUY

Target Price
€ 1,50



ALW IM Price
€ 0,60

Stock Data

Price	€ 0,60
Target price	€ 1,50
Upside/(Downside) potential	150,0%
Ticker	ALW IM
Market Cap (€/mln)	€ 27,79
EV (€/mln)	€ 40,54
Free Float	55,66%
Share Outstanding	46.322.455
52-week high	€ 0,98
52-week low	€ 0,48
Average daily volumes (3 months)	207.600

Stocks performance relative to FTSE Italia Growth



Mattia Petracca | mattia.petracca@integraesim.it

Giuseppe Riviello | giuseppe.riviello@integraesim.it

Sundrone introduces the use of AI

In its press release of 3 May 2023, algoWatt, a Green Tech Company listed on the Euronext Growth Milan (EGM) market, announces that artificial intelligence (AI) becomes part of the innovative technologies used by Sundrone (a company belonging to the Group, an Italian leader in the field of thermographic and visual inspections and surveys of photovoltaic systems through the use of drones), for inspections of photovoltaic systems with drones.

Sundrone has included the use of AI within its proprietary software “PV INSPECTOR”, licensed to it by algoWatt, the developer of the same. This will allow Sundrone to capitalize on the data collected while increasing the security and reliability of its services. The new Machine Learning algorithms make it possible to automate the recognition of anomalies on thermal and visible images and to speed up the process of drafting the report, without negatively affecting the high standards of precision that characterize the service. The new solution allows the reduction of publication times in the dedicated WEB PV portal, wherein the reserved area customers can safely access survey data. The portal allows the use of the results of visible and thermographic inspections, the information acquired during the inspection and the processing performed on the acquired images. Through an infrastructure based on geo-referenced representations, the operator can view, for each plant:

- An aerial map of the plant with the overlap of a layer that reproduces the structure of the solar park derived from the electrical diagram, which allows the identification of the individual elements (panels and strings);
- A section containing the estimates of loss and production (both in terms of power and economics), resulting from the presence of the anomalies found;
- A section for the analysis of individual anomalies.

The map then allows, once the anomaly has been selected or the severity level has been chosen, to display the position of the panels/strings affected by critical issues. For the single anomaly, it is also possible to view the images of the plant section acquired by the drone, and the related screenshots produced with the desktop application, in order to identify it. Another important function of the application is the historical analysis of the results of surveys on the same system and on the related components. This allows, through the analysis of the history of the individual elements, to identify in a preventive manner the areas subjected to abnormal stress that leads to malfunctions and, consequently, to plan and operate targeted interventions for the solution of the problem at the beginning.

Considering the press release, we confirm our recommendation, **target price € 1.50 rating BUY and risk MEDIUM.**

Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

INCOME STATEMENT (€/mln)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenues	16,49	16,58	23,00	28,90	30,75
Other Revenues	2,78	6,37	10,00	2,40	2,50
Value of Production	19,27	22,95	33,00	31,30	33,25
COGS	0,40	0,51	0,50	0,65	0,70
Services	5,67	5,97	6,80	7,85	8,25
Employees	13,08	12,54	13,00	16,25	17,25
Other Operating Expenses	0,97	0,60	0,70	0,75	0,80
EBITDA	(0,86)	3,32	12,00	5,80	6,25
<i>EBITDA Margin</i>	-4,5%	14,5%	36,4%	18,5%	18,8%
D&A	1,98	7,07	3,65	3,75	3,80
EBIT	(2,84)	(3,75)	8,35	2,05	2,45
<i>EBIT Margin</i>	-14,7%	-16,4%	25,3%	6,5%	7,4%
Financial Management	(2,54)	12,34	(0,50)	(0,50)	(0,50)
EBT	(5,38)	8,59	7,85	1,55	1,95
Taxes	0,23	0,11	2,00	0,50	0,60
Discontinued Operations	(0,41)	(1,91)	0,00	0,00	0,00
Net Income	(6,03)	6,57	5,85	1,05	1,35
Minorities Net Income	(0,03)	(0,04)	0,00	0,00	0,00
BALANCE SHEET (€/mln)	FY21A	FY22A	FY23E	FY24E	FY25E
Fixed Asset	47,35	42,32	41,00	39,80	38,80
Account receivable	19,61	22,98	23,00	29,00	30,00
Inventories	6,79	7,99	10,00	11,20	11,50
Account payable	26,52	29,88	24,00	36,00	37,00
Operating Working Capital	(0,12)	1,09	9,00	4,20	4,50
Other Receivable	58,54	10,28	11,20	11,80	12,10
Other Payable	56,60	23,44	25,00	26,00	27,00
Net Working Capital	1,83	(12,08)	(4,80)	(10,00)	(10,40)
Severance Indemnities & Provision	5,33	5,39	6,00	6,20	6,40
NET INVESTED CAPITAL	43,84	24,86	30,20	23,60	22,00
Share Capital	12,28	12,28	12,28	12,28	12,28
Reserves and Retained Profits	(27,91)	(5,92)	0,69	6,54	7,59
Net Profit	(6,01)	6,61	5,85	1,05	1,35
Equity	(21,64)	12,97	18,82	19,87	21,22
Minorities Equity	(0,03)	(0,86)	(1,00)	(1,00)	(1,00)
Cash and Cash Equivalent	1,97	2,62	1,72	8,47	10,02
Short-Term Financial debt	66,75	3,02	2,60	2,20	1,80
ML Term Financial Debt	0,72	12,34	11,50	11,00	10,00
Net Financial Position	65,51	12,75	12,38	4,73	1,78
TOTAL SOURCES	43,84	24,86	30,20	23,60	22,00

CASH FLOW (€/mln)	FY21A	FY22A	FY23E	FY24E	FY25E
EBIT	(2,84)	(3,75)	8,35	2,05	2,45
Discontinued Operations	(0,41)	(1,91)	0,00	0,00	0,00
Taxes	0,23	0,11	2,00	0,50	0,60
NOPAT	(3,49)	(5,77)	6,35	1,55	1,85
D&A	1,98	7,07	3,65	3,75	3,80
Change in receivable	(0,93)	(3,37)	(0,02)	(6,00)	(1,00)
Change in Inventories	0,51	(1,20)	(2,01)	(1,20)	(0,30)
Change in payable	(1,15)	3,36	(5,88)	12,00	1,00
Other Changes	(1,75)	15,11	0,63	0,40	0,70
Change in NWC	(3,33)	13,91	(7,28)	5,20	0,40
Change in Provision	(0,62)	0,05	0,61	0,20	0,20
OPERATING CASH FLOW	(5,45)	15,26	3,33	10,70	6,25
Investments	1,6	(2,1)	(2,3)	(2,6)	(2,8)
FREE CASH FLOW	(3,85)	13,21	1,01	8,15	3,45
Financial Management	(2,54)	12,34	(0,50)	(0,50)	(0,50)
Change in Payable to Banks	1,11	(52,10)	(1,27)	(0,90)	(1,40)
Change in Equity	4,07	27,21	(0,14)	0,00	0,00
FREE CASH FLOW TO EQUITY (FCFE)	(1,22)	0,66	(0,90)	6,75	1,55

Estimates from our latest Equity Research Report by 8/08/2022

Source: algoWatt and Integrae SIM estimates

Disclosure Pursuant to Delegated Regulation UE n. 2016/958

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Date	Price	Recommendation	Target Price	Risk	Comment
11/05/2022	0,72	Buy	1,40	Medium	Flash Note
01/06/2022	0,94	Buy	1,40	Medium	Flash Note
20/07/2022	0,86	Buy	1,40	Medium	Flash Note
09/08/2022	0,80	Buy	1,50	Medium	Update
20/01/2023	0,63	Buy	1,50	Medium	Flash Note
06/02/2023	0,64	Buy	1,50	Medium	Flash Note
08/02/2023	0,67	Buy	1,50	Medium	Flash Note
10/02/2023	0,69	Buy	1,50	Medium	Flash Note

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Equity Total Return (ETR) for different risk categories

Rating	Low Risk	Medium Risk	High Risk
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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