# EDIL SAN FELICE

*Sector: Infrastructure*

## Future-proofing infrastructure maintenance

# BUY

New Coverage

# TP 4.2

New Coverage

Target price upside 68%

***Edil San Felice provides maintenance services primarily to highways and airports (substitution of safety barriers, road signs, damage repairs, etc.), improving the useful life of the infrastructure. With an established track record in ordinary/extraordinary works in Campania and in Italy, ESF sales grew remarkably (21.8% CAGR 18-22). We believe that growth potential is still untapped with upcoming geographical expansion, leveraging on an integrated business model and a capillary workforce. The mix of high profitability and asset-light business triggers a high ROCE (41% in FY22). The net proceeds from the recent IPO (Eu10.2mn) should accelerate expansion in adjacent markets (e.g. Railway). We initiate with BUY and TP of Eu4.2/share.***

- **Full-service provider of infrastructure maintenance.** With 40+ years of activity, Edil San Felice provides a complete offer of infrastructure services of ordinary and extraordinary maintenance works primarily to highways and airports. While the ordinary maintenance gives a solid and reoccurring base of revenues with high visibility, the extraordinary service requires a high degree of specialization, scalability, operating efficiencies, and margins' expansion. By leveraging on +200 specialized workers and 150 vehicles, ESF takes full control over the entire project value chain without making use of any subcontractor. With Eu34.3mn revenues in FY22 (45% extraordinary/55% ordinary works), ESF is active in Campania (62% of FY22 sales) and is successfully expanding across other regions (38% of sales) thanks to its solid track record with zero penalty and delays. While the client concentration looks quite high (87% made by ASPI and ANAS), this is structural in the sector, as both clients manage 60% of kms of highways in Italy.

- **One-stop-shop solution with a subcontract-free approach.** The reference infrastructure maintenance arena in Italy is populated by a fragmentated number of specialists, usually operating at regional/multi-local level. We identified few players in Italy, but only 7 provide ordinary services due to higher entry barriers related to the need of local presence and assets located in the area. We believe that ESF is successfully expanding into a new region due to its competitive positioning that relies on its: 1) integrated business model without sub-contractors; 2) full-service capabilities in both ordinary and extraordinary maintenance; and 3) established track-record. We believe that the competitive positioning of ESF is well summarized by its superior level of ROCE of 41% in FY22, well above the average of its competitors.

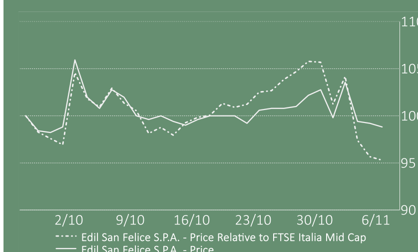
- **Many M&A options are a clear upside risk**. Organic growth should be accompanied by several M&A optionality in three main directions: 1) Expansion in the railway sector; 2) Entrance in the field of diagnostics and inspections; 3) Expansion in the restoration of cultural heritage sites (already made a first bolt-on acquisition in the field last month). In the first case, the railway maintenance sector could bring a substantial upside risk to the growth profile. These options allow to enter in different field as track record, certifications, and know-how are key requirements. The expansion in diagnostics & inspections, as well as in cultural heritage sites restoration could give business diversification and further boost in revenues.

- **Top-line and margin expansion coupled with strong-cash generation**. We believe that ESF should continue to have a remarkable growth in the coming years, resulting in sales to increase by +18.7% CAGR 22-25E. EBITDA should lift from Eu6.9mn/20.1% margin in FY22 to Eu12.8mn/22.5% in FY25E (22.9% CAGR 22-25E) thanks to: 1) internalization of carpentry process 2) higher operating leverage; 3) logistic efficiency; and 4) gradual shift from leasing to proprietary fleet of specialized vehicles. The asset light business model and low capex needs delivers an attractive FCF/EBITDA of 45% on avg. in FY23-25E, excluding extraordinary capex.

- **We initiate with BUY and TP of Eu4.2/share.** Listed at the end of Sept. 23, ESF is -1% from IPO and slightly down vs the FTSE Italian Mid Cap index. We believe that investors can look at our infrastructure services & construction peers (Reway, Salcef, etc.) for a valuation benchmark. DCF is a valid alternative to capture ESF's FCF potential. We initiate with BUY and TP of Eu4.2/share based on EV/EBITDA FY23-24E of the selected peers after a 10% discount and DCF.

| Ticker (BBG, Reut) | ESF IM | ESF MI |
|---|---|---|
| Share price Ord. (Eu) | | 2.5 |
| N. of Ord. shares (mn) | | 19.2 |
| Total N. of shares (mn) | | 19.2 |
| Market cap (Eu mn) | | 48 |
| Total Market Cap (EU mn) | | 48 |
| Free Float Ord. (%) | | 11% |
| Free Float Ord. (Eu mn) | | 5 |
| Daily AVG liquidity Ord. (Eu k) | | 42 |

| | 1M | 3M | 12M |
|---|---|---|---|
| Absolute Perf. | -2.7% | na | na |
| Rel.to FTSEMidCap | -6.3% | na | na |
| 52 weeks range | | 2.5 | 2.7 |




| | FY22A | FY23E | FY24E |
|---|---|---|---|
| Sales | 34 | 45 | 53 |
| EBITDA | 6.9 | 9.9 | 11.7 |
| Net profit | 4.8 | 7.0 | 8.0 |
| EPS adj. | 0.000 | 0.364 | 0.416 |
| DPS - Ord. | 0.000 | 0.000 | 0.000 |
| EV/EBITDA | | 3.7x | 2.7x |
| P/E adj. | | 6.9x | 6.0x |
| Dividend yield | | 0.0% | 0.0% |
| FCF yield | 0.0% | 1.8% | 10.3% |
| Net debt/(Net cash) | (2.1) | (13.3) | (18.3) |
| Net debt/EBITDA | nm | nm | nm |

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# Index

# ALANTRA
Italian Equity Research

# Summary Financials (ITA GAAP)

| P&L account (Eu mn) | FY21A | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| Total Revenues | 29.2 | 34.3 | 45.1 | 52.6 | 57.7 |
| Gross margin | na | na | na | na | na |
| EBITDA reported | 4.4 | 6.9 | 9.9 | 11.7 | 13.0 |
| D&A | (0.3) | (0.5) | (0.8) | (1.3) | (1.3) |
| EBIT reported | 4.1 | 6.4 | 9.1 | 10.4 | 11.7 |
| Net financial charges | 0.0 | (0.2) | (0.2) | (0.2) | (0.2) |
| 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 | 4.1 | 6.2 | 9.0 | 10.3 | 11.5 |
| Taxes | (1.3) | (1.5) | (2.0) | (2.3) | (2.5) |
| Minorities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Discontinued activities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit reported | 2.9 | 4.8 | 7.0 | 8.0 | 9.0 |
| **EBITDA adjusted** | **4.4** | **6.9** | **9.9** | **11.7** | **13.0** |
| **EBIT adjusted** | **4.1** | **6.4** | **9.1** | **10.4** | **11.7** |
| **Net profit adjusted** | **2.9** | **4.8** | **7.0** | **8.0** | **9.0** |

| Margins (%) | FY21A | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| Gross margin | nm | nm | nm | nm | nm |
| EBITDA margin (adj) | 15.2% | 20.1% | 22.1% | 22.3% | 22.5% |
| EBIT margin (adj) | 14.1% | 18.6% | 20.3% | 19.9% | 20.2% |
| Pre-tax margin | 14.2% | 18.1% | 19.9% | 19.6% | 19.9% |
| Net profit margin (adj) | 9.9% | 13.9% | 15.5% | 15.3% | 15.5% |

| Growth rates (%) | FY21A | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| Sales | 61.6% | 17.5% | 31.5% | 16.6% | 9.8% |
| EBITDA | 91.1% | 55.7% | 44.3% | 17.6% | 11.2% |
| EBITDA adjusted | 91.1% | 55.7% | 44.3% | 17.6% | 11.2% |
| EBIT | 102.1% | 54.7% | 43.3% | 14.2% | 11.7% |
| EBIT adjusted | 102.1% | 54.7% | 43.3% | 14.2% | 11.7% |
| Pre-tax | 104.4% | 49.8% | 44.5% | 14.5% | 11.9% |
| Net profit | 103.3% | 65.3% | 47.2% | 14.5% | 11.9% |
| Net profit adjusted | 103.3% | 65.3% | 47.2% | 14.5% | 11.9% |

| Per share data | FY21A | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| Shares | | | 19.249 | 19.249 | 19.249 |
| N. of shares AVG | | | 19.249 | 19.249 | 19.249 |
| N. of shares diluted AVG | | | 19.249 | 19.249 | 19.249 |
| **EPS** | | | **0.364** | **0.416** | **0.466** |
| **EPS adjusted** | | | **0.364** | **0.416** | **0.466** |
| **DPS - Ord.** | | | **0.000** | **0.000** | **0.000** |
| DPS - Sav. | | | 0.000 | 0.000 | 0.000 |
| BVPS | | | 1.542 | 1.958 | 2.424 |

| Enterprise value (Eu mn) | FY21A | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| Share price Ord. (Eu) | na | na | 2.5 | 2.5 | 2.5 |
| Market cap | | | 48.1 | 48.1 | 48.1 |
| Net debt/(Net cash) | (2.3) | (2.1) | (13.3) | (18.3) | (24.8) |
| Adjustments | 1.0 | 1.2 | 1.6 | 1.9 | 2.1 |
| Enterprise value | | | 36.4 | 31.7 | 25.4 |

| Cash flow (Eu mn) | FY21A | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| EBITDA adjusted | 4.4 | 6.9 | 9.9 | 11.7 | 13.0 |
| Net financial charges | 0.0 | (0.2) | (0.2) | (0.2) | (0.2) |
| Cash taxes | (1.3) | (1.5) | (2.0) | (2.3) | (2.5) |
| Ch. in Working Capital | 1.1 | (1.7) | (3.0) | (2.1) | (2.0) |
| Other operating items | (0.4) | (0.9) | 0.4 | 0.3 | 0.2 |
| **Operating cash flow** | **3.9** | **2.7** | **5.2** | **7.5** | **8.5** |
| Capex | (3.0) | (1.8) | (4.4) | (2.5) | (2.0) |
| **FCF** | **0.9** | **0.9** | **0.9** | **5.0** | **6.5** |
| Disposals/Acquisitions | 0.0 | 0.0 | (0.4) | 0.0 | 0.0 |
| Changes in Equity | 0.0 | 0.0 | 11.7 | 0.0 | 0.0 |
| Others | 0.0 | (0.2) | 0.0 | (0.0) | 0.0 |
| Dividends | (1.3) | (0.9) | (0.9) | 0.0 | 0.0 |
| **Ch. in NFP** | **(0.4)** | **(0.2)** | **11.3** | **5.0** | **6.5** |

| Ratios (%) | FY21A | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| **Capex/Sales** | **10.4%** | **5.1%** | **9.7%** | **4.8%** | **3.4%** |
| Capex/D&A | 10.2x | 3.4x | 5.4x | 2.0x | 1.5x |
| FCF/EBITDA | 19.4% | 13.0% | 8.7% | 42.6% | 50.1% |
| FCF/Net profit | 29.9% | nm | 12.4% | 62.1% | 72.6% |
| **Dividend pay-out** | **32.8%** | **18.9%** | **0.0%** | **0.0%** | **0.0%** |

| Balance sheet (Eu mn) | FY21A | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| Working capital | 1.6 | 4.6 | 7.6 | 9.6 | 11.6 |
| Fixed assets | 5.2 | 6.6 | 10.6 | 11.8 | 12.5 |
| Provisions & others | (1.0) | (1.4) | (1.8) | (2.1) | (2.3) |
| **Net capital employed** | **5.8** | **9.8** | **16.3** | **19.4** | **21.8** |
| **Net debt/(Net cash)** | **(2.3)** | **(2.1)** | **(13.3)** | **(18.3)** | **(24.8)** |
| Equity | 8.1 | 11.9 | 29.7 | 37.7 | 46.7 |
| Minority interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| Ratios (%) | FY21A | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| **Working capital/Sales** | **5.4%** | **13.3%** | **16.8%** | **18.3%** | **20.2%** |
| **Net debt/Equity** | **nm** | **nm** | **nm** | **nm** | **nm** |
| **Net debt/EBITDA** | **nm** | **nm** | **nm** | **nm** | **nm** |

| Valuation | FY21A | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| **EV/CE** | | | **2.0x** | **1.5x** | **1.1x** |
| P/BV | | | 1.6x | 1.3x | 1.0x |
| EV/Sales | | | 0.8x | 0.6x | 0.4x |
| EV/EBITDA | | | 3.7x | 2.7x | 2.0x |
| **EV/EBITDA adjusted** | | | **3.7x** | **2.7x** | **2.0x** |
| EV/EBIT | | | 4.0x | 3.0x | 2.2x |
| **EV/EBIT adjusted** | | | **4.0x** | **3.0x** | **2.2x** |
| P/E | | | 6.9x | 6.0x | 5.4x |
| **P/E adjusted** | | | **6.9x** | **6.0x** | **5.4x** |
| ROCE pre-tax | 74.5% | 71.1% | 62.4% | 52.7% | 51.2% |
| **ROE** | **35.7%** | **40.0%** | **23.6%** | **21.3%** | **19.2%** |
| EV/FCF | | | 41.9x | 6.4x | 3.9x |
| **FCF yield** | | | **1.8%** | **10.3%** | **13.5%** |
| **Dividend yield** | | | **0.0%** | **0.0%** | **0.0%** |

Source: Company data (Unaudited FY21A data), Alantra estimates from 2023. All adjusted figures are based on Alantra estimates

**Strengths**

Established activity in full-service maintenance to highways
Subcontract-free approach
Strong track-record with zero claims and delays

**Weaknesses**

High concentration of clients
Limited presence outside the Campania region
Dependency on few key people

**Opportunities**

Old infrastructure and highways in Italy with high needs of maintenance
Growth outside Campania region
Vertical & horizontal integration through M&A

**Threats**

Price pressure from commissioners might dent profitability
Internalization of ordinary maintenance from commissioners
Increase competition when entering into a new region

**Key shareholders**

The Sight Srl - 75.87%
Invitalia - 7.19%
Indépendance AM - 5.54%
Market - 11.4%

**Management**

Lorenzo Di Palma - CEO
Carmelo Intrisano - Chairman
Vincenzo Di Pietro - CFO
Marika Sgritto - IR

**Next events**

# Executive Summary

Edil San Felice provides maintenance services (substitution of safety barriers, road signs, damage repairs, etc.) primarily to highways and airports, improving the useful life of the infrastructure. With an established track record in both ordinary and extraordinary maintenance in Campania and across Italy, ESF has experienced a remarkable growth (21.8% CAGR 18-22). We believe that growth potential is still untapped with upcoming geographical expansion (e.g. Emilia Romagna). The combination of attractive double-digit profitability and asset light business model with low capex needs delivers a strong FCF generation and ROCE (40.8% in FY22).

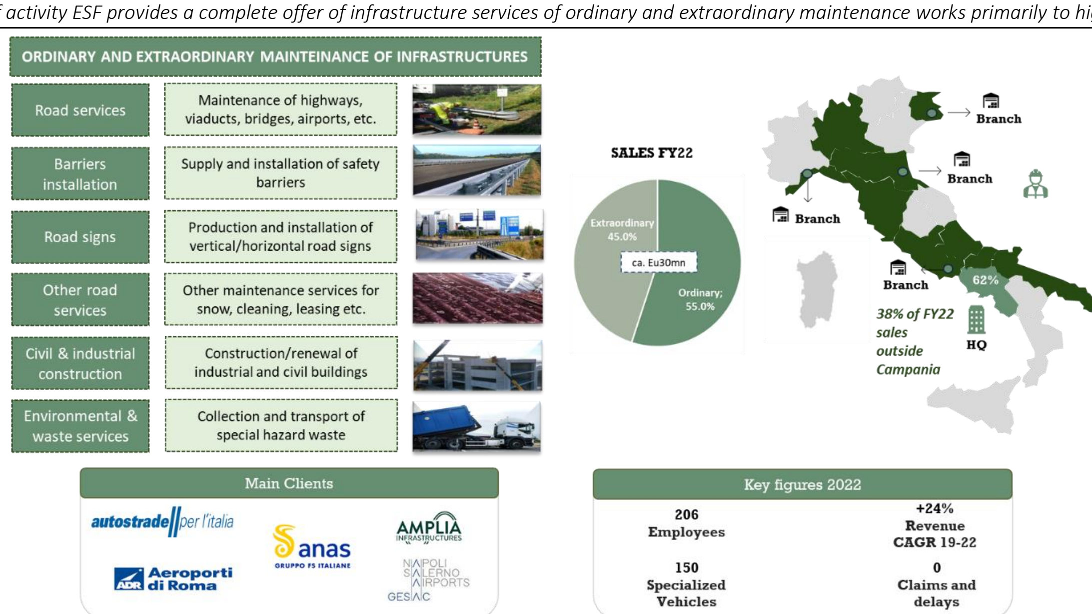
The recent IPO (Eu10.2mn net proceeds) should provide financial resources to manage expansion into other markets through M&A (e.g. Railway sector). We initiate with BUY and TP of Eu4.2/share.

## Full-service provider of infrastructure maintenance

With 40+ years of activity, Edil San Felice (ESF) provides a complete offer of infrastructure services of ordinary and extraordinary maintenance works primarily to highways and airports. These services include among others, the supply and installation of safety barriers, road signs damage repair, joints substitution, etc. While the ordinary maintenance gives a solid and reoccurring base of revenues (services related to preserve and keep proper highways condition) with high visibility (contracts last up to 40 months), the extraordinary service requires a high degree of specialization and adds scalability, operating efficiencies, and margins' expansion (intervention of repairing, replacing or rehabilitating parts of highways, viaducts and bridges). By leveraging on over 200 specialized workers and 150 vehicles, ESF takes full control over the entire project value chain without making use of any subcontractor. With Eu34.3mn revenues in FY22 (45% extraordinary/55% ordinary works; 24% CAGR 19-22A) the group has built an established track record based on a strict quality and safety policy (zero penalty and delays) in Campania (62% of sales) and is successfully expanding across other 9 regions (38% of FY22 sales). On top of that, the group has entered in the restoration of cultural heritages with a recent bolt-on acquisition. While a substantial client concentration of FY22 sales within the first two clients (87% made by Autostrade per l'Italia and ANAS) looks quite high, this is structural of the highway infrastructure market, as these two players represent a combined 60% share in terms of kms of highways under management. Based in Nola (NA) with a new production unit in Bologna, ESF is 100% owned by Lorenzo di Palma (CEO).

### Overview of Edil San Felice

*With 40+ years of activity ESF provides a complete offer of infrastructure services of ordinary and extraordinary maintenance works primarily to highways*



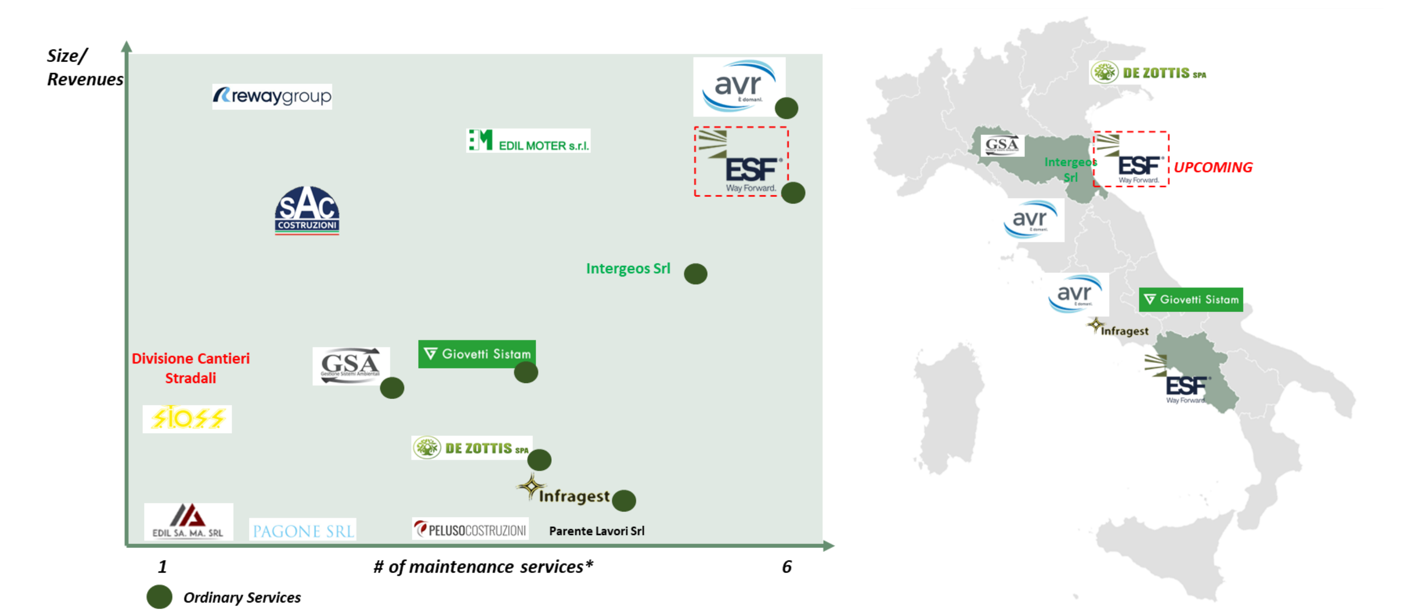

Source: Alantra, ESF NOTE: Breakdown of ordinary/extraordinary activity refers to value of tenders awarded (which differs from sales as it also includes business from non-related tenders)

## Leading the ordinary maintenance arena with a one-stop-shop solution

The infrastructure maintenance arena in Italy is populated by large players (e.g. Webuild), whose core business is related to the construction of infrastructure, entities owned by highways companies (e.g. Amplia, which usually covers a limited part of maintenance works which are not made through tenders – e.g. road surface related services) and by a fragmentated number of maintenance specialists, usually operating at regional/ multi-local level, offering several types of services with different degrees of specialization. While the former group is present only into large size projects, the latter participates primarily to smaller projects or as subcontractor into larger tenders. Furthermore, we highlight that Webuild and other large construction companies normally: 1) do not take part in ordinary maintenance (which requires local presence with a physical branch) and tend to in turn use sub-contractors (i.e. local specialists) to perform the works. Within the group of specialists, we selected 16 major companies in Italy, of which only 7 provide ordinary services due to its higher entry barriers related to the need of local presence and assets located in the area (specialized workforce team and machines) and required authorisations. Within the specialists group acting in ordinary maintenance, ESF is the second player by revenues (after AVR, which is mainly active in environmental and waste services) and with the highest EBIT margin (20.2% in FY22) among the top 5 players by sales. While extraordinary maintenance is scalable across regions, ordinary specialists are often presiding one specific region, thus entry barriers are higher. We believe that ESF is successfully expanding into a new region (Emilia Romagna) due to its competitive positioning that relies on its: 1) integrated business model, allowing to provide maintenance services without relying on sub-contractors; 2) full-service capabilities with diversification in both ordinary and extraordinary maintenance, covering all the needs of infrastructure preservation; and 3) long and established track-record in the field (first operator in Campania with strong ties with Autostrade per l'Italia). We believe that the competitive positioning of ESF is well summarized by its superior level of ROCE of 40.8% in FY22, well above the average of the top 5 players.

### Overview of the competitive arena (lhs) and distribution of ordinary maintenance players in Italy (rhs)

*ESF is the second player by revenues among the ordinary maintenance specialists in Italy and provides a full spectrum of maintenance services*




Source: Alantra elaboration; *We divided maintenance services under 6 categories (Environmental, Cleaning, Civil, Industrial, Road Signs and Roads)

## Maintenance is a must across all infrastructure types

Edil San Felice is primarily active in the maintenance works of highway infrastructures, with some minimal exposure also to airports. In the former vertical, Autostrade per L'Italia and ANAS are the main players, representing, respectively, 36% and 24% of the total kms of highways in Italy. Therefore, their maintenance plans are a close indication of the entire addressable market. The former has historically spent an average of Eu270mn and Eu320mn in extraordinary and ordinary maintenance works, respectively, in the period FY19-22A. Looking at the industrial plan released by Autostrade per L'Italia, these investments are expected to continue in the future, with a total of Eu6.8bn expected between 2020 and 2038. If we consider the total amount of investments made in the period 2020-2022 (Eu2.0bn), the remaining portion of the planned maintenance (Eu4.8mn) implicates a yearly average of ca. Eu320mn from 2023 to 2038. Looking at ANAS, maintenance normally accounts for >Eu98k/km, totaling a minimum annual investment of ca. Eu185mn by considering the current stock of 1,898km. Considering the maintenance of Autostrade per L'Italia and ANAS, and assuming the same €/km for the other players, we therefore estimate a total highway maintenance market of >Eu840mn on an annual basis. Moving away from the highway field, airports and, most of all, railroads are other extremely important markets in terms of maintenance works. Gruppo FS Italiane, the operator of the Italian railroads, issued a 2022-2031 business plan that foresees investments in maintenance and CAPEX for Eu110bn in the period, for an estimated average annual amount of ca. Eu14bn. Precisely, more than Eu50bn will be addressed towards the regions where Edil San Felice is currently operating. On the regulation side, the new *"Codice Degli Appalti"* released in April 2023 (and operative as from July 2023) should bring simplification to the overall PPP system by: 1) increasing the limits for the direct contracting (*"Affidamento Diretto"*) of maintenance works and in turn speed up their assignment; 2) legalizing the *"subappalto a cascata"* (which allows subcontractors, in turn, to make use of third-party enterprises); 3) implementing the *"Appalto Integrato"*, thus allowing the awarding of design and execution of the project to the same contractor.

**Substantial maintenance needs across highway and railroad infrastructures**

*We estimate a maintenance market of >Eu840mn/year for highway infrastructure, while the railway market looks at Eu14bn annually (maintenance + CAPEX)*

| | Highway | Railway |
|---|---|---|
| Main Players | autostrade per l'italia; anas GRUPPO FS ITALIANE | FERROVIE DELLO STATO ITALIANE |
| Market share of main commissioners | Autostrade per L'Italia: 2,855 kms of highway<br>ANAS: 1,898 kms of highway<br>Total Market: 8,006 kms of highway | The operator Rete Ferroviaria Italiana S.p.A. manages the entire Italian railway infrastructure, for a total of more than 16,800 kms |
| Estimated market Size | Autostrade per L'Italia: ca. Eu4.8bn in FY23 to FY38<br>ANAS: min annual investment of ca. Eu185mn*<br>Total Market: est. Eu840mn/year (only maintenance) | The 2022-2030 business plan of Gruppo FS foresees investments in maintenance and CAPEX for Eu110bn (ca. Eu14bn annual average) |
| | The new Codice Degli Appalti released in April 2023 should bring simplification to the overall PPP system | |

Source: Alantra, Autostrade per L'Italia, ANAS, Gruppo FS, ANSFISA; * Based on Eu98k min maintenance expense per km of highway of ANAS

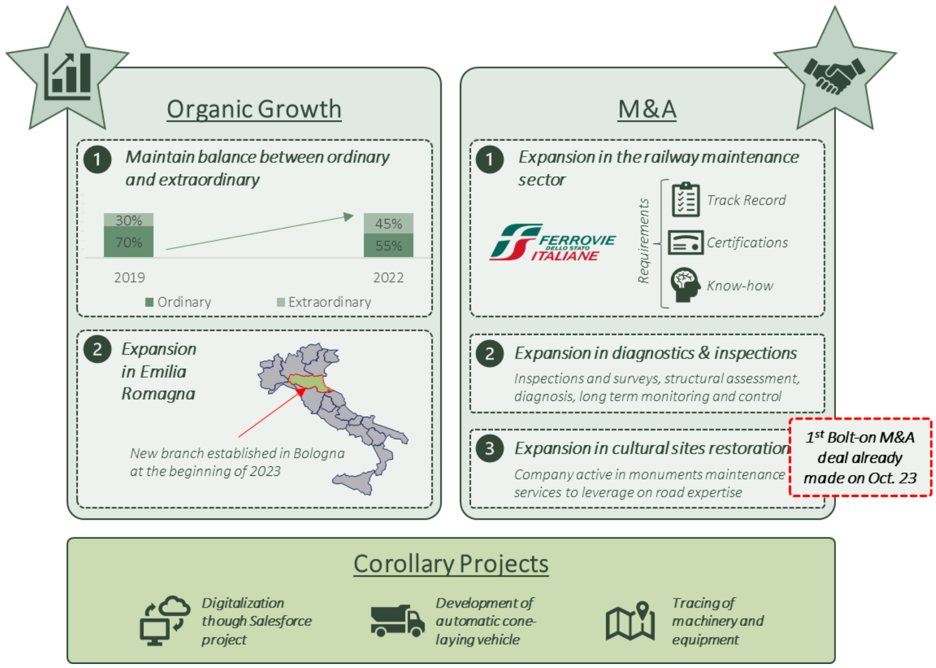
## A balanced organic growth with upside risk from M&A

Edil San Felice has posted a solid growth in the past years, with a double-digit CAGR 2019-22. Future organic growth should be further stimulated by a forthcoming expansion in Emilia Romagna, where the group has recently established a branch to have a physical presence and thus enable ordinary maintenance works. Expansion in ordinary maintenance in the region should contemporarily allow the group to grow while maintaining a balance between ordinary (predictable, long-term contracts, need of physical branch in place) and extraordinary (more occasional, but higher margins, no need of physical branch and more scalable) maintenance works, which thus trigger high visibility of revenues and fostering growth. Organic growth should be accompanied by several M&A optionality, which could materialize in three directions: 1) Expansion in the railway maintenance sector; 2) Entrance in the field of diagnostics and inspections; 3) Expansion in the restoration of cultural heritage sites (first bolt-on acquisition already completed in October). In the first case, the expansion in the railway maintenance sector could bring a substantial upside risk to the growth profile, considering the dimension of such market in Italy. An acquisition of an established player would be fundamental to enter the field as (i) track record, (ii) certifications, and (iii) know-how are key requirements.

Another possible angle to target this market would be to act as sub-contractor of multiple projects, gradually getting enough track record to participate to tenders. However, this way would be more time-consuming and riskier (upfront investments in machines and workforce without any secure client). The expansion in diagnostics & inspections, as well as in cultural heritage sites restoration could also be interesting to give a further boost to revenues growth, as well as to differentiate the client base and the sector of activities. The recent acquisition in this field goes in this direction. Other corollary projects are also ongoing, such as the development of an automatic cone-laying vehicle and the implementation of Salesforce to improve the IT infrastructure, among others.

### M&A to support a well-defined organic growth

*ESF should maintain a similar balance across ordinary and extraordinary maintenance, while also expanding in Emilia Romagna and compounding the growth projects with M&A*



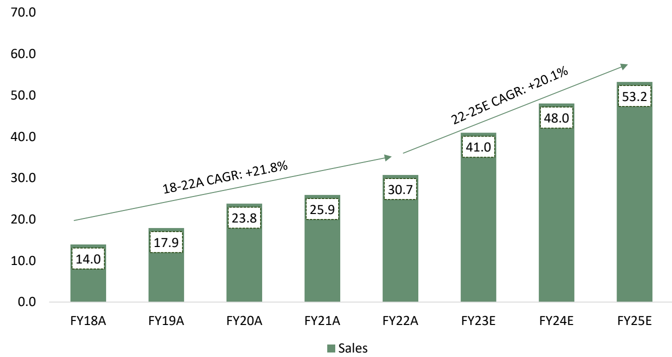

Source: Alantra, Company presentation

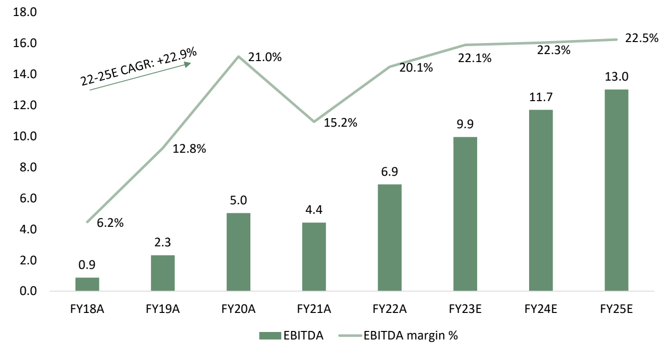
### 20.1% sales CAGR 22-25 driven by geographical expansion and market share gains

Edil San Felice has experienced a remarkable growth, reaching Eu30.7mn sales in FY22 (21.8% CAGR 18-22) thanks to the consolidation of ordinary maintenance business in Campania and the expansion of the extraordinary business across Italy. We believe that in the near future, ESF should continue to grow, leveraging on the new headquarter in Bologna coupled with its long-track record, which should allow the group to bolster revenue expansion outside the Campania region. On the other hand, ESF should increase in number of awarded tenders, adding new clients and increase the share of wallet of the existing ones (especially the recently added ANAS). The group is targeting to keep an optimal balance between the two types of maintenance to exploit double advantages: a solid base of reoccurring revenues stream (ordinary) and higher margins (extraordinary). The mgmt. foresees to reach Eu50mn in sales and 10mn EBITDA in FY23. Our FY23 top-line estimate stands conservatively lower than mgmt. guidance (our est. Eu45mn) with EBITDA in line. All in all, we expect sales to increase by +20.1% CAGR 22-25E with an average ordinary/extraordinary maintenance works weighing 51/49% in the forecasted period and with a healthy book-to-bill ratio of 1.1x on average. EBITDA should increase from Eu6.9mn/20.1% margin in FY22 to Eu12.8mn/22.5% in FY25E (22.9% CAGR 22-25E) thanks to: 1) internalization of carpentry process 2) higher operating leverage; 3) logistic efficiency; and 4) gradual shift from leasing to proprietary fleet of specialized vehicles. EBIT and net profit should land in the region of Eu12.1mn and Eu9.3mn in FY25E, implying 23.7% and 25% CAGR 22-25E, respectively.

### Sales (lhs) and EBITDA (rhs) evolution (FY18-25E, Eu mn)

*We expect sales to increase by +20.1% CAGR 22-25E. EBITDA should increase from Eu6.9mn/20.1% margin in FY22 to Eu13.0mn/22.5% in FY25E (23.6% CAGR 22-25E)*



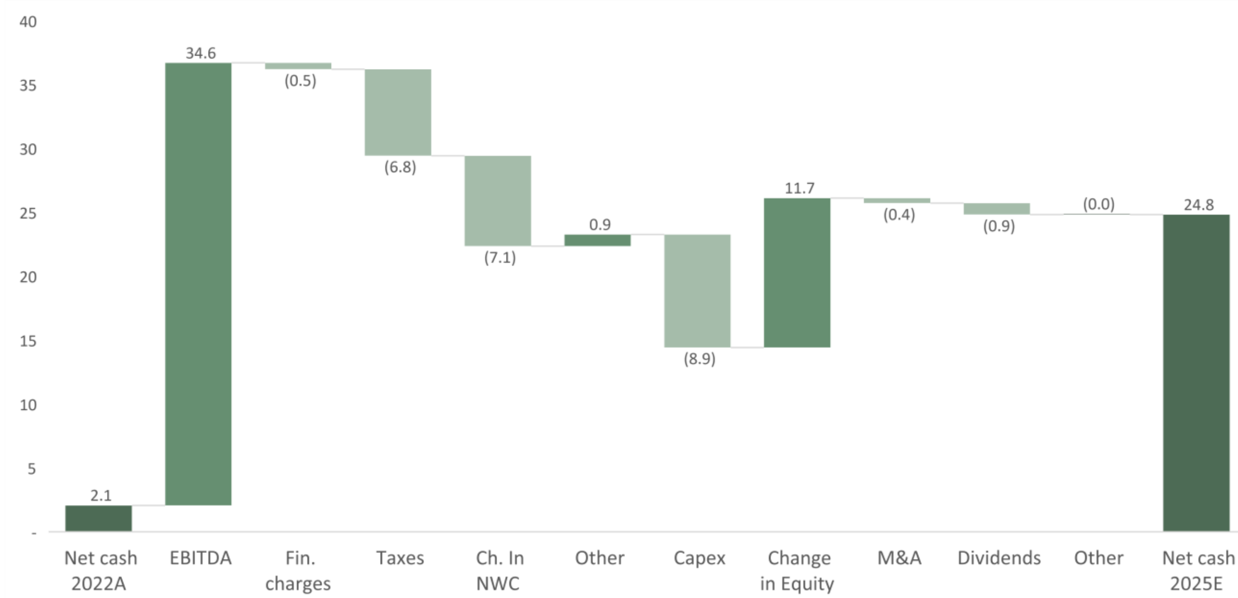

Source: Alantra estimates, ESF financial reports

## Asset-light business model with high ROCE

ESF boasts an asset light business model, with total fixed asset on sales weighing 19% in FY22. On top of that, the group has historically maintained net working capital well under control with NWC/Sales at 11% on average FY18-22. We expect NWC/Sales to slightly increase in the coming years mainly due to business expansion but remaining at a negligible level with estimated NWC/sales at 18.4% on average in FY23-25E. Our capex projections mainly factor-in the investments for the new headquarter in Bologna (Eu2mn in 2023 and Eu1.5mn in 2024) and capitalized IPO costs for ca. Eu1mn in FY23E. All in all, Capex/Sales should point to 6% for FY23-25E on average or Eu8.9mn. The group should generate a combined FCF of Eu12.4mn with a sound EBITDA conversion of 33.8% on average during FY23-25E (45% excluding the extraordinary capex for the Bologna HQ). This should further strengthen the NFP of the group from a net cash position of Eu2.5mn in FY22A to Eu24.8mn (incl. Eu11.7mn gross IPO proceeds). The asset-light profile coupled with the attractive expected double-digit EBIT margin should allow to post an attractive ROCE (incl. goodwill) of 36.5% on average in FY22-25E. We do not consider M&A transactions in our model, which could represent a solid upside risk.

### 2022-25E Net cash bridge

*We believe that the EBITDA generated in the coming years, a good control of WC dynamics should generate strong FCF. This should further strengthen the NFP of the group.*




Source: Alantra estimates, ESF financial reports

## Valuation: TP of 4.2/share

Listed at the end of September 2022, ESF is down 1% since IPO, with a slight underperformance versus the FTSE Italian Mid Cap index. We identified only one similar listed peer to ESF in Italy (Reway Group), active in the maintenance services to highways. Unlike ESF, Reway Group offers only extraordinary maintenance type of works with a strong focus of activity in the Liguria/Tuscany region. On top of that, we believe that investors can look at our infrastructure services and construction peer group, mainly made by internationals, to determine a valuation benchmark. Our panel includes primarily players with activity in maintenance and other services to infrastructure but differs from ESF as most of them provide also construction works. We have selected Colas, Salcef, Vestum, Railcare Group and Peab. Most of them are larger in size and more geographically diversified than ESF. While almost all these players are exposed to similar infrastructures (highways), the Italian peer Salcef and the Swedish Railcare Group are focused in the railway sector, which commands higher profitability. Despite that, ESF boasts higher margins across the board compared to the selected peers with more attractive growth rates in the coming years. We prefer to look at EV/EBITDA as a metric of choice valuation-wise to the infrastructure services and construction peers, due to different capital intensity within the cluster, after applying a 10% discount. Finally, we believe that the DCF is a valid alternative to better catch long-term potential arising from the high-cash generative business profile of ESF. We set a TP of Eu4.2/share, based on EV/EBITDA FY23-24E multiples of the selected peers after a 10% discount and DCF.

### TP of Eu4.2/share

| Method | Equity Value | | |
|---|---|---|---|
| | (Eu mn) | (Eu per share) | Weight (%) |
| DCF | 92.2 | 4.8 | 50% |
| Multiples | 68.3 | 3.5 | 50% |
| Weighted AVG | 80.3 | 4.2 | |

Source: Alantra

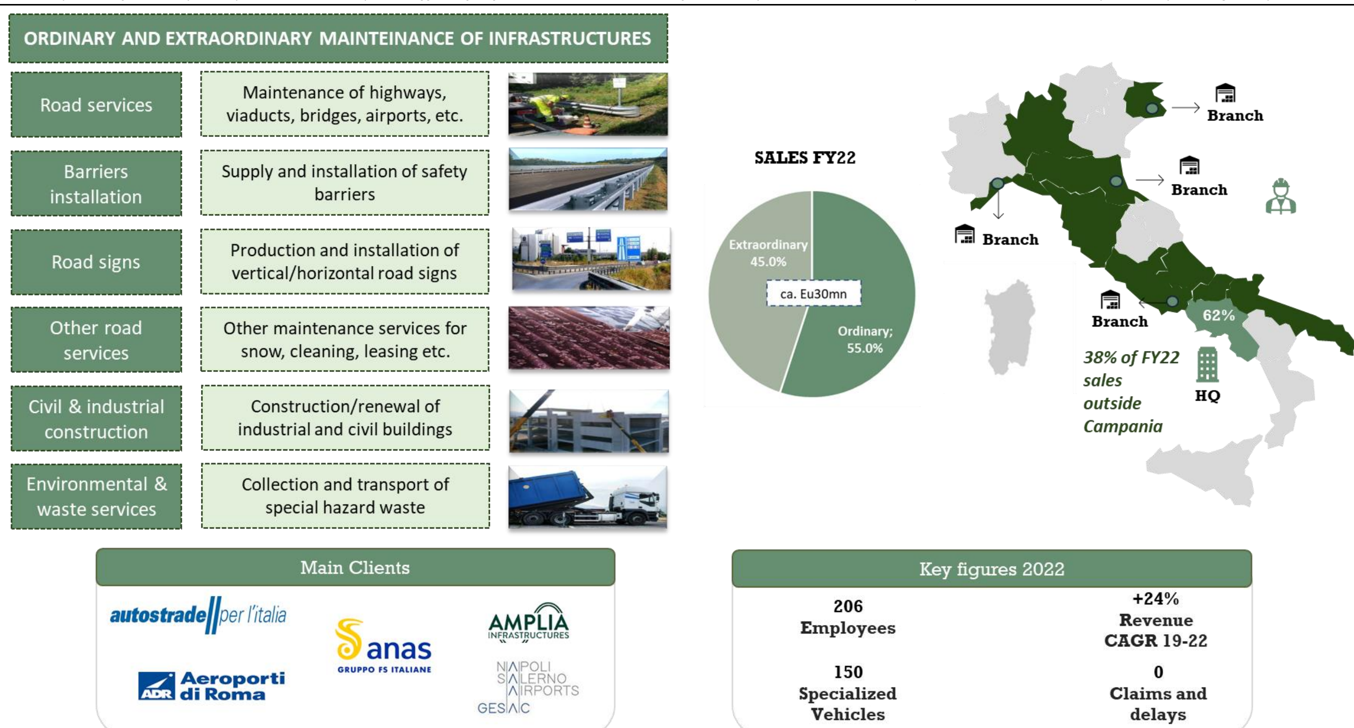
**Main risks**. We believe that the main risks related to Edil San Felice’s business can be summarised in the following factors: 1) High concentration of clients and suppliers; 2) Risks from adverse weather conditions; 3) Internalization of ordinary maintenance works from commissioners; 4) Increasing competition from large players; 5) Price pressure from commissioners; 6) Delays or claims in projects might impact future tender awards; 7) Dependency on few key people; 8) Lack of M&A track record.

# Full-service provider of infrastructure maintenance

With 40+ years of activity, Edil San Felice (ESF) provides a complete offer of infrastructure services of ordinary and extraordinary maintenance works primarily to highways and airports. These services include among others, the supply and installation of safety barriers, road signs damage repair, joints substitution, etc. While the ordinary maintenance gives a solid and reoccurring base of revenues (services related to preserve and keep proper highways condition) with high visibility (contracts last up to 40 months), the extraordinary service requires a high degree of specialization and adds scalability, operating efficiencies, and margins' expansion (intervention of repairing, replacing or rehabilitating parts of highways, viaducts and bridges). By leveraging on over 200 specialized workers and 150 vehicles, ESF takes full control over the entire project value chain without making use of any subcontractor. With Eu34.3mn revenues in FY22 (45% extraordinary/55% ordinary works; 24% CAGR 19-22A) the group has built an established track record based on a strict quality and safety policy (zero penalty and delays) in Campania (62% of sales) and is successfully expanding across other 9 regions (38% of FY22 sales). On top of that, the group has entered in the restoration of cultural heritages with a recent bolt-on acquisition. While a substantial client concentration of FY22 sales within the first two clients (87% made by Autostrade per l'Italia and ANAS) looks quite high, this is structural of the highway infrastructure market, as these two players represent a combined 60% share in terms of kms of highways under management. Based in Nola (NA) with a new production unit in Bologna, ESF is 100% owned by Lorenzo di Palma (CEO).

### Overview of Edil San Felice

*With 40+ years of activity ESF provides a complete offer of infrastructure services of ordinary and extraordinary maintenance works primarily to highways*



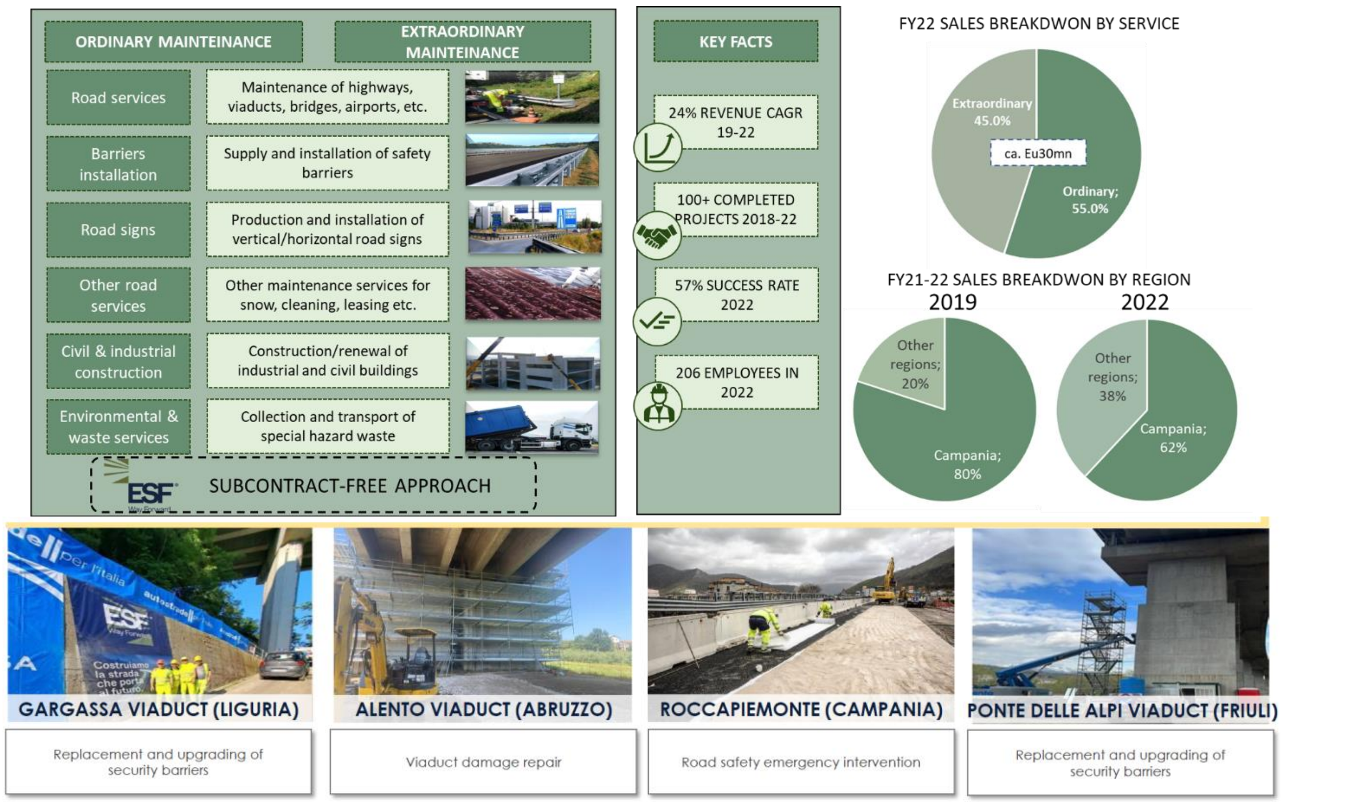

Source: Alantra on Company presentation. NOTE: Breakdown of ordinary/extraordinary activity refers to value of tenders awarded (which differs from sales value as it also includes business from non-related tenders)

## Full-service to highways and airports maintenance in Italy with a subcontract-free approach

With FY22 revenues of Eu34.3mn (24% CAGR 19-22A), Edil San Felice (ESF) provides a complete offer of infrastructure services of ordinary (55% of FF22 sales) and extraordinary (45%) maintenance works primarily for highways (like supply and installation of safety barriers and road signs) but also for other infrastructures (e.g. Airports). Established in 1979, the group has been active mainly in Campania (62% of FY22 sales) and is successfully expanding across other 9 regions (38% of FY22 sales), primarily in Liguria, Tuscany, Abruzzo, Molise and Emilia-Romagna (where the group is building a new production/warehouse site of 9,000sqm), with a physical presence in 4 of them (excl. Campania) through local branches. On top of that, the group has recently entered in other regions (Valle D'Aosta and Sardinia). ESF boasts a long track-record thanks to its strong commitment to quality and safety standards with zero claims or delayed projects to date. This has triggered an increase in the number of awarded projects with higher size and in turn improved the conversion rate (number of awarded tenders on number of participated projects as value), reaching a 57% success rate in (awards during FY22-Feb 23 on total number of participated tenders during 2022).

### ESF maintenance services, key facts and FY22 revenue breakdown (%)

*ESF provides a complete offer of infrastructure services of ordinary (55% of FF22 sales) and extraordinary (45%) maintenance works, primarily to highways (like supply and installation of safety barriers and road signs) but also for other infrastructures (e.g. Airports)*



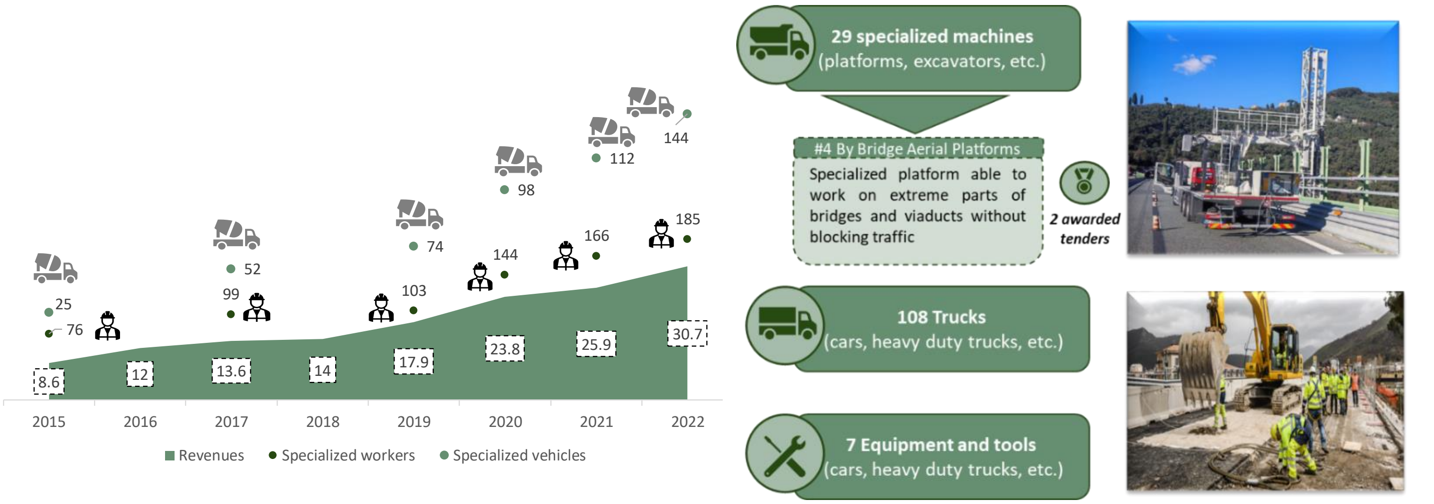

Source: Alantra on Company presentation; NOTE: Breakdown of ordinary/extraordinary activity refers to value of tenders awarded (which differs from sales value as it also includes business from non-related tenders)

## Full control over the entire project thanks to specialized workforce

The group's ability to take full control over the entire project value-chain without making use of any subcontractor allows them to work with a higher quality and safety (compared to those of other players who make use of various subcontractors), in turn playing a key role in the awarding process of tenders. This has been possible also due to ESF investments into specialized workforce and vehicles, which empower the business to serve, in a timely manner, infrastructure projects across Italy. As of February 2023, ESF has reached over 200 specialized workers and a fleet of c. 150 vehicles. The group has also internalized the production of road signs to further integrate its breadth of services offered.

A growing team with an extended fleet of specialized vehicles

*ESF can leverage on its specialized workforce and vehicles, which empower the business to serve, in a timely manner, infrastructure projects across Italy*




Source: Alantra on Company presentation

## Keeping the optimal balance between ordinary and extraordinary maintenance works…

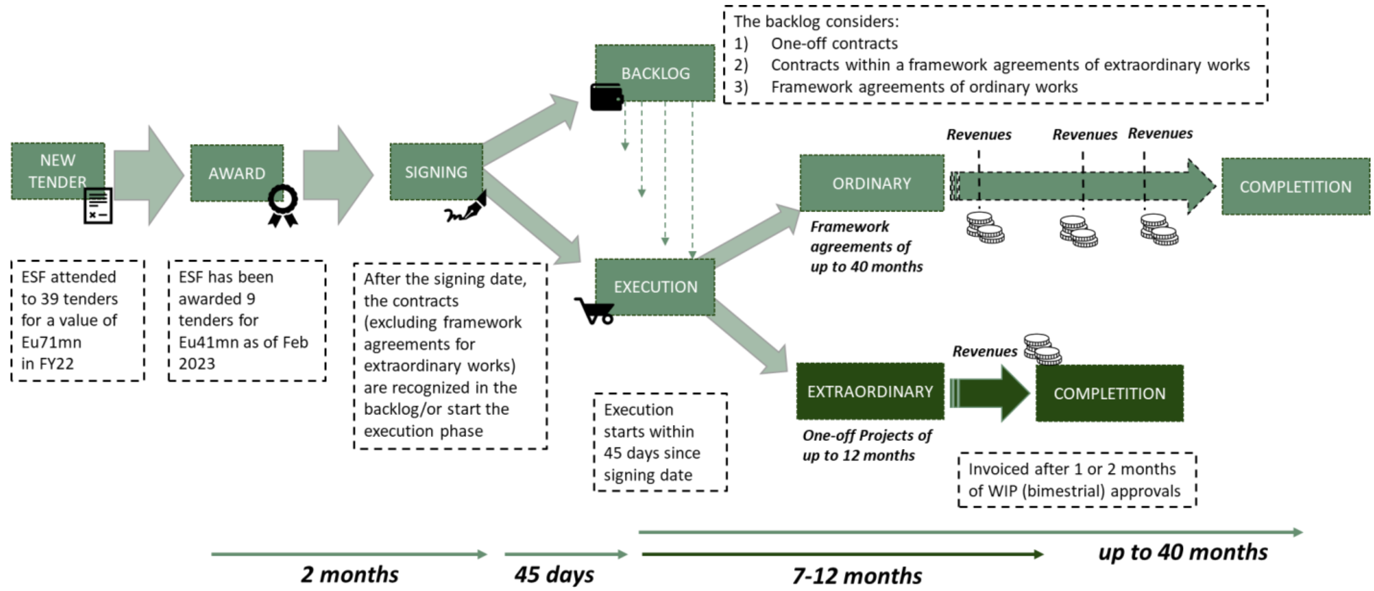
- ***Ordinary maintenance***. ESF has historically being the specialist of ordinary maintenance works to highways in Campania, Italy. Ordinary maintenance services are characterized by long-term framework agreements that may last up to 40 months. There are many types of ordinary works: maintenance of grass, installation and replacement of safety barriers and road signs, etc.. The prompt intervention (the rehabilitation after a road accident) is among this type of works and thus maintenance players must be located near the area to be covered with specialized personnel and vehicles. As such, these types of services have a low level of scalability but in turn give high visibility with reoccurring revenue stream.

- ***Extraordinary maintenance.*** ESF has been able to grow in the extraordinary maintenance (e.g. rehabilitation of roads, bridges, viaducts, etc.), a type of service that requires a high level of specialization to make analysis and inspections of the infrastructure but boasts a shorter time frame of execution (usually up 7- 12 months). As this type of service do not require quick interventions and specialized personnel to be available near the area for a long time period, the business adds scalability with revenue diversification and higher profitability compared to the ordinary once.

ESF aims to maintain a balance between ordinary and extraordinary maintenance to better exploit high visibility with reoccurring revenue stream but at the same time being scalable and generate attractive margins.

Infrastructure maintenance tender's timeline

*ESF aims to maintain a balance between ordinary and extraordinary maintenance to better exploit high visibility (ordinary) with attractive margins (extraordinary).*




Source: Alantra on Company presentation

Once the tender has been awarded, ESF start to work after c. 2 months from the signing of the contract (then is recognized in the backlog together with framework agreements for ordinary works but excluding those of extraordinary activity, which are included in backlog only when the "contratto attuativo" materialize). The revenue recognition of ordinary works under framework agreements has a longer time frame (usually up to 40 months), but with the majority of value being usually recognized in the first 12 months. ESF invoices after 1 or 2 months from the approval of the WIP.

## …and penetrate restoration of cultural heritages business with the recent M&A deal

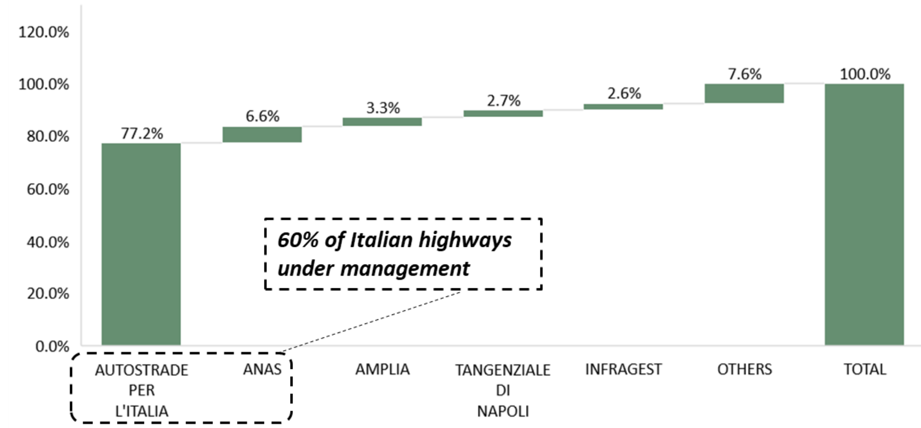
Just after the IPO, ESF has successfully completed the 100% acquisition of Sogem, a company active in the restoration of cultural heritage sites for Eu0.4mn. Based in Campania region, Sogem has over 30 years of experience in the field of restoration of cultural heritage sites. The group has historically generated a stable top-line with sales reaching ca. Eu2mn in 2019. The acquisition allows ESF to diversify its business in adjacent markets, acquiring know-how and entering in the promising segment of cultural heritage's restoration (valued at ca. Eu3bn in Italy) for projects of up to Eu15mn. The group is set to relaunch the business, relying on solid competences and track-record of the acquired company.

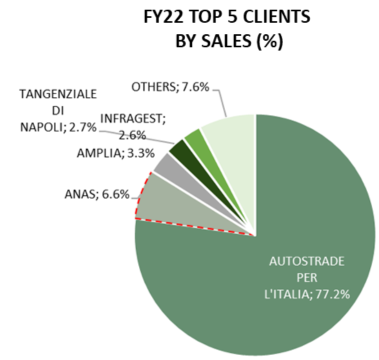
## Structural clients' concentration…

ESF maintenance services have diversified across type of infrastructure within the years, moving from only highways in Campania to roads and airports across Italy. However, highways' maintenance remains one of the core businesses of the group. In Italy, about 60% of the highways is managed by two companies in terms of kms under management: Autostrade per l'Italia and ANAS. The other 40% is attributable to regional companies that manage a local or limited part of the infrastructure. As such, ESF has a high concentration of clients, with the first two (i.e. Autostrade per l'Italia and ANAS) weighing c. 87% of FY22 sales, also considering Amplia as part of Autostrade per l'Italia, but boasting a long-lasting relationship, especially with Autostrade per l'Italia, ESF is diversifying its clients exposure with the addition of maintenance services to airports.

FY22 sales breakdown by client on total revenue (lhs) and revenue evolution of top 5 clients FY21-22 (rhs), %

*While the ESF client concentration (i.e. Autostrade per l'Italia and ANAS weighing c. 87%) looks quite high, this is structural of the highway infrastructure market, as these two players represent a combined 60% share in terms of kms of highways under management*



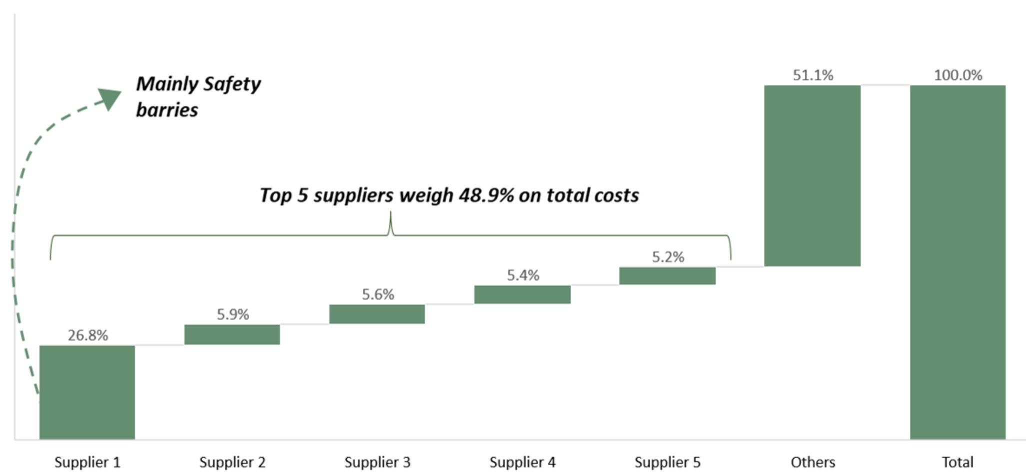

Source: Alantra on Company presentation

## …with top 5 raw materials suppliers weighing c. 48% of total raw material costs

ESF has a supplier base with the top 5 weighing 48.9% of FY22 total raw material costs. The group acquires primarily safety barriers, which are then moulded internally. Other types of costs refer mainly to materials for green works.

A well-diversified supplier base

*top 5 suppliers weighing c. 48% of total raw material costs, mainly raw materials for safety barriers*




Source: Alantra on Company presentation

## Security and safety first…

The successful track record of the group is also due to its zero claims and delays on projects supported by the investments made into security, safety and training of its specialized workforce. Indeed, ESF takes a rigorous safety policy with periodic controls (400 working sites checks every year) and monitoring of safety standards directly on working sites. The specialized team has a Health Safety Environment manager that is in charge of monitoring safety during working hours. On top of that, every team has key person to prevent and monitor any misconducts. This has been facilitated also thanks to the ESF academy, the group's training centre dedicated to employees (c. 7,000 hours of training in 21-22) and to new employees with in-office and in-site training (c. 40 hours courses), before joining the working team (max. 1 new worker per team). Finally, each employee, even the ones with the lowest grades in the working team, can block at any time the works if they see possible threats to safety triggered by misbehaviours or other factors.

### ESF zero claims is aided by tis strict control over training, security and safety

*The successful track record of the group is also due to its zero claims and delays on projects supported by the investments made into security, safety and training*

**Monitoring of Security & Safety standards**

ESF has organized each team with a responsible key person to monitor and manage any misconducts or prevent potential damages such as:

- **HSE manager** to monitor safeness during working hours
- Each team has a **key supervisor** to monitor any misconducts and communicate with the HSE manager
- Senior safety supervisor ("Red Helmets")
- Supervisor of preventing security ("White Helmets")

***400 yearly checks on working sites*** | ***2 removals***
***0 claims*** | ***0 indemnity***

**ESF ACADEMY**

**Training new employees:**

- Specific training in the HQ in Nola
- Training on site with the experienced team

Partnerships with Università degli studi di Napoli Parthenope

40 hours training for new placement

1 new Employee for each team

**Internal training academy:**

- Courses to strength technical knowledge
- Compulsory training courses

6,900+ training Hours in 19-22


Source: Alantra on Company presentation

## …coupled with multiple key certifications

The successful track record is also sustained by ESF ratings and certifications, which are crucial features to secure a better rank or even serve as minimum requirements to participate to tenders. For instance, ESF has the highest score in the Legality rating (only the 17% of the Italian companies in the infrastructure sector have such score) and the SOA certification that allows the group to participate into larger tenders.

### ESF ratings

*The successful track record is also justified by ESF ratings and certifications, crucial features to secure a better rank within tenders*

**ISO Certification**

- ISO 45001:2018 – Management system of employees' health and saftey
- SA 8000:2014 – Social Responsibility
- ISO 14001:2015 – System of Environmental Management
- ISO 39001:2016 – Safety of Road traffic
- ISO 9001:2015 – System of Quality Management
- ISO 37001 – System of Anti-corruption

**Legality Rating**

AGCM Autorità Garante della Concorrenza e del Mercato
RATING DI LEGALITA' ★★★

**Top scoring**
**ESF has 3 stars rating, the maximum score (only 17% of Italian infrastructure companies)**

**Certification for public works execution**

SOACONSULT® SOCIETA' ORGANISMO DI ATTESTAZIONE

ESEUCUZIONE DI LAVORI PUBBLICI

Edil San Felice ha ottenuto l'**attestazione di qualificazione alla esecuzione di lavori pubblici** da parte della società **SOA CONSULT.**

| Categoria | Classifica |
|---|---|
| OG 1 | V |
| OG 2 | VII |
| OG 3 | VII |
| OG 4 | III-BIS |
| OG 6 | I |
| OG 9 | I |
| OG 10 | I |

| Categoria | Classifica |
|---|---|
| OG 11 | IV-BIS |
| OG 12 | III |
| OG 13 | III-BIS |
| OS 6 | I |
| OS 10 | III-BIS |
| OS 11 | IV |
| OS 21 | I |
| OS 26 | I |

| Categoria | Classifica |
|---|---|
| OS 12-A | VIII |

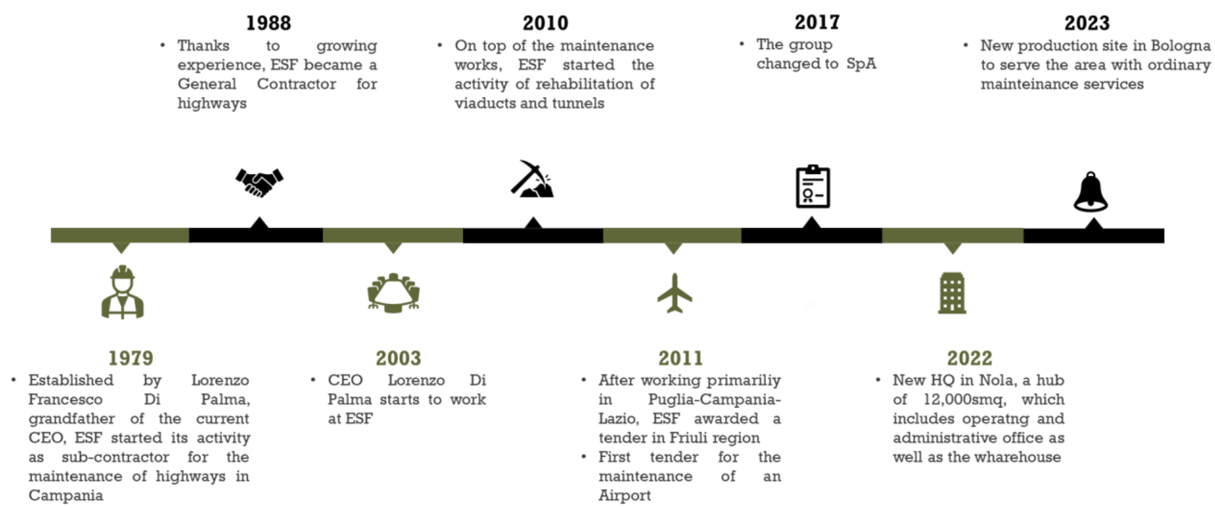
Source: Alantra on Company presentation

## 3 generations of growth…

Established in 1979 by Lorenzo Francesco di Palma, grandfather of the current CEO, ESF started its activity as sub-contractor of maintenance services to highways in Campania. The group became general contractor for the maintenance of Italian highways in 1988, subsequently starting to internalize the various steps of the maintenance processes to provide a full set of services autonomously, without being reliant on sub-contractors. After years of activity, the group started to work for airports with a first project in Friuli. In 2022, ESF opened its new headquarter in Nola (Naples) with c. 12,000sqm of warehouse and offices. Today, ESF is expanding with a new office in Bologna.

### A history of milestones

*Established in 1979 by Lorenzo Francesco di Palma, grandfather of the current CEO, ESF started its activity as sub-contractor of maintenance services to highways in Campania and in less than 10 years became a General Contractor.*




Source: Alantra on Company presentation

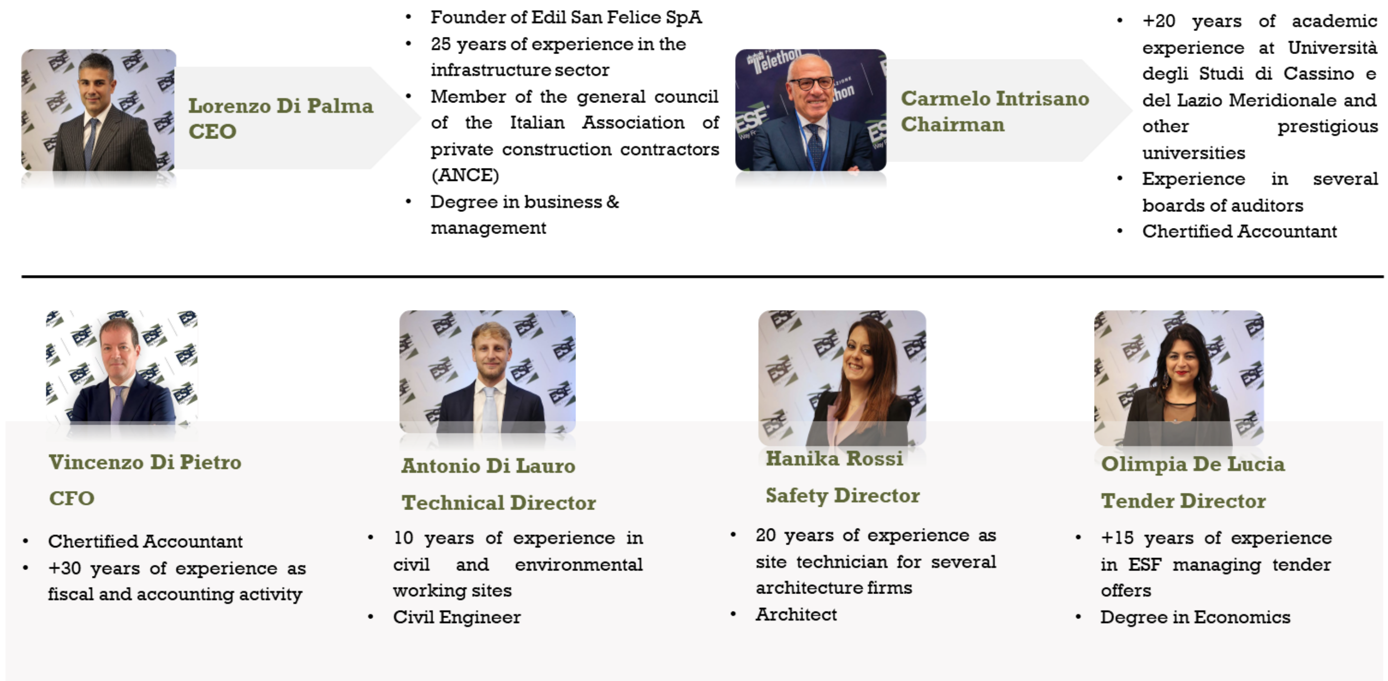
## …with an experienced top management team and a structured organization

The top management team is composed of **Lorenzo Di Palma (Founder and CEO)**, with over 25 years of experience in the field and part of the general council of the Italian Association of Private Construction Contractors (ANCE). Additional team members include:

- **Carmelo Intrisano (Chairman)** is chartered accountant with over 20 years of academic experience in prestigious universities.
- **Vincenzo Di Pietro (CFO)** is a chartered accountant with over 30 years of experience in accounting.
- **Antonio Di Lauro (Technical Director)** is a Civil Engineer with over 10 years in civil, roads and environmental works.
- **Hanika Rossi (Safety Director)** is an Architect with over 20 years of experience as site technician.
- **Olimpia De Lucia (Tenders Manager)** completes the team with more than 15 years of experience in ESF.

### Top management team with long experience in the infrastructure sector

*The team is led by Lorenzo Di Palma (Founder and CEO), with over 25 years of experience in the field and part of general council of the Italian Association of private construction contractors (ANCE).*

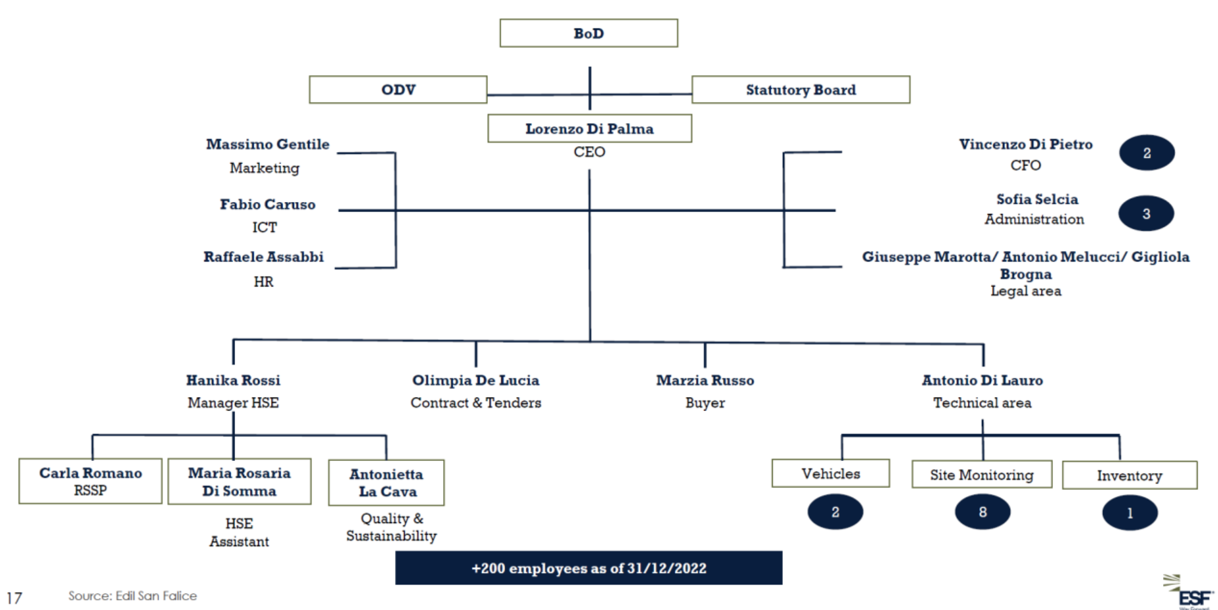



Source: Alantra on Company presentation

As of December 2022, the group counts 206 employees with a well-structured organization between the HQ in Nola and 4 branches in Italy (Genova, Bologna, Fiano and Udine).

### Solid backlog with improved client and region base

*As of December 2022, the group counts over 200 employees with a well-structured organization between the HQ in Nola and 4 branches in Italy*

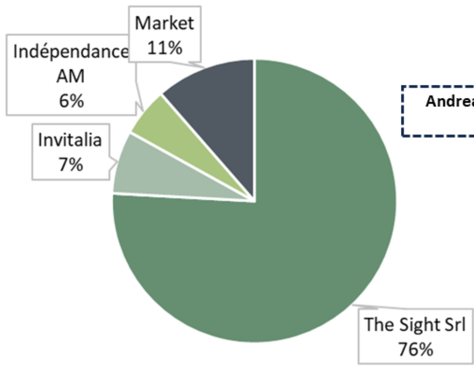


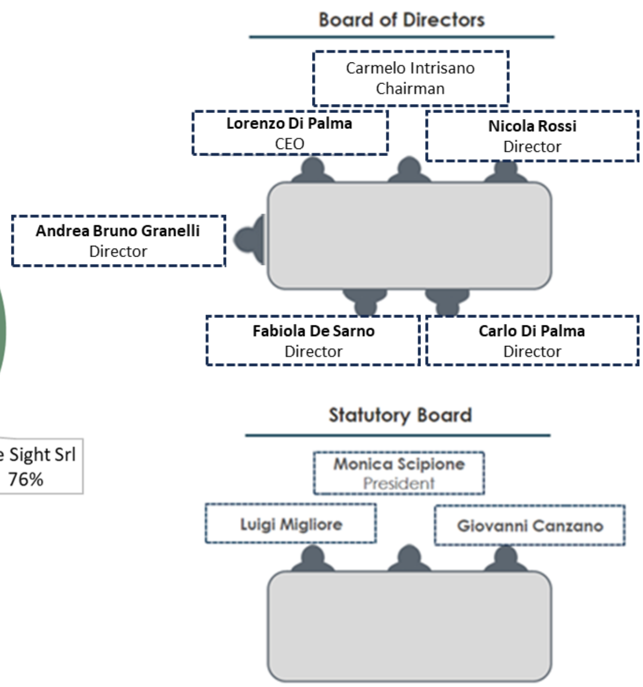

Source: Alantra on Company presentation; NOTE:

Mr Lorenzo di Palma (CEO) currently owns indirectly, through The Sight Srl, 75.9% of ESF, followed by Invitalia and Independence AM with respectively 7.2% and 5.5%, and by the market with 11.4%.

## BoD, Group and Shareholding structure

*CEO Lorenzo di Palma owns indirectly, through The Sight Srl, 75.9%, followed by Invitalia and Independence AM with respectively 7.2% and 5.5%*



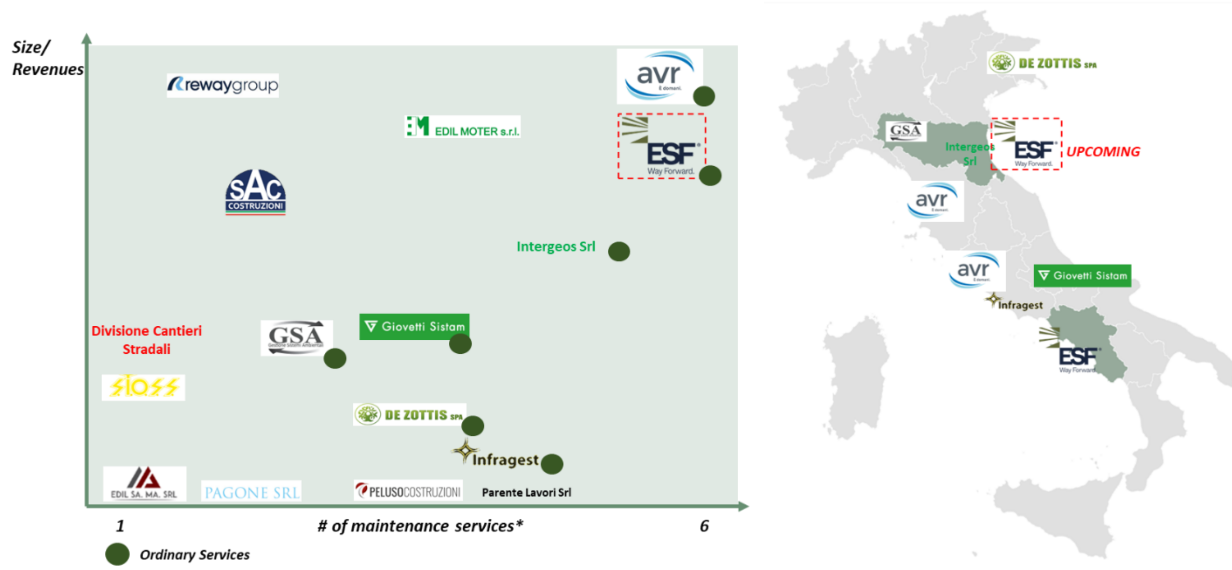

Source: Edil San Felice

# Leading the ordinary maintenance arena with a one-stop-shop solution

The infrastructure maintenance arena in Italy is populated by large players (e.g. Webuild), whose core business is related to the construction of infrastructure, entities owned by highways companies (e.g. Amplia, which usually covers a limited part of maintenance works which are not made through tenders – e.g. road surface related services) and by a fragmentated number of maintenance specialists, usually operating at regional/ multi-local level, offering several types of services with different degrees of specialization. While the former group is present only into large size projects, the latter participates primarily to smaller projects or as subcontractor into larger tenders. Furthermore, we highlight that Webuild and other large construction companies normally: 1) do not take part in ordinary maintenance (which requires local presence with a physical branch) and tend to in turn use sub-contractors (i.e. local specialists) to perform the works. Within the group of specialists, we selected 16 major companies in Italy, of which only 7 provide ordinary services due to its higher entry barriers related to the need of local presence and assets located in the area (specialized workforce team and machines) and required authorisations. Within the specialists group acting in ordinary maintenance, ESF is the second player by revenues (after AVR, which is mainly active in environmental and waste services) and with the highest EBIT margin (20.2% in FY22) among the top 5 players by sales. While extraordinary maintenance is scalable across regions, ordinary specialists are often presiding one specific region, thus entry barriers are higher. We believe that ESF is successfully expanding into a new region (Emilia Romagna) due to its competitive positioning that relies on its: 1) integrated business model, allowing to provide maintenance services without relying on sub-contractors; 2) full-service capabilities with diversification in both ordinary and extraordinary maintenance, covering all the needs of infrastructure preservation; and 3) long and established track-record in the field (first operator in Campania with strong ties with Autostrade per l'Italia). We believe that the competitive positioning of ESF is well summarized by its superior level of ROCE of 40.8% in FY22, well above the average of the top 5 players.

## Overview of the competitive arena (lhs) and distribution of ordinary maintenance players in Italy (rhs)

*ESF is the second player by revenues among the ordinary maintenance specialists in Italy and provides a full spectrum of maintenance services*




Source: Alantra elaboration; *We divided maintenance services under 6 categories (Environmental, Cleaning, Civil, Industrial, Road Signs and Roads)

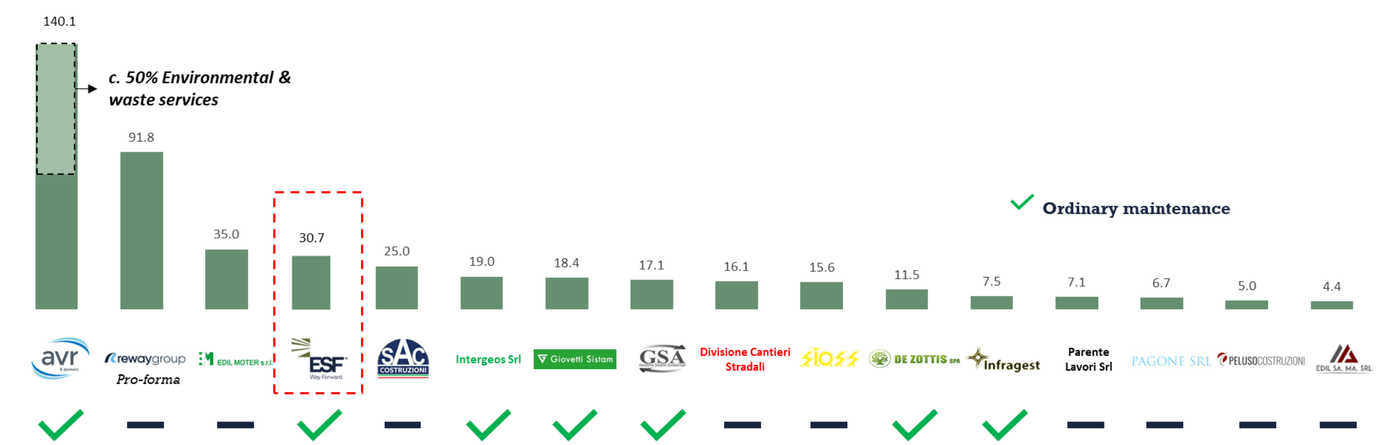
## Many in extraordinary maintenance but only few in ordinary works

The infrastructure maintenance landscape in Italy entails large players with core business in construction of infrastructures (e.g. Webuild), entities owned by highways companies (e.g. Amplia, which usually covers a limited part of maintenance works which are not made through tenders – e.g. road surface related services) and by a fragmentated number of maintenance specialists, usually operating at regional/multi-local level, offering several types of services with different degrees of specialization. While the former group is present only into large size projects, the latter participates primarily to smaller projects or as subcontractor into larger tenders. Furthermore, we highlight that Webuild and other large construction companies normally tend to in turn use sub-contractors (i.e. local specialists) to perform the works.

ESF competes within the group of specialists. We selected 16 companies in Italy, of which only 7 (including ESF) provide ordinary services, mainly due to the intrinsic higher entry barriers of these services linked to the need of local presence and assets located in the area (specialized workforce team and machines) and required authorizations. The advantage to provide also ordinary works allows to have higher visibility on revenues (projects usually lasts up to 40 months vs 7-12 month of extraordinary) with reoccurring revenue stream. Within the specialists group acting in the ordinary maintenance, ESF is the second player by revenues (after AVR with Eu140.1mn in FY22 but c. 50% of AVR sales refer to environmental and waste services.) with the highest EBIT margin (20.2% in FY22) when considering the top five players by sales.

### Main Italian infrastructure maintenance players by revenues (Eu mn, latest available revenues)

*Within the specialists group acting in the ordinary maintenance, ESF is the second player by revenues (after AVR with Eu140mn in FY22 but with c. 50% of sales linked to environmental and waste services) with the highest EBIT margin (20.2% in FY22).*



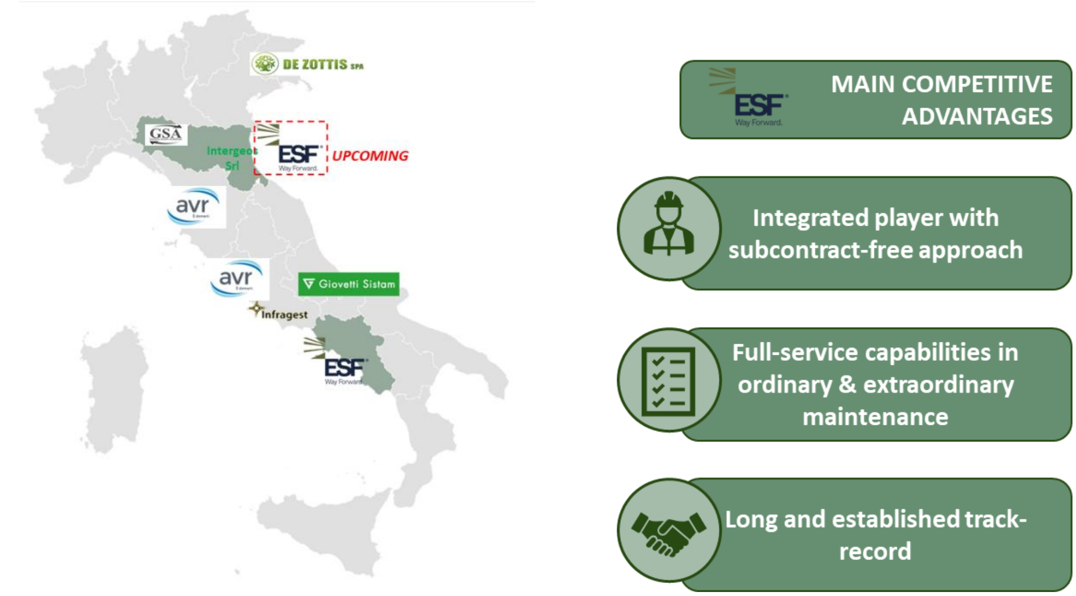

Source: Alantra elaboration; Note: Revenues for AVR, Reway and ESF refers to 2022; other players figures refer to 2021 data

## ESF competitive advantages in a multi-local arena

Most of the ordinary specialists operate in a single region or in a limited number of areas. For instance, apart for AVR which is the larger player by revenues (Eu140.1mn in FY22), that has presence across multiple regions, other ordinary maintenance players like Intergeos and Giovetti Sistam are focused on a single area (respectively Emilia Romagna and Abruzzo). On top of that, the majority of these operators boast a regional leadership due to the local established track-record, rising entry barriers for newcomers. We thus believe that within the ordinary maintenance, contrary to the extraordinary where the flexibility and short execution time of works allow to scale and to provide the maintenance across regions, competition gets tougher when trying to penetrate new regions. However, we believe that the recent expansion of ESF in Emilia Romagna is a positive factor that underlines the willingness and ability of the group to extend their ordinary maintenance services to other regions. We expect such expansion to be the direct result of investments in specialized workforce/vehicles as well as 1) an integrated business model, allowing to provide maintenance services without relying on subcontractors and thus reducing the risk of claims or failures, 2) full-service capabilities with diversification in both ordinary and extraordinary maintenance, covering all the needs of infrastructure preservation, and 3) a long and established track-record in the field (first operator in Campania with strong ties with Autostrade per l'Italia).

Main ordinary maintenance specialists (lhs) and ESF's main competitive advantages (rhs)

*Most of the players that provide ordinary maintenance cover a single region or a limited number of areas*



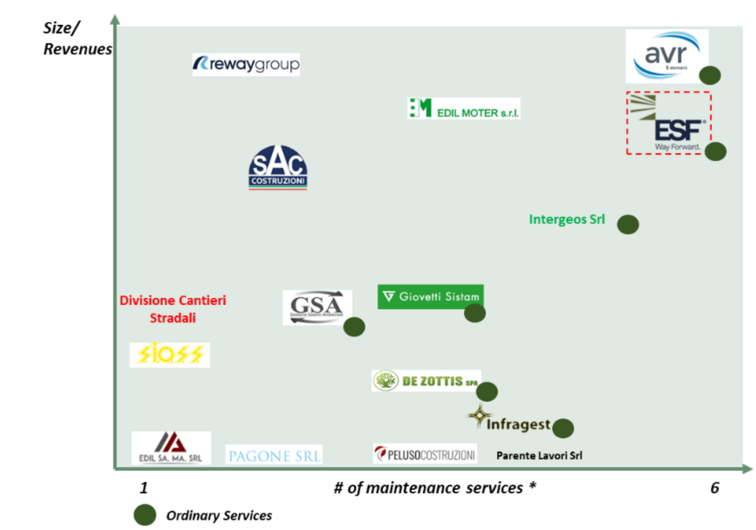

Source: Alantra

## The integrated one-stop-shop solution for all infrastructure maintenance needs…

We believe that one of the key competitive factors of ESF is embedded in its capabilities to provide a full-service offering, without relying on subcontractors. ESF can provide a full spectrum of maintenance services: environmental, cleaning, civil, industrial, road signals and roads. We only identified another player with similar offering (AVR). This is due to ESF efforts to expand its portfolio of services and investments into specialized workforce and vehicles. Also, the subcontract-free approach boosts changes to award tenders as it dramatically reduces risks of delays and claims related to the project.

ESF competitive positioning (lhs) with its one-stop-shop solution (rhs)

*ESF is the second player by revenues among the ordinary maintenance specialists in Italy and provides a full spectrum of maintenance services: environmental, cleaning, civil, industrial, road signals and roads*




| Company | Services | | | | | |
|---|---|---|---|---|---|---|
| | Environmental | Cleaning | Civil | Industrial | Road Signs | Roads |
| AVR | × | × | × | × | × | × |
| REWAY GROUP | | | | × | | × |
| EDIL MOTER | × | | × | × | | × |
| INTERGEOS | × | × | | | × | × |
| GIOVETTI SISTAM | × | × | | | | × |
| GSA | × | | | | | × |
| DIV. CANTIERI STRADALI | | | | | | × |
| S.I.O.S.S. | | | | | × | |
| DE ZOTTIS | × | × | | | | × |
| INFRAGEST | × | × | | | × | × |
| PARENTE LAVORI | × | | × | × | | × |
| PAGONE | | | | | × | × |
| PELUSO COSTRUZIONI | | | × | × | | × |
| EDIL SAMA | | | × | | | |
| EDIL SAN FELICE | × | × | × | × | × | × |

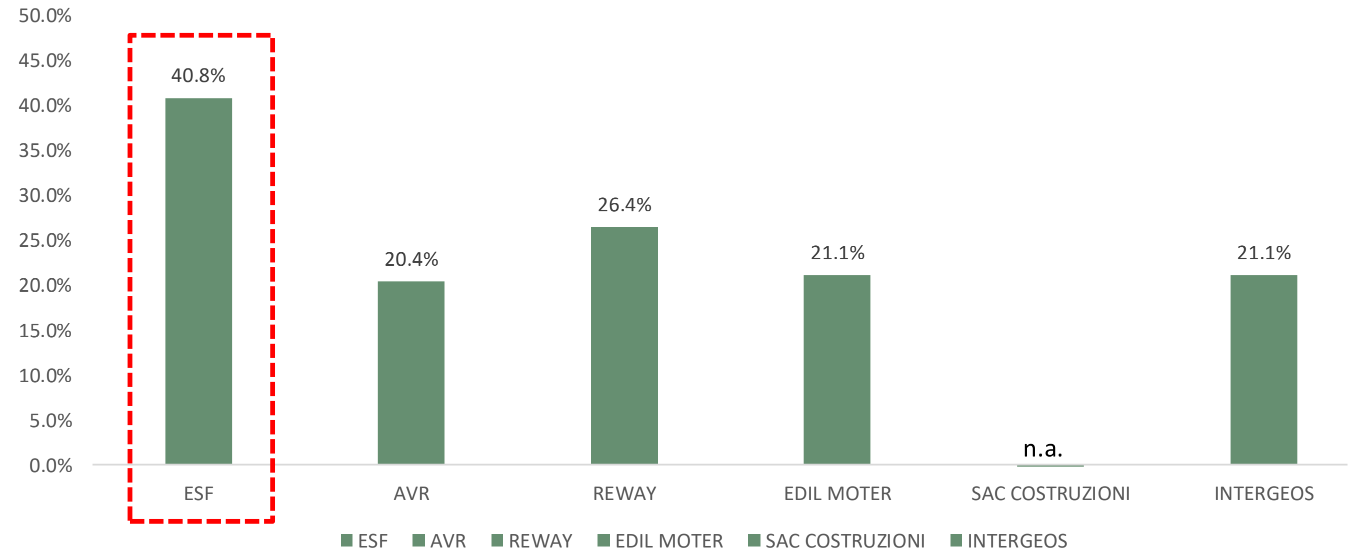
Source: Alantra; *We divided maintenance services under 6 categories (Environmental, Cleaning, Civil, Industrial, Road Signs and Roads)

## …resulting into a very attractive ROCE of 40.8% in FY22

We believe that the competitive positioning of ESF is well summarized by its sound double-digit ROCE of 40.8% (incl. goodwill) in FY22, above the average ROCE of the top 5 maintenance players.

### ESF ROCE vs its 5 main competitors by revenues

We believe that the competitive positioning of ESF is well summarized by its sound double-digit ROCE of 40.8% (incl. goodwill)




Source: Alantra

# Maintenance is a must across all infrastructure types

Edil San Felice is primarily active in the maintenance works of highway infrastructures, with some minimal exposure also to airports. In the former vertical, Autostrade per L'Italia and ANAS are the main players, representing, respectively, 36% and 24% of the total kms of highways in Italy. Therefore, their maintenance plans are a close indication of the entire addressable market. The former has historically spent an average of Eu270mn and Eu320mn in extraordinary and ordinary maintenance works, respectively, in the period FY19-22A. Looking at the industrial plan released by Autostrade per L'Italia, these investments are expected to continue in the future, with a total of Eu6.8bn expected between 2020 and 2038. If we consider the total amount of investments made in the period 2020-2022 (Eu2.0bn), the remaining portion of the planned maintenance (Eu4.8mn) implicates a yearly average of ca. Eu320mn from 2023 to 2038. Looking at ANAS, maintenance normally accounts for >Eu98k/km, totaling a minimum annual investment of ca. Eu185mn by considering the current stock of 1,898km. Considering the maintenance of Autostrade per L'Italia and ANAS, and assuming the same €/km for the other players, we therefore estimate a total highway maintenance market of >Eu840mn on an annual basis. Moving away from the highway field, airports and, most of all, railroads are other extremely important markets in terms of maintenance works. Gruppo FS Italiane, the operator of the Italian railroads, issued a 2022-2031 business plan that foresees investments in maintenance and CAPEX for Eu110bn in the period, for an estimated average annual amount of ca. Eu14bn. Precisely, more than Eu50bn will be addressed towards the regions where Edil San Felice is currently operating. On the regulation side, the new *"Codice Degli Appalti"* released in April 2023 (and operative as from July 2023) should bring simplification to the overall PPP system by: 1) increasing the limits for the direct contracting (*"Affidamento Diretto"*) of maintenance works and in turn speed up their assignment; 2) legalizing the *"subappalto a cascata"* (which allows subcontractors, in turn, to make use of third-party enterprises); 3) implementing the *"Appalto Integrato"*, thus allowing the awarding of design and execution of the project to the same contractor.

**Substantial maintenance needs across highway and railroad infrastructures**

*We estimate a maintenance market of >Eu840mn/year for highway infrastructure, while the railway market looks at Eu14bn annually (maintenance + CAPEX)*

| | Highway | Railway |
|---|---|---|
| Main Players | autostrade per l'italia; anas GRUPPO FS ITALIANE | FERROVIE DELLO STATO ITALIANE |
| Market share of main commissioners | Autostrade per L'Italia: 2,855 kms of highway<br>ANAS: 1,898 kms of highway<br>Total Market: 8,006 kms of highway | The operator Rete Ferroviaria Italiana S.p.A. manages the entire Italian railway infrastructure, for a total of more than 16,800 kms |
| Estimated market Size | Autostrade per L'Italia: ca. Eu4.8bn in FY23 to FY38<br>ANAS: min annual investment of ca. Eu185mn*<br>Total Market: est. Eu840mn/year (only maintenance) | The 2022-2030 business plan of Gruppo FS foresees investments in maintenance and CAPEX for Eu110bn (ca. Eu14bn annual average) |
| | The new Codice Degli Appalti released in April 2023 should bring simplification to the overall PPP system | |

Source: Alantra, Autostrade per L'Italia, ANAS, Gruppo FS, ANSFISA; * Based on Eu98k min maintenance expense per km of highway of ANAS

## Substantial maintenance needs in highways

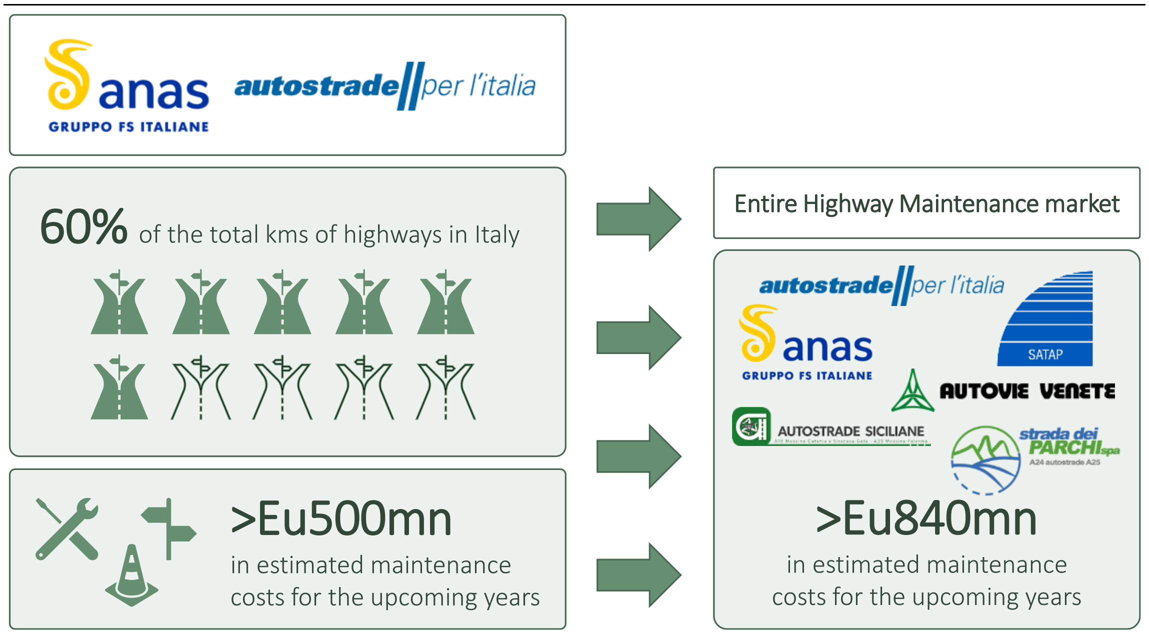
Autostrade per L'Italia and ANAS are the two main players in the highway infrastructure market, representing, together, ca. 60% of the total kms of highways in Italy. We estimate a total highway maintenance market in Italy of Eu840mn annually. This is the result of the following:

- Autostrade per L'Italia has published a 2020-2038 plan where it highlights investments in CAPEX and maintenance for, respectively, Eu14.5bn and Eu6.8bn. In the meantime, from 2020 to 2022 the group has spent ca. Eu2.0bn in maintenance (both ordinary and extraordinary), thus implying an avg. estimated annual maintenance need of Eu320mn in the next 15 years based on the residual amount of maintenance investments following the 2020-2038 plan of Gruppo FS
- ANAS had previously released a 2016-2020 plan with Eu30bn investments estimated for the period (with additional addendum to the plan in 2019 and 2020 bringing the total amount to Eu36bn), of which Eu15.9 in maintenance. However, only ca. 6% of the total kms of the group are highways. We can estimate an annual amount of maintenance need on ANAS highway infrastructure based on the minimum avg. annual amount of maintenance works disclosed by the group, i.e. Eu98k/km, resulting in >Eu185mn annual investments
- Considering an annual maintenance expense of, respectively, Eu320mn and Eu185mn for Autostrade per L'Italia and ANAS, as well as their 60% market share, we can estimate an overall market of Eu840mn/year assuming the same avg. maintenance cost/km for the other players.

The recent extreme atmospheric phenomena that took place in Italy (such as the floods experienced in Emilia Romagna in May 2023) should require additional and unexpected resources to be allocated to extraordinary maintenance (ca. Eu2bn overall, with some of them expected to be addressed also to highway maintenance). The possibility to incur in future natural disasters could demand supplementary resources.

**Autostrade per L'Italia and ANAS are the two major players in terms of kms of highway**

*The undisputed infrastructure leaders in highway are Autrostrade per L'Italia and ANAS, who have substantial maintenance needs*

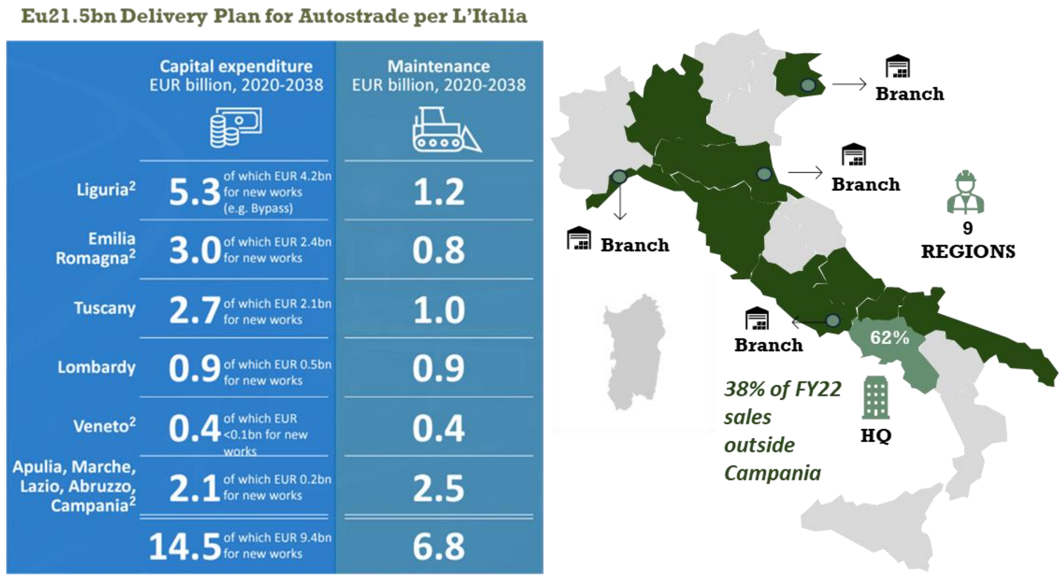



Source: Alantra, Autostrade per L'Italia, ANAS, Gruppo FS, ANSFISA

Looking into the regional split of such investments in maintenance put in place by Autostrade per L'Italia we can highlight that Edil San Felice is present in almost all of these regions.

Regional split of maintenance works in ASPI business plan (lhs) and ESF FY22 revenues breakdown by region (rhs)

*There is a clear overlapping between the regions of the plan of Autostrade per L'Italia and the revenues breakdown of Edil San Felice*



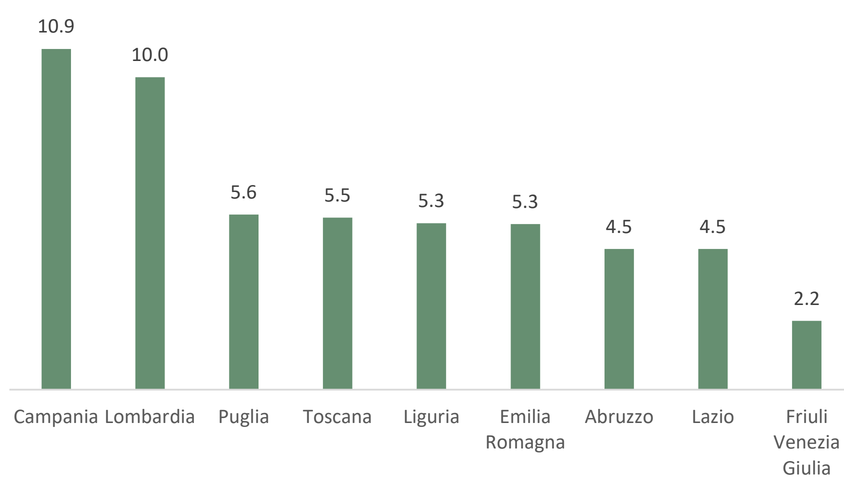

Source: Alantra, Autostrade per L'Italia, ANAS, Gruppo FS, ANSFISA

## >Eu110bn investments in railway infrastructure planned for 2022-2031

While the highway infrastructure market represents a large pool of opportunities, even more investments are expected to materialize in the railway sector. The railway market is expected to invest even more in CAPEX and maintenance, for a stunning total of Eu110bn planned by Gruppo FS for the period 2022-2031. Gruppo Ferrovie dello Stato is the operator of the Italian railroad infrastructure, counting a total of 16,800 km, 1,670 tunnels, 23,000 bridges and more. The planned investments by the group should result in an average yearly investment of ca. Eu14bn. Looking at the regional split, more than Eu50bn will be addressed towards the regions where Edil San Felice already operates (in highway maintenance).

Split of Gruppo FS planned infrastructure investments by region in Italy (2022-2031)

*A total of Eu110bn should be invested in CAPEX and maintenance in FY22-31, of which 50bn in the regions where ESF already operates in highway maintenance*



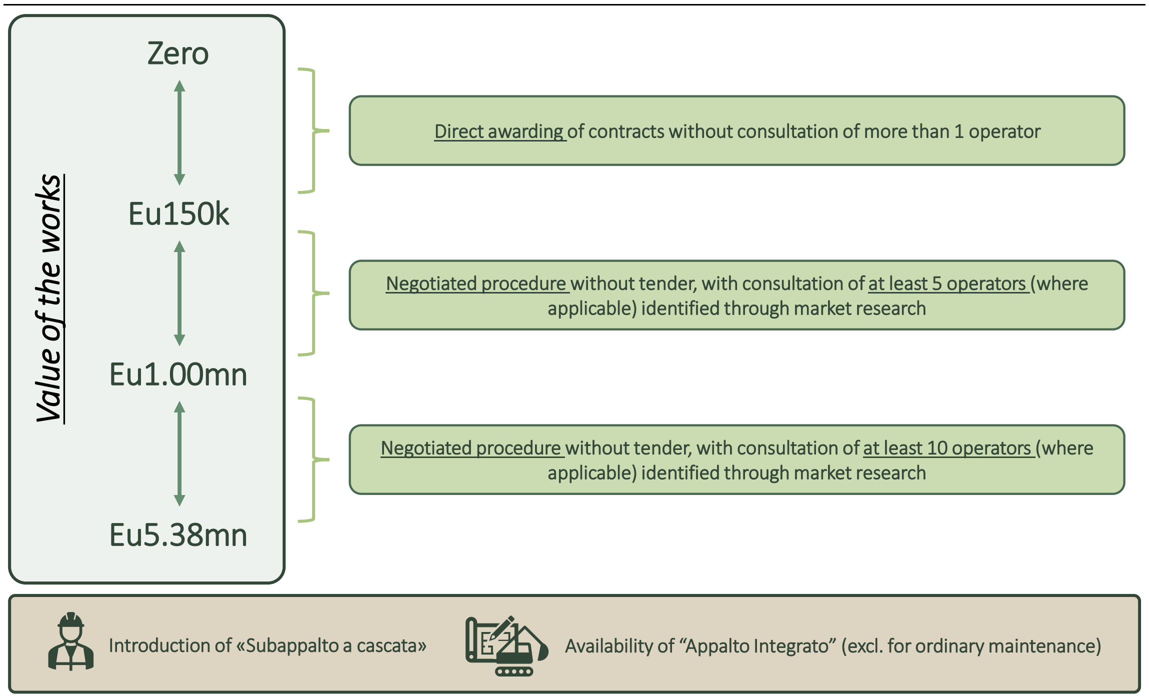

Source: Alantra, Gruppo FS

## Regulatory simplifications are at the door

From July 1st, 2023 the new *"Codice degli Appalti"* has become effective (published on April 1st, 2023), in turn bringing simplification to the overall PPP (*"Partenariato Pubblico Privato"*) system. This regulation follows the Decreto Legge n. 76 of July 16th 2020 (*"Decreto Semplificazioni"*), which had already put in place urgent and transitory measures to accelerate and streamline infrastructure investments in the country. Thanks to this new regulation, the Italian Government has, first of all, enlarged the thresholds for the utilization of the direct contracting (*"Affidamento diretto"*), now available for projects under Eu150k of value. This method allows the committing entity to award a contract without the obligation to hold a tender, and without consulting additional alternative players. Above Eu150k and below Eu5.4mn of value of the works, the direct contracting is substitute with the negotiated procedure (*"Procedura Negoziata senza bando"*), with a required consultation of minimum 5 (or 10 if the contract value surpasses Eu1mn) operators, if available on the market. Additional improvement to the infrastructure work system provided by the new *"Codice degli Appalti"* are 1) the introduction of the *"Subappalto a Cascata"*, which allows subcontractors to make use of additional subcontractors to implement their works, and 2) the availability of the *"Appalto Integrato"* (the awarding of design and execution of construction works to the same entity). However, with regard to the latter, its use cannot take place for ordinary maintenance works, and is available only for projects financed by the PNRR, the PNC or the UE.

### The new "Codice degli Appalti" brings simplification across the system

*The direct awarding and the negotiated procedure diminish the time to market of infrastructure maintenance projects*



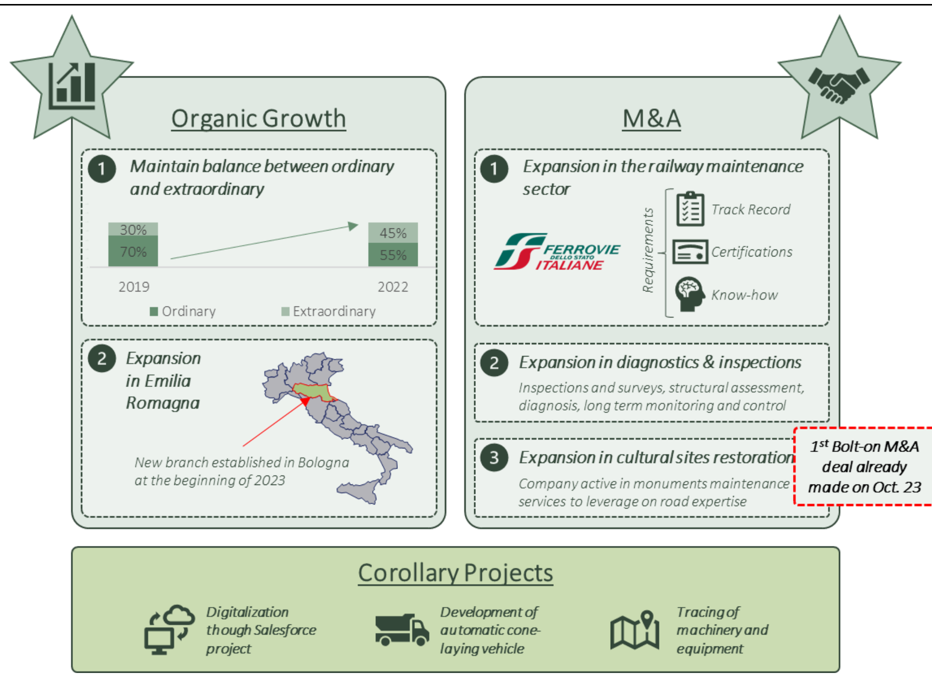

Source: Alantra, Lapam Federimpresa, Gazzetta Ufficiale della Repubblica Italiana

# A balanced organic growth with upside risk from M&A

Edil San Felice has posted a solid growth in the past years, with a double-digit CAGR 2019-22. Future organic growth should be further stimulated by a forthcoming expansion in Emilia Romagna, where the group has recently established a branch to have a physical presence and thus enable ordinary maintenance works. Expansion in ordinary maintenance in the region should contemporarily allow the group to grow while maintaining a balance between ordinary (predictable, long-term contracts, need of physical branch in place) and extraordinary (more occasional, but higher margins, no need of physical branch and more scalable) maintenance works, which thus trigger high visibility of revenues and fostering growth. Organic growth should be accompanied by several M&A optionality, which could materialize in three directions: 1) Expansion in the railway maintenance sector; 2) Entrance in the field of diagnostics and inspections; 3) Expansion in the restoration of cultural heritage sites (first bolt-on acquisition already completed in October). In the first case, the expansion in the railway maintenance sector could bring a substantial upside risk to the growth profile, considering the dimension of such market in Italy. An acquisition of an established player would be fundamental to enter the field as (i) track record, (ii) certifications, and (iii) know-how are key requirements. Another possible angle to target this market would be to act as sub-contractor of multiple projects, gradually getting enough track record to participate to tenders. However, this way would be more time-consuming and riskier (upfront investments in machines and workforce without any secure client). The expansion in diagnostics & inspections, as well as in cultural heritage sites restoration could also be interesting to give a further boost to revenues growth, as well as to differentiate the client base and the sector of activities. The recent acquisition in this field goes in this direction. Other corollary projects are also ongoing, such as the development of an automatic cone-laying vehicle and the implementation of Salesforce to improve the IT infrastructure, among others.

### M&A to support a well-defined organic growth

*ESF should maintain a similar balance across ordinary and extraordinary maintenance, while also expanding in Emilia Romagna and compounding the growth projects with M&A*



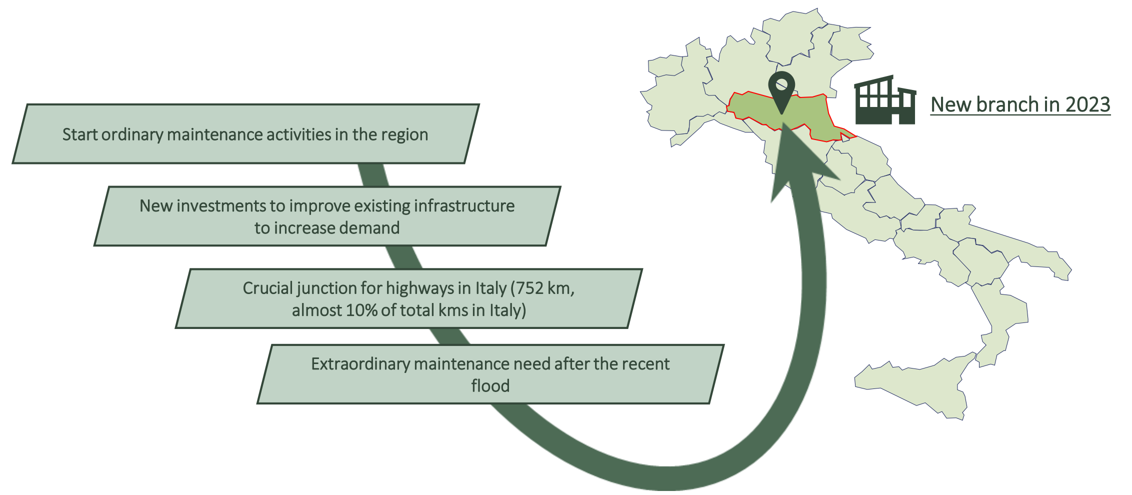

Source: Alantra, Company presentation

## Expansion in Emilia Romagna and balance of ord. / extra-ord. maintenance

Edil San Felice is already doing business in Emilia Romagna. However, the establishment of the new local branch should allow the group to tackle not only extraordinary maintenance works there, but also ordinary maintenance (which requires a presence on the field due to the very short response time required by highway operators, at around 1h). Considering that (i) the region is a crucial conjunction for highways in Italy (with 752kms out of the 8,006kms of the entire highway length in Italy), as well as (ii) the planned new investments to reinforce the current infrastructure (e.g. Eu1.5bn funds have been allocated to the project involving the new *Passante di Bologna*) and (iii) the ongoing and forthcoming need of extraordinary maintenance after the floods registered in May 2023, Emilia Romagna should be an extremely important market for the group. Overall, the objective of the group is to maintain a balance between ordinary and extraordinary maintenance, and the expansion in Emilia Romagna should help the business to achieve this goal, with a new physical branch allowing for ordinary maintenance works in the region.

### Expansion in Emilia Romagna opens the door to more ordinary maintenance works

*The aim of the group is to maintain a balance between ordinary and extraordinary, and the expansion in Emilia Romagna should help*



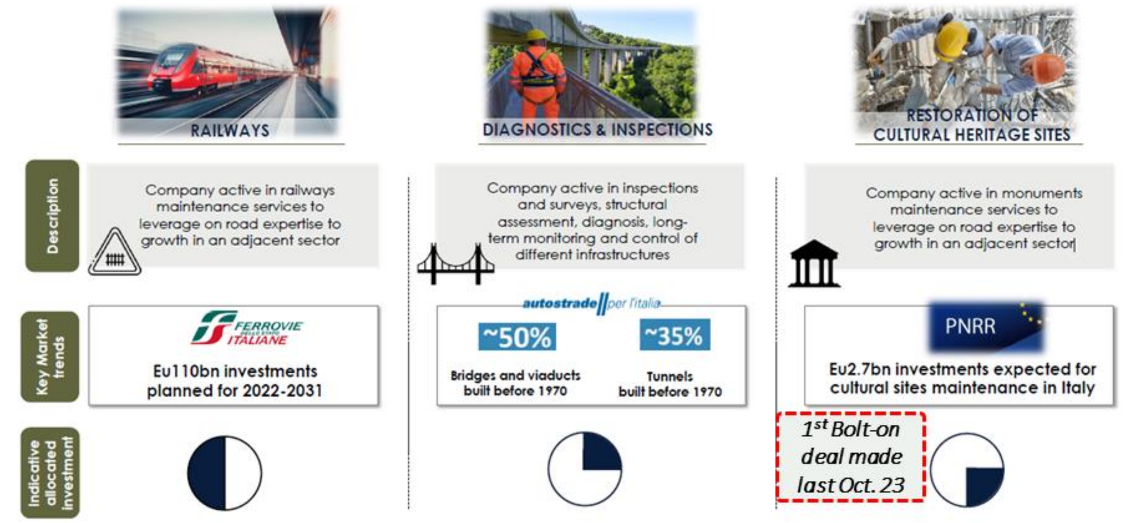

Source: Alantra, Edil San Felice, Regione Emilia Romagna

## M&A to enable entrance in railway and potentially other maintenance niches…

While we do not consider any acquisition in our estimates, M&A could be a strong upside risk to the expansion strategy of the group. Edil San Felice is already planning to compound organic growth with three possible kinds of initiatives: 1) Expansion in the railway maintenance sector; 2) Entrance in the field of diagnostics and inspections; 3) Expansion in the restoration of cultural heritage sites. With regards to the former, a deal could allow the group to penetrate the railway maintenance market (a much larger revenue pool of Eu14bn in yearly CAPEX and maintenance, where ESF is not yet present as of today), which has tough must-have for newcomers, such as a solid track record, multiple important certifications and a strong specific know-how. Acquire such requirement would otherwise take time, with the group having to invest in people and equipment and start to gain track record by working as a sub-contractor. An M&A deal could very well accelerate the process. On top of that, specialized workers of railway maintenance shares similarity in terms of skills and level of specialization, resulting to have a key strategic rationale in a context of talent shortage. The group is also evaluating the possibility to acquire players active in more niche fields, such as diagnostics & inspections (where activities range from inspections and surveys to structural assessment, diagnosis, long-term monitoring and control of different infrastructures), and cultural heritage sites restoration (where the group could leverage on its road expertise to perform monument maintenance services). The group has just made its first bolt-on M&A deal last October, purchasing 100% of Sogem for Eu0.4mn. All in all, the IPO proceeds should help the execution of these inorganic growth opportunities.

M&A to enter railway maintenance and other maintenance niches

*Edil San Felice is already planning to compound organic growth with three initiatives: 1) Railway maintenance sector; 2) Diagnostics and inspections; 3) Restoration of cultural heritage sites (first deal already made last Oct)*




Source: Edil San Felice

## …with a first step of the M&A strategy roadmap already completed

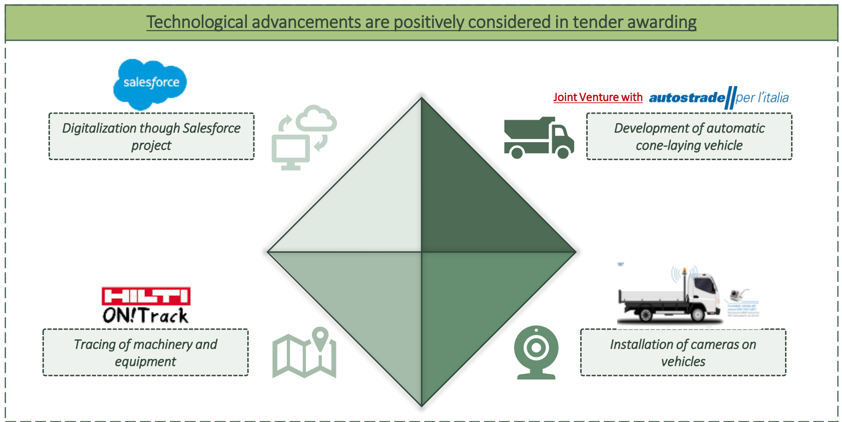
Last October 2023, ESF announced to have successfully completed the 100% acquisition of Sogem, a company active in the restoration of cultural heritage sites for Eu0.4mn. The acquisition is in line with ESF M&A strategy. Despite the relative size of the deal, the acquisition allows ESF to diversify its business in adjacent markets, acquiring know-how and entering in the promising segment of cultural heritage's restoration (valued at ca. Eu3bn in Italy) for projects of up to Eu15mn. The group is set to relaunch the business, relying on solid competences and track-record of the acquired company. In addition, we expect ESF to pivot on the PNRR fund (National Recovery and Resilience Plan), which foresees Eu2.7bn investments in the restoration field.

## Corollary projects to complement the growth trajectory

On top of its organic and inorganic expansion projects, the group is also targeting a series of internal projects with the aim to increase digitalization, security and automation while improving workstream flows. First of all, Edil San Felice is developing, in partnership with Autostrade per L'Italia (JV) an automated one-laying vehicle both for internal use and for sale to third-party entities. Furthermore, the group has already started a digitalization process of its internal systems through Salesforce, so as to improve operating efficiency. The project should integrate and streamline planning (which should also become integrated with the IT infrastructure of Autostrade per L'Italia), reporting and operations management, in turn benefitting marginality as well. In this way, Edil San Felice should be able to manage, through a single software interface: the creation and handling of working groups, the tracing of materials/costs/inventory, the filling of the final checklist after the end of the project, the reporting and the absences of workers. Additional projects worth of mention are the tracing system and the installation of cameras implemented across the entire fleet of vehicles. Each of these improvements are useful not only for financial/operational reasons but also for the obtainment of better scoring at tenders, where technological enhancements of this kind are positively considered from clients.

### Technological advancements should help in scoring better during tenders

*The group is undertaking multiple initiatives which should enhance the level of tech/automation of the group*



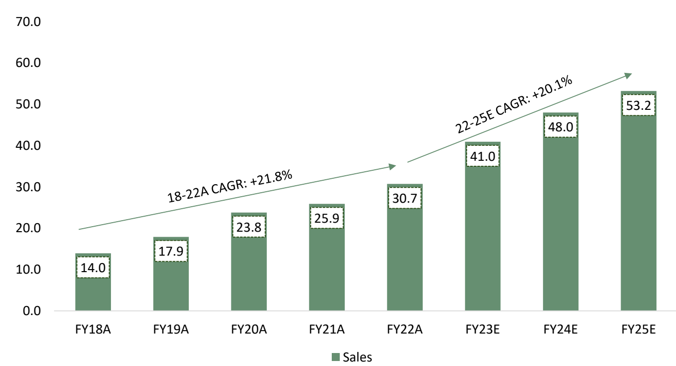

Source: Alantra, Edil San Felice

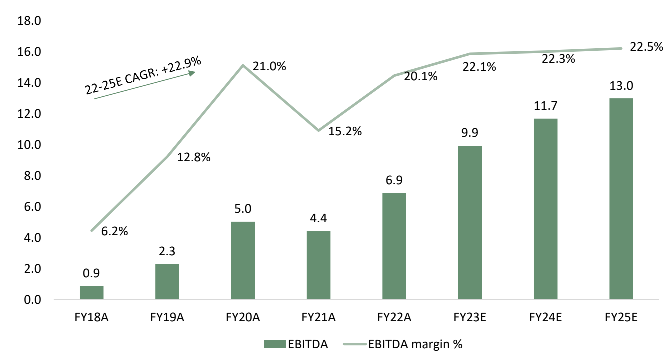
# 20.1% sales CAGR 22-25 driven by geographical expansion and market share gains

Edil San Felice has experienced a remarkable growth, reaching Eu30.7mn sales in FY22 (21.8% CAGR 18-22) thanks to the consolidation of ordinary maintenance business in Campania and the expansion of the extraordinary business across Italy. We believe that in the near future, ESF should continue to grow, leveraging on the new headquarter in Bologna coupled with its long-track record, which should allow the group to bolster revenue expansion outside the Campania region. On the other hand, ESF should increase in number of awarded tenders, adding new clients and increase the share of wallet of the existing ones (especially the recently added ANAS). The group is targeting to keep an optimal balance between the two types of maintenance to exploit double advantages: a solid base of reoccurring revenues stream (ordinary) and higher margins (extraordinary). The mgmt. foresees to reach Eu50mn in sales and 10mn EBITDA in FY23. Our FY23 top-line estimate stands conservatively lower than mgmt. guidance (our est. Eu45mn) with EBITDA in line. All in all, we expect sales to increase by +20.1% CAGR 22-25E with an average ordinary/extraordinary maintenance works weighing 51/49% in the forecasted period and with a healthy book-to-bill ratio of 1.1x on average. EBITDA should increase from Eu6.9mn/20.1% margin in FY22 to Eu12.8mn/22.5% in FY25E (22.9% CAGR 22-25E) thanks to: 1) internalization of carpentry process 2) higher operating leverage; 3) logistic efficiency; and 4) gradual shift from leasing to proprietary fleet of specialized vehicles. EBIT and net profit should land in the region of Eu12.1mn and Eu9.3mn in FY25E, implying 23.7% and 25% CAGR 22-25E, respectively.

### Sales (lhs) and EBITDA (rhs) evolution (FY18-25E, Eu mn)

*We expect sales to increase by +20.1% CAGR 22-25E. EBITDA should increase from Eu6.9mn/20.1% margin in FY22 to Eu13.0mn/22.5% in FY25E (23.6% CAGR 22-25E)*



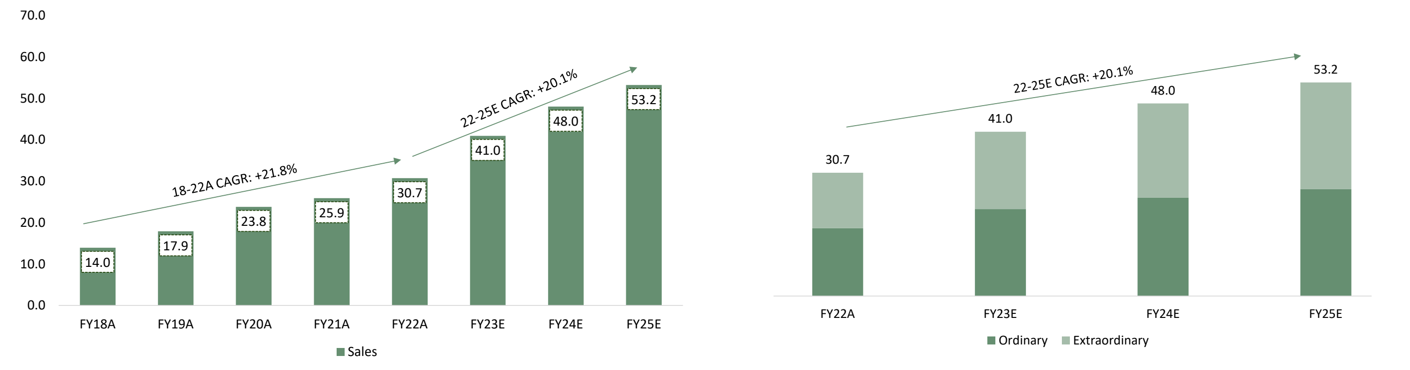

Source: Alantra estimates, ESF financial reports

### 20.1% sales CAGR 22-25E driven by new clients and geographical expansion

We think that ESF should continue to grow, leveraging on the new headquarter in Bologna, coupled with its long-track record, which should allow the group to bolster revenue expansion outside the Campania region. On the other hand, ESF should increase in number of awarded tenders, adding new clients and increase the share of wallet of the existing ones (especially the recently added ANAS). The group is targeting to keep an optimal balance between the two types of maintenance to exploit double advantages: a solid base of reoccurring revenues stream (ordinary) and higher margins (extraordinary). While the mgmt. foresees to reach Eu50mn in sales in FY23, our estimate stands to a more conservative level of Eu45mn. All in all, we expect sales to increase by +20.1% CAGR 22-25E, reaching Eu53.2mn in 2025E from Eu30.7mn in FY22, with an average ordinary/extraordinary maintenance works weighing 51/49% in the forecasted period.

### Sales (lhs) and sales breakdown by type of services (rhs) evolution (FY18-25E, Eu mn)

*All in all, we expect sales to increase by +18.7% CAGR 22-25E with an average ordinary/extraordinary maintenance weighing 51/49% in the forecasted period*

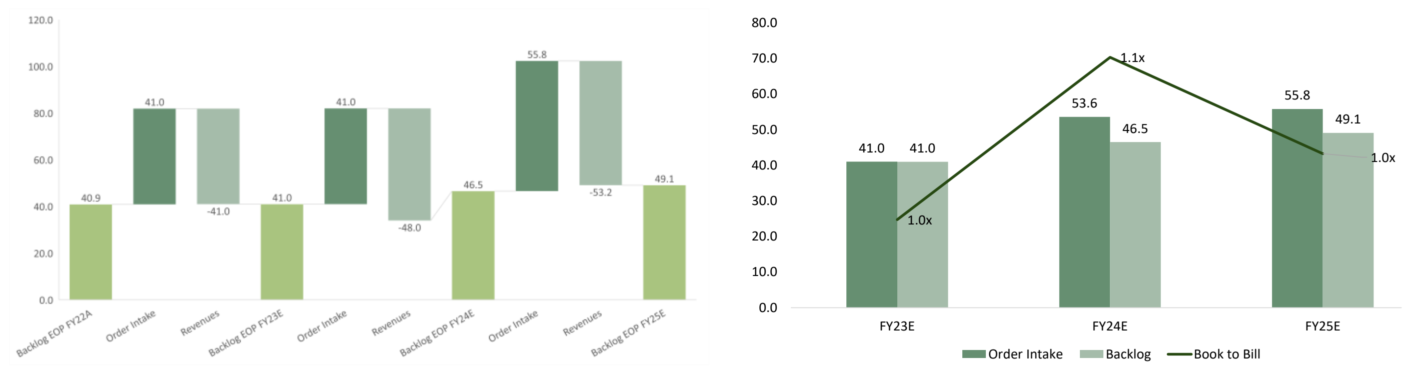



Source: Alantra estimates, ESF financial reports

Our order intake projections should post a +16.6% 23-25E CAGR, mainly thanks to increase in number and value of awarded tenders from ASPI and ANAS. The type of maintenance services provided by ESF has a fast execution. We expect that more than half of combine backlog and order intake are billed during the year, projecting an average book-to-bill ratio of 1.1x during FY23-25E.

### Backlog bridge (lhs, FY22-25E, Eu mn) and order intake, backlog and book-to-bill evolution (FY23-25E, Eu mn)

*Our order intake projections should post a +16.6% 23-25E CAGR, with an average book-to-bill ratio of 1.1x during FY23-25E.*



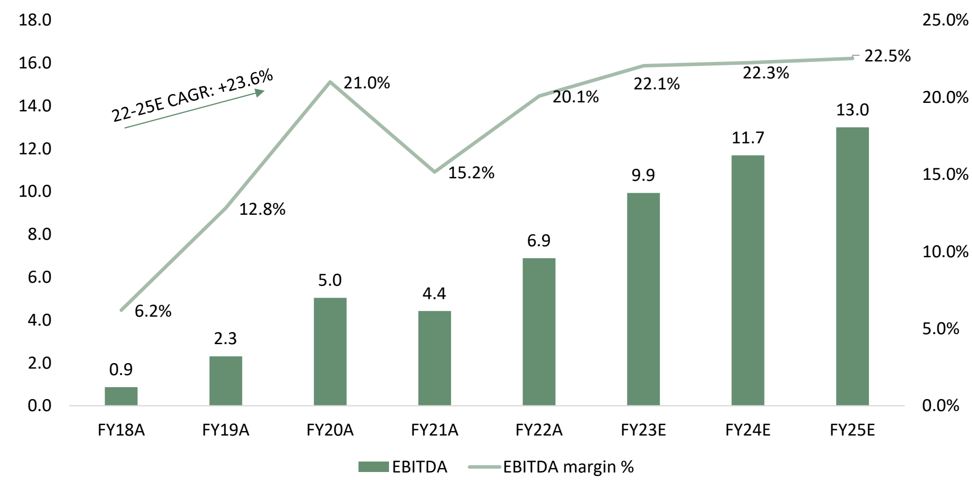

Source: Alantra estimates, ESF financial reports

**+23.6% 22-25 EBITDA CAGR with margin expansion to 22.5% on total revenues in 2025E**

In 2021 EBITDA margin on total revenues has bottomed to 15.2% from 21% in FY20. The drop in margin was mainly attributable to an increase in raw material incidences, which has been normalized from 2022 thanks to a more frequently tariffs revision (now updated every 3 months). FY23E EBITDA is projected to reach Eu9.9mn, in line with mgmt. guidance. All in all, EBITDA should increase from Eu6.9mn/20.1% margin in FY22 to Eu13.2mn/22.5% in FY25E (23.6% CAGR 22-25E) thanks to: 1) internalization of carpentry process 2) higher operating leverage; 3) logistic efficiency; and 4) gradual shift from leasing to proprietary fleet of specialized vehicles.

### EBITDA and EBITDA margin evolution (FY18-25E, Eu mn)

*EBITDA should increase from Eu6.9mn/20.1% margin in FY22 to Eu13.0mn/22.5% in FY25E (23.6% CAGR 22-25E)*



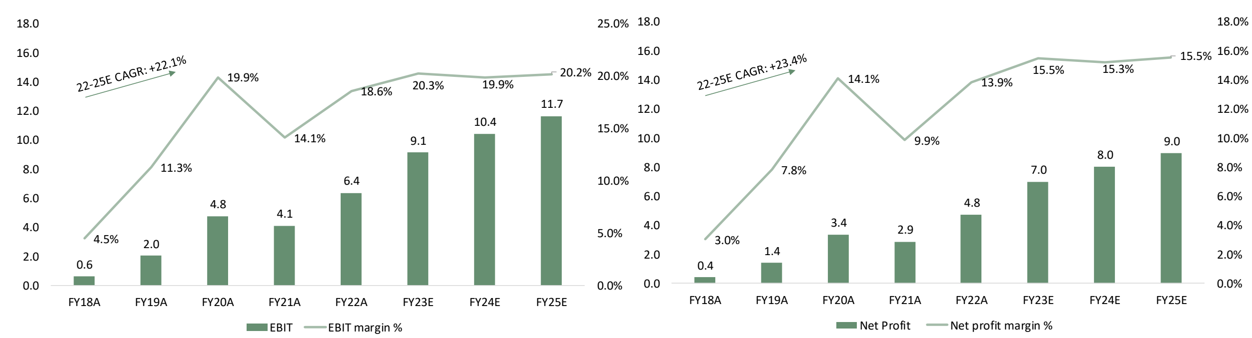

Source: Alantra estimates, ESF financial reports

### +22.3% and +23.5% 22-25 CAGR respectively in EBIT and net income

EBIT and net profit should land in the region of Eu11.7mn/20.2% margin and Eu9.0mn/15.5% margin in FY25E, implying 22.3% and 23.5% CAGR 22-25E, respectively.

### EBIT (lhs) and net profit (rhs) evolution (FY18-25E, Eu mn)

*EBIT and net profit should land in the region of Eu11.7mn/20.2% margin and Eu9.0mn/15.5% margin in FY25E, implying 22.3% and 23.5% CAGR 22-25E, respectively.*



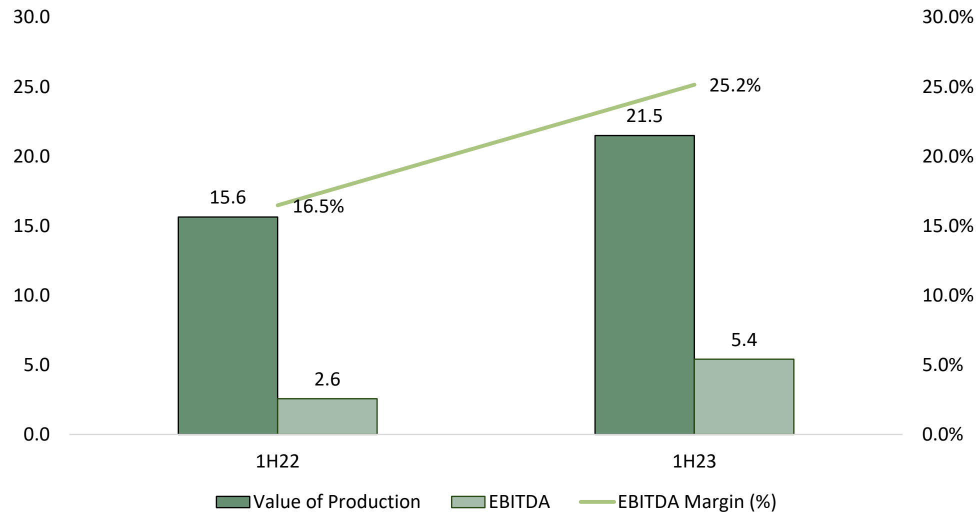

Source: Alantra estimates, ESF financial reports

## Solid 1H23 results bode well for our FY23E

ESF reported a solid set of 1H23 results with top-line of Eu21.5mn, up by 37.5% yoy from Eu15.6mn in 1H22. Profitability expansion was remarkable with EBITDA margin soaring to 25.2% on total revenues vs 16.5% in 1H22. This, coupled with the solid level of backlog of Eu80.3mn as of June 2023, bode well for our 2023 projections. On top of that, the group has confirmed its presence outside Campania with the expansion into new regions thanks to the new tenders in Sardinia (Eu5mn) and Valle d'Aosta (Eu5.3mn).

1H23 revenues, EBITDA (Eumn, lhs) and EBITDA margin on revenues (rhs, %)

*ESF reported a solid set of 1H23 results with strong profitability expansion, boding well for our FY23 estimates*



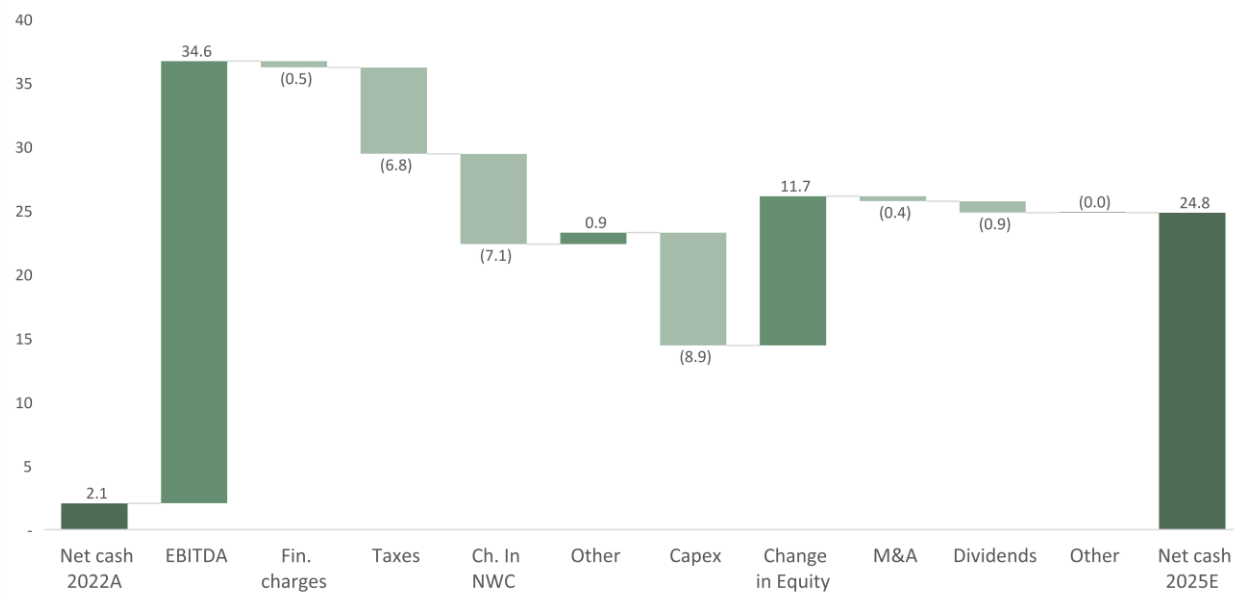

Source: ESF financial reports

# Asset-light business model with high ROCE

ESF boasts an asset light business model, with total fixed asset on sales weighing 19% in FY22. On top of that, the group has historically maintained net working capital well under control with NWC/Sales at 11% on average FY18-22. We expect NWC/Sales to slightly increase in the coming years mainly due to business expansion but remaining at a negligible level with estimated NWC/sales at 18.4% on average in FY23-25E. Our capex projections mainly factor-in the investments for the new headquarter in Bologna (Eu2mn in 2023 and Eu1.5mn in 2024) and capitalized IPO costs for ca. Eu1mn in FY23E. All in all, Capex/Sales should point to 6% for FY23-25E on average or Eu8.9mn. The group should generate a combined FCF of Eu12.4mn with a sound EBITDA conversion of 33.8% on average during FY23-25E (45% excluding the extraordinary capex for the Bologna HQ). This should further strengthen the NFP of the group from a net cash position of Eu2.5mn in FY22A to Eu24.8mn (incl. Eu11.7mn gross IPO proceeds). The asset-light profile coupled with the attractive expected double-digit EBIT margin should allow to post an attractive ROCE (incl. goodwill) of 36.5% on average in FY22-25E. We do not consider M&A transactions in our model, which could represent a solid upside risk.

### 2022-25E Net cash bridge

*We believe that the EBITDA generated in the coming years, a good control of WC dynamics should generate strong FCF. This should further strengthen the NFP of the group.*



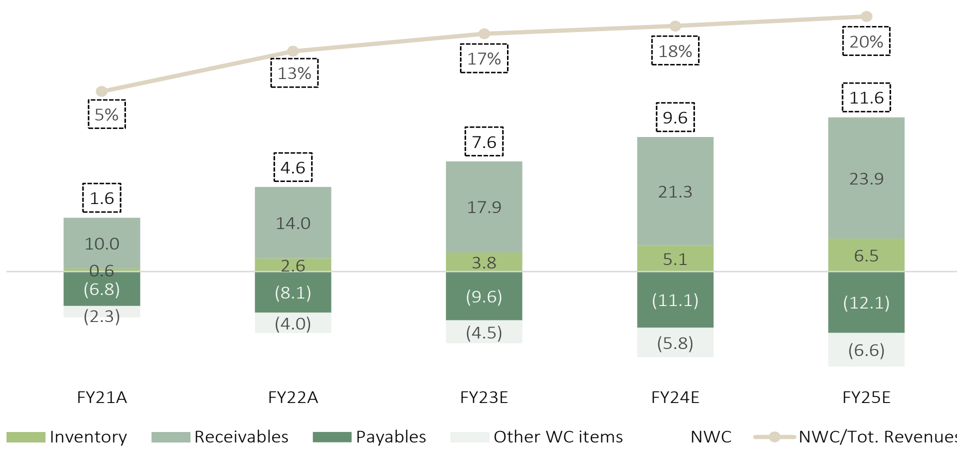

Source: Alantra estimates, ESF financial reports

### NWC under control with low needs of maintenance capex

ESF boasts an asset light business model, with total fixed asset on sales weighing 19% in FY22. On top of that, the group has historically maintained net working capital well under control with NWC/Sales at 11% on average FY18-22. We expect NWC/Sales to slightly increase in the coming years mainly due to business expansion but remaining at a negligible level with estimated NWC/sales at 18.4% on average in FY23-25E.

### Evolution of NWC (Eu mn) and NWC/Sales (%) in FY21-25E

*We expect NWC/Sales to slightly increase in the coming years mainly due to business expansion but remaining at a negligible level with estimated NWC/sales at c. 18.4% on average in FY23-25E.*

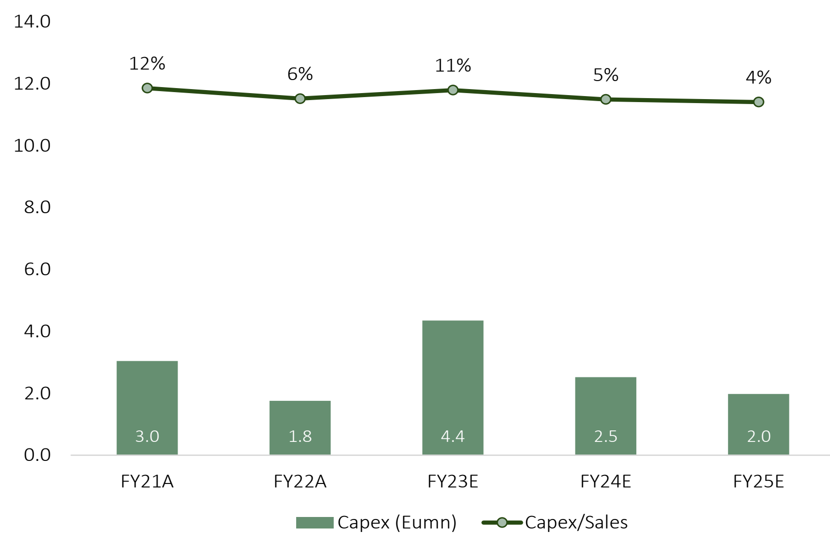



Source: Alantra estimates, ESF financial reports

The business requires low level of capex. In the period 2021-22, ESF has made about Eu5.2mn of extraordinary capex, mainly attributable to the new headquarter in Nola, Naples. Our capex projections mainly factor-in the investments for the new headquarter in Bologna (Eu2mn in 2023 and Eu1.5mn in 2024) and capitalized IPO costs for ca. Eu1mn in FY23E. All in all, Capex/Sales should point to 5.2% for FY23-25E on average or Eu7.9mn. Capex for maintenance is relatively low (c. 1% of revenues).

### Capex (Eu mn, FY21-25E) and capex/sales (%) projections

*Our capex projections mainly factor-in the investments for the new headquarter in Bologna (Eu2mn in 2023 and Eu1.5mn in 2024) and ca. Eu1mn capitalized IPO costs in FY23E.*



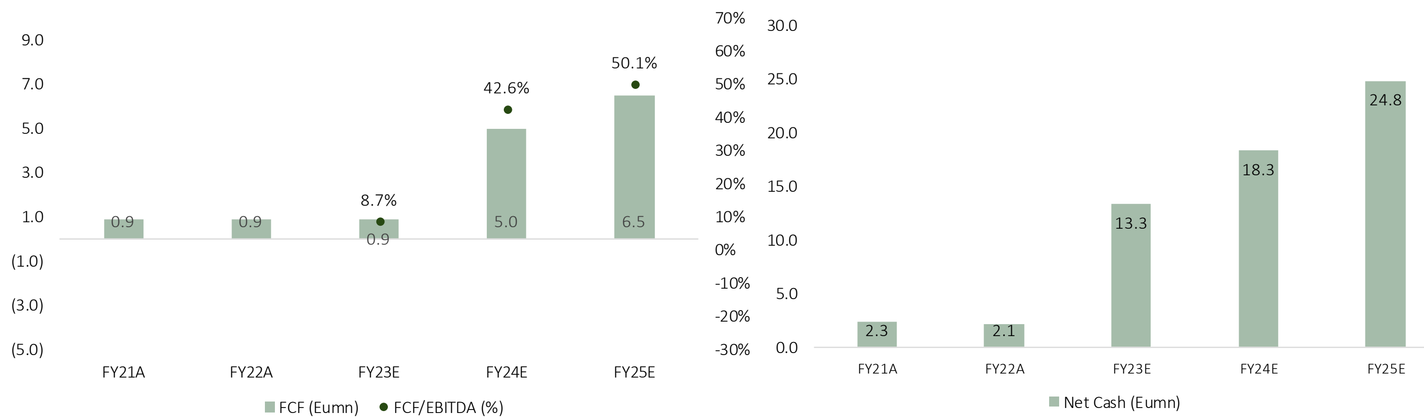

Source: Alantra estimates, ESF financial reports

### Healthy NFP with attractive FCF/EBITDA set to continue (average 33% FY23-25E)

The group should generate a combined FCF of Eu12.4mn with a sound EBITDA conversion of 33.8% on average during FY23-25E (45% excluding the extraordinary capex for the Bologna HQ). This should further strengthen the NFP of the group from a net cash position of Eu2.5mn in FY22A to Eu24.8mn.

### FCF evolution (rhs, Eu mn, FY21-25E), FCF/EBITDA conversion (%) and healthy NFP (rhs, Eu mn)

*The group should generate a combined FCF of Eu12.4mn with a sound EBITDA conversion of 33.8% on average during FY23-25E, reaching Eu24.8mn net cash in 2025E*



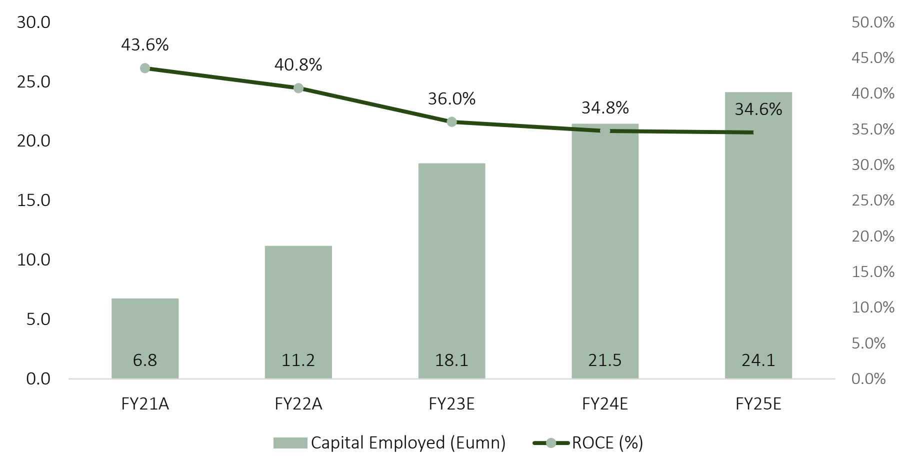

Source: Alantra estimates, ESF financial reports

## A very attractive ROCE of >35% in FY23-25E on average

The asset-light profile coupled with the attractive expected double-digit EBIT margin should allow to post an attractive ROCE (incl. goodwill) of 36.5% on average in FY22-25E. We do not consider M&A transactions in our model, which could represent a solid upside risk.

### Capital employed evolution (Eu mn) and ROCE (%, FY21-25E)

*The asset-light profile coupled with the attractive expected double-digit EBIT margin should allow to post an attractive ROCE (incl. goodwill) of 36.5% on average in FY22-25E.*



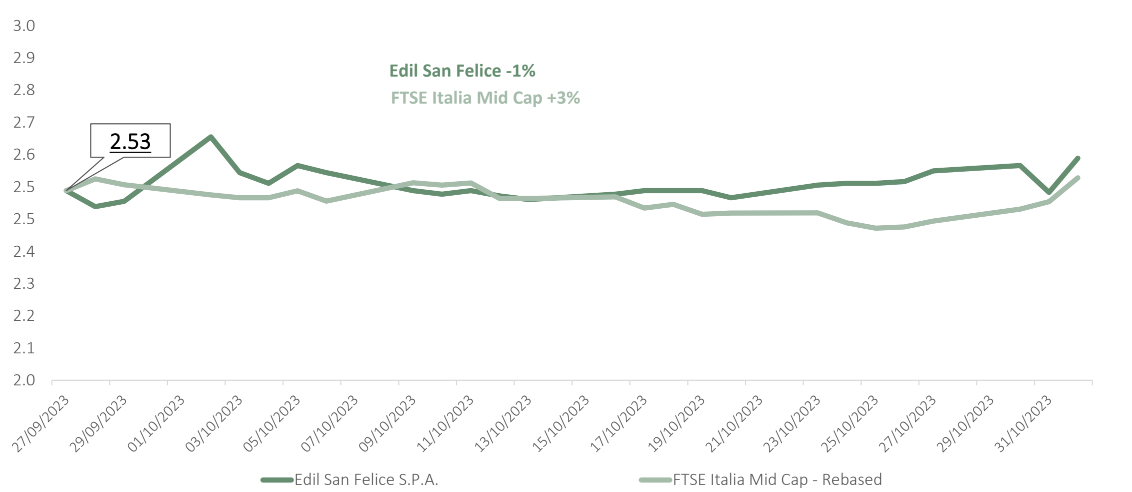

Source: Alantra estimates, ESF financial reports

# Valuation: TP of Eu4.2/share

Listed at the end of September 2022, ESF is down -1% since IPO, with a slight underperformance versus the FTSE Italian Mid Cap index. We identified only one similar listed peer to ESF in Italy (Reway Group), active in the maintenance services to highways. Unlike ESF, Reway Group offers only extraordinary maintenance type of works with a strong focus of activity in the Liguria/Tuscany region. On top of that, we believe that investors can look at our infrastructure services and construction peer group, mainly made by internationals, to determine a valuation benchmark. Our panel includes primarily players with activity in maintenance and other services to infrastructure but differs from ESF as most of them provide also construction works. We have selected Colas, Salcef, Vestum, Railcare Group and Peab. Most of them are larger in size and more geographically diversified than ESF. While almost all these players are exposed to similar infrastructures (highways), the Italian peer Salcef and the Swedish Railcare Group are focused in the railway sector, which commands higher profitability. Despite that, ESF boasts higher margins across the board compared to the selected peers with more attractive growth rates in the coming years. We prefer to look at EV/EBITDA as a metric of choice valuation-wise to the infrastructure services and construction peers, due to different capital intensity within the cluster, after applying a 10% discount. Finally, we believe that the DCF is a valid alternative to better catch long-term potential arising from the high-cash generative business profile of ESF. We set a TP of Eu4.2/share, based on EV/EBITDA FY23-24E multiples of the selected peers after a 10% discount and DCF.

### Market performance since IPO

*ESF's share price performance is down -1%, with a slight underperformance vs FTSE Italian Mid Cap index.*




Source: Factset, Alantra

## Valuation approach based on multiples of peers

We struggled to find similar listed players that provide maintenance services to infrastructure. We identified only one similar listed peer to ESF in Italy (Reway Group), active in the maintenance services to highways. Unlike ESF, Reway Group offers only extraordinary maintenance type of works with a strong focus of activity in the Liguria/Tuscany region.
However, we believe that investors can look at our **infrastructure services and construction peer group**, mainly made by internationals, to determine a valuation benchmark. Our panel includes mostly construction players with different degrees of services and maintenance activity. We have selected Colas, Salcef, Vestum, Railcare Group and Peab. Most of them are larger in size and more geographically diversified than ESF. The majority of players are exposed to roads and highways, excluding the Italian Salcef and the Swedish Railcare Group focused into the railway market.

### Peers – Company description

| Company | Country | Mkt Cap (Eu mn) | Company Description |
|---|---|---|---|
| PEERS Infrastructure services & construction | | | |
| Reway Group SpA | ITALY | 116 | Provides road restoration services |
| Colas SA | FRANCE | 5,698 | Engages in construction of roads, motorways, railways, buildings and provides engineering services |
| Salcef Group S.p.A | ITALY | 1,441 | Engages in design, construction and maintenance of railway & metro infrastructures and supplies equipment |
| Peab AB Class B | SWEDEN | 997 | Provides building and infrastructure construction, renovation, extension, and maintenance services. |
| Vestum AB | SWEDEN | 123 | Industrial group that provides services and products to civic infrastructure |
| Railcare Group AB | SWEDEN | 40 | Engages in maintenance and development of methods and services in the railway industry |

Source: Factset

While most of the selected players are exposed to roads, highways, tunnels, etc., the Italian peer Salcef and the Swedish Railcare Group are only active in the railway sector, which commands higher profitability. Despite that, ESF is expected to deliver higher margins across the board compared to the selected peers with more attractive growth rates in the coming years. Bottom-line profitability makes ESF to stand out from the group (15.8% on sales vs. 8.8% of the peers), also thanks to its light business model. We expect ESF to invest slightly more than its peers in terms of CAPEX/Sales with an average 5.2%, but mainly coming from extraordinary capex for the new HQ in Bologna for Eu3.5mn. ESF growth expectations are attractive, making the group a unicum in the reference sector.

### ESF versus selected peers

| | | | FY23E - FY25E average margins | | | | | CAGR FY22A - FY25E | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Company | Country | Mkt Cap (Eu mn) | EBITDA Margin | EBIT Margin | Net Income Margin | Capex / Sales | Dividend Payout | Sales | EBITDA | EBIT |
| ESF | ITALY | 48 | 22.3% | 20.1% | 15.4% | 6.0% | 0.0% | 18.9% | 23.6% | 22.3% |
| Reway Group SpA | ITALY | 116 | 20.3% | 14.8% | 8.4% | 11.7% | na | 26.8% | 34.6% | 28.9% |
| Colas SA | FRANCE | 5,698 | na | na | na | na | na | na | na | na |
| Salcef Group S.p.A | ITALY | 1,441 | 20.7% | 14.5% | 10.4% | 7.3% | 41.4% | 16.9% | 17.7% | 19.5% |
| Peab AB Class B | SWEDEN | 997 | 6.5% | 3.8% | 2.9% | 2.3% | 59.1% | -2.3% | -2.0% | -6.2% |
| Vestum AB | SWEDEN | 123 | 13.8% | 4.9% | 0.7% | 1.3% | 0.0% | 0.0% | 3.6% | 2.4% |
| Railcare Group AB | SWEDEN | 40 | 20.2% | 11.4% | 7.8% | 10.6% | 31.2% | 11.6% | 13.7% | 14.7% |
| PEERS Infrastructure services & construction | Average | | 15.3% | 9.5% | 5.6% | 5.7% | 33.5% | 10.4% | 13.5% | 11.1% |
| | Median | | 20.2% | 11.4% | 7.8% | 7.3% | 36.3% | 11.6% | 13.7% | 14.7% |

Source: Factset, Alantra

### Trading multiples

| Company | Country | Mkt Cap (Eu mn) | EV/Sales | | | EV/EBITDA | | | EV/EBIT | | | PE | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | FY23E | FY24E | FY25E | FY23E | FY24E | FY25E | FY23E | FY24E | FY25E | FY23E | FY24E | FY25E |
| ESF | ITALY | 48 | 0.8 x | 0.6 x | 0.4 x | 3.7 x | 2.7 x | 2.0 x | 4.0 x | 3.0 x | 2.2 x | 6.9 x | 6.0 x | 5.4 x |
| *Premium (discount) to Peers' Median* | | | *-23%* | *-30%* | *-35%* | *-44%* | *-43%* | *-54%* | *-64%* | *-73%* | *-77%* | *-38%* | *-38%* | *-37%* |
| PEERS | Average | | 1.1 x | 0.9 x | 0.8 x | 7.0 x | 5.7 x | 5.0 x | 12.2 x | 10.1 x | 8.5 x | 12.0 x | 10.7 x | 9.5 x |
| | Median | | 1.0 x | 0.9 x | 0.7 x | 6.5 x | 4.8 x | 4.3 x | 11.2 x | 11.2 x | 9.5 x | 11.1 x | 9.7 x | 8.5 x |
| Reway Group SpA | ITALY | 144 | 1.6 x | 0.9 x | 0.7 x | 8.7 x | 4.2 x | 3.2 x | 11.2 x | 6.0 x | 4.4 x | 12.0 x | 9.9 x | 8.6 x |
| Colas SA | FRANCE | 5,698 | na | na | na | na | na | na | na | na | na | 19.2 x | 15.3 x | 13.0 x |
| Salcef Group S.p.A | ITALY | 1,441 | 1.9 x | 1.7 x | 1.5 x | 9.4 x | 7.9 x | 7.2 x | 13.7 x | 11.2 x | 10.1 x | 19.0 x | 16.1 x | 15.2 x |
| Peab AB Class B | SWEDEN | 997 | 0.5 x | 0.4 x | 0.4 x | 6.5 x | 7.3 x | 6.6 x | 11.0 x | 12.4 x | 11.1 x | 7.6 x | 9.2 x | 7.9 x |
| Vestum AB | SWEDEN | 123 | 0.7 x | 0.6 x | 0.5 x | 5.1 x | 4.4 x | 3.7 x | 16.0 x | 12.3 x | 9.5 x | 4.0 x | 4.2 x | 3.8 x |
| Railcare Group AB | SWEDEN | 40 | 1.0 x | 1.0 x | 0.9 x | 5.2 x | 4.8 x | 4.3 x | 9.0 x | 8.5 x | 7.6 x | 10.3 x | 9.5 x | 8.4 x |
| PEERS Infrastructure services & construction | Average | | 1.1 x | 0.9 x | 0.8 x | 7.0 x | 5.7 x | 5.0 x | 12.2 x | 10.1 x | 8.5 x | 12.0 x | 10.7 x | 9.5 x |
| | Median | | 1.0 x | 0.9 x | 0.7 x | 6.5 x | 4.8 x | 4.3 x | 11.2 x | 11.2 x | 9.5 x | 11.1 x | 9.7 x | 8.5 x |

Source: Factset, Alantra

On a value comparison standpoint, we prefer to look at EV/EBITDA as the main metric of choice to the infrastructure services and construction peers, due to the different capital intensity within the cluster, after applying a 10% discount.

### Valuation (Eu mn), using market multiples

| Eu mn | Full sample multiples FY23E | FY24E | FY25E |
|---|---|---|---|
| EBITDA reported | 9.9 | 11.7 | 13.0 |
| EV/EBITDA Peer Group | 6.5x | 4.8x | 4.3x |
| *Discount* | *10%* | *10%* | *10%* |
| EV based on multiples | 58.4 | 50.1 | 49.8 |
| Net Financial Position | 13.3 | 18.3 | 24.8 |
| Adjustments | (1.6) | (1.9) | (2.1) |
| Eu Per Share | 3.6 | 3.5 | 3.8 |
| EBIT reported | 9.1 | 9.1 | 9.1 |
| EV/EBIT Peer Group | 11.2x | 11.2x | 9.5x |
| *Discount* | *10%* | *10%* | *10%* |
| EV based on multiples | 92.0 | 92.1 | 78.3 |
| Net Financial Position | 13.3 | 18.3 | 24.8 |
| Adjustments FY22 | (1.6) | (1.9) | (2.1) |
| Eu Per Share | 5.4 | 5.6 | 5.2 |
| Net profit reported | 8.0 | 9.0 | 9.0 |
| *Discount* | *10%* | *10%* | *10%* |
| P/E Peer Group | 11.1x | 9.7x | 8.5x |
| Eu Per Share | 4.2 | 4.0 | 3.6 |

Source: Alantra

## Valuation based on DCF method

We believe that the DCF is a good alternative with respect to multiple peer valuation to better extrapolate ESF strong cash generation capabilities. We considered a long-term g of 1.5% with WACC of 11.4%.

## DCF valuation

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Value of Production | 18.1 | 24.0 | 29.2 | 34.3 | 45.1 | 52.6 | 57.7 | 63.5 | 69.3 | 70.3 |
| *YoY growth* | | *33%* | *22%* | *18%* | *31%* | *17%* | *10%* | *10%* | *9%* | |
| EBITDA | 2.3 | 5.0 | 4.4 | 6.9 | 9.9 | 11.7 | 13.0 | 14.3 | 15.8 | 14.1 |
| *EBITDA Margin* | *13%* | *21%* | *15%* | *20%* | *22%* | *22%* | *23%* | *23%* | *23%* | *20%* |
| taxes on EBIT | | (1.4) | (1.3) | (1.5) | (2.0) | (2.3) | (2.6) | (2.9) | (3.2) | (3.6) |
| Non recurring Cash-out | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| NWC Change | | 0.5 | 1.1 | (1.7) | (3.0) | (2.1) | (2.0) | (1.2) | (1.7) | (0.1) |
| Capex | | 0.0 | (3.0) | (1.8) | (4.4) | (2.5) | (2.0) | (1.0) | (1.0) | (2.1) |
| *Capex/Revenues* | | *0%* | *-10%* | *-5%* | *-10%* | *-5%* | *-3%* | *-2%* | *-1%* | *-3%* |
| Free cash flow | | | | | 0.6 | 4.8 | 6.4 | 9.3 | 9.8 | 83.3 |
| Disc. Free Cash Flow | | | | | 0.6 | 4.3 | 5.2 | 6.7 | 6.4 | 54.1 |
| *Year* | | | | | *0.0* | *1.0* | *2.0* | *3.0* | *4.0* | *4.0* |

| | |
|---|---|
| Total Disc. FCF | 23.2 |
| Terminal value | 54.1 |
| Total EV (Eu mn) | 77.2 |
| NFP FY23E | 13.3 |
| Adjustments FY22 | 1.6 |
| TOTAL Equity Value | 92.2 |
| # of shares (mn) | 19.2 |
| Fair Value per share (Eu) | 4.9 |

| Implied multiples | FY20A | FY21A | FY22A | FY23E | FY24E | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|---|---|---|
| EV/ Sales | 3.8 x | 3.1 x | 2.7 x | 1.8 x | 1.4 x | 1.2 x | 1.0 x | 0.7 x |
| EV/ Adj. EBITDA | 17.9 x | 20.5 x | 13.3 x | 8.1 x | 6.5 x | 5.4 x | 4.2 x | 3.2 x |
| EV/Adj. EBIT | 18.9 x | 22.0 x | 14.3 x | 8.8 x | 7.3 x | 6.0 x | 4.7 x | 3.5 x |
| P/Adj. E | 27.2 x | 32.0 x | 19.4 x | 13.2 x | 11.5 x | 10.3 x | 9.2 x | 8.3 x |

Source: Alantra

## Sensitivity to pre-money equity valuation based on DCF

| | | Wacc | | | | |
|---|---|---|---|---|---|---|
| | | 12.4% | 11.9% | 11.4% | 10.9% | 10.4% |
| Terminal Growth | 2.5% | 4.8 | 5.0 | 5.3 | 5.5 | 5.8 |
| | 2.0% | 4.7 | 4.9 | 5.1 | 5.3 | 5.6 |
| | 1.5% | 4.6 | 4.7 | 4.9 | 5.2 | 5.4 |
| | 1.0% | 4.5 | 4.6 | 4.8 | 5.0 | 5.2 |
| | 0.5% | 4.4 | 4.5 | 4.7 | 4.9 | 5.1 |

Source: Alantra

# Main risks

We believe that the main risks related to Edil San Felice's business can be summarised in the following factors:

**High concentration of clients and suppliers.** The group's business is highly concentrated into a limited number of clients (e.g. ASPI weighs 81% on sales in FY22), however, despite this is structural in the infrastructure maintenance business, the group is successfully, diversifying its clients portfolio with the addition of new clients (e.g. ANAS and airports companies). Concentration of suppliers is softer but still relevant with top 5 suppliers weighing c. 49% of total raw material costs.

**Risk from adverse weather conditions.** ESF's specialized workforce are not allowed to work during adverse weather conditions, which could result into a delay of the project completion. However, the company boasts zero projects delays to date.

**Internalization of ordinary maintenance works from commissioners.** Large commissioners directly own maintenance companies which provides ordinary works of the managed infrastructure with a limited reach. We believe that and increase in ordinary maintenance of such players could be a risk for ESF business. However, large commissioners use such controlled entity to provide specific ordinary works not covered by ESF (e.g. coating of asphalt of roads), which entails maintenance services that are carried out frequently.

**Increasing competition from large players.** Large groups could leverage on higher investment capabilities, broader workforce and financial resources compared to smaller competitor. However, ESF targets a certain tender size that allows the group to take full control over the project value-chain (subcontract-free approach). As such, the group do not compete often with large players, usually participating into sizable projects.

**Price pressure from commissioners.** As most highways maintenance run through tenders from large commissioners, ESF has low bargaining power, with potential pressure on margins going forward (especially in ordinary maintenance projects).

**Delays or claims in projects might impact future tender awards.** Among other things, tender awards in infrastructure maintenance are highly dependent from a good track record. A potential delay in projects or claims could have negative implications in the award of new tenders. To date, ESF has zero claims and delays in projects.

**Dependency on few key people.** We believe that the group is highly dependent from few key persons. Mr Lorenzo Di Palma, CEO, plays a very crucial role in our view.

**Lack of M&A track record.** ESF aims to grow through acquisitions in the future, targeting players active in adjacent markets like railways, diagnostic & inspections, and restoration of cultural heritage sites. Growth of the group was historically organic, and no M&A / integration track record has been developed.

# Appendix

## EDIL SAN FELICE – P&L

| Eu mn | | FY21A | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|---|
| Sales | | 25.9 | 30.7 | 41.0 | 48.0 | 53.2 |
| | *YoY Growth* | *8.9%* | *18.5%* | *33.2%* | *17.3%* | *10.9%* |
| | *Organic* | *8.9%* | *18.5%* | *33.2%* | *17.3%* | *0.0%* |
| | *Forex* | | | | | *100.3%* |
| | *M&A* | *0.0%* | *0.0%* | *0.0%* | *0.0%* | *-18.6%* |
| | | | | | | *1.9%* |
| Change in WIP | | 0.4 | 1.8 | 2.3 | 2.7 | 2.7 |
| | *YoY Growth* | | *334.3%* | *33.2%* | *17.3%* | *-3.0%* |
| | *% of net sales* | *1.6%* | *5.7%* | *5.7%* | *5.7%* | *5.0%* |
| Increases in fixed assets for internal works | | 1.6 | 0.8 | 0.8 | 0.8 | 0.8 |
| | *YoY Growth* | | *-50.6%* | *0.0%* | *0.0%* | *0.0%* |
| | *% of net sales* | *6.2%* | *2.6%* | *2.6%* | *2.6%* | *2.6%* |
| Other revenues | | 1.2 | 1.0 | 1.0 | 1.0 | 1.0 |
| | *YoY Growth* | *632.2%* | *-18.6%* | *-18.6%* | *-18.6%* | *-18.6%* |
| | *on sales %* | *4.8%* | *3.3%* | *2.4%* | *2.1%* | *1.9%* |
| Value of Production | | 29.2 | 34.3 | 45.1 | 52.6 | 57.7 |
| | *YoY Growth* | *21.6%* | *17.5%* | *31.5%* | *16.6%* | *9.8%* |
| | *on sales %* | *100.0%* | *100.0%* | *100.0%* | *100.0%* | *100.0%* |
| Raw materials | | (7.1) | (8.1) | (10.4) | (12.0) | (13.2) |
| | *YoY Growth* | *46.1%* | *14.7%* | *27.4%* | *15.6%* | *9.9%* |
| | *on sales %* | *-24.3%* | *-23.7%* | *-23.0%* | *-22.8%* | *-22.8%* |
| Services | | (6.7) | (8.5) | (10.6) | (12.2) | (13.3) |
| | *YoY Growth* | *11.8%* | *26.8%* | *24.7%* | *15.6%* | *8.4%* |
| | *on sales %* | *-23.0%* | *-24.8%* | *-23.5%* | *-23.3%* | *-23.0%* |
| Personnel | | (6.5) | (8.2) | (11.0) | (13.0) | (14.3) |
| | *YoY Growth* | *18.5%* | *24.9%* | *34.3%* | *19.0%* | *9.8%* |
| | *on sales %* | *-22.4%* | *-23.8%* | *-24.3%* | *-24.8%* | *-24.8%* |
| Other costs | | (0.9) | (0.4) | (0.7) | (0.8) | (0.9) |
| | *YoY Growth* | *1218.8%* | *-55.9%* | *73.0%* | *16.6%* | *9.8%* |
| | *on sales %* | *-3.0%* | *-1.1%* | *-1.5%* | *-1.5%* | *-1.5%* |
| Third parties | | (3.5) | (2.2) | (2.5) | (2.8) | (3.1) |
| | *YoY Growth* | *40.3%* | *-37.4%* | *15.1%* | *10.4%* | *9.8%* |
| | *on sales %* | *-12.1%* | *-6.4%* | *-5.6%* | *-5.3%* | *-5.3%* |
| Total Costs | | (24.7) | (27.4) | (35.1) | (40.9) | (44.7) |
| | *YoY Growth* | *30.6%* | *10.7%* | *28.3%* | *16.3%* | *9.4%* |
| | *on Total Revenues %* | *-84.8%* | *-79.9%* | *-77.9%* | *-77.7%* | *-77.5%* |
| EBITDA | | 4.4 | 6.9 | 9.9 | 11.7 | 13.0 |
| | *YoY Growth* | *-12.2%* | *55.7%* | *44.3%* | *17.6%* | *11.2%* |
| | *on Total Revenues %* | *15.2%* | *20.1%* | *22.1%* | *22.3%* | *22.5%* |
| D&A | | (0.3) | (0.5) | (0.8) | (1.3) | (1.3) |
| | *YoY Growth* | *14.3%* | *70.2%* | *57.0%* | *56.6%* | *6.9%* |
| | *on total assets %* | *-5.4%* | *-7.3%* | *-7.8%* | *-8.0%* | *-8.2%* |
| EBIT | | 4.1 | 6.4 | 9.1 | 10.4 | 11.7 |
| | *YoY Growth* | *-13.7%* | *54.7%* | *43.3%* | *14.2%* | *11.7%* |
| | *on Total Revenues %* | *14.1%* | *18.6%* | *20.3%* | *19.9%* | *20.2%* |
| Net financial income (costs) | | 0.0 | (0.2) | (0.2) | (0.2) | (0.2) |
| | *YoY Growth* | *3376.9%* | *-848.1%* | *0.0%* | *0.0%* | *0.0%* |
| | *on Total Revenues %* | *0.1%* | *-0.5%* | *-0.4%* | *-0.3%* | *-0.3%* |
| | *on Total Debt %* | *1.3%* | *-6.8%* | *-6.8%* | *-6.8%* | *-6.8%* |
| Pre-tax profits | | 4.1 | 6.2 | 9.0 | 10.3 | 11.5 |
| | *YoY Growth* | *-13.2%* | *49.8%* | *44.5%* | *14.5%* | *11.9%* |
| | *on Total Revenues %* | *14.2%* | *18.1%* | *19.9%* | *19.6%* | *19.9%* |
| Taxes | | (1.3) | (1.5) | (2.0) | (2.3) | (2.5) |
| | *tax rate %* | *30.6%* | *23.5%* | *22.0%* | *22.0%* | *22.0%* |
| Net Profit | | 2.9 | 4.8 | 7.0 | 8.0 | 9.0 |
| | *YoY Growth* | *-15.0%* | *65.3%* | *47.2%* | *14.5%* | *11.9%* |
| | *on Total Revenues %* | *9.9%* | *13.9%* | *15.5%* | *15.3%* | *15.5%* |
| Net Profit Adj. | | 2.9 | 4.8 | 7.0 | 8.0 | 9.0 |
| | *YoY Growth* | *-15.0%* | *65.3%* | *47.2%* | *14.5%* | *11.9%* |
| | *on Total Revenues %* | *9.9%* | *13.9%* | *15.5%* | *15.3%* | *15.5%* |

Source: Company data (Unaudited FY21A data), Alantra estimates

EDIL SAN FELICE – Balance Sheet

| (Eu mn) | FY21A | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| Inventory | 0.6 | 2.6 | 3.8 | 5.1 | 6.5 |
| *% sales* | *2.1%* | *7.6%* | *8.4%* | *9.8%* | *11.2%* |
| *Days of Inventory* | *7* | *28* | *31* | *36* | *41* |
| Receivables | 10.0 | 14.0 | 17.9 | 21.3 | 23.9 |
| *% sales* | *34.3%* | *40.9%* | *39.7%* | *40.5%* | *41.4%* |
| *DSO* | *125* | *149* | *145* | *148* | *151* |
| Payables | (6.8) | (8.1) | (9.6) | (11.1) | (12.1) |
| *% costs* | *26.1%* | *28.1%* | *28.1%* | *28.1%* | *28.1%* |
| *Days of payables* | *136* | *154* | *145* | *145* | *145* |
| Other current assets | 1.6 | 0.2 | 1.1 | 0.8 | 0.6 |
| *% sales* | *5.4%* | *0.5%* | *2.5%* | *1.5%* | *1.0%* |
| Other current liabilities | (3.8) | (4.1) | (5.6) | (6.6) | (7.2) |
| *% sales* | *-13.2%* | *-12.1%* | *-12.5%* | *-12.5%* | *-12.5%* |
| Net Working Capital | 1.6 | 4.6 | 7.6 | 9.6 | 11.6 |
| *% sales* | 5.4% | 13.3% | 16.8% | 18.3% | 20.2% |
| Proprierty, plant and equipment | 5.1 | 6.4 | 8.6 | 9.9 | 10.6 |
| Intangible assets | 0.0 | 0.0 | 1.8 | 1.7 | 1.7 |
| *o/w goodwill* | | | 0.0 | 0.0 | 0.0 |
| Financial assets | 0.0 | 0.2 | 0.2 | 0.2 | 0.2 |
| Others/Right of use | | | 0.0 | 0.0 | 0.0 |
| Total fixed assets | 5.2 | 6.6 | 10.6 | 11.8 | 12.5 |
| Employee pension benefits | (1.0) | (1.3) | (1.8) | (2.1) | (2.3) |
| Other non current assets/liabilities (funds) | 0.0 | (0.0) | (0.0) | (0.0) | (0.0) |
| Net Invested Capital | 5.8 | 9.8 | 16.3 | 19.4 | 21.8 |
| Short Term debts | 0.1 | 0.8 | 0.8 | 0.8 | 0.8 |
| Long Term debts | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 |
| Cash | (4.0) | (4.5) | (15.8) | (20.8) | (27.3) |
| Net financial position | (2.3) | (2.1) | (13.3) | (18.3) | (24.8) |
| Share capital | 1.5 | 1.5 | 13.2 | 13.2 | 13.2 |
| Reserves | 3.7 | 5.6 | 9.5 | 16.5 | 24.5 |
| Net result | 2.9 | 4.8 | 7.0 | 8.0 | 9.0 |
| Shareholders Equity | 8.1 | 11.9 | 29.7 | 37.7 | 46.7 |
| Source of Funds | 5.8 | 9.8 | 16.3 | 19.4 | 21.8 |

Source: Company data (Unaudited FY21A data), Alantra estimates

EDIL SAN FELICE – Cash-flow statement

| (Eu mn) | FY21A | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| Net Profit | 2.9 | 4.8 | 7.0 | 8.0 | 9.0 |
| Interests | (0.0) | 0.1 | 0.2 | 0.2 | 0.2 |
| Taxes | 1.3 | 1.5 | 2.0 | 2.3 | 2.5 |
| Losses (gains) of disposal of fixed assets | | | 0.0 | 0.0 | 0.0 |
| Provisions | | 0.0 | 0.0 | 0.0 | 0.0 |
| D&A | 0.3 | 0.5 | 0.8 | 1.3 | 1.3 |
| Change in net working capital | 1.1 | (1.7) | (3.0) | (2.1) | (2.0) |
| Interests paid | 0.0 | (0.1) | (0.2) | (0.2) | (0.2) |
| Taxes paid | (1.3) | (1.5) | (2.0) | (2.3) | (2.5) |
| Use of funds | | (0.1) | 0.4 | 0.3 | 0.2 |
| Other operating items | (0.4) | (0.8) | | | |
| Cash flow from operating activities | 3.9 | 2.7 | 5.2 | 7.5 | 8.5 |
| Intangibles | | | (1.4) | | |
| Tangibles | (3.0) | (1.8) | (3.0) | (2.5) | (2.0) |
| Financials | 0.0 | (0.1) | | | |
| Acquisitions | | | (0.4) | | |
| Disposals | | | | | |
| Cash flow from investment activities | (3.0) | (1.9) | (4.8) | (2.5) | (2.0) |
| | | | | | |
| New short term debt | | | | | |
| New M/L term debt | | | | | |
| Remboursement | | | | | |
| Change in shareholders equity | | | 11.7 | | |
| Dividends | (1.3) | (0.9) | (0.9) | | |
| Other items | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in NFP | (0.4) | (0.2) | 11.3 | 5.0 | 6.5 |
| NFP at year beginning | 2.7 | 2.3 | 2.1 | 13.3 | 18.3 |
| NFP at YE (debt)/cash | 2.3 | 2.1 | 13.3 | 18.3 | 24.8 |
| Net Debt/EBITDA | *nm* | *nm* | *nm* | *nm* | *nm* |

Source: Company data (Unaudited FY21A data), Alantra estimates

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