

## ESF breaks into railway maintenance sector

ADD | Fair Value: €6.2 (€5.4) | Current Price: €4.3 | Upside: +45.2%

## Research Update

July 17, 2024 – 7.00 h

€ Million	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Total Revenues	24.0	29.2	34.3	45.8	53.5	67.7	71.6	76.5
EBITDA	5.0	4.4	6.9	11.6	12.4	15.7	16.9	18.2
margin	21.0%	15.2%	20.1%	25.4%	23.2%	23.2%	23.6%	23.8%
Net Profit	3.4	2.9	4.8	8.5	8.7	10.9	11.5	12.4
margin	14.1%	9.9%	13.9%	18.6%	16.2%	16.1%	16.1%	16.3%
EPS	n.a.	n.a.	n.a.	0.44	0.45	0.57	0.60	0.65
NFP	(2.7)	(2.3)	(2.5)	(5.1)	(13.7)	(18.5)	(28.1)	(38.5)

Source: Company data (2020A-2023A), KT&amp;Partners' Elaboration (2024E-2027E)

**ESF Awarded with New Contracts.** In recent months, Edil San Felice has continued its growth trajectory by securing new contracts for highway maintenance and civil building projects. Notable additions to the company's backlog include:

- **Milano Polytechnic Campus Expansion:** Edil San Felice, as part of a larger consortium, secured a €145.1mn contract, with €13.6mn designated for ESF, to expand the Milano Polytechnic Campus in the Bovisa area. The project, designed by the renowned architect Renzo Piano, includes constructing office buildings, civic schools, a food court, and a perimeter road, and is scheduled to unfold over 4 years starting from September 2024;
- **Railway Maintenance Contract:** In collaboration with Manelli Impresa, a leading construction firm, Edil San Felice secured a €48mn contract, of which €12.2mn is for ESF, from RFI for extraordinary maintenance across over 50 railway stations in Northern Italy. This milestone represents ESF's inaugural venture into the highly competitive railway infrastructure maintenance sector, signaling a new phase in the company's development.
- **Extraordinary Maintenance on Naples Bypass Highway:** ESF secured an €8.2mn contract from Amplia Infrastructures for seismic upgrades of a viaduct on the A56 highway. The 23-month long project includes a potential bonus of up to €700k for early completion.

The company received a €5.3mn non-repayable grant from the Campania Region, which covers half of a €10.6mn investment for a new production unit adjacent to its headquarters in Nola. This new unit will focus on expanding the company's capabilities in metal carpentry and the production of road and airport signals.

**Tax Credit for IPO consultancy costs.** ESF has received a tax credit of €467k to cover consultancy costs related to Edil San Felice's admission to the Euronext Growth Milan market.

**Change in Estimates.** With the development of the Company's backlog and in light of the obtainment of the €5.3mn contribution from the region, we updated our prior estimates, now anticipating €53.5mn in Sales revenues in FY24 vs. €51.6mn previously estimated; thereafter, we project Total revenues to grow at a CAGR23A-27A of 13.7% reaching €76.5mn in 2027E. On the marginality side, we project FY24E EBITDA to be €12.4mn vs. €11.9mn previously estimated, to then grow at a 11.9% CAGR23A-27E to reach €18.2mn in FY27E. However, we left unchanged our EBITDA margin at 23.2% in FY24E to reach 23.8% at the end of FY27E. We forecast the FY24E net income to be €8.7mn vs €8.3mn previously estimated, growing at a CAGR of 9.9% to reach €12.4mn in FY27E afterwards. Finally, we expect FY24E NFP to amount to a -€13.7mn net cash position, thanks to the Region's cash contribution.

**Valuation.** Our valuation - based on the DCF and market multiples method (EV/EBITDA and P/E) - returns an equity fair value of €119.1mn, or €6.2ps, implying an upside of 45.2% on the current market price.

## Edil San Felice Relative Stock Performance Chart since IPO (Sept '23)



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## Market Data

Main Shareholders	
The Sight Srl (Lorenzo Di Palma)	76.79%
Invitalia SpA	7.19%
Indépendance AMSAS	4.47%
Mkt Cap (€ mn)	82.0
EV (€ mn)	68.3
Shares out.	19.2
Free Float	11.55%

Market multiples	2023	2024	2025
EV/EBITDA			
Edil San Felice S.P.A.	6.6x	6.2x	4.9x
Comps Median	7.3x	6.7x	6.4x
Edil San Felice S.P.A. vs Median	-10%	-8%	-23%
P/E			
Edil San Felice S.P.A.	6.2x	6.1x	4.8x
Comps Median	14.3x	14.4x	12.8x
Edil San Felice S.P.A. vs Median	-57%	-58%	-62%

## Stock Data

52 Wk High (€)	4.65
52 Wk Low (€)	2.38
Avg. Daily Trading 90d	5,217
Price Change 1w (%)	0.00
Price Change 1m (%)	3.90
Price Change YTD (%)	54.91

## Key Figures – Edil San Felice SpA S.B.

Current price (€)	Fair Value (€)		Sector					Free Float (%)
4.3	6.2		Infrastructure					11.6%
Per Share Data	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Total shares outstanding (mn)	n.m.	n.m.	n.m.	19.25	19.25	19.25	19.25	19.25
EPS	n.m.	n.m.	n.m.	0.44	0.45	0.57	0.60	0.65
Profit and Loss (EUR million)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Total Revenues	24.0	29.2	34.3	45.8	53.5	67.7	71.6	76.5
EBITDA	5.0	4.4	6.9	11.6	12.4	15.7	16.9	18.2
EBIT	4.8	4.1	6.4	10.6	11.1	13.8	14.5	15.6
EBT	4.8	4.1	6.2	10.3	10.9	13.7	14.4	15.5
Taxes	(1.4)	(1.3)	(1.5)	(1.8)	(2.2)	(2.7)	(2.9)	(3.1)
Tax rate	29%	31%	23%	18%	20%	20%	20%	20%
Net Income	3.4	2.9	4.8	8.5	8.7	10.9	11.5	12.4
Net Income attributable to the Group	3.4	2.9	4.8	8.5	8.7	10.9	11.5	12.4
Balance Sheet (EUR million)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Total fixed assets	2.5	5.2	6.6	12.2	13.9	14.5	14.6	14.4
Net Working Capital (NWC)	2.1	1.6	4.1	14.6	13.5	19.6	21.8	24.3
Provisions	(0.8)	(1.0)	(1.4)	(1.7)	(2.1)	(2.7)	(3.1)	(3.5)
Total Net capital employed	3.8	5.8	9.4	25.1	25.2	31.4	33.3	35.3
Net financial position/(Cash)	(2.7)	(2.3)	(2.5)	(5.1)	(13.7)	(18.5)	(28.1)	(38.5)
Total Shareholder's Equity	6.5	8.1	11.9	30.2	38.9	49.8	61.3	73.8
Cash Flow (EUR million)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Net operating cash flow	3.6	3.2	5.4	9.8	10.2	12.9	14.0	15.1
Change in NWC	0.5	0.6	(2.5)	(10.5)	1.1	(6.1)	(2.2)	(2.5)
Capital expenditure	(1.1)	(3.0)	(1.8)	(6.3)	(3.0)	(2.5)	(2.5)	(2.5)
Other cash items/Uses of funds	0.2	0.2	0.2	0.1	0.4	0.5	0.4	0.4
Free cash flow	3.2	0.9	1.3	(7.0)	8.8	4.9	9.7	10.5
Enterprise Value (EUR million)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Market Cap	n.m.	n.m.	n.m.	52.9	82.0	82.0	82.0	82.0
Minorities	-	-	-	-	-	-	-	-
Net financial position/(Cash)	(2.7)	(2.3)	(2.5)	(5.1)	(13.7)	(18.5)	(28.1)	(38.5)
Enterprise value	n.m.	n.m.	n.m.	47.8	68.3	63.5	53.9	43.5
Ratios (%)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
EBITDA margin	21.0%	15.2%	20.1%	25.4%	23.2%	23.2%	23.6%	23.8%
EBIT margin	19.9%	14.1%	18.6%	23.1%	20.7%	20.4%	20.2%	20.4%
Gearing - Debt/equity	-41.5%	-28.6%	-21.2%	-16.9%	-35.2%	-37.0%	-45.7%	-52.2%
Interest cover on EBIT	0.0%	-0.5%	2.6%	2.5%	1.8%	1.1%	0.7%	0.3%
NFP/EBITDA	-0.53x	-0.52x	-0.37x	-0.44x	-1.10x	-1.18x	-1.66x	-2.11x
ROCE	126.3%	71.7%	68.2%	42.2%	43.9%	44.0%	43.6%	44.2%
ROE	52.4%	35.7%	40.0%	28.2%	22.4%	21.9%	18.8%	16.9%
EV/Sales	3.21x	2.64x	2.24x	1.68x	1.44x	1.14x	1.07x	1.01x
EV/EBITDA	15.26x	17.39x	11.16x	6.61x	6.20x	4.90x	4.55x	4.22x
P/E	15.64x	18.39x	11.13x	6.22x	6.09x	4.85x	4.60x	4.26x
Free cash flow yield	4.2%	1.1%	1.7%	-9.1%	11.4%	6.4%	12.6%	13.6%
Growth Rates (%)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Sales	32.9%	21.6%	17.5%	33.6%	16.9%	26.4%	5.8%	6.8%
EBITDA	n.m.	-12.2%	55.7%	68.9%	6.7%	26.4%	7.6%	8.0%
EBIT	n.m.	-13.7%	54.7%	66.0%	4.5%	24.7%	5.0%	7.6%
Net Income	n.m.	-15.0%	65.3%	79.0%	2.2%	25.6%	5.5%	8.0%

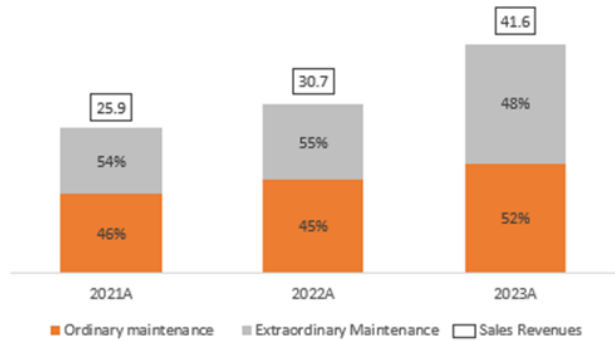
Source: Company Data (2020A-23A), KT&amp;Partners' forecasts (2024E-27E)

## Key Charts

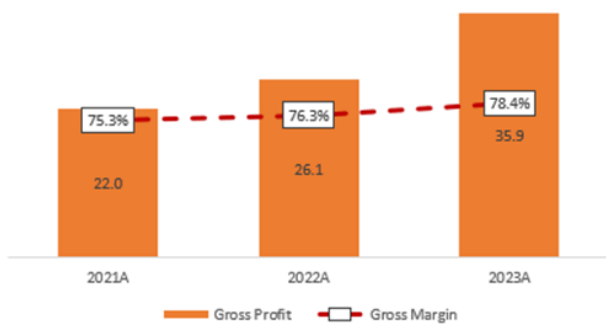
Total Revenues (€mn)



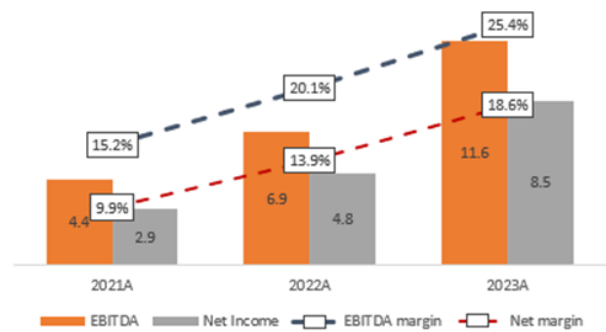
Sales Revenues breakdown by type of Maintenance (€mn)



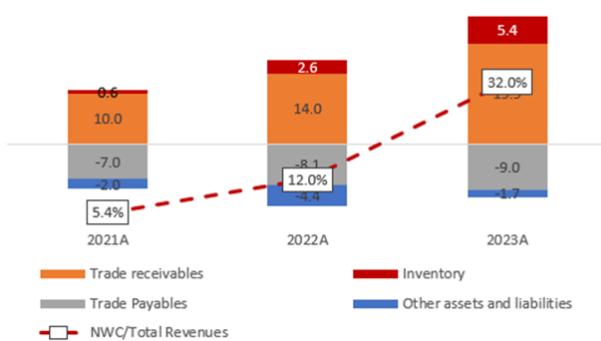
Gross Profit, Gross Margin (€mn, %)<sup>1</sup>



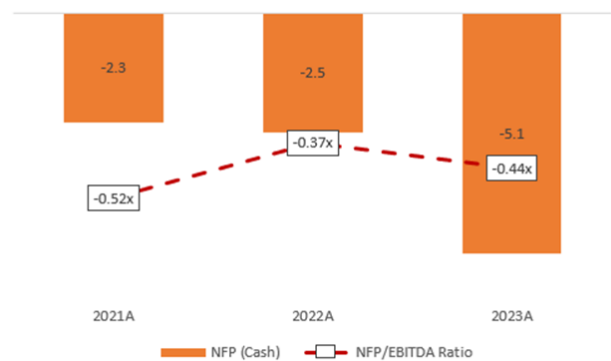
EBITDA and Net Revenues (€mn), EBITDA and Net margin (%)



Net Working Capital (€mn, %)



NFP/(Cash) (€mn) and NFP/EBITDA (x times)



<sup>1</sup> Margins are calculated on Total Revenues

## Overview

### Company description

Edil San Felice (“ESF”, or “the Company”) is a leading Italian construction services company, based in Nola (NA), specialized in the offering of solutions related to ordinary and extraordinary maintenance of highway and airport infrastructure. Edil San Felice operates as a comprehensive one-stop-shop for highway maintenance services, managing every project phase in-house, from tendering and awarding phase to delivery of the projects. ESF prides itself on strong, enduring relationships with Italy’s major highway concessionaires, public road operators, airport management companies and private contractors, reflecting its significant presence and reliability in the Italian infrastructure sector. The main feature distinguishing Edil San Felice is its policy of zero-subcontracting: the Company handles all the activities required for a specific project without subcontracting to other players or competitors, controlling every step of the works execution in order to provide a service of the highest efficiency quality to customers, simplifying the project management and executions.

Nowadays, Edil San Felice strategically splits its activities between ordinary maintenance and extraordinary maintenance in roughly equal parts, combining the stable and constant revenue stream from the ordinary maintenance business with the rapid growth opportunities given by extraordinary maintenance contracts. ESF is intent on leveraging the know-how, reputation and operational efficiency built throughout the years to scale up its business in its traditional area of expertise, as shown with the opening of the new operations center in Emilia Romagna which allows the Company to overcome the geographical barriers inherent in the ordinary maintenance sector, but also to enter new complementary markets ripe with opportunities such as railway maintenance and historical building restoration.

### Investment Case

- **One-Stop-Shop infrastructure company** that offers a full array of services needed for the maintenance of highway infrastructure, encompassing road maintenance, road signage services, as well as airport maintenance, industrial and residential building services, environmental and waste services, cleaning and sanitization services. ESF is able to manage every step of the activities, from the tendering and awarding phase to the delivery of the projects.
- **Zero subcontracting policy.** Edil San Felice handles every activity of a project without relying on other players or competitors, keeping full control of the project execution in every step and acting as the exclusive counterpart for customers during the projects’ execution, guaranteeing the highest quality and efficiency of services. ESF’s independent approach helps to build a successful track record and to accumulate skills and know-how, which give an edge to secure larger tenders and contracts, furthering the track record improvement and so on.
- **Long list of Certifications** crucial to compete (if not mandatory) in their sector and to pursue and secure contracts (ISO certifications, SOA certifications, Italian Competition Authority legality rating, etc.)
- **Positive market outlook** thanks to a cycle of asset upgrade and maintenance investments set off by the major Italian highway network operators, which should prop up the highway maintenance sector in the medium-long term, benefiting maintenance service operators like Edil San Felice.
- **Scale-up of core ordinary maintenance offer in new far-off regions**, after opening in 2023 a new operations’ center in Emilia Romagna (Northern Italy), breaking down the typical geographical market barrier and managing to reproduce its successful model outside its home region of Campania in the South.
- **Possible expansion in new complementary sectors of maintenance**, either through acquisitions or independently, particularly railway maintenance and the restoration of historical buildings, aiming to take advantage of the foreseen investments in these sectors.

## Recent developments and major projects acquired

**Awarding of €5.3mn Contribution from the Campania Region.** Edil San Felice has been awarded a non-repayable regional contribution of €5.3mn, obtained in the context of a Campania Region program aimed to support high-impact productive investments of companies in the region and sustain their competitiveness and innovative spirit. Thus, the Region financed half of the €10.6mn investments related to the development of a new production unit in the newly acquired industrial site in Nola adjacent to the company's current headquarters. The new unit aims to expand the activity of carpentry and road and airport signals, where there is a progressive increase in demand. The currently underway works for the production unit development are scheduled to be completed in early 2025.

**Tax Credit for IPO consultancy costs.** Edil San Felice has received a tax credit of €467k to cover consultancy costs related to its IPO in September 2023 in the Euronext Growth Milan market.

### Update on major contracts acquired

**3 July 2024 – Milano Polytechnic Campus expansion in Bovisa Area.** Edil San Felice, in the framework of a Temporary Grouping of Companies with other building and constructions companies, has won a contract from the Milan Polytechnic University and the Municipality of Milan for the expansion of the University in the "Goccia di Bovisa" area worth a total of €145.1mn; Edil San Felice's share is €13.6mn. Works will consist in the construction of five office buildings destined to host start-up companies, two buildings for Milan's civic schools, an area destined to a food court, and a perimeter road for the area. Works are set to begin in September 2024, for a projected total duration of 4 years. Edil San Felice will have the opportunity to be part of a significant urban regeneration project in the city of Milan, enriching its track record by entering a new important location such as the Metropolitan Area of Milan, further broadening its geographical presence, and by developing its curriculum in the Civic Construction sector. This project represents a significant urban regeneration initiative in Milan, enhancing Edil San Felice's geographic reach and expertise in civic construction, and linking the company with the globally acclaimed architect Renzo Piano, who designed the expansion.

**13 June 2024 – Contract in the railway maintenance sector from RFI in cooperation with Manelli Impresa.** Edil San Felice, in a temporary consortium with Manelli Impresa S.p.A., a leading player in the field of general construction, has been awarded a contract from RFI - Rete Ferroviaria Italiana for a total worth of €48mn, out of which ESF should get €12.2mn. This is the first order in the railway maintenance sector, which has been sought after by the Company after its IPO in 2023 as a complementary sector in which to grow and further develop. The contract will last four years and defines the executive design and execution of extraordinary maintenance works in more than 50 stations owned by RFI in the Northern Italy regions of Piemonte, Liguria, Lombardia and Valle d'Aosta. Works will consist in the upgrade of railway buildings and the belonging nearby areas, through building redevelopment, plant upgrading and waterproofing, bringing in line the railway stations safety standards. RFI represent the almost monopolistic railway owner and operator in Italy, and the contract in question will give ESF an opportunity to build a successful track record and reputation with the major Italian railway infrastructure player, opening to further opportunities ahead in the railway sector.

**05 June 2024 – Extraordinary maintenance contract in Campania for Amplia Infrastructures.** Edil San Felice has been awarded a contract worth €8.2mn by Amplia Infrastructures, for extraordinary maintenance works on the Naples bypass highway, consisting in the seismic upgrading of a viaduct. The contract will last 23 months starting from June. In the event of works being delivered up to 7 months ahead of the scheduled deadline, a bonus of up to a maximum of €700k will be granted proportionally to the saved construction time. This contract represents the largest awarded to Edil San Felice from Amplia so far.

## Change in Estimates

In light of Edil San Felice progress and its acquisition of new major projects to be added to their backlog and given the importance of the €5.3mn contribution from the Campania region to fund ESF's investment in its new production unit in Nola, we updated our financial projections over the 2024-27E period accounting for the mentioned factors.

We now anticipate Total revenues to be €53.5mn FY24E, up from our previous estimate of €51.6mn, and we are now projecting a CAGR23A-27E of 13.7% for the top line reaching €76.5mn in FY27E, driven by higher awarding of contracts during the next years.

On the EBITDA level, we now project a FY24E EBITDA of €12.4mn vs €11.9mn previously forecasted, with the marginality standing at 23.2%, in line with how previously. In the following years, we forecast the EBITDA to grow up to €18.2mn in FY27E on a 23.8% EBITDA margin, following a 11.9% CAGR23A-27E growth on the back of the increased Company's turnover.

At the EBIT level, we forecast a FY24E EBIT of €11.1mn, with a EBIT margin of 20.7%; we foresee the EBIT increasing at a CAGR23-27E of 10.2% reaching €15.6mn at the end of the forecasted period.

Looking at the bottom line, we now estimate a €8.7mn net income in FY24E vs. €8.3mn previously forecasted, with a net margin of 16.2%. The net income is forecasted to grow at a CAGR23A-27E of 9.9%, reaching €12.4mn in FY27E.

Finally, thanks to the regional contribution to the new production unit's investments, we expect a Net cash position of -€13.7mn in FY24E vs. -€9.3mn previously estimated; the net cash position is expected further improve in the following years until reaching -€38.5mn in FY27E.

### Change in Estimates

€ Millions	2020A Actual	2021A Actual	2022A Actual	2023A Actual	CAGR 2020-23E	2024E Old	2024E New	Change	2025E Old	2025E New	Change	2026E Old	2026E New	Change	2027E Old	2027E New	Change	CAGR 2023-27
<b>Total Revenues</b>	24.0	29.2	34.3	45.8	24.1%	51.6	53.5	3.8%	59.3	67.7	14.1%	64.2	71.6	11.6%	70.7	76.5	8.2%	13.7%
YoY Change (%)	n.a.	21.6%	17.5%	33.6%		12.6%	16.9%		15.0%	26.4%		8.2%	5.8%		10.1%	6.8%		
<b>EBITDA</b>	5.0	4.4	6.9	11.6	32.2%	11.9	12.4	4.4%	13.8	15.7	14.1%	15.2	16.9	11.5%	16.8	18.2	8.6%	11.9%
YoY Change (%)	n.a.	-12.2%	55.7%	68.9%		2.2%	6.7%		15.7%	26.4%		10.2%	7.6%		10.8%	8.0%		
EBITDA Margin	21.0%	15.2%	20.1%	25.4%		23.0%	23.2%		23.2%	23.2%		23.6%	23.6%		23.8%	23.8%		
<b>EBIT</b>	4.8	4.1	6.4	10.6	30.4%	10.5	11.1	5.0%	11.9	13.8	16.4%	12.8	14.5	13.6%	14.2	15.6	10.2%	10.2%
YoY Change (%)	n.a.	-13.7%	54.7%	66.0%		-0.4%	4.5%		12.5%	24.7%		7.6%	5.0%		10.9%	7.6%		
EBIT Margin	19.9%	14.1%	18.6%	23.1%		20.4%	20.7%		20.0%	20.4%		19.9%	20.2%		20.0%	20.4%		
<b>Net Income</b>	3.4	2.9	4.8	8.5	36.0%	8.3	8.7	5.1%	9.4	10.9	16.6%	10.1	11.5	13.7%	11.3	12.4	10.2%	9.9%
YoY Change (%)	n.a.	-15.0%	65.3%	79.0%		-2.8%	2.2%		13.2%	25.6%		8.1%	5.5%		11.4%	8.0%		
Net Margin	14.1%	9.9%	13.9%	18.6%		16.0%	16.2%		15.8%	16.1%		15.8%	16.1%		16.0%	16.3%		
<b>NFP</b>	(2.7)	(2.3)	(2.5)	(5.1)		(9.3)	(13.7)	(4.4)	(15.2)	(18.5)	(3.3)	(23.5)	(28.1)	(4.6)	(32.6)	(38.5)	(5.9)	
YoY Change (%)	n.a.	13.8%	-9.3%	n.m.		81.7%	168.7%		63.8%	34.9%		55.1%	52.0%		38.8%	37.2%		

Source: Company Data (2020A-2023A), KT&Partners' estimates (2024E-2027E)

## Valuation

Following Edil San Felice SpA S.B.'s future financials projections, we have carried out our valuation using the multiples and DCF methods. Our fair value is the result of:

1. EV/EBITDA and P/E multiples, which return a value of €4.8 per share;
2. DCF analysis based on WACC of 8.2% and 1.0% perpetual growth, which returns a value of €7.6 per share.

The average of the two methods yields a fair value of €6.2ps or an equity value of €119.1mn.

### Valuation Recap

	Equity Value €mn	Value per share €
EV/EBITDA	78.6	4.1
P/E	105.9	5.5
<b>Average - multiples</b>	<b>92.3</b>	<b>4.8</b>
<b>DCF</b>	<b>145.9</b>	<b>7.6</b>
<b>Average</b>	<b>119.1</b>	<b>6.2</b>

Source: FactSet, KT&Partners' Elaboration

## Peer Comparison

In order to define Edil San Felice SpA S.B.'s peer sample, we carried out an in-depth analysis of the main global listed companies active in the infrastructure and construction and engineering sectors. In selecting potential peers, we considered Edil San Felice offering and revenue mix, business model, growth, and profitability profile. For peer analysis, we built a sample of 10 companies, all listed on Borsa Italiana Stock Exchange, which includes:

- **Reway Group SpA:** listed on Borsa Italiana Stock Exchange with a market capitalization of €200mn, Reway Group SpA engages in the business of maintenance and rehabilitation of road and motorway infrastructures. Its services include maintenance and restoration of tunnels and viaducts. The company also produces steel and aluminum cladding, complete with waterproofing and restoration with the aid of special mortars. In FY23, the Company achieved €125mn in sales revenues.
- **Peab AB:** listed on OMX Stockholm Stock Exchange with a market capitalization of €1.8bn, Peab AB engages in the provision of construction and civil engineering services. It operates through the following segments: Construction, Civil Engineering, Industry, and Project Development. The Construction segment offers construction related services and housing production. The Civil Engineering segment constructs large infrastructures and civil engineering projects and smaller projects on the local market. The Industry segment includes product areas like asphalt, concrete, gravel and rock, transportation and machines, rentals, and construction systems. The Project Development segment develops housings and properties. In FY23, the Company achieved €5.4bn in sales revenues.
- **Railcare Group AB:** listed on the OMX Stockholm Stock Exchange with a market capitalization of €57mn, Railcare Group AB engages in the provision of maintenance and services to the railway industry. It operates through the following segments: Contracting Sweden, Contracting Abroad, Transport Scandinavia, and Machines and Technology. The Contracting Sweden segment focuses on the machinery and personnel, renovation of fibre-glass-lined culverts beneath railways, roads, and industrial areas. The Contracting Abroad segment includes machinery and personnel in countries other than Sweden. The Transport Scandinavia is involved in locomotives, wagons and personnel, as well as repair and upgrading services for locomotives and wagons performed in workshops. The Machines and Technology

segment relates to technological development, construction, and sales of new machines, and the further development and conversion of existing machines. In FY23, the Company achieved €49mn in sales revenues.

- **Salcef Group SpA:** listed on Borsa Italiana Stock Exchange with a market capitalization of €1.6bn, Salcef Group SpA engages in the design, construction and maintenance of railway infrastructures and equipment. It operates through the following business units: Armament, Technologies, Primary Lines, Multidisciplinary Railway Works, Railway Materials, Railway Machinery, and Engineering. The Armament unit involves in maintenance orders, renovation, and construction activities of railway, tramways, and underground. The Technologies unit deals with the design of electric traction, substation, and railway signaling systems. The Primary Lines unit focuses on construction of works for distribution, with overhead and underground lines of high, medium, and low voltage energy. The Multidisciplinary Railway Works unit executes orders that include several specialization categories, together with the completion of works infrastructure. The Railway Materials unit engages in the production of monobloc sleepers and segments for underground tunnels and audiences. The Railway Machinery unit specializes in the rental of machines for the construction and maintenance of railway infrastructures. The Engineering unit focuses on railway design engineering services. In FY23, the Company achieved €785mn of sales revenues.
- **Vestum AB:** listed on the OMX Stockholm Stock Exchange with a market capitalization of €315mn, Vestum AB engages in the development and acquisition of small and medium-sized companies. It focuses on companies in construction and infrastructure contracts. In FY23, the Company achieved €502mn of sales revenues.
- **AF Gruppen ASA:** listed on the Oslo Stock Exchange with a market capitalization of €1.3bn, AF Gruppen ASA engages in the provision of contracting services in the areas of civil engineering, construction, property, energy, environment, and offshore. It operates through the following segments: Civil Engineering, Construction, Betonmast, Property, Energy & Environment, Sweden, Offshore, and Others. The Civil Engineering segment carries out complex civil engineering projects and niche projects related to roads and railways, port facilities, airports, tunnels, foundation work, and power & energy, as well as onshore facilities for oil and gas. The Construction segment includes the development, engineering, and construction of commercial, residential, and public buildings, as well as rehabilitation projects. The Betonmast segment has a portfolio of projects including large residential property projects to commercial and public buildings. The Property segment develops residential units and commercial buildings in Norway. The Energy & Environment segment offers energy-efficient solutions for buildings and industry and carries environmental clean-ups, demolitions and recycling activities. The Sweden segment focuses business area activities related to construction, civil engineering, property, and environmental activities in Sweden. The Offshore segment removes, demolishes, and recycles offshore installations. In FY23, the Company achieved €2.6bn in sales revenues.
- **Sacyr SA:** listed on the Euronext Paris Stock Exchange with a market capitalization of €2.6bn, Sacyr SA engages in building and developing real estate properties, and it's organized around the Construction, Concessions, Services and Other segments. The Construction segment is involved in the civil engineering and building, engineering and construction and maintenance of complex industrial and oil and gas facilities in Spain, Italy, Portugal, UK, US and several countries in Latin America. The Concessions segment focuses on the motorway, transport hub, airport and hospital concessions business. The Services segment consists of waste processing, construction, maintenance, and conservation of industrial facilities related to the



environment. The Other segment includes all activities not previously categorized. In FY23, the Company achieved €4.6bn in sales revenues.

- **Veidekke ASA:** listed on the Oslo Stock Exchange with a market capitalization of €1.4bn, Veidekke ASA engages in building construction and civil engineering activities. It operates through the Following segments: Construction Norway, Infrastructure Norway, Construction Sweden, Infrastructure Sweden, Denmark/Hoffmann A/S and Others. In FY23, the Company achieved €3.8bn in sales revenues.
- **Mota-Engil SGPS SA:** listed on the Euronext Lisbon Stock Exchange with a market capitalization of €1.1bn, Mota-Engil SGPS SA engages in the provision of construction, engineering, waste, and water supply services. It operates through the following business segments: Europe Engineering and Construction, Europe Environment and Services, Africa, Latin America, and Other. The Engineering and Construction segment deals with construction and development of infrastructures including highways, railways, bridges, viaducts, ports, airports, dams, hydraulic infrastructures, silos, chimneys, infrastructure maintenance and quarrying. It also constructs shopping malls, hotels, industrial construction, housing, offices, hospitals, schools, and public buildings. The Environment and Services segment represents solid urban waste management, urban cleaning, management of water supply systems, wastewater management and treatment, operation of road and rail terminals, integrated logistics operations, landscape architecture, design, construction and maintenance of green spaces and golf courses, mail finishing and direct mailing. In FY23, the Company achieved €5.6bn in sales revenues.
- **NCC AB:** listed on the OMX Stockholm Stock Exchange with a market capitalization of €1.3bn, NCC AB is a construction and property development company. It operates through the following segments: Infrastructure, Building Sweden, Building Nordics, Industry, Property Development and Other. The Infrastructure segment supplies entire infrastructure projects such as tunnels, roads, and railways from design and construction to production and maintenance. The Building Sweden and Building Nordics segment build residential buildings, offices, public premises (such as schools and hospitals) and commercial premises (such as stores and warehouses). The Industry segment is involved in the production of stone materials and asphalt, as well as piling works and paving. The Property Development segment develops and sells commercial properties in metropolitan regions in Sweden, Norway, Denmark, and Finland. In FY23, the Company achieved €5.0bn in sales revenues.

We analyzed the peer companies by considering their average revenue and EBITDA growth and compared the information to Edil San Felice historical and expected financials. By looking at 2022-23 revenue growth, peer companies grew on average by 7.6% YoY while ESF revenues grew much faster, increasing by +35.5% YoY. Over the 2023-26 period Edil San Felice sales are expected to grow at a 9.9% CAGR vs 5.9% average growth of its peers. Looking at FY23 EBITDA, Edil San Felice registered an impressive +68.9% YoY, vs an average growth for peers' sample of only +12.3% YoY. According to our financial projections, Edil San Felice EBITDA shows an expected 5.7% CAGR2023-26, below the average projected growth of peers (CAGR2023-26 of 8.3%).

## Peers Comparison – Sales and EBITDA 2021-2026 (€mn)

Company Name	2021-2023				YoY 22-23	Sales			CAGR 2023-'26
	2021	2022	2023	2024		2025	2026		
Reway Group SpA	n.a.	110	125	13.1%	203	230	251	26.2%	
Peab AB Class B	5,807	5,823	5,367	-7.8%	4,766	4,925	5,148	-1.4%	
Railcare Group AB	43	47	49	5.2%	53	61	71	12.8%	
Salcef Group S.p.A	435	556	785	41.3%	954	1,055	1,173	14.3%	
Vestum AB	130	485	502	3.4%	488	501	518	1.0%	
AF Gruppen ASA Class A	2,731	3,063	2,639	-13.8%	2,566	2,654	2,774	1.7%	
Sacyr SA	4,675	4,977	4,609	-7.4%	4,798	4,943	4,842	1.7%	
Veidekke ASA	3,699	3,823	3,775	-1.3%	3,577	3,618	3,740	-0.3%	
Mota-Engil SGPS SA	2,592	3,804	5,552	45.9%	5,531	5,661	5,852	1.8%	
NCC AB Class B	5,264	5,096	4,961	-2.7%	4,870	4,977	5,100	0.9%	
<b>Peers Average</b>	<b>2,819</b>	<b>2,778</b>	<b>2,836</b>	<b>7.6%</b>	<b>2,781</b>	<b>2,863</b>	<b>2,947</b>	<b>5.9%</b>	
<b>Edil San Felice S.P.A.</b>	<b>26</b>	<b>31</b>	<b>42</b>	<b>35.5%</b>	<b>42</b>	<b>47</b>	<b>55</b>	<b>9.9%</b>	

Company Name	2021-2023				YoY 22-23	EBITDA			CAGR 2023-'26
	2021	2022	2023	2024		2025	2026		
Reway Group SpA	n.a.	19	26	39.9%	42	49	54	26.7%	
Peab AB Class B	419	375	359	-4.4%	300	321	345	-1.2%	
Railcare Group AB	10	9	10	10.0%	11	12	15	15.3%	
Salcef Group S.p.A	91	105	151	43.2%	183	207	233	15.6%	
Vestum AB	17	70	70	0.3%	68	72	76	2.6%	
AF Gruppen ASA Class A	231	203	161	-20.5%	172	187	198	7.1%	
Sacyr SA	985	1,430	1,415	-1.1%	1,453	1,506	1,551	3.1%	
Veidekke ASA	224	238	213	-10.7%	220	228	235	3.3%	
Mota-Engil SGPS SA	382	456	697	52.8%	821	850	883	8.2%	
NCC AB Class B	298	211	240	13.5%	254	253	256	2.3%	
<b>Peers Average</b>	<b>295</b>	<b>312</b>	<b>334</b>	<b>12.3%</b>	<b>352</b>	<b>368</b>	<b>385</b>	<b>8.3%</b>	
<b>Edil San Felice S.P.A.</b>	<b>4</b>	<b>7</b>	<b>12</b>	<b>68.9%</b>	<b>12</b>	<b>12</b>	<b>14</b>	<b>5.7%</b>	

Source: FactSet, KT&Partners' Elaboration

Regarding profitability comparison, we note that over the 2021-23 period, comparable companies registered an average EBITDA margin of 13.6%, well below Edil San Felice's 22.5% recorded on the same period. ESF broadly differs from its selected peers in sales growth rate, margins growth rate and average profitability, mainly due to the different growth stage of the Company in respect to its comparable companies, which are for the most part well established business with leading markets position and with limited growth opportunities given their size and scale. Moreover, it should be recalled that comparable companies, despite sharing some business characteristics with Edil San Felice, may have different business models, target markets, and revenue mixes that affect growth rates and margins accordingly.

## Peers Comparison – EBITDA Margin, EBIT Margin, Net Margin 2021-2026 (€mn)

Company Name	EBITDA Margin						EBIT Margin						Net Margin					
	2021	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025	2026
Reway Group SpA	n.m.	17.2%	21.2%	20.9%	21.3%	21.4%	n.m.	15.9%	17.8%	15.1%	16.1%	16.6%	n.m.	6.9%	11.2%	8.8%	9.7%	10.5%
Peab AB Class B	7.2%	6.4%	6.7%	6.3%	6.5%	6.7%	4.5%	3.8%	3.9%	3.6%	3.9%	4.1%	4.0%	3.0%	3.2%	2.4%	2.6%	2.9%
Railcare Group AB	23.4%	18.8%	19.6%	20.2%	19.8%	20.9%	11.7%	10.5%	11.8%	12.0%	12.0%	12.5%	9.3%	7.4%	7.7%	8.0%	8.3%	8.8%
Salcef Group S.p.A	21.0%	19.0%	19.2%	19.2%	19.6%	19.9%	14.7%	12.4%	12.2%	13.1%	13.7%	14.3%	9.0%	8.1%	7.9%	9.0%	9.5%	10.1%
Vestum AB	13.4%	14.4%	14.0%	14.0%	14.3%	14.6%	4.6%	5.6%	5.0%	5.1%	5.6%	6.1%	0.1%	1.9%	1.8%	1.1%	2.0%	2.8%
AF Gruppen ASA Class A	8.5%	6.6%	6.1%	6.7%	7.0%	7.1%	6.4%	4.9%	4.2%	4.7%	5.1%	5.2%	3.7%	3.1%	1.3%	3.0%	3.2%	3.3%
Sacyr SA	21.1%	28.7%	30.7%	30.3%	30.5%	32.0%	17.8%	25.6%	27.3%	26.1%	26.4%	27.9%	neg	2.0%	neg	3.4%	3.6%	4.0%
Veidekke ASA	6.1%	6.2%	5.6%	6.1%	6.3%	6.3%	3.7%	3.8%	3.2%	3.7%	3.8%	3.8%	2.5%	2.8%	2.5%	2.7%	2.8%	2.8%
Mota-Engil SGPS SA	14.7%	12.0%	12.5%	14.8%	15.0%	15.1%	6.6%	4.7%	7.5%	9.1%	9.4%	9.6%	0.9%	1.4%	2.0%	1.8%	2.2%	2.5%
NCC AB Class B	5.7%	4.1%	4.8%	5.2%	5.1%	5.0%	3.2%	1.9%	2.7%	3.0%	3.0%	3.1%	2.8%	2.0%	2.8%	2.4%	2.4%	2.5%
<b>Peers Average</b>	<b>13.5%</b>	<b>13.3%</b>	<b>14.1%</b>	<b>14.4%</b>	<b>14.5%</b>	<b>14.9%</b>	<b>8.1%</b>	<b>8.9%</b>	<b>9.6%</b>	<b>9.5%</b>	<b>9.9%</b>	<b>10.3%</b>	<b>4.0%</b>	<b>3.9%</b>	<b>4.5%</b>	<b>4.3%</b>	<b>4.6%</b>	<b>5.0%</b>
<b>Edil San Felice S.P.A.</b>	<b>17.1%</b>	<b>22.4%</b>	<b>27.9%</b>	<b>25.1%</b>	<b>24.9%</b>	<b>25.2%</b>	<b>15.9%</b>	<b>20.8%</b>	<b>25.4%</b>	<b>22.3%</b>	<b>21.5%</b>	<b>21.2%</b>	<b>11.1%</b>	<b>15.5%</b>	<b>20.4%</b>	<b>17.6%</b>	<b>17.1%</b>	<b>17.0%</b>

Source: FactSet, KT&Partners' Elaboration

## Market Multiple Valuation

Following our comparables' analysis, we evaluated the company by using the 2024–25 EV/EBITDA and P/E market multiples of the peer sample. Our valuation also includes a 20% liquidity/size discount and takes into account our estimates of Edil San Felice EBITDA and Net Income for 2024 and 2025. We also considered FY23 NFP at -€5.1mn

### Peer Comparison – Market Multiples 2023-2026

Company Name	Exchange	Market Cap	EV/SALES	EV/SALES	EV/SALES	EV/SALES	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT	EV/EBIT	EV/EBIT	P/E	P/E	P/E	P/E
			2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
Reway Group SpA	Milan	200	2.0x	1.3x	1.1x	1.0x	9.6x	6.0x	5.2x	4.7x	11.5x	8.3x	6.8x	6.1x	14.3x	n.a.	n.a.	n.a.
Peab AB Class B	OMXStockholm	1,846	0.6x	0.7x	0.6x	0.6x	9.2x	10.4x	9.9x	9.1x	16.0x	17.7x	16.2x	14.3x	11.1x	15.2x	13.8x	12.0x
Railcare Group AB	OMXStockholm	57	1.5x	1.3x	1.1x	1.0x	7.5x	6.5x	5.5x	4.6x	12.5x	10.8x	9.0x	7.6x	15.3x	13.4x	10.9x	8.5x
Salcef Group S.p.A	Milan	1,597	2.0x	1.6x	1.5x	1.3x	10.4x	8.6x	7.6x	6.7x	16.3x	12.6x	10.8x	9.3x	25.4x	18.2x	15.6x	13.1x
Vestum AB	OMXStockholm	315	1.0x	1.0x	1.0x	0.9x	6.9x	7.2x	6.5x	6.1x	19.5x	20.2x	16.3x	14.5x	n.m	25.4x	11.3x	9.6x
AF Gruppen ASA Class A	Oslo	1,254	0.5x	0.6x	0.5x	0.5x	8.9x	8.5x	7.7x	7.2x	13.0x	12.3x	10.7x	9.9x	36.4x	17.5x	15.4x	14.2x
Sacyr SA	Spain	2,555	2.2x	2.2x	2.1x	2.1x	7.1x	6.9x	6.7x	6.5x	8.0x	8.0x	7.8x	7.4x	14.2x	14.4x	13.5x	12.7x
Veidekke ASA	Oslo	1,364	0.3x	0.3x	0.3x	0.3x	5.7x	5.4x	5.1x	4.9x	9.9x	8.9x	8.3x	8.0x	14.9x	13.6x	12.8x	12.2x
Mota-Engil SGPS SA	Euronext Lisbon	1,107	0.6x	0.5x	0.6x	0.5x	4.6x	3.6x	3.6x	3.5x	7.6x	5.8x	5.8x	5.6x	9.8x	9.8x	9.3x	8.1x
NCC AB Class B	OMXStockholm	1,255	0.3x	0.3x	0.3x	0.3x	6.6x	6.3x	6.2x	6.2x	11.9x	10.7x	10.4x	10.1x	10.0x	12.0x	11.4x	11.1x
Average peer group		1,155	1.1x	1.0x	0.9x	0.9x	7.7x	6.9x	6.4x	6.0x	12.6x	11.5x	10.2x	9.3x	16.8x	15.5x	12.7x	11.3x
Median peer group		1,254	0.8x	0.8x	0.8x	0.8x	7.3x	6.7x	6.4x	6.2x	12.2x	10.8x	9.7x	8.7x	14.3x	14.4x	12.8x	12.0x
Edil San Felice S.P.A.	Milan	82	1.8x	1.5x	1.2x	1.1x	6.5x	6.1x	4.8x	4.5x	7.1x	6.8x	5.5x	5.2x	9.6x	9.4x	7.5x	7.1x

Source: FactSet, KT&P's Elaboration

We end up with our Edil San Felice equity value of €78.6mn for EV/EBITDA and of €105.9mn through the P/E method.

### EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2024E	2025E
EV/EBITDA Comps	6.7x	6.4x
Edil San Felice S.P.A. EBITDA	12.4	15.7
<b>Enterprise value</b>	<b>83.7</b>	<b>100.2</b>
<b>Average Enterprise value</b>	<b>91.9</b>	
<i>Liquidity/Size Discount</i>	<i>20%</i>	
<b>Enterprise Value Post-Discout</b>	<b>73.5</b>	
Edil San Felice S.P.A. FY23 Net Debt	(5.1)	
Edil San Felice S.P.A. FY22 Minorities	-	
<b>Equity Value</b>	<b>78.6</b>	
<i>Number of shares (mn)</i>	<i>19.2</i>	
<b>Value per Share €</b>	<b>4.1</b>	

Source: FactSet, KT&P's Elaboration

### P/E Multiple Valuation

Multiple Valuation (€mn)	2024E	2025E
P/E Comps	14.4x	12.8x
Edil San Felice S.P.A. Net Income	8.7	10.9
<b>Equity Value</b>	<b>125.1</b>	<b>139.6</b>
<b>Average Equity Value</b>	<b>132.3</b>	
<i>Liquidity/Size Discount</i>	<i>20%</i>	
<b>Equity Value Post-Discout</b>	<b>105.9</b>	
<i>Number of shares (mn)</i>	<i>19.2</i>	
<b>Value per Share €</b>	<b>5.5</b>	

## DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on a 9.3% cost of equity, 5% cost of debt, and a D/E ratio of 26.2% (median debt/equity ratio of peers panel). The cost of equity is a function of the risk-free rate of 3.86% (Italian 10y BTP yield, last 3 months average) and the equity risk premium of 4.4% (Damodaran for a mature market). We, therefore, obtained 8.2% WACC.

We discounted 2024E-27E annual cash flow and considered a terminal growth rate of 1.0%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

DCF Valuation				
€ Millions	2024E	2025E	2026E	2027E
<b>EBIT</b>	<b>11.1</b>	<b>13.8</b>	<b>14.5</b>	<b>15.6</b>
Taxes	(2.2)	(2.8)	(2.9)	(3.1)
D&A	1.3	1.9	2.4	2.6
Change in Net Working Capital	1.1	(6.1)	(2.2)	(2.5)
Change in Funds	0.4	0.5	0.4	0.4
<b>Net Operating Cash Flow</b>	<b>11.8</b>	<b>7.4</b>	<b>12.2</b>	<b>13.0</b>
Capex	(3.0)	(2.5)	(2.5)	(2.5)
<b>FCFO</b>	<b>8.8</b>	<b>4.9</b>	<b>9.7</b>	<b>10.5</b>
<b>g</b>	<b>1.0%</b>			
<b>Wacc</b>	<b>8.2%</b>			
FCFO (discounted)	8.4	4.4	8.0	8.0
Discounted Cumulated FCFO	28.8			
TV	147.1			
TV (discounted)	112.1			
<b>Enterprise Value</b>	<b>140.8</b>			
NFP FY2023A	(5.1)			
Minorities FY2023A	-			
<b>Equity Value</b>	<b>145.9</b>			
Current number of shares (mn)	19.2			
<b>Value per share (€)</b>	<b>7.6</b>			

Source: FactSet, KT&Partners' Elaboration

## Sensitivity Analysis

€ Millions	WACC					
	8.7%	8.4%	8.2%	7.9%	7.7%	
Terminal growth Rate	0.5%	129.9	133.9	138.1	142.6	147.4
	0.8%	133.2	137.4	141.9	146.7	151.8
	1.0%	136.7	141.1	145.9	151.0	156.5
	1.3%	140.4	145.2	150.2	155.7	161.6
	1.5%	144.4	149.5	154.9	160.7	167.0

Source: FactSet, KT&Partners' Elaboration

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