

EQUITY - SPAIN

Sector: Independent Power Producers (IPP)

Closing price: EUR 5.40 (28 Apr 2023)

Report date: 2 May 2023 (08:00h)

12m Results 2022

Independent Equity Research

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Opinion ⁽¹⁾: Below expectations

Impact ⁽¹⁾: We will have to lower our estimates

David López Sánchez – david.lopez@lighthouse-ieaf.com

+34 915 904 226

Business description

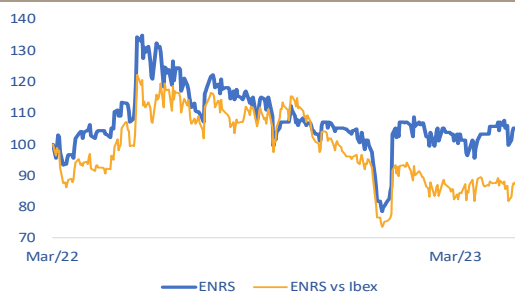
Enerside (ENRS), is a fully integrated renewables platform (in transition towards a build-to-own model) specialised in solar photovoltaic energy. It currently has a pipeline of +5.5GW of solar photovoltaic projects at various stages of development distributed in Latam (Brazil, Chile and Uruguay; 80% of the pipeline) and Europe (Spain and Italy; 20%).

Market Data

Market Cap (Mn EUR and USD)	201.6	222.5
EV (Mn EUR and USD) ⁽²⁾	216.7	239.3
Shares Outstanding (Mn)	37.3	
-12m (Max/Med/Mín EUR)	6.92 / 5.57 / 4.03	
Daily Avg volume (-12m Mn EUR)	0.12	
Rotation ⁽³⁾	14.6	
Factset / Bloomberg	ENRS-ES / ENRS SM	
Close fiscal year	31-Dec	

Shareholders Structure (%) ⁽⁵⁾

Joatham Grange	19.2
Antoni Gash	19.2
Tomás Casanovas	10.0
Tomás Casanovas	9.3
Free Float	28.3

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	1.9	-0.4	0.4	n.a.
vs Ibex 35	-1.4	-2.3	-7.5	n.a.
vs Ibex Small Cap Index	1.6	7.5	7.5	n.a.
vs Eurostoxx 50	-2.6	-4.5	-13.0	n.a.
vs Sector benchmark ⁽⁴⁾	-4.8	-7.6	1.1	n.a.

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 2.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) vs Stoxx Europe 600 Utilities.

(5) Others: Alternative Green Energy 8.3%, Javier García - Mateo 5.7%

(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

FY 2022 results: worse than expected. But not "the wheel to follow"

SALES ROSE SHARPLY, DRIVEN BY THE TAKE-OFF OF THE EPC BUSINESS (SALES: EUR 32MN). ENRS report sales in 2022 of EUR 32Mn (vs EUR 8Mn in 2021). The strong growth, as we had expected, was driven by the turnkey construction (EPC) business, which saw a two-fold increase in MW under construction (to 157MW).

BUT THE POLICY TO RAPIDLY GAIN MARKET SHARE UNDERMINED EARNINGS. ENRS has embarked on an aggressive margin policy in the EPC business. This, coupled with the macro landscape and logistics pressures, pushed up COGS (e.g., inverters, trackers, panels), causing margins in this business to narrow sharply and resulting in a negative gross margin of 4.4% (with losses concentrated mostly in Brazil).

EBIT 2022: EUR -14.1MN, WORSE THAN EXPECTED. On top of the negative gross margin in EPS, the year featured: i) a considerable increase in overhead (EUR 12.3Mn vs EUR 7.5Mn in 2021) and ii) the delay in the sale of the Palmadula project TO 2023 (440MW in Italy; already announced in December). This resulted in an EBIT loss EUR 14.1Mn. The amount includes EUR 11Mn of capitalised development costs from the company's own solar photovoltaic (PV) projects and EUR 2.3Mn of extraordinary expenses (from the IPO and M&A deals carried out).

NET DEBT: EUR 16.3MN. After investing heavily in 2022 (c. EUR 48Mn, mostly in working capital and executing projects in the pipeline), ENRS ended the year with net debt of EUR 16.3Mn. Of long-term financial debt, 70% is at fixed rates. The company is in the midst of a heavy investment process, so we could well see additional financing requirements met (at least in the short term) by solutions involving equity.

THE GOOD NEWS IS GROWTH IN THE PIPELINE. The company started building its own projects in 2022, with 74 MW under construction/secured (contributing c. EUR 5Mn of EBITDA when they come on stream). ENRS had 5.5GW of solar PV generation projects in the pipeline at year-end 2022 (+1GW vs 2021; of which 2.6GW are considered to have "high visibility", with RTB status expected for 2023-2024).

WHAT NOW? WE ARE DOWNGRADING OUR 2023E ESTIMATES... FY 2022 results were lower than expected, prompting us to downgrade our 2023e-2024e estimates. We are primarily cutting our estimate for gross margin for the EPC business (which we now expect to remain at breakeven in 2023e instead of our previous estimate of margins of around 8%).

...BUT LONG TERM THE EQUITY STORY REMAINS INTACT: ALL EYES SHOULD NOW GO TO 2025E. In our view, 2022 results (while disappointing) are "hardly" relevant, since the value generated by execution of the projects in the pipeline (the real equity story for a company like ENRS) has yet to be reflected in the P&L. We should start to see the value generation appearing in 2023e (with the sale of the 440MW Palmadula project in Italy, tentatively before this summer). Therefore, the company's main catalyst will be the pace of progress it makes on projects in the pipeline. We could see the first of its own projects enter into operation as early as this year (with a target of reaching c. 1 GW as an IPP - a business that is still "invisible" in the P&L - in 2025e).

Enerside (ENRS) is a BME Growth Company

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Appendix 1. Results table

EUR Mn	12m22	12m21	12m22 Real
	Real		vs 12m21
Total Revenues	31.9	8.4	282.4%
Construction services - EPC / BOS	31.8	3.3	n.a.
Development projects	0.0	4.9	-100.0%
IPP / O&M	0.1	0.2	-40.6%
EBIT¹	-14.1	0.2	n.a.
PBT	-15.1	-0.1	n.a.
NP	-13.7	-0.3	n.a.
Net Debt	16.3	2	n.a.

Other financial figures

PV pipeline - MWp	5,542	4,572	21.2%
Construction services - MWp	202	126	60.3%
O&M services - MWp	18.0	21.0	-14.3%

(1) Includes: i) EUR 11.4 of capitalised development costs from the company's own solar PV projects and ii) EUR 2Mn of extraordinary expenses (arising primarily from the IPO and M&A deals carried out).

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	201.6	
+ Minority Interests	(0.0)	12m Results 2022
+ Provisions & Other L/T Liabilities	0.3	12m Results 2022
+ Net financial debt	16.3	12m Results 2022
- Financial Investments	1.4	12m Results 2022
+/- Others		
Enterprise Value (EV)	216.7	

LIGHTHOUSE

Calle Basílica, 17, 1ª Planta, Oficinas
28020 Madrid
T: +34 915 904 226
institutodeanalistas.com/lighthouse

Alfredo Echevarría Otegui

Head of research

alfredo.echevarria@lighthouse-ieaf.com

David López Sánchez

Equity research

david.lopez@lighthouse-ieaf.com

Luis Esteban Arribas

Equity research

luis.esteban@lighthouse-ieaf.com

Enrique Andrés Abad

Equity research

enrique.andres@lighthouse-ieaf.com

Jesús López Gómez

ESG Analyst & Data analytics

jesus.lopez@lighthouse-ieaf.com

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
02-May-2023	n.a.	5.40	n.a.	n.a.	12m Results 2022	David López Sánchez
07-Mar-2023	n.a.	5.30	n.a.	n.a.	Important news	David López Sánchez
06-Sep-2022	n.a.	5.52	n.a.	n.a.	6m 2022 Preliminary results	David López Sánchez
29-Jul-2022	n.a.	6.20	n.a.	n.a.	Initiation of Coverage	David López Sánchez

