

ELETTRA INVESTIMENTI

From power generation to IoT

IR TOP RESEARCH
Luca Primi - lprimi@irtop.com
T +39 02 89056957 - Via C. Cantù, 1 - 20123 Milano

Target Price (Eu)	9.74
Market Price (Eu)	7.63
Market Cap (Eu m)	29
Enterprise Value (Eu m)	44
(as of July 17 th , 2017)	

COMPANY DESCRIPTION

ELETTRA INVESTIMENTI is a leading Italian company active in the energy sector and, in particular:

- energy generation (43% of 2016 pro-forma sales) through cogeneration and trigeneration plants fuelled by natural gas or biomass/bioliquids;
- energy efficiency services (38%) by providing technological solutions to companies in order to save energy (white certificates market);
- trading raw materials (10%) for their or third party oil plants;
- O&M (3%), EPC and sale of PV plants (2%) and other revenues (4%);
- recent acquisitions in the IoT business.

MARKET AND STRATEGY

- Reference markets: distributed generation, energy efficiency, IoT and renewables. In particular, the expected investments in Italy in the IoT and energy intelligence are estimated to reach 3 billion by 2020 (Source: Energy & Strategy Group, Politecnico di Milano), also thanks to the Decree named Piano Nazionale Industria 4.0.
- Internal growth: (i) build new plants in Italy; (ii) develop IoT and energy efficiency interventions as services integrator, to reach new clients and new markets (in particular, industrial and residential segments), even abroad (France).
- External growth: acquisition of (i) cogeneration plants and (ii) renewable energy plants.

AIM POSITIONING

Compared to average AIM "Energy & Renewables" Sector, ELETTRA INVESTIMENTI shows:

- higher sales growth rate but lower EBITDA margin;
- much better financial position;
- better performance from IPO.

2016 FY RESULTS

- Pro-forma sales grew by 60.7% to 48.6 Eu m, after Tholos acquisition (like-for-like growth +5.2%);
- EBITDA doubled to 7.1 Eu m;
- Net profit almost tripled to 2.4 Eu m;
- NFP went from -4.8 Eu m (cash) to 2.1 Eu m (net financial debt) due to the acquisition of Tholos.

2017-2019 ESTIMATES

For 2017 management estimates 45.2 Eu m sales and 17.8% EBITDA margin; net profit should grow by 7.1% to 2.6 Eu m and net financial debt should decrease to 1.5 Eu m at the end of the year. We confirm these targets.

For 2018 and 2019 we assume: (i) sales CAGR of 6.8% based on the 200 Eu m order backlog (51% to be delivered in 2017-2020), capex in the co/trigeneration area and IoT; (ii) EBITDA CAGR of 15.3% thanks to high-margin TEEs in portfolio and better product mix with higher weight of IoT business.

VALUATION

We set a target price of 9.74 Eu obtained by applying 2 different approaches, equally weighted:

- 2017 EV/EBITDA and P/E multiples comparison with a 28.5% discount to peers as of AIM positioning (8.61 Eu);
- DCF model (10.87 Eu with WACC=9.4% and g=2%).

AIM Positioning

2016 FY	Company	AIM Sector*	AIM Italia
Sales (Eu m)	49	38	37
Sales YoY	61%	21%	17%
EBITDA Margin	15%	22%	16%
NFP (Cash)	2.1	27.6	8.7
NFP/EBITDA	0.3	14.6	3.2
Market Data	Company	AIM Sector*	AIM Italia
Market Cap (Eu m)	29	35	49
Perf. from IPO	27%	-23%	0.1%
Free Float %	15%	21%	29%
ADTT YTD (Eu)	27,632	53,739	104,978

* Energy & Renewables.
Source: Osservatorio AIM Italia 2017 and Factset data.

Results & Estimates

Key Figures (Eu m)	15A	16A	17E	18E	19E
Sales	30.3	48.6	45.2	47.9	51.5
YoY growth	9.7%	60.7%	-7.0%	6.0%	7.5%
EBITDA	3.4	7.1	8.1	10.2	10.8
EBITDA%	11.3%	14.6%	18.0%	21.3%	21.0%
EBIT	1.7	4.3	5.1	7.0	7.0
EBIT%	5.8%	8.8%	11.4%	14.6%	13.5%
Total net profit	0.8	2.4	2.7	3.4	3.5
NFP (Cash)	-4.8	2.1	1.5	0.9	1.5
EPS	0.22	0.66	0.70	0.90	0.91

Source: company data (pro-forma for FY 2016) and IR Top estimates.

Peers Comparison

EV/EBITDA (x)	17E	18E	19E
ELETTRA INVESTIMENTI	3.7	3.0	2.8
Mid and Small Cap peers median	6.9	7.0	6.3
Discount/Premium	-46%	-58%	-55%

P/E (x)	17E	18E	19E
ELETTRA INVESTIMENTI	10.9	8.5	8.4
Mid and Small Cap peers median	15.5	19.0	16.6
Discount/Premium	-30%	-55%	-50%

Source: IR Top estimates for ELETTRA INVESTIMENTI and Factset data for comparables.

Performance	1M	3M	1Y
Absolute	9.2%	22.0%	94.6%
Relative (FTSE AIM)	9.9%	10.9%	53.1%

52-week High/Low € 8.15 / € 3.49

Source: Factset data.

Please, read important disclaimer on the last page of this report -

SHARE DATA

Market	AIM Italia
Reuters/Bloomberg	ELIN.MI/ELIN IM
ISIN	IT0004745607
N. of Shares (m)	3.84
Free Float	15.1%
Main Shareholder	Bombacci Family (71.2%)
CEO	Fabio Massimo Bombacci



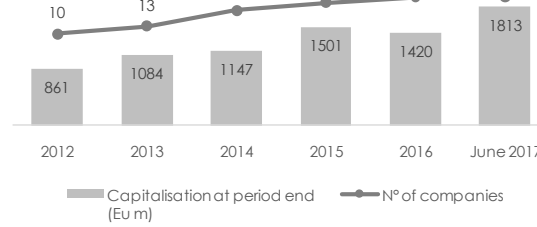
GREEN ECONOMY IN ITALY

Dimension

24 companies
1.8 Eu b of capitalisation

VedoGreen is the company of IR Top Group that analyses Italian small and mid enterprises operating in the green economy sub-sectors: since 2012 the Italian listed green economy has grown significantly: VedoGreen currently monitors 24 listed companies* for a total capitalization of 1.8 Eu billion as of June 30th 2017.

Italian green economy: 2010-2017 market dimension trend



* Agatos (former TE Wind), Alerion Clean Power Ambientthesis (former Sadi Servizi industriali), Bio-on, Ecosuntek, Elettra Investimenti, Energica Motor Company, Energy Lab, Enertronica, ErgyCapital, Falck Renewables, Fintel Energia Group, Frendy Energy, Gruppo Green Power, Iniziative Bresciane, Isagro, K.R. Energy, KI Group, Landi Renzo, Masi Agricola, PLT energia, S.M.R.E., TerniEnergia, Zephyro.

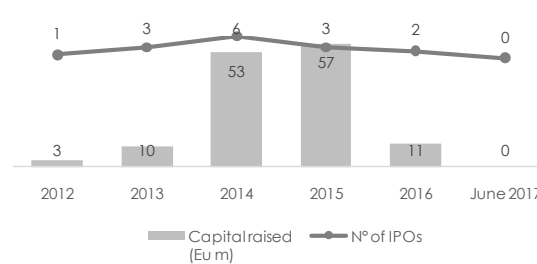
Source: Osservatorio VedoGreen and Factset data. The graph does not consider the delisting of TerniGreen (09/14/2012), Greenvision Ambiente (10/29/2012), Aion Renewables (04/30/2013), Sacom (05/31/2015).

Growth

15 IPOs since 2012
132 Eu m of capital raised

In the last 6 years the total number of IPOs was 15 for a total amount of capital raised of 132 Eu million. In 2015 a peak was registered thanks to the listing of 3 new companies and 57 Eu million of capital raised.

Green Economy in Italy: 2010-2017 market growth trend



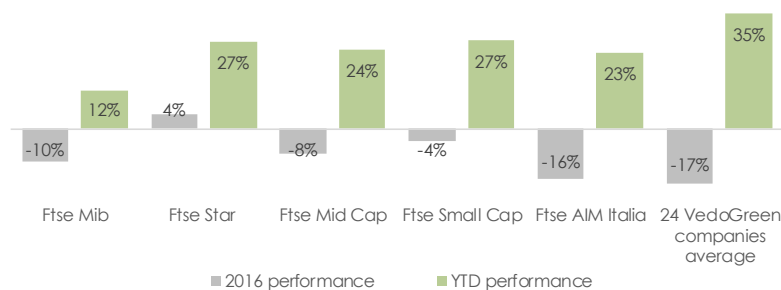
Source: Osservatorio VedoGreen.

Performance YTD

VedoGreen companies
+35% YTD

Thanks to the introduction of PIR (Piani Individuali di Risparmio, the Italian equivalent of UK Individual Savings Accounts), the average YTD performance of the 24 VedoGreen companies is +35%, the highest compared to the other indices analysed.

FTSE Indices: 2016 vs. 2017 trend (post PIR)



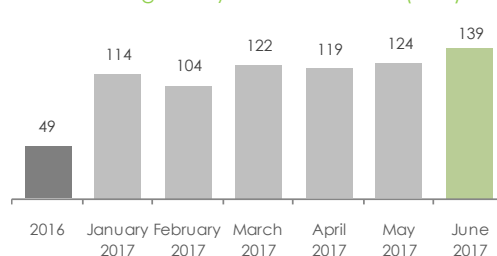
Source: Factset data as of July 17th 2017.

Traded turnover

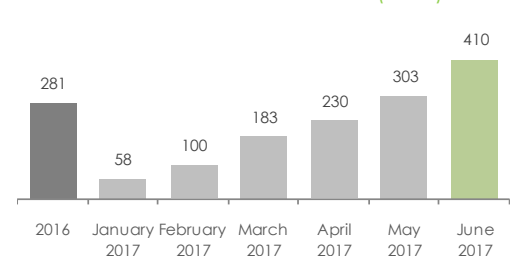
Improved liquidity after the introduction of PIR

The introduction of PIR has significantly improved market liquidity: average daily traded turnover (ADTT) almost tripled from 49 Eu thousands in 2016 to 139 Eu thousands in June 2017. The total traded turnover (TTT) amounts to 1.3 Eu billion as of June 2017, 4.6x the whole 2016 (281 Eu million).

Average Daily Traded Turnover (Eu k)



Total Traded Turnover (Eu m)

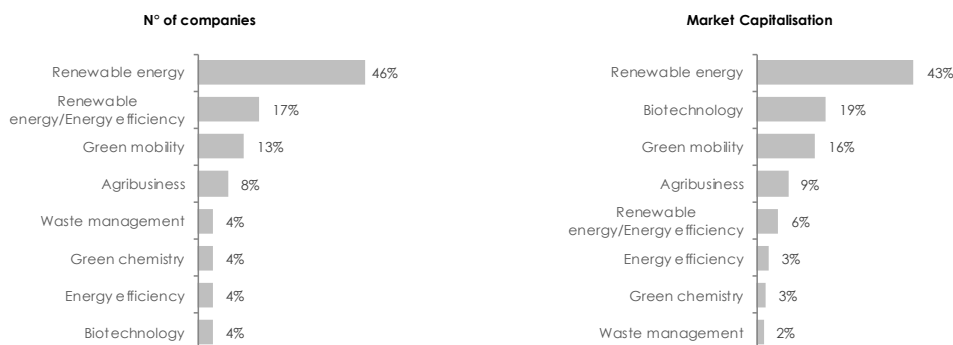


Source: Factset data.

GREEN ECONOMY IN ITALY BY SUB-SECTOR

Main sub-sectors in terms of number of companies are: Renewable energy (46%), Renewable energy/Energy efficiency (17%) and Green mobility (13%); main sub-sectors in terms of market capitalisation are Renewable energy (43%), Biotechnology (19%) and Green mobility (16%).

Italian green economy: breakdown by sub-sector



Source: Osservatorio VedoGreen and Factset data as of July 17th 2017.

The best YTD performance has been realised by Green mobility sector (+129%), while the highest average daily traded turnover was registered by the single Biotechnology company (0.6 Eu million).

Italian green economy: average market data by sub-sector

Sector	N. of companies	Market Cap (Eu m)	Free Float (%)	YTD performance (%)	ADTT YTD (Eu)
Energy efficiency	1	63	38%	-10%	49,158
Agribusiness	2	81	20%	9%	35,716
Biotechnology	1	355	37%	29%	622,889
Green chemistry	1	47	64%	21%	96,594
Green mobility	3	100	23%	129%	267,325
Renewable energy	11	74	34%	17%	126,365
Renewable energy/Energy efficiency	4	28	27%	54%	77,229
Waste management	1	37	14%	3%	30,722
24 VedoGreen companies average		79	31%	35%	140,487

Source: Osservatorio VedoGreen and Factset data as of July 17th 2017.

The best sales growth yoy was realized by Waste management segment (41%). However, Renewable energy companies had the highest EBITDA margin (36%), followed by Biotechnology (16%) and Agribusiness (14%).

Italian green economy: average financial data by sub-sector

Sector	2016 sales (Eu m)	YoY sales growth (%)	2016 EBITDA margin (%)	2016 NFP (Cash) (Eu m)	EV/EBITDA 2016 (x)
Energy efficiency	95	-7%	10%	-8	12.3
Agribusiness	58	0%	14%	7	11.9
Biotechnology	5	-40%	16%	-3	n.a.
Green chemistry	150	-4%	11%	53	6.7
Green mobility	65	80%	4%	26	33.5
Renewable energy	44	26%	36%	101	21.7
Renewable energy/Energy efficiency	60	-18%	10%	27	6.6
Waste management	77	41%	2%	9	23.6
24 VedoGreen companies average	57	18%	22%	57	18.2

Source: Osservatorio VedoGreen and Factset data as of July 17th 2017 for EV/EBITDA multiples.

AIM POSITIONING

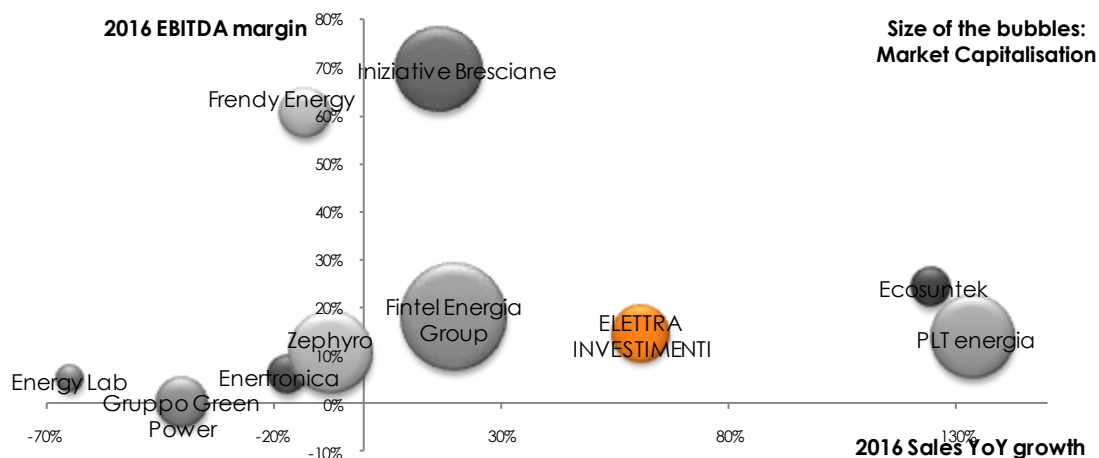
Higher sale growth, lower debt, attractive dividend yield, better market performance from the IPO

ELETTRA INVESTIMENTI operates in the AIM “Energy & Renewables” Sector.

Compared to average AIM Italia “Energy & Renewables” Sector, ELETTRA INVESTIMENTI shows:

- higher 2016/2015 sales growth rate
- lower level of indebtedness
- lower EV/EBITDA 2016 multiple

Furthermore, ELETTRA INVESTIMENTI has an attractive dividend yield: 3.1% in 2015 and 4.1% in 2016, among the highest in the AIM “Energy & Renewables” Sector.



Source: Osservatorio AIM Italia 2017 and Factset data as of July 17th 2017.

2016 Data	Sales (Eu m)	YoY growth (%)	EBITDA margin (%)	NFP (Cash) (Eu m)	EV/EBITDA (x)	NFP/EBITDA (x)
Agatos	1.3	n.a.	n.a.	n.a.	n.a.	n.a.
Ecosuntek	15.4	125%	24%	38.4	13.9	10,3
ELETTRA INVESTIMENTI	48.6	61%	15%	2.1	4.4	0,3
Energy Lab	9.5	-65%	5%	14.4	44.5	30,1
Enertronica	89.9	-17%	6%	8.9	4.2	1,7
Fintel Energia Group	23.7	20%	18%	34.8	32.3	8,2
Frendy Energy	3.3	-13%	60%	0.9	11.3	0,4
Gala	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Gruppo Green Power	16.7	-40%	0%	2.5	n.a.	81,0
Iniziativa Bresciane	14.8	16%	70%	54.8	12.1	5,3
Innovatec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
PLT energia	97.1	134%	14%	127.1	14.4	9,6
Zephyro	94.6	-7%	10%	-7.9	5.6	-0,8
Energy & Renewables*	37.7	21%	22%	27.6	15.9	14,6
AIM Italia*	37.4	17%	16%	8.7	13.1	3,2

* Average values.

Source: Osservatorio AIM Italia 2017 and Factset data as of July 17th 2017 for EV.

Compared to average AIM Italia “Energy & Renewables” Sector, ELETTRA INVESTIMENTI shows:

- lower market capitalisation
- lower free float
- stock performance from IPO is positive and above average
- lower average daily traded turnover (ADTT) in 2017

Market Data	Market Cap (Eu m)	Free Float (%)	Perf. from IPO (%)	ADTT YTD (Eu)
Agatos	21	11%	-71%	7,193
Ecosuntek	14	20%	-57%	67,349
ELETTRA INVESTIMENTI	29	15%	27%	27,632
Energy Lab	7	10%	-68%	46,433
Enertronica	14	26%	25%	49,098
Fintel Energia Group	103	4%	74%	17,817
Frendy Energy	22	50%	32%	72,506
Gala	20	14%	-90%	111,257
Gruppo Green Power	23	7%	-27%	47,398
Iniziativa Bresciane	68	21%	-14%	15,014
Innovatec	9	55%	-98%	139,203
PLT energia	64	16%	0%	48,965
Zephyro	63	18%	-30%	48,745
Energy & Renewables*	35	21%	-23%	53,739
AIM Italia*	49	29%	0.1%	104,978

* Average values.

Source: Factset data as of July 17th 2017.

GROUP PROFILE

A leader in distributed energy, energy efficiency and IoT

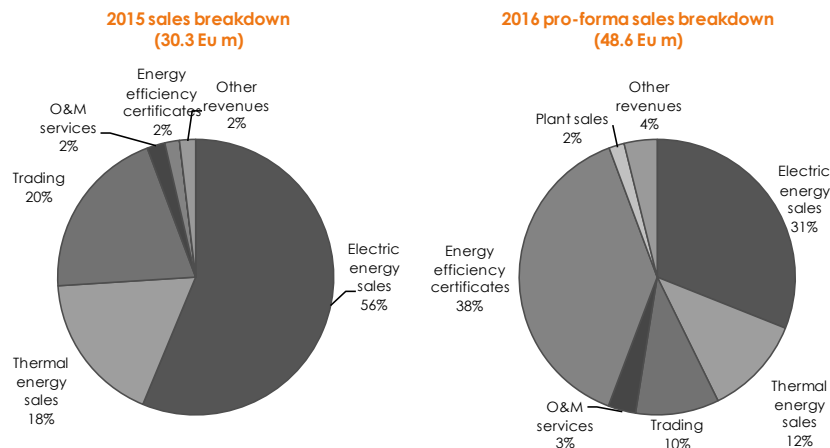
ELETTRA INVESTIMENTI, founded in 2005 and listed on the AIM market since April 21st 2015, is among the main operators in Italy in the distributed energy (a generation plant that combines heat and power) and the energy efficiency sector.

The company is a holding that operates through 13 operational companies and 67 employees in the following business areas:

- generation of energy (43% of 2016 pro-forma sales) through 12 property small/medium cogeneration and trigeneration plants fuelled by natural gas or biomass/bioliquids, with a total installed capacity of around 24.9 MW, and 1 geothermal Idronika's plant;
- energy efficiency services (38%) by providing technological solutions to companies in order to save energy (white certificates market);
- trading raw materials (10%) for their or third party oil plants;
- operations and maintenance (3%);
- EPC and sale of photovoltaic plants (2%), with 120 systems managed for a total installed capacity of 42 MW;
- other revenues (4%).

The main clients are: electric network and district heating network, small industrial companies, shopping centres, GSE, retail.

ELETTRA INVESTIMENTI recently entered the **IoT business** with the acquisition of PHPower, that will help the group to improve energy efficiency and reliability of the energy supply thanks to the digitalisation.



Since May 2017 the company is included in the Register of Innovative SMEs (Law 24 March 2015 N.33, so called Investment Compact).

STRATEGY

From power generation to a fully integrated company

Strong recent M&A track-record

ELETTRA INVESTIMENTI's goal is to transform itself from a power generation company to a fully integrated company as services integrator. In the next years the company intends to develop through:

- internal growth by
 - building new plants in Italy
 - developing IoT and energy efficiencies interventions to reach new clients and new markets (in particular, industrial and residential segments), even abroad (France)
- external growth with the acquisition of
 - cogeneration plants
 - renewable plants

In line with this strategy, in the last months the company made several acquisitions to move towards a business model based on energy services and technological innovation:

- In December 2016 ELETTRA INVESTIMENTI bought **Tholos Srl** for 7,75 Eu million and entered into the White Economy business. Tholos Srl is the 5th producer of white certificates in Italy; it is an Energy Service Company (ESCO) that supports and sustains companies that adopt efficient technological solutions. It promotes and finances energy efficiency interventions using its own financial resources, guaranteeing a result in terms of savings (Energy Performance Contract EPC).
- In May 2017 ELETTRA INVESTIMENTI bought **Idronika Srl** for 0.9 Eu million; this society generates thermal energy (hot and cold) with a geothermal plant with trigeneration that serves a commercial building in Udine.
- In May 2017 ELETTRA INVESTIMENTI bought a majority stake in **PHPower Srl** and entered into the business of Internet of Thing (IoT) for the energy sector. PHPower is already active in industrial IoT and energy monitoring solutions (EnergyCloud®) with the production of systems such as Meter ECM120, that monitor energy consumption.
- At the end of May 2017 ELETTRA INVESTIMENTI created in partnership with C2P Investimenti Srl **RedEn Srl**, a company that operates in the Waste Heat Recovery and in the Waste To Power sectors.
- In June 2017 PHPower signed a MoU to acquire 5% of **Greenpriz SaS** and **Inovadea SaS** (active in the IoT in France) for 0.17 Eu million; the goal is to expand its IoT business as integrator to reach new clients and new markets.

ELETTRA INVESTIMENTI'S REFERENCE MARKETS

DISTRIBUTED GENERATION

Co/trigeneration will remain the core business of ELETTRA INVESTIMENTI (51% of 2017 sales)

The cogeneration plants double the power efficiency compared with conventional plants, assuring high power savings.

In 2015 in Italy Distributed Generation plants with a nominal installed capacity lower than 10 MVA realised a gross production of 51.3 TWh (approximately 18.1% of total national electricity generation). In 2015 698,750 plants were built, with a total gross power output equal to about 25,859 MW (approximately 21.5% of the total).

ENERGY EFFICIENCY MARKET

1 White Certificate = 1 ToE saved

Energy efficiency has become an integral part of the national power strategy to reach EU targets. The white certificates scheme was introduced into the Italian legislation by the Ministerial Decrees of 20 July 2004, as subsequently amended and supplemented. Under the scheme, electricity and natural gas distributors are required to achieve yearly quantitative primary energy saving targets, expressed in Tonnes of Oil Equivalent (ToE). Each certificate is worth one ToE saved.

White certificates, also known as "Energy Efficiency Certificates" (EEC), are tradable instruments giving proof of the achievement of end-use energy savings through energy efficiency improvement initiatives and projects.

Electricity and gas distributors may fulfil their obligation by implementing energy efficiency projects entitling to white certificates or by buying white certificates from other parties in the Energy Efficiency Certificates Market organised by GME.

Expected investments in Italy in energy efficiency are 7.53 billion by 2020 (Source: Energy & Strategy Group, Politecnico di Milano)

INTERNET OF THINGS (IoT)

DIGITAL ENERGY: a booming market

Internet of Things (IoT) for the energy sector includes devices and software that -through digital and innovative technologies- enable connectivity and exchange of information in order to improve the monitoring and, consequently, the energy efficiency.

According to Research Nester estimates, the global IoT in energy market reached USD 6.8 billion in 2015 and the market is expected to reach USD 26.5 billion by 2023. The market is projected to register a CAGR of 15.5% during the forecast period 2016-2023 globally.

The Italian IoT market in 2016 grew by 40% to 2.8 Eu billion. The most relevant segments were Smart Metering (+90%), Smart Car (+15%) and Smart buildings (+45%).

Expected investments in Italy in energy IoT and energy intelligence are estimated to reach 3 billion by 2020 (Source: Energy & Strategy Group, Politecnico di Milano), also thanks to the Decree named Piano Nazionale Industria 4.0.

RENEWABLE MARKET

From growth to mature market

The market of energy in Italy reached at the end of 2015 a total installed capacity of 104 GW of which:

- 59.3 GW (57% share) of thermoelectric, decreasing due to an oversupply situation;
- 22.2 GW (21%) of hydroelectric
- 22.5 GW (22%) of other renewables (wind, solar, biomass)

Over the past decade renewable energy has developed rapidly in Italy, more than doubling from 23.9 GW in 2008 to 44.7 GW in 2015. This provided the country a mean of diversifying from its historical dependency on imported fuels.

Rapid growth in the deployment of solar, wind and bio energy in recent years lead Italy producing over 40% of its electricity from renewable sources in 2015. The growth of the sector was mainly concentrated in a 3-years period (2010-2013) and driven by the regulatory system providing different kind of incentives (e.g. green certificates, feed-in-tariff, inclusive tariffs).

On 22nd June, 2016 the Italian Minister of Economic Development signed a new decree on renewable incentives in Italy by giving 9 Eu billion for renewables over 20 years.

The Italian government's main target is to keep Italy above EU targets for the consumption of power from renewables (26.4% in 2020 and Italy was already at 33% in 2015).

Given the mature state of renewable market most large companies such as ENEL, ERG and FALCK RENEWABLES are investing abroad in order to diversify the business.

Other companies, much smaller, are entering into new businesses such as energy services, operations & maintenance (O&M).

MARKET DRIVERS

- Electricity prices: as the main reference for sales to final customers.
- Commodity prices: as main input costs in the process of electricity generation (vegetable oil and gas).
- Regulation: as the main reference framework for the incentives to renewables sources.
- Consolidation: given the highly fragmented market, consolidation is a must (recently Edison bought a huge stake in Alerion Clean Power and new deals will come).
- Fiscal incentives (4.0 Industry)

RESULTS AND ESTIMATES

Strong set of 2016 pro-forma results

2016 RESULTS

Pro-forma revenue growth by 60.7% to 48.63 Eu m was mainly attributed to the acquisition of Tholos. Like-for like growth was +5.2%.

EBITDA doubled to 7.12 Eu m, with an EBITDA margin up from 11.3% to 14.6%, and total net profit almost tripled to 2.44 Eu m.

Net financial position went from 4.81 Eu m cash as of December 31st 2015 to 2.09 Eu m of financial debt because of Tholos acquisition.

Management improved dividend policy: 2016 dividend per share paid of 0.25 Eu from 2015 DPS of 0.13 Eu.

2017 GUIDANCE

Management expects a decrease in sales (-7.1% to 45.2 Eu m) in 2017 due to different accounting of two important energy efficiency contracts (the ownership was given to the customers rather than remaining with Tholos, that will have lower revenues but higher margins).

ELETTRA INVESTIMENTI declared that the electric and thermal energy generation will remain the core business of the company, weighting approximately 51% of total sales this year.

EBITDA is expected at 8.1 Eu m and EBITDA margin should improve to 17.8% thanks to a better product mix (thermal energy, energy efficiency and O&M will enjoy higher margins). The guidance 2017 for EBIT and net income is 4.9 Eu m and 2.61 Eu m, respectively.

At the end of the year net financial debt should be 1.5 Eu m and total equity 15.5 Eu m.

ESTIMATES

For 2018-2019 we estimate that:

- 1) sales will grow at a CAGR of 6.8% given (i) order backlog as of June 2017 of 200 Eu m of which approximately 51% should be delivered by 2020, (ii) important opportunity in the IoT business.
- 2) EBITDA at a CAGR of 15.3% thanks to high-margin TEEs in portfolio and better product mix with higher weight of IoT business.
- 3) ELETTRA INVESTIMENTI will continue to invest in cogeneration plants; we have assumed total investments for the period of 10.8 Eu m including earn out payments for Tholos. (1.75 Eu m in 2019).
- 4) The net financial debt is likely to increase to about 4.9 Eu m at the end of 2019 due to investment policy.

MAIN FINANCIAL INDICATORS

Eu m		15A	16A pro-forma	17E	18E	19E
Sales		30.3	48.6	45.2	47.9	51.5
	YoY growth	10%	61%	-7%	6%	8%
EBITDA		3.4	7.1	8.1	10.2	10.8
	Margin	11%	15%	18%	21%	21%
D&A		1.7	2.9	3.0	3.2	3.9
EBIT		1.7	4.3	5.1	7.0	7.0
	Margin	6%	9%	11%	15%	14%
Net financial charges		0.3	0.5	0.5	0.5	0.4
Pretax profit		1.4	3.8	4.7	6.5	6.6
	Margin	5%	8%	10%	14%	13%
Total net profit		0.8	2.4	2.7	3.4	3.5
	YoY growth	-48%	195%	10%	28%	1%
EPS		0.22	0.66	0.70	0.90	0.91
Net working capital (NWC)		-2.5	-0.7	2.5	3.1	3.9
Fixed net assets		9.9	16.6	14.6	15.9	18.3
Funds		0.2	0.6	0.6	0.6	0.6
Net capital employed		7.2	15.3	16.5	18.4	21.5
NFP (Cash)		-4.8	2.1	1.5	0.9	1.5
NFP/EBITDA		-1.41	0.29	0.18	0.09	0.14
Equity		12.0	13.2	15.0	17.5	20.0
Sources		7.2	15.3	16.5	18.4	21.5
Change in NWC		1.2	-1.8	-3.2	-0.6	-0.8
Capex		-3.4	-9.6	-1.0	-4.5	-6.3

Source: company data and IR Top estimates.

OPPORTUNITIES**Attractive valuation**

A **well diversified** company: ELETTRA INVESTIMENTI, with its recent acquisitions, entered into two new businesses (energy efficiency and IoT) with very good margins. Moreover, the co/trigeneration is programmable and independent (up to 8,000 hours per year).

Interesting consolidation opportunities: Italian market is still very fragmented and through business combinations ELETTRA INVESTIMENTI can pursue growth opportunities.

Appealing dividend: ELETTRA INVESTIMENTI has an attractive dividend yield (3.1% in 2015 and 4.1% in 2016).

Attractive valuation: the stock is trading at a large discount both to the mid and small cap peers.

MAIN RISKS**Energy prices**

Fluctuations in energy prices, raw materials costs and white certificates prices: the economic and financial performance of ELETTRA INVESTIMENTI is strictly linked to energy prices and, in terms of costs, to raw materials. After the acquisition of Tholos, it largely depends also on white certificates prices.

Overruns in costs or delays in implementing plants**Regulatory risk**

A possible **variation in the production capacity** of the customers' plants, also because of **macroeconomic scenario** (decrease in energy demand), could lead to a decrease in the supply of electricity and/or thermal energy.

Concentration of clients: main clients are GSE, Gelit, Chemtura, Jansen, Acraf, IBI.

Low liquidity of the stock and low free float**OWNERSHIP****ELETTRA INVESTIMENTI is owned by Bombacci family**

ELETTRA INVESTIMENTI is owned by Bombacci family through BFIN S.p.A. (71.21%):

- Fabio Massimo Bombacci is the President and CEO
- Luca Bombacci is the CFO

The share capital subscribed and paid up is 3,835,836 Eu, made up by n. 3,835,836 ordinary shares.

Shareholder	N. of shares	%
Famiglia Bombacci (through BFIN S.p.A.)	2,731,499	71.21%
Unione di Banche Italiane (UBI) S.p.A.	203,299	5.30%
Dromos Holding S.r.l.	199,847	5.21%
E. Di Benedetto	105,102	2.74%
A. Zaccheo	16,494	0.43%
Market	579,595	15.11%
Total	3,835,836	100.00%

Source: company data.

GOVERNANCE**5 board members, 2 Independent**

List vote: 8% of share capital

The Board of Directors has 5 members, 2 of them are Independent.

Fabio Massimo Bombacci – President and CEO

After graduating in Business Economics from the LUISS University in Rome in 1983, he worked at Irvin Aerospace Spa (today Aerosekur Spa) first as a controller, then as General Director and from 1991 as Managing Director. From 2000 to 2003 he was Vice President of the Industrial Association of Latina, a member of the Board of Directors and the Executive Committee. From 2000 to 2013, he was President of the Latina Energy Consortium. From 2002 to 2006 he became a member of the Board of Directors of the Regional Consortium for Energy, established within Confindustria Lazio. In 2004 he became Managing Director of Alea Lazio Spa, a company founded by Latina Chamber of Commerce and co-owned by Assindustria Latina and Federlazio Latina to build small cogeneration plants. In 2005 he founded Elettra Investimenti of which he is Chairman and CEO.

VALUATION

Our valuation yields a target price of **9.74** Eu as an average between:

- 8.61 Eu according to 2017 EV/EBITDA and P/E multiples analysis
- 10.87 Eu according to DCF model

We value ELETTRA INVESTIMENTI through 2 different approaches, equally weighted:

- market multiples comparison adjusted by AIM positioning;
- Discounted Cash Flow (DCF) model.

AIM POSITIONING DISCOUNT/PREMIUM

When using market multiples to determine the fair value of an AIM Italia listed company, we apply a discount on the average peer multiple based on an algorithm that measures the positioning of the company compared to the AIM Italia market as a whole, and to the relevant AIM Sector.

Collaborating with the "Osservatorio AIM" (IR Top proprietary database) we have analysed all companies listed on AIM Italia over 4 dimensions:

1. Market Data (capitalisation, liquidity, free float)
2. Financials (growth and profitability)
3. Sustainability (ESG)
4. Transparency (strategic plan)

The Market Data establishes a base that runs from 20% to 30%. According to a scoring system, the other 3 dimensions (Financials, Sustainability and Transparency) will determine an additional discount/premium in a range of +/- 5%.

Applying the algorithm on ELETTRA INVESTIMENTI we consider fair a discount of 28.5% to Mid and Small Cap peers based on:

- Market Data discount of 30%
- A 1.5% premium as a sum of the scoring for Financials, Sustainability and Transparency.

The below figure summarizes ELETTRA INVESTIMENTI's relative positioning for the items considered.

AIM Positioning ELETTRA INVESTIMENTI	AIM SECTOR		AIM ITALIA		YES	NO
	<AVG	>AVG	<AVG	>AVG		
Market data						
Capitalisation	X		X			
Liquidity (ADTT YTD)	X		X			
Free Float	X		X			
Financials						
YoY Sales growth		X				
EBITDA Margin	X					
Dividend policy					X	
ESG						
Independent Directors					X	
List vote					X	
Relevant Environmental Data						X
Relevant Social Data						X
Transparency						
Strategic Plan					X	

Source: Osservatorio AIM Italia.

MULTIPLES

Consensus estimates are not available for most companies listed on AIM Italia and the relevant AIM Sector (AIM Energy & Renewables) that would represent a fair peer group can therefore not be applied.

We have therefore used a peer group consisting of utilities, both Italian (Iren, ERG, TerniEnergia, Alerion Clean Power, Falck Renewables) and European (Greentech Energy Systems, Fortum, DONG Energy, CEZ).

We have considered EV/EBITDA and P/E as the most important tool to evaluate ELETTRA INVESTIMENTI.

EV/EBITDA (x)	17E	18E	19E
ELETTRA INVESTIMENTI	3.7	3.0	2.8
Iren	6.2	6.1	5.9
ERG	7.4	7.0	6.3
TerniEnergia	5.9	0.0	0.0
Falck Renewables	7.1	6.6	5.9
Greentech Energy Systems	6.1	5.4	4.8
Fortum	11.2	11.1	11.0
DONG Energy	8.5	7.3	7.3
CEZ	6.8	7.0	7.0
Mid and Small Cap peers median	6.9	7.0	6.3
Discount/Premium to Mid and Small Cap peers	-46%	-58%	-55%
P/E (x)	17E	18E	19E
ELETTRA INVESTIMENTI	10.9	8.5	8.4
Iren	12.6	12.4	12.6
ERG	19.6	19.9	17.7
TerniEnergia	9.9	0.0	0.0
Alerion Clean Power	35.2	36.6	0.0
Falck Renewables	42.4	30.3	16.6
Greentech Energy Systems	14.4	12.7	11.2
Fortum	19.8	20.5	18.9
DONG Energy	15.5	13.0	14.3
CEZ	13.5	18.2	19.2
Mid and Small Cap peers median	15.5	19.0	16.6
Discount/Premium to Mid and Small Cap peers	-30%	-55%	-50%

Source: IR Top estimates for ELETTRA INVESTIMENTI and Factset data for comparables.

Applying a 28.5% discount -as determined above- on 2017 median multiples gives a fair value of 8.61 Eu per share.

DCF

Main assumptions are:

- Perpetual growth: 2.0%
- Risk-free interest rate: 2.0%
- WACC: 9.4%

Our valuation yields a target price of 10.87 Eu per share.

Sum of PV 2017-2025 FCF	17.93
Discounted Terminal Value	25.86
Total Enterprise Value (Eu m)	43.79
NFP (Cash)	2.09
Total Equity Value (Eu m)	41.71
Number of outstanding shares (m)	3.84
Fair Value per share	10.87

Source: IR Top estimates.

VALUATION SUMMARY

Weighting the 2 approaches equally we set a target price of 9.74 Eu, implying an upside of 27.6%.

Method	Price (Eu)
DCF	10.87
Multiple analysis	8.61
Target Price	9.74

Source: IR Top estimates.

ELETTRA INVESTIMENTI ON
AIM

+27% from IPO

IPO

Trading Market: AIM Italia

Date: 21 April 2015

Price: 6.00 Eu

Capital raised: 5.01 Eu m equity (including greenshoe)

Nomad and Specialist: UBI Banca

WARRANT ELETTRA INVESTIMENTI 2015-2019 (as of July 17th, 2017)

Code: WELI19

ISIN : IT0005091316

Outstanding Warrants: 3,710,000

Price: 1.184 Eu

Strike price: 8.1 Eu

Exercise ratio: 1 share:1 warrant

3rd Exercise Period: 2-13 October 20174th Exercise Period: 2-15 October 20185th Exercise Period: 3-14 October 2019SHARE DATA (as of July 17th, 2017)

Code: ELIN

Bloomberg: ELIN IM

Reuters: ELIN.MI

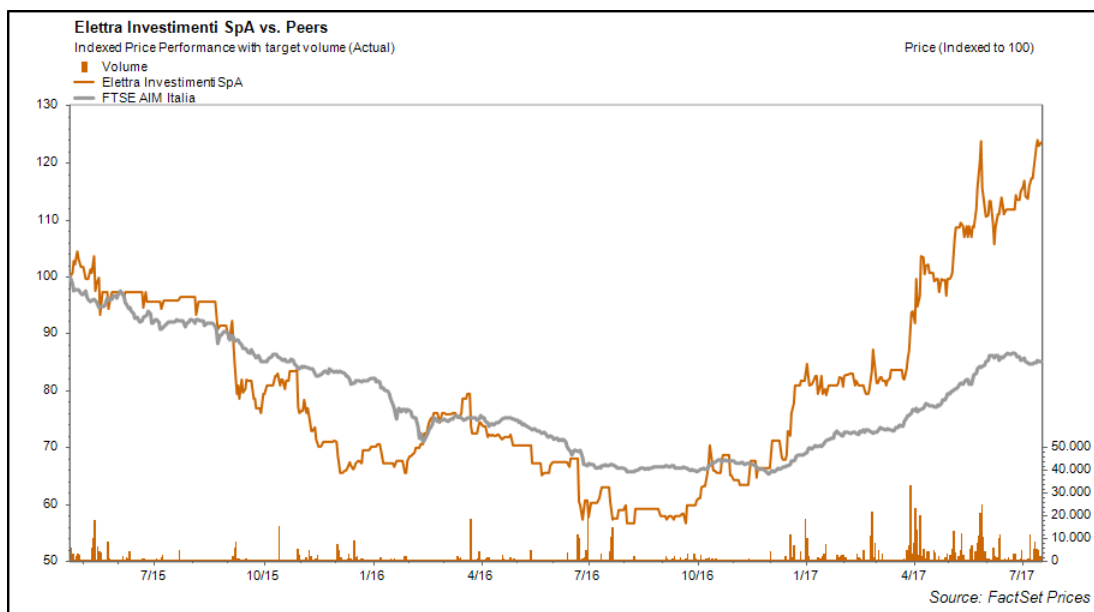
ISIN: IT0004745607

Outstanding Shares: 3,835,836

Price: 7.63 Eu

Performance from IPO: **+27%**

Capitalisation: 29.3 Eu m



Since the IPO, share price declined, substantially in line with benchmark (Ftse AIM Italia index). It began to increase at the end of 2016, and jumped after Tholos acquisition in December 2016 and the Investor Day in early June 2017.

DISCLAIMER**UPDATES**

This Research is the first coverage made by IR Top Consulting S.r.l. (IR Top) on ELETTRA INVESTIMENTI (the "Company"). Update frequency might depend on circumstances considered to be important (corporate events and changes of recommendation, etc.) or on further advisory commitment. Opinions and estimates of this Research are as the date of this material and are subject to change. Information and opinions have been obtained from sources public and believed to be reliable, but no warranty is made as to their accuracy or correctness. Past performances of the Company are not guarantee of future results.

VALUATION METHODOLOGY (HORIZON: 12M) IR Top obtained a fair value using different valuation methodologies including Discounted Cash Flow method and Multiple-based models.

Moreover, IR Top used a proprietary model, "AIM Positioning rating", which incorporates a number of variables selected by IR Top based on research of "Osservatorio AIM Italia", managed by IR Top and focused on research about performance of Companies listed on AIM Italia.

Detailed information about the valuation or methodology and the underlying assumptions and information about the proprietary model used is accessible at IR Top premises.

RESEARCH TEAM

Luisa Primi, (Senior Analyst, AIAF Associated)

Claudia Zolin, (Analyst)

Chiara Cardelli, (Researcher)

No other people or companies participated or anyhow contributed to the Research. Neither the members of the research team, nor any person closely associated with them have any relationships or are involved in circumstances that may reasonably be expected to impair the objectivity of the Research, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them, who was involved in producing the Research.

INTERESTS INVOLVED AND CONFLICTS

This document has been prepared by IR Top, *Partner Equity Markets* of Italian Stock Exchange, part of LSE Group, on behalf of the Company according to a contract, under which IR Top undertook to prepare this report expressing only independent, fair and balanced views on the Company. The fees agreed for this Research do not depend on the results of the Research.

This Research has been disclosed to the issuer to which the Research, directly or indirectly, relates before its release. It is incumbent on the Company to provide timely and constructive feedback on draft Research prior to publication. It is IR Top's sole discretion as to whether comment and feedback from the Company is incorporated into the Research prior to publication and where it is, a further iteration to the draft will be sent to the Company for comment.

IR Top is also engaged in investor relations services in the interest of the Company and might occasionally be involved in other consulting activities intended to increase the value of the Company. In any case, Chinese Walls and other information barriers are in place to avoid the exchange of confidential information between the Equity Research Department and other services areas; employees and advisors involved in such services have restrictions preventing them from the access to confidential information that can not be published.

IR Top restricts research analysts from performing roles, which could prejudice the independence of their research. In particular:

- they are permitted to attend and speak at widely attended conferences or other widely attended events at which IR Top colleagues and clients, among others, may also be present, provided that their independence may not be affected. These widely-attended conferences/events may include some investor presentations by clients of investor relations services.

- Analysts are also permitted to attend and speak at conference calls or meetings between analysts and bankers, investors or customers in which are discussed Research reports already published or general view on specific sectors. In such cases, at the start of that meeting, bankers, investors or customers need to be clarified that the discussion cannot involve the communication of privileged information to the analyst as the analyst would be prohibited from producing new research report on the companies whose privileged information has been disclosed.

Members of the Research Team do not receive salaries, commissions, bonuses or any other form of compensation based upon specific investment banking transactions or securities' performances.

IR Top and the members of the Research Team do not have any further interest or conflict of interest directly or indirectly related with the Research, the Company or the securities, that may reasonably be expected to impair the objectivity of the Research.

There are no other interests or conflicts of interest of any person belonging to the same group of IR Top that are: (a) known, or reasonably expected to be known, to the persons involved in the production of the recommendation; or (b) known to persons who, although not involved in the production of the recommendation, have or could reasonably be expected to have, access to the recommendation prior to its completion.

In any case, as a general Policy, nobody of the Research Team nor IR Top is allowed to have a financial interest in the securities of the client company or serve as an officer, director or advisory board member of the client company.

Analysts must not undertake personal transactions on financial instruments that are object of the investment research or that relate to the same industry. Exceptions may be made with the prior approval of IR Top's CEO in special circumstances such as for disposal of (a) positions already held before the employment or before the implementation of the company policy, or when initiating coverage and (b) positions obtained as a result of the issuer extraordinary activities. By the way, when analysts hold instruments to which Equity Research relates, they are required to disclose their interests in Research reports. Any trades that analysts make must be in line with their recommendation(s), contained in the last published Research. An analyst is prohibited from producing a Research on an issuer if the analyst carries out activities for which he receives compensation from the issuer. If an analyst's household member / relative / relative in-law (within the second degree) serves in such a high capacity for the issuer (i.e. manager or director), the analyst has to inform IR Top's CEO and the analyst will cease covering the issuer.

POLICY

IR Top has in place a "Joint conflict management policy" in order to effectively manage any conflicts of interest, and an "Equity Research Policy", in order to rule research services in compliance with Parliament Regulation (EU) no.596/2014 and Commission Delegated Regulation (EU) no. 958/2016 on Market Abuse.

IR Top has adopted the "Joint conflict management policy" in accordance with best practice regarding "information barriers" to restrict the flow of information to prevent the misuse of information and/or prevent any conflicts of interest arising from other activities of IR Top. A copy of these policies is available to the recipient of this Research upon making a request to IR Top by e-mail.

DISCLAIMER

This report has been prepared solely for information purpose and is not intended as an offer or solicitation with respect to the purchase or sale of any financial products. It should not be regarded as a substitute for the exercise of the recipient's own judgment. IR Top does not accept any liability for any direct, consequential or indirect loss arising from any use of material contained in this report. This document may only be reproduced or published together with the name of IR Top.

Opinions and estimates in this Research are as at the date of release and are subject to change without notice to the recipient. Information and opinions have been obtained from sources believed to be reliable, but no representation or warranty is made as to their accuracy or correctness. Past performance is not a guarantee of future results. The investments and strategies discussed in this Research may not be suitable for all investors. In any case, you should consult your investment advisor.

This document is intended for distribution only to E.U. "qualified investors" and to "qualified counterparties" resident in Italy, within the meaning of article 2(1)(e) of the prospectus directive (directive 2003/71/EC) and Consob Reg. 16190, as subsequently amended and supplemented; its distribution in USA, Canada, Australia, Japan is not allowed.

In Italy, this document is being distributed only to, and is directed at qualified investors within the meaning of article 100 of legislative decree no. 58 of 24 February 1998, as amended, and article 34-ter, paragraph 1, letter b), of Consob regulation on issuers no. 11971 of May 14, 1999, provided that such qualified investors will act in their capacity and not as depositaries or nominees for other shareholders, such as persons authorized and regulated to operate in financial markets, both Italian and foreign.

DISTRIBUTION

In the United Kingdom, this document is not for distribution to persons that would be defined as private customers under rules of the FSA; it is for distribution only to persons who: (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the financial promotion order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FINANCIAL SERVICES AND MARKETS ACT 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons").

This document is not addressed to any member of the general public and under no circumstances should this document circulate among, or be distributed to (i) a member of the general public, (ii) individuals or entities falling outside the definition of "qualified investors" as specified above or (iii) distribution channels through which information is or is likely to become available to a large number of persons.

IR TOP CONSULTING SPECIFIC DISCLOSURES

We disclose that IR Top acts as Investor Relations and Financial Communication advisor for the Company.

IR Top S.r.l.

Via C. Cantù, 1 – 20123 Milan

Telephone +39 02 45473884/3

info@irtop.com

www.irtop.com