ATON

IPO Research

MAY 14TH 2021, MILAN

Giuseppe Marsella
giuseppe.marsella@alantra.com
+39 02 63 671 620

Gianpiero Di Perna
gianpiero.diperna@alantra.com
+39 02 63 671 624

Simone Pozzi
simone.pozzi@alantra.com
+39 02 63 671 621

ALANTRA
Italian Equity Research

ALANTRA

Alantra Capital Markets
Sociedad de Valores SA
Italian Branch
via Borgonuovo, 16
20121 Milano
T.: +39 02 63 67 16 01
www.alantra.com

Milan, May 14th 2021

Dear Investor,

RE: **Research Report**

Attached please find a copy of a research report in relation to ATON Green Storage S.p.A.

Please be aware that neither this document nor any copy of it may be taken, transmitted into or distributed in (i) the United States or its territories or possessions, nor may it be distributed to individuals who are U.S. residents, corporations or other entities organized under the laws of the United States or any State thereof or non-US branches or agencies of any such corporations or entities, (ii) Canada, (iii) Japan or (iv) Australia to any resident thereof. In addition to the above, please be aware that the distribution of this document in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restriction.

Any failure to comply with these restrictions may constitute a violation of the laws of any such other jurisdiction.

This document is being furnished to you solely for your information and may not be reproduced or redistributed to any person. This document does not constitute an offer or invitation to subscribe for or purchase any securities and neither shall this document nor anything contained herein form the basis of any contract or commitment whatsoever.

Very truly yours,

Alantra Capital Markets S.V. SA

ATON

Solar power is nothing without storage

IPO Research

Sector: Industrial

RBESS will play a key role in energy transition and ATON has gained a leading position in the Italian market with its all-in-one custom-made storage systems. We expect strong growth of top line (58% 20-23 CAGR) and see many M/L term options. Financial resources from the planned IPO should support business development, new products and R&D

- **Leading Italian producer of RBESS (Residential Battery Energy Storage Systems).** Leveraging on a long expertise in industrial applications (14% of 2020 sales), ATON has become an Italian leader in the production of RBESS (86%), with 11% market share on 15-19 installed capacity. ATON has strong credentials with large multiutilities (ENEL, Sunzil, Sorgenia) at 55% of 2020 sales and it is growing with installation companies (31%). The recently launched B2C business (general contracting under the 110% fiscal incentive) completes the offer (ca. 20% of 21E sales).

- **Booming reference market supported by structural trends.** RBESSs (coupled with roof-top solar PV) increase self-consumption and reduce the electricity bill. They also provide other benefits to consumers and grid operations and play a key role with Electric Vehicles (EVs). The reference market should explode, driven by: 1) new solar PV capacity; 2) government incentives; 3) sharp decline of components' price; 4) ramp-up of EVs. Current 0.17 GWh Italian installed capacity of RBESS is ambitiously planned to reach 2.3GWh in 2025 and 6.0GWh in 2030 (43% 20-30 CAGR).

- **Flexible, tailor made, high quality all-in-one solutions.** ATON's products (powered by proprietary software) compete with those of international players (including Sonnen and Tesla). The group differentiates on: 1) flexibility / customisation, which allows strong links with multiutilities and references with installation companies; 2) compliance and anticipation of local regulation. Entry barriers should prevent the advent of newcomers: 1) mix of technical / entrepreneurial / financial resources; 2) references with multiutilities; 3) set-up of the procurement network; 4) learning curve in software development. Large local utilities could prefer M&A to start-up a new business in our view.

- **Ramp-up of storage, new business lines and products.** ATON should consolidate its Italian leadership (>80% of our 58% FY20-23e sales CAGR) and continue to invest in R&D. The new B2C division, driven by 110% fiscal incentive, should contribute 13%. Stronger than expected market growth, opportunities in large scale-residential segment and "energy communities", new products (a charger station and a plug&play photovoltaic system are already in the pipeline) and data monetization from the own installed base of BESS are upside risks.

- **Front-end loaded top line CAGR and strong margin expansion.** Top line grew by 3x in 2019 but it was down 13% in 2020 (hit by the virus outbreak and lockdowns). We expect strong recovery in 2021 (up >130%) and 58% 2020-2023e CAGR. Positive gross margin trend (declining price of components not completely passed on in a booming market), operational leverage and sales mix should trigger EBITDA margin at 20% in 2021E and further expansion afterwards (23% in 2023E). Control of inventory (from 2020 extraordinary level) should allow FCF generation in 2020-23, despite growth and R&D investments. Net Debt / EBITDA should be under control at 0.6x in 2023E from 1.6x in 2021E.

- **Valuation approach**. We believe that investors can look at other Italian industrial stocks positively exposed to green / energy transition. We have selected Carel, Comal, Seri, Reno de Medici, LU-VE and Zignago. Listed producers of battery storage systems and providers of batteries and inverters (key components of BESS) can also offer good benchmarks. DCF is an alternative to capture the long-term potential of ATON. IPO multiples of recent deals of similar size on AIM Italia can also be a good valuation reference (including IPO discount).

Head of Research
Giuseppe Marsella
giuseppe.marsella@alantra.com
+39 02 63 671 620

Gianpiero Di Perna
gianpiero.diperna@alantra.com
+39 02 63 671 624

Simone Pozzi
simone.pozzi@alantra.com
+39 02 63 671 621

IPO Disclaimer

THIS DOCUMENT IS BEING FURNISHED TO YOU SOLELY FOR YOUR INFORMATION ON A CONFIDENTIAL BASIS AND MAY NOT BE REPRODUCED, REDISTRIBUTED OR PASSED ON, IN WHOLE OR IN PART, TO ANY OTHER PERSON. IN PARTICULAR, NEITHER THIS DOCUMENT NOR ANY COPY THEREOF MAY BE TAKEN OR TRANSMITTED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, INTO CANADA OR JAPAN OR TO ANY RESIDENT THEREOF OR INTO THE UNITED STATES, ITS TERRITORIES OR POSSESSIONS. THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTIONS. SUBJECT TO THE LIMITED EXCEPTIONS SET OUT BELOW, NEITHER THIS DOCUMENT NOR ANY COPY HEREOF MAY BE TAKEN OR RETRANSMITTED IN OR INTO AUSTRALIA OR REDISTRIBUTED, DIRECTLY OR INDIRECTLY, IN AUSTRALIA. ANY FAILURE TO COMPLY WITH THESE RESTRICTIONS MAY CONSTITUTE A VIOLATION OF THE LAWS OF THE UNITED STATES, CANADA, JAPAN, OR AUSTRALIA OR ANY SUCH OTHER JURISDICTION.

THIS DOCUMENT DOES NOT CONSTITUTE OR FORM PART OF, AND SHOULD NOT BE CONSTRUED AS, AN OFFER OR INVITATION TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES, AND NEITHER THIS DOCUMENT NOR ANYTHING CONTAINED HEREIN SHALL FORM THE BASIS OF OR BE RELIED ON IN CONNECTION WITH OR ACT AS ANY INDUCEMENT TO ENTER INTO ANY CONTRACT OR COMMITMENT WHATSOEVER. THIS DOCUMENT HAS NOT BEEN PUBLISHED GENERALLY AND HAS ONLY BEEN MADE AVAILABLE TO INSTITUTIONAL INVESTORS. ANY DECISION TO PURCHASE OR SUBSCRIBE FOR SECURITIES IN ANY OFFERING MUST BE MADE SOLELY ON THE BASIS OF THE INFORMATION CONTAINED IN THE OFFERING DOCUMENTATION (AND ANY SUPPLEMENTS THERETO) ISSUED IN CONNECTION WITH SUCH OFFERING.

THIS DOCUMENT IS FOR DISTRIBUTION IN ITALY ONLY TO QUALIFIED INVESTORS PURSUANT TO ARTICLE 100 OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998, AS AMENDED, AND AS DEFINED IN ARTICLE 34-TER OF CONSOB REGULATION NO. 11971 AND AS INTEGRATED BY ARTICLE 35, PARAGRAPH 1, LETTER D) OF CONSOB REGULATION NO. 20307 OF 15 FEBRUARY 2018. THIS DOCUMENT MAY NOT BE DISTRIBUTED TO (I) A MEMBER OF THE GENERAL PUBLIC; (II) DISTRIBUTION CHANNELS, THROUGH WHICH INFORMATION IS, OR IS LIKELY TO BECOME AVAILABLE TO A LARGE NUMBER OF PERSONS; OR (III) INDIVIDUALS OR ENTITIES FALLING OUTSIDE THE DEFINITIONS OF "QUALIFIED INVESTORS" AS SPECIFIED ABOVE.

THIS DOCUMENT HAS BEEN PRODUCED INDEPENDENTLY OF ATON GREEN STORAGE S.P.A (THE "COMPANY") AND ITS SHAREHOLDERS AND SUBSIDIARIES, IF ANY, AND AFFILIATES, AND ANY FORECASTS, OPINIONS AND EXPECTATIONS CONTAINED HEREIN ARE ENTIRELY THOSE OF ITS AUTHOR AND ARE GIVEN AS PART OF ITS NORMAL RESEARCH ACTIVITY AND SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORISED OR APPROVED BY ANY OTHER PERSON. ALANTRA CM ITALIAN BRANCH HAS NO AUTHORITY WHATSOEVER TO MAKE ANY REPRESENTATION OR WARRANTY ON BEHALF OF THE COMPANY, ITS SHAREHOLDERS, ITS SUBSIDIARIES, IF ANY, ITS AFFILIATES, THEIR RESPECTIVE ADVISERS, OR ANY OTHER PERSON IN CONNECTION THEREWITH. WHILE ALL REASONABLE CARE HAS BEEN TAKEN TO ENSURE THAT THE FACTS STATED HEREIN ARE ACCURATE AND THAT THE FORECASTS, OPINIONS AND EXPECTATIONS CONTAINED HEREIN ARE FAIR AND REASONABLE, ALANTRA CM ITALIAN BRANCH HAS NOT VERIFIED THE CONTENTS HEREOF AND ACCORDINGLY NONE OF ALANTRA CM ITALIAN BRANCH, THE COMPANY, ITS SHAREHOLDERS, ITS SUBSIDIARIES, IF ANY, ITS AFFILIATES, THEIR RESPECTIVE ADVISERS OR ANY OTHER PERSON IN CONNECTION THEREWITH NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS OR EMPLOYEES, SHALL BE IN ANY WAY RESPONSIBLE FOR THE CONTENTS HEREOF AND NO RELIANCE SHOULD BE PLACED ON THE ACCURACY, FAIRNESS, OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DOCUMENT. NO PERSON ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM THE USE OF THIS DOCUMENT OR OF ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION THEREWITH.

ALANTRA CM ITALIAN BRANCH IS OR MAY BE A MANAGER IN RESPECT OF A PROPOSED OFFERING OF SECURITIES BY THE COMPANY.

ALANTRA CM ITALIAN BRANCH (OR ITS OFFICERS, DIRECTORS OR EMPLOYEES) MAY, TO THE EXTENT PERMITTED BY LAW, HAVE A POSITION IN THE SECURITIES OF (OR OPTIONS, WARRANTS OR RIGHTS WITH RESPECT TO, OR INTEREST IN THE SHARES OR OTHER SECURITIES OF) THE COMPANY AND ALANTRA CM ITALIAN BRANCH MAY MAKE A MARKET OR ACT AS A PRINCIPAL IN ANY TRANSACTION IN SUCH SECURITIES.

Index

Summary Financials

P&L account (Eu mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Value of Production	8.9	8.3	17.9	24.8	29.5
Gross margin	na	na	na	na	na
EBITDA reported	0.3	0.1	3.5	5.5	6.9
D&A	(0.9)	(1.0)	(1.0)	(1.2)	(1.7)
EBIT reported	(0.5)	(1.1)	2.5	4.3	5.2
Net financial charges	(0.1)	(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	(0.6)	(1.2)	2.3	4.1	5.0
Taxes	0.2	0.3	(0.7)	(1.1)	(1.4)
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	(0.4)	(1.0)	1.7	2.9	3.6
EBITDA adjusted	**0.3**	**0.1**	**3.5**	**5.5**	**6.9**
EBIT adjusted	**(0.5)**	**(1.1)**	**2.5**	**4.3**	**5.2**
Net profit adjusted	**(0.4)**	**(1.0)**	**1.7**	**2.9**	**3.6**

Margins (%)	FY19A	FY20A	FY21E	FY22E	FY23E
Gross margin	na	na	na	na	na
EBITDA margin (adj)	3.7%	1.2%	19.6%	22.1%	23.4%
EBIT margin (adj)	-6.1%	-12.8%	14.0%	17.2%	17.7%
Pre-tax margin	-7.2%	-14.8%	13.1%	16.5%	17.1%
Net profit margin (adj)	-4.9%	-11.6%	9.4%	11.9%	12.3%

Growth rates (%)	FY19A	FY20A	FY21E	FY22E	FY23E
Sales	nm	-7.4%	116.5%	38.4%	19.0%
EBITDA	nm	-70.3%	3522.1%	56.0%	25.9%
EBITDA adjusted	nm	-70.3%	3522.1%	56.0%	25.9%
EBIT	nm	95.1%	-338.2%	69.6%	22.1%
EBIT adjusted	nm	95.1%	-338.2%	69.6%	22.1%
Pre-tax	nm	90.5%	-291.1%	74.7%	23.0%
Net profit	nm	118.5%	-275.5%	74.7%	23.0%
Net profit adjusted	nm	118.5%	-275.5%	74.7%	23.0%

Cash flow (Eu mn)	FY19A	FY20A	FY21E	FY22E	FY23E
EBITDA reported	0.3	0.1	3.5	5.5	6.9
Net financial charges	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Cash taxes	0.2	0.3	(0.7)	(1.1)	(1.4)
Ch. in Working Capital	(2.9)	2.0	(1.5)	(0.6)	(0.9)
Other operating items	0.1	0.1	0.0	0.1	0.0
Operating cash flow	**(2.4)**	**2.2**	**1.2**	**3.7**	**4.4**
Capex	(0.8)	(0.8)	(1.0)	(2.7)	(3.1)
FCF	**(3.2)**	**1.4**	**0.2**	**0.9**	**1.3**
Disposals/Acquisitions	0.0	0.0	0.0	0.0	0.0
Changes in Equity	4.0	0.0	0.6	0.0	0.0
Others	(0.0)	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Ch. in NFP	**0.7**	**1.4**	**0.7**	**0.9**	**1.3**

Ratios (%)	FY19A	FY20A	FY21E	FY22E	FY23E
Capex/VoP	**8.8%**	**10.1%**	**5.7%**	**11.0%**	**10.6%**
Capex/D&A	0.9x	0.9x	1.0x	2.2x	1.8x
FCF/EBITDA	-983.8%	1441.2%	5.1%	17.3%	18.9%
FCF/Net profit	731.1%	-145.4%	10.7%	32.1%	35.9%
Dividend pay-out	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**

Balance sheet (Eu mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Working capital	8.7	6.5	8.0	8.6	9.6
Fixed assets	2.2	2.1	2.0	3.6	5.0
Provisions & others	(0.3)	(0.3)	(0.3)	(0.5)	(0.5)
Net capital employed	**10.6**	**8.3**	**9.8**	**11.8**	**14.1**
Net debt/(Net cash)	**7.8**	**6.4**	**5.7**	**4.7**	**3.4**
Equity	2.8	1.8	4.1	7.0	10.6
Minority interests	0.0	0.0	0.0	0.0	0.0

Ratios (%)	FY19A	FY20A	FY21E	FY22E	FY23E
Working capital/VoP	**97.1%**	**78.6%**	**44.8%**	**34.9%**	**32.4%**
Net debt/Equity	**281.4%**	**353.4%**	**139.9%**	**67.6%**	**32.4%**
Net debt/EBITDA	**24.0x**	**66.4x**	**1.6x**	**0.9x**	**0.5x**

Source: Company data, Alantra estimates from 2020

SWOT

Attractive business profile

Strengths
Pioneer in the Italian market of all-in-one RBESS
Strong references with national and multinational utilities
Quality "made in Italy" value proposition with installation companies

Weaknesses
Low scale compared to international leaders
Relatively high concentration of clients and suppliers
High net working capital requirements

Opportunities
Development of a B2C energy efficiency offer
Development of products and services dedicated to energy communities
Enlargement of the product portfolio (charger stations and Plug&Play PV systems)

Threats
Stronger competition in Italy from large international players
Disruption of the supply chain and price pressure from large clients
Margin pressure on the B2C division as soon as 110% fiscal incentive is over

Source: Alantra

Executive Summary

RBESS will play a key role in energy transition and ATON has gained a leading position in the Italian market with its all-in-one custom-made storage systems, powered by proprietary software. We expect strong growth of top line (58% 20-23 CAGR) and see many M/L term options.

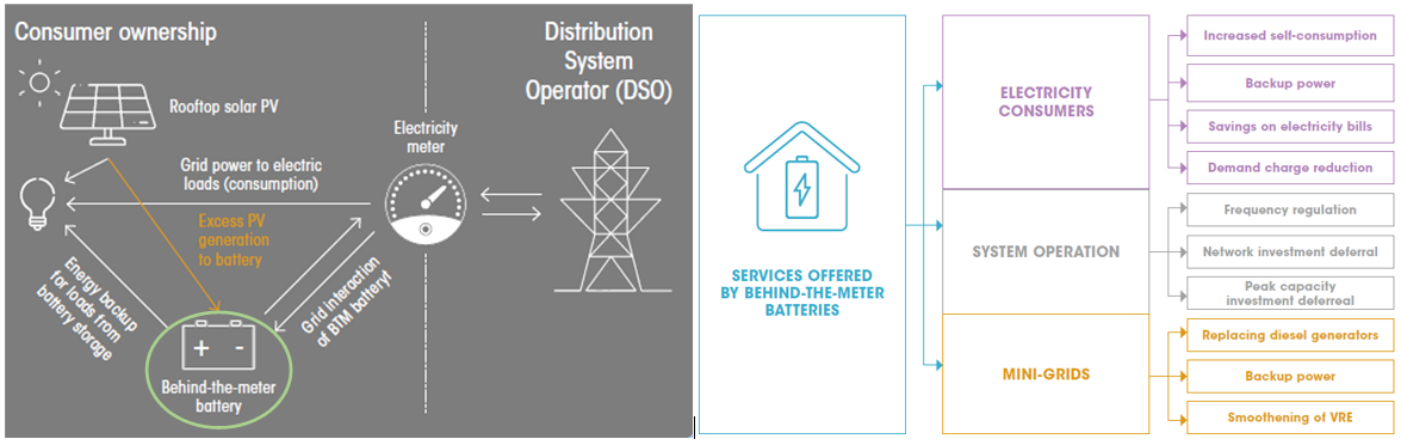
Financial resources from the planned IPO should support business development and R&D.

BESSs provide many benefits to consumers and electricity system operation

A BESS is a type of energy storage power station that uses a group of batteries to store electrical energy. Small scale BESSs are used by commercial, industrial and residential customers, usually in combination with roof-top solar PV, with the main purpose to increase self-consumption and reduce the electricity bill. Small-scale BESSs bring additional benefits to consumers, including back-up power and demand charge reduction. In addition, they provide benefits to the system operation, allowing network / peak-capacity investment deferral and frequency regulation. Finally, BESSs can play a key role in relation to Electric Vehicles (EVs).

BESSs provide many benefits to consumers and electricity system operation

Configuration of a grid connected residential energy storage and benefits



Source: Italian Integrated National Energy and Climate Plan C

ATON is a leading provider of Residential BESS in Italy

ATON is the Italian first mover in the design and production of Residential Battery Energy Storage Systems (RBESS) and a leading player with 11% share in Italy (based on total systems installed in 2015-19). Leveraging on a strong know-how in its legacy industrial business (14% of 2020 sales), the company launched its first RBESS in 2014. Following the same path of global leaders (e.g. Sonnen, Tesla), ATON developed a full range of "all-in-one" fully-integrated solutions made up of battery modules and inverters sourced from large manufacturers and integrated by in-house developed hardware and software (the so-called Energy Management System - EMS). Integrated storage solutions with performance and functionalities comparable to those of renowned brands, but with higher flexibility, customization and better pricing allowed ATON to be chosen as preferred supplier by large Italian and international multiutilities: ENEL X from 2018, Sunzil (JV of EDF and Total) from 2019 and Sorgenia from 2020. Important references with large multiutilities (55% of 2020 sales) opened-up supply agreements with local EPC/general contractors (31%), which are further accelerating growth and reducing customer concentration. ATON posted Eu7.2mn sales in 2020, after 54% 2018-2020 CAGR (versus +21% of the Italian market). In 2021, ATON has launched a new business line (general contracting on turn-key domestic energy efficiency projects).

ATON's 2020 sales by division and client

ATON delivered Eu7.2m sales in 2020 (86% in the Storage business) The group boasts a diversified portfolio of customers, including multiutilities, installation companies and industrial players. The B2C business should contribute to further diversification from 2021

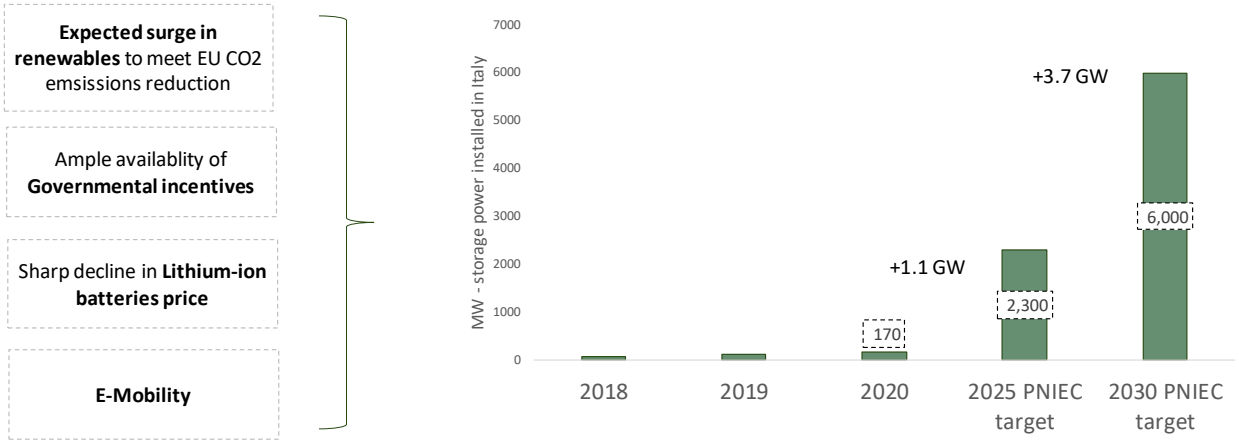
Source: Company presentation

A booming trend is expected in the reference market, supported by strong drivers

Residential Battery Energy Storage Systems are still in early days of their development and have huge potential. First residential BESSs installed in Italy date back to 2015. Since then ca 37k systems were installed. We believe that positive catalysts should support energy storage systems installations in Italy over the coming years: 1) the upcoming acceleration in the rollout of solar PV systems, given the challenging emissions reduction targets set by the EU; 2) Extraordinary governmental incentives (namely Superbonus 110%); 3) the sharp price reduction expected for Lithium-ion batteries driving BESS toward *grid-parity* (prices declined 90% between 2010 and 2020 and are expected to further decline 30% by 2023); 4) the accelerating diffusion of electric vehicles (ca 10% of total auto sales were plug-in powered in March 2021). The Italian Integrated National Energy and Climate Plan (PNIEC) is pointing to >400MW of yearly storage power installations between 2020-2025 and ca 700MW between 2025-2030, much higher figures if compared to the 170MW of cumulated storage power installed so far. Italy, which has been laggard as compared to other European countries (e.g. Germany) as of BESS deployment, despite a highly favorable environment for PV installations (lowest LCOE in Europe), is now best placed to see this market surging.

RBESS Installations – Italy is now ready to see this market surging

Expected acceleration in PV rollout, governmental incentives, batteries price deflation and e-mobility are only some of the trends supporting a surge in energy storage systems installations in Italy over the coming years



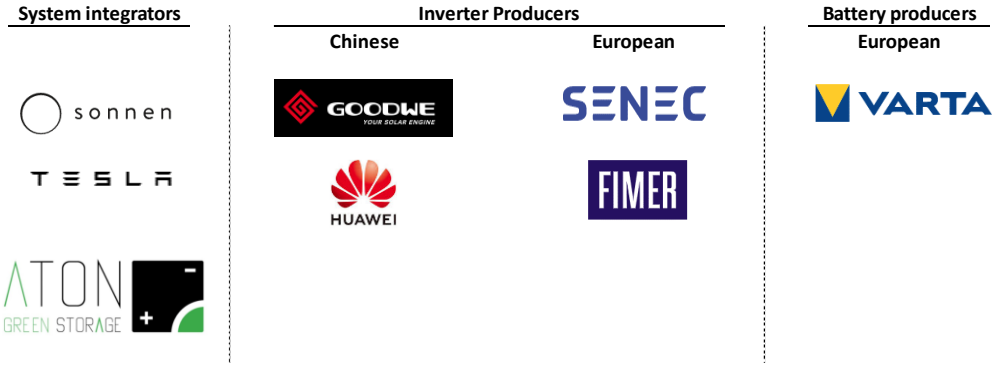
Source: Alantra, ANIE Rinnovabili, PNIEC

ATON offers flexible, tailor made, high quality all-in-one solutions

ATON has installed 2,830 storage systems in Italy over 2015-19, with an estimated market share of 11%. We estimate that, taking into account only installations powered by *intelligent* storage systems, market share would be up to above 25%. ATON competes with the two global pioneers in RBESS: the German Sonnen (100% owned by Shell group from 2019) and Tesla. In addition, other national and international groups active in the production of batteries and inverters are developing all-in-one storage systems. ATON's products are competitive in terms of quality and functionalities, but we believe that the real advantage in the Italian market is represented by: 1) flexibility/customization, which has favored the business with multiutilities. ATON sells white label products to ENEL X under specifications defined by the utility; 2) value proposition with installation companies: quality "made in Italy" products with strong references with national and international utilities; 3) local presence and network, which allows the anticipation of local regulatory changes. We believe that entry barriers will prevent the advent of newcomers from scratch in the market: 1) required mix of technical / entrepreneurial expertise and financial resources; 2) references with large multiutilities; 3) set-up of the procurement network; 4) learning curve in software development. Large local utilities could also decide to expand in the storage business, but we believe that they could use M&A as a short-cut instead of developing the business from scratch (as the Sonnen / Shell deal testifies). ATON could become a target in this scenario.

Competitive landscape for "all-in-one" RBESS

Sonnen and Tesla were global first movers (ATON in Italy), while inverter and battery producers are following, with the launch of proprietary solutions in 2020-2021



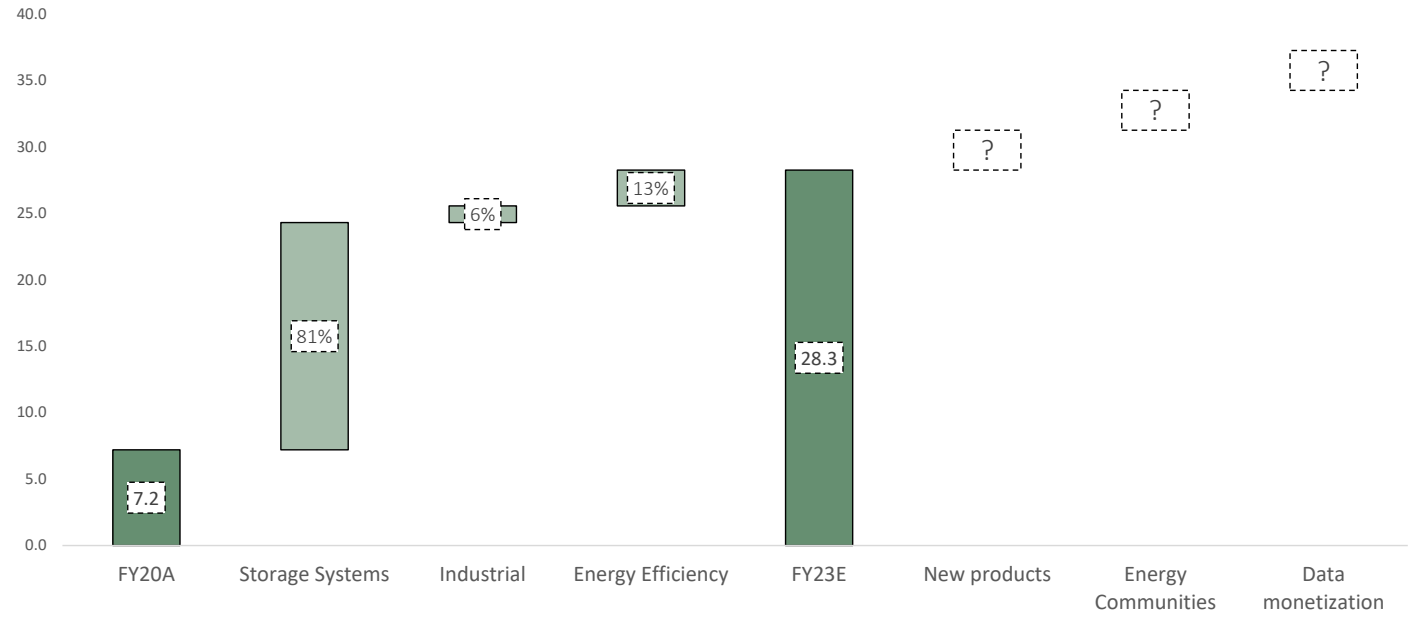
Source: Alantra

Ramp-up of storage, new business lines and products in the next few years

ATON aims to consolidate its leadership in domestic energy storage systems in Italy, continuing to invest in R&D and enlarging its installed base. The group is now serving largest Italian multiutilities and several installation companies in the country and it is well-equipped to ride the RBESS Italian wave. Energy storage system should contribute to >80% of revenues expansion over FY20-23e period. The residual share of revenues growth should come from the recently launched B2C Energy Efficiency business (13%) and the Industrial "legacy" solutions (6%). Internally developed energy storage management software is a key activity of ATON. The company invested >Eu2.0mn in R&D over 2018-2020 period. We expect R&D efforts to continue and further accelerate over the coming years, as the company is planning to improve its product offering, addressing large scale-residential users to catch the opportunities offered by the so called "energy communities". ATON is also actively working on new products development which should be launched over the coming years. The two main products ready to be launched are (i) a charger station with patented bidirectional energy flow technology (building-to-vehicle / vehicle-to-building); (ii) a plug & play photovoltaic system to be installed on balconies to sustain daily energy consumption of domestic users. Finally, we believe that ATON could be able to exploit the data collected from its growing installed base of BESS to improve its algorithms and potentially offer value added services (to both B2B and B2C clients).

ATON –2020-2023 top line bridge

81% of our expected 2020-2023 top line growth should come from the development of the storage systems business, 6% from the Industrial business and 13% from the recently launched B2C energy efficiency division. The launch of new products (charger stations and plug&play PV systems), an offer for large scale-residential users and data monetization are mid-term opportunities not included in our estimates



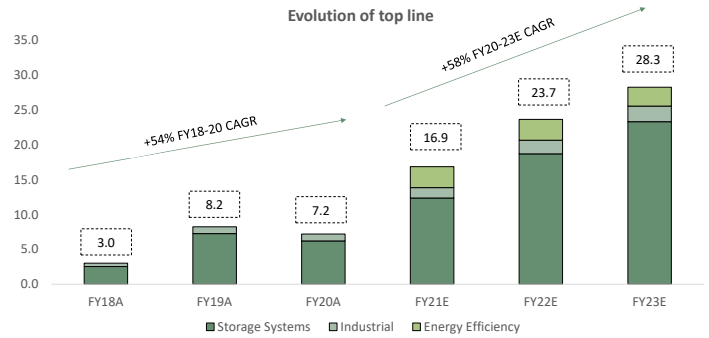
Source: ATON financial data for 2020 figures, Alantra estimates

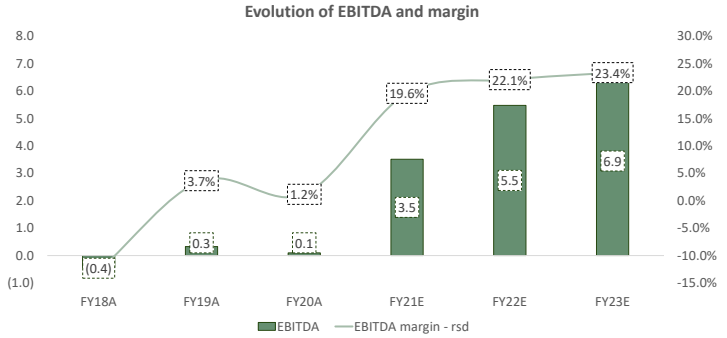
Front-end loaded 58% 2020-23E net top line CAGR and strong margin expansion

ATON's top line was up almost 3x in FY19 versus FY18. By contrast, it was down 13% yoy in FY20, as a result of: (i) Covid-19 related slowdown in storage systems installations and (ii) regulatory uncertainty around fiscal incentives. We believe that ATON is now ready to face a period of strong growth. We expect a rebound of 2021 net sales (up 134% yoy), which is already evident in the results achieved in the first 4m. Growth should continue in the coming years (expected 58% Net revenues CAGR over FY20-23). Declining prices of components (batteries and inverters are ca 70% of raw material costs for ATON), coupled with a less price sensitive demand (supported by fiscal incentives), should be gross margin accretive. The increase in volumes should trigger a positive operating leverage, as the existing structure is already sized to handle business growth. Internalization of design of batteries and inverters should give another contribution to efficiencies. Overall, we expect EBITDA margin to expand from 1.2% in FY20 to 23.4% in FY23 with EBITDA at Eu6.9mn in 2023 (Eu3.5mn in 2021). Financial leverage should amplify the effect on net profit, up to Eu3.6mn in 2023E from net loss of Eu1mn in 2020.

ATON – Strong pop line and EBITDA margin expansion

We expect 58% Net revenues CAGR over FY20-23 (116% yoy growth in 2021E). EBITDA margin should expand from 1% in 2020 to 23% in 2023E (20% in 2021E)





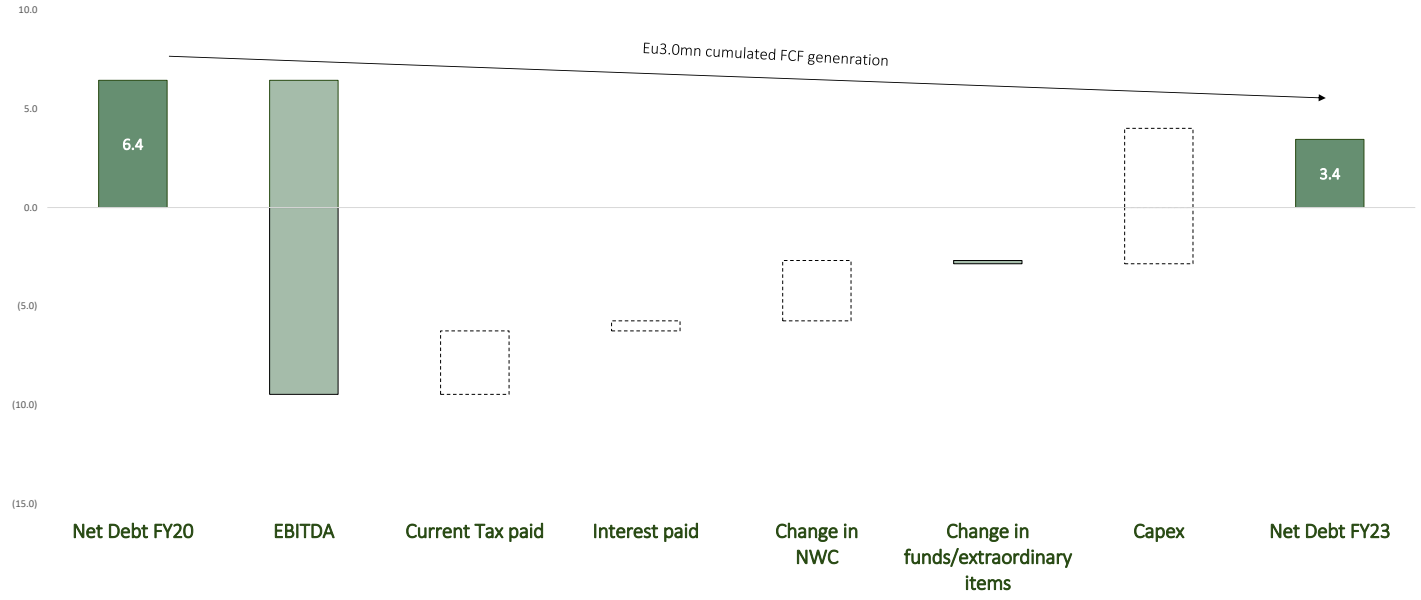
Source: ATON data as for 2018-2020, Alantra Estimates

FCF generation despite growth and R&D

After Eu1.4mn FCF generation in FY20 helped by revenue slowdown, we believe that strict control of WC should allow further de-leverage in the next few years. The expected acceleration of top line growth should absorb some working capital (positive at 50% of sales in 2020, excluding non-commercial items), but while receivables are set to increase, we expect a strong improvement in inventories. The company should come back to normalized levels after inventory build-up at the end of 2020 to face an expected extraordinary demand in 2021. We estimate approx. Eu7mn capex over 2021-23 (average Eu2.3mn per year), as the company should continue to invest in its proprietary control software for (i) energy communities; (ii) grid stabilization; (iii) new end-users needs. Utilization of tax assets in FY21 should be accretive on operating cash flow. Overall, we expect Eu3.0mn cash generation over 2021-23. A mitigation of growth rates and normalization of capex should enhance cash generation profile in the future. EBITDA growth and net debt reduction should improve the group's financial profile: pre-money Net debt/EBITDA ratio should reach 1.6x in 2021 and go down to 0.5x by 2023.

ATON – Net Debt bridge

Despite the strong expected top line growth, WC should benefit from inventories normalization. Significant CAPEX should be needed to improve the proprietary software and support new product developments (a driver of M/L term growth)

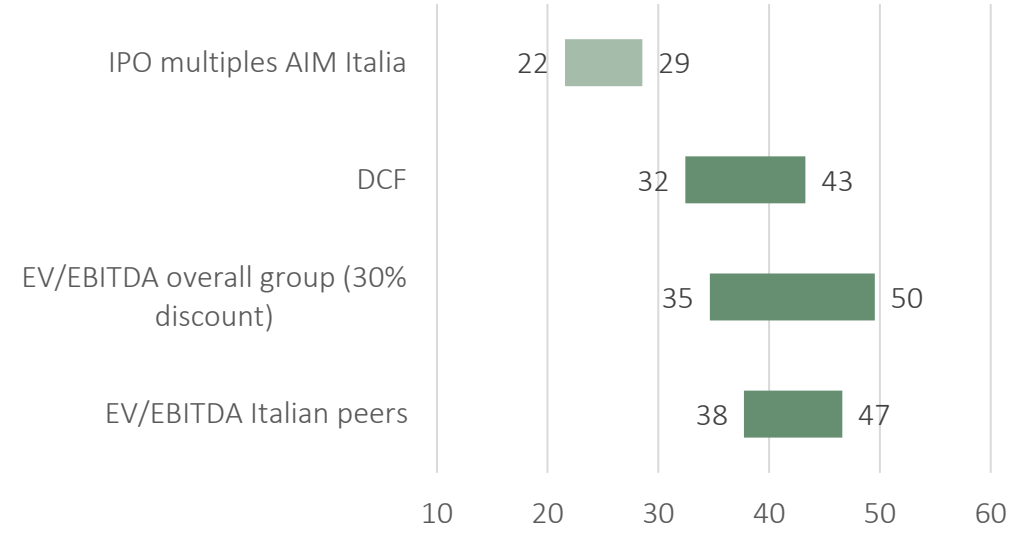


Source: ATON financial data, Alantra estimates

Valuation approach

ATON has no highly comparable companies. We believe that investors can look at other Italian industrial stocks exposed to green / energy transition positive trends. We have selected Carel, Comal, Seri Industrial, Reno de Medici, LU-VE and Zignago Vetro. Listed producers of battery storage systems can also offer a good benchmark. However, they are usually diversified in terms of business mix, are exposed to different local markets and availability of consensus estimates is limited in many cases. Finally, providers of batteries and inverters (key components of BESS) can offer another reference, although players in this sample are usually large and internationally diversified. DCF is a good alternative to capture the long-term potential of ATON's reference market. IPO multiples of recent deals of similar size on AIM Italia can also be a good reference for the valuation of ATON (including IPO discount).

Pre-money equity valuation of ATON based on different approaches



Source: Alantra

Main risks. We believe that the main risks related to ATON's business can be summarised in the following factors: 1) Pressure from large international competitors; 2) Dependence on large multiutility clients; 3) Price pressure on profitability as soon as the 110% fiscal benefit expires; 4) Disruptions in the supply chain; 5) Retention of key managers; 6) Deterioration of commercial credit quality; 7) Technological obsolescence of solar PV technology.

All you need to know about BESS

ATON is an Italian leader in Residential Battery Energy Storage Systems. If you are familiar with solar energy and its storage, you do not really need to read this chapter. If you are not, you find below a summary of all you need to know about BESS

A BESS is a type of energy storage power station that uses a group of batteries to store electrical energy. Small scale BESSs are used by commercial, industrial and residential customers, usually in combination with roof-top solar PV, with the main purpose to increase self-consumption and reduce the electricity bill. Small-scale BESSs bring additional benefits to consumers, including back-up power and demand charge reduction. In addition, they provide benefits to the system operation, allowing network / peak-capacity investment deferral and frequency regulation. Finally, BESSs can play a key role in relation to Electric Vehicles (EVs).

BESS development goes hand in hand with deployment of solar and wind capacity

Battery Energy Storage Systems are emerging as one of the key solutions to effectively integrate high shares of variable renewable energy (solar and wind) in power systems worldwide. Production of electricity from renewable sources (solar and wind in particular) is not dispatchable, as it has a fluctuating nature. A large mismatch can exist between production flows and consumer needs. BESSs allow the storage of excess power when production outpaces demand and its release when demand is higher than production. BESSs can be used in two main applications in the power sector:

1) **Behind-The-Meter (BTM) (or small-scale or residential)** batteries are connected behind the electricity meters for commercial, industrial and residential customers. Residential batteries range in size from 3KW to 5MW and are usually installed with rooftop solar PV. Typically, residential consumers' batteries can reach 5 / 13.5 KWh, whereas a battery for a commercial or industrial system is typically 2 MW / 4 MWh.

Example of a small-scale residential battery installed with a rooftop solar PV

Small-scale batteries are connected behind the electricity meters for commercial, industrial and residential customers

Source: https://www.ebmag.com/

2) In-Front of The Meter or Utility-scale batteries are interconnected with the transmission or distribution network or a generation asset. They are used by system operators to provide ancillary services or network load relief.

Example of a utility-scale battery

In-Front of The Meter or Utility-scale batteries are interconnected with the transmission or distribution network or a generation asset

Source: www.edie.net

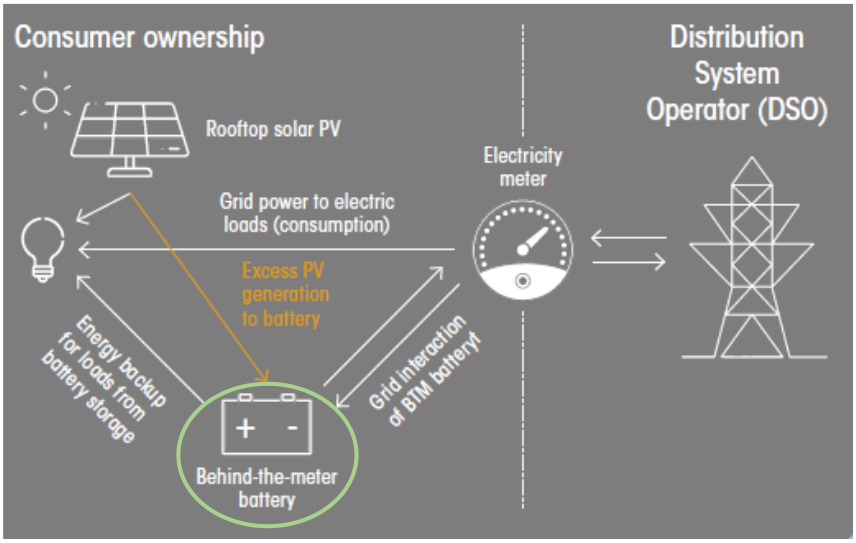
Utility-scale battery systems dominate the power system applications today, but residential systems should represent and increasing share in the future, driven by falling costs, increased rooftop or distributed solar PV, enabling policies, advent of EVs and changes in consumers' culture.

Main value proposition of residential BESSs is the increase in self-consumption and reduction of the electricity bill

A residential battery installed at the consumer's premises can store electricity that either is produced from on-site solar rooftop PV systems (if applicable) or is drawn from the distribution grid, generally when electricity prices are low. This stored electricity can then be used to meet the consumer's electricity needs, or it can be injected back into the distribution grid when electricity prices are high.

Configuration of a grid connected residential energy storage

A residential BESS allows storage of excess of electricity produced by a solar PV and its release when needed. A residential BESS can also withdraw electricity from the system when the price is low and re-inject the excess when the price is high



Source: IRENA

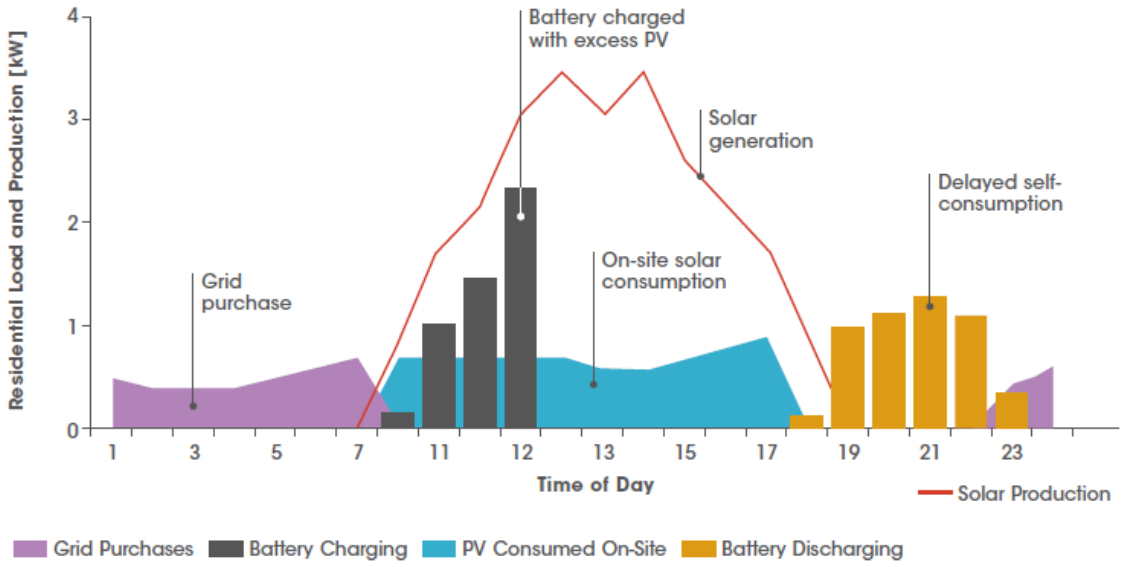
At an initial stage, the key value proposition that led to the initial deployment of residential battery storage systems was their ability to provide **back-up power** to consumers when a black-out occurs in the system. By contrast, the main value proposition today is the usage of a BESS together with a solar PV, in order to **maximize self-consumption** and **reduce the electricity bill**. A solar PV produces electricity during specific hours, usually in excess of the consumer's need:

- Without a BESS, the excess is injected in the system and usually remunerated at a low price (the pure price of electricity) or not remunerated at all in some countries. At the same time electricity consumed in the dark hours needs to be purchased from the network at a high price (including the pure cost of electricity plus the transmission, distribution and dispatching charges);

- With a BESS, the excess of electricity produced during the sunny hours can be stored and used during the dark hours. In this way, self-consumption is maximized and electricity bill minimized.

Typical solar PV production and battery charging/discharging schedule

The main benefit of residential BESS is the increase in self-consumption and the reduction of the electricity bill



Source: IRENA based on Fitzgerald et al., 2015

An additional contribution to reduction of the electricity bill is linked to **demand charge reduction**. Demand charges are generally determined based on the highest electricity usage requirement (in terms of kW) for the consumer within a specified time period (usually ranging from 15 minutes to 3 months). Demand charges can be significant for commercial and industrial consumers, especially during periods of peak demand. BESSs can be used to manage peak loads and reduce demand charges.

Residential BESSs also contribute to system operation and mini-grid systems

On top of the benefits given to consumers, BTM BESS can provide **services to system operation** to integrate higher shares of variable renewable energy (solar and wind) in the grid. Services can include:

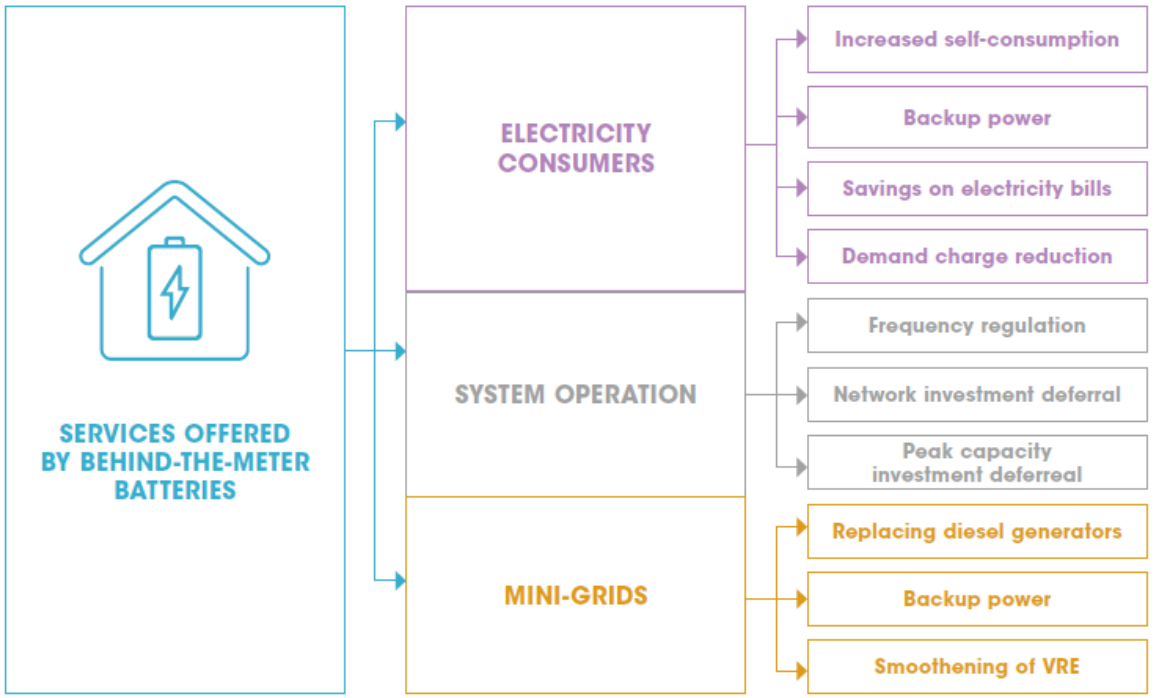
- **Frequency regulation**. Several initiatives exist in which consumers are remunerated for allowing the distribution system operator to withdraw electricity from the battery when needed. Examples include Green Mountain Power's Tesla Powerwall programme in the United States (US) and Eneco's CrowdNett programme in the Netherlands. In addition, batteries are an important tool to offset traditional grid investments in transmission, distribution and generation, by helping to reduce the peak load in the system.

- **Network** and **peak capacity investments deferral**. Distribution and transmission system operators invest to upgrade the system to meet future demand growth and peak demand. BESSs in combination with the right incentives can contribute to reduce the peak demand and related capex.

Finally, in renewable-based **mini-grid systems**, small-scale batteries play an important role in providing stability to the grid and replacing diesel generators.

Benefits provided by BESS

On top of the benefits provided to consumers, residential BESSs are positive for system operation and mini-grids



Source: IRENA

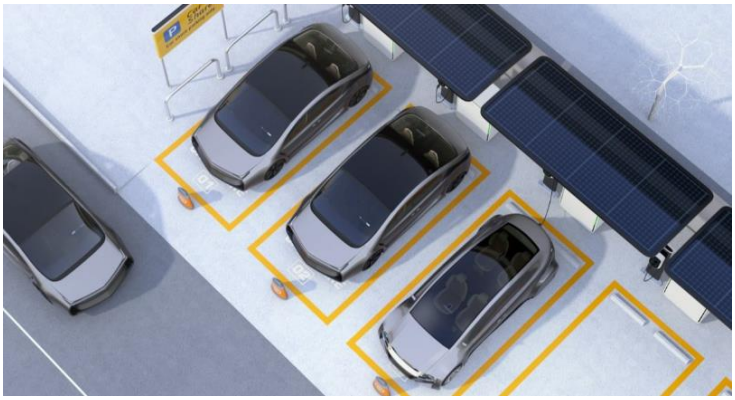
BESSs can also play an important role in relation to EVs

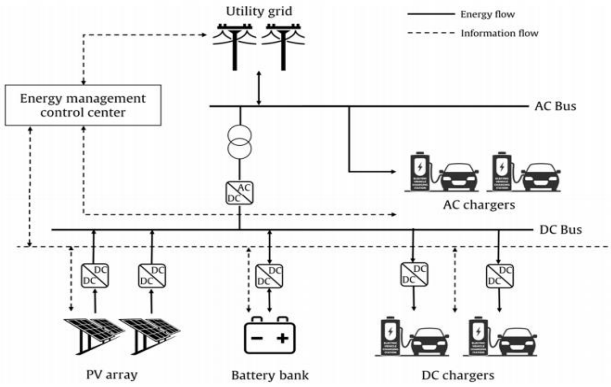
As Electric Vehicles should be, in a near future, a non-negligible part of the world's car fleet a problem that will arise soon is the great need for charging facilities, which are lagging in countries like Italy. While electric vehicle charging stations (EVCS) have always been faced with the problem of insufficient and unpredictable access to the power grid, a solution could be the introduction of small-scale PV/battery energy storage systems/EVCS systems to make each charging station autonomous from the grid. This system could also interact with the utility grid if needed and use battery energy storage system (BESS) to charge EVs, so as to alleviate the impact of charging load on the main grid and improve system efficiency.

An important limit for EVs growth in Italy has been that almost all Italian houses are equipped with electric contracts allowing only 3 kW of peak consumption, making home charging of electric cars very problematic (EV charging needs 3kW). With energy storage systems this problem is solved, as the charging station could use the energy stored in the BESS, avoiding any discontinuity on the domestic electricity grid. No surprise that Tesla is developing a vertically integrated offer: from EV to solar rooftops, with batteries and chargers in between.

EV Charging Stations powered by PV will need Storage

A further boost to energy storage systems diffusion will be provided by EVs charging stations





Source: Italian Integrated National Energy and Climate Plan C

The key components of a BESS

A Residential BESS is made up of battery modules, a power inverter, and an energy management system (EMS). Batteries and inverters should represent roughly ca 70% of total production cost, while EMS and other components represent the remaining 30%.

Battery modules:

- Batteries for residential application are typically based on lithium ion (Li-ion) technologies, the same employed into smartphones and electric vehicles. Li-ion batteries offer lots of benefits like longer life span, reduced maintenance, higher safety, improved discharge and charge efficiency compared to other technologies. Li-ion batteries' high-power density makes them relatively small and light
- The two most prominent Li-ion technologies currently employed for residential BESS are (i) nickel-manganese-cobalt (NMC) adopted by popular brands like Tesla (which manufactures them in partnership with Panasonic), Solax (supplied by LG-Chem), Senec and (ii) lithium-iron-phosphate (LFP) adopted by Sonnen (supplied by Sony) ATON. Lithium LFP batteries offer a greater longevity and higher safety than most of the other Li-ion batteries. In addition, LFP is the only battery component that occurs naturally and does not contain any toxic heavy metals. On the other hand, LFP batteries do not tolerate being exposed to temperatures above 45C and should be installed inside protected areas

Inverter:

- The inverter is a critical component of both photovoltaic and energy storage systems. The inverter converts the direct current (DC) electricity generated by solar panels into alternating current (AC) electricity used by home's appliances or injected in the grid
- When an energy storage system is added to the PV system a separate battery-specific inverter is needed to convert the electricity back and forth from AC to DC for battery charging/discharging. This means that the "retrofitting" of a previously installed PV system involves the presence of two inverters, the legacy one connected to solar panels and a new one related to the storage system
- For new storage-ready PV systems hybrid inverters are available: a unique inverter bi-directionally converts electricity from AC to DC and from DC to AC for both the solar panels and the battery
- Hybrid inverters can be integrated with built-in charge controller to detect when it is best to send electricity to the battery or to consumption and have the ability to send system performance data onto cloud applications for performance monitoring and remote control

Energy management system (EMS):

- EMS controls the functioning of the energy storage system and the energy flows between the solar panels, the battery, the home's appliances and the grid. The control is performed through a hardware component – an electronic board – and a software component – a firmware – installed on the board. The EMS communicates with measurement technology to monitor battery voltage, state of charge and cell temperature (thermal monitoring), detects when it's best to use the energy either from solar panels, from the battery or from the grid allowing for "load shifting" and "peak shaving".

The key components of an energy storage system

Batteries and inverters should represent roughly ca 70% of total production cost, while EMS and other components represent the remaining 30%

Source: Alantra

ATON is a leading provider of Residential BESS in Italy

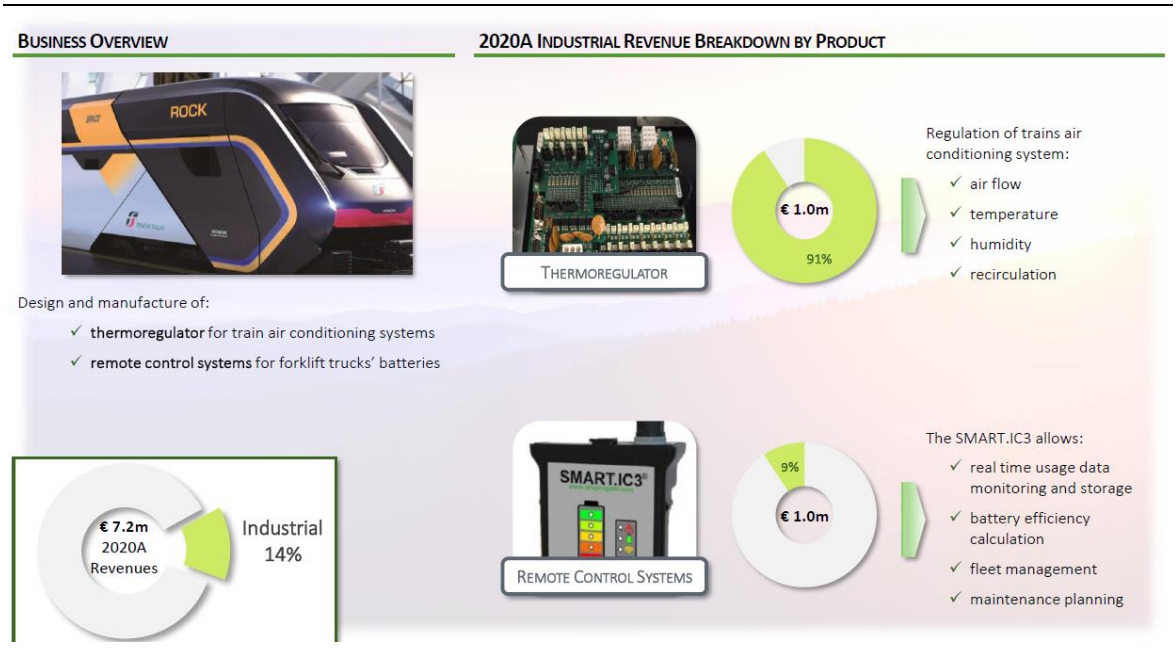
ATON is the Italian first mover in the design and production of Residential Battery Energy Storage Systems (RBESS) and a leading player with 11% share in Italy (based on total systems installed in 2015-19). Leveraging on a strong know-how in its legacy industrial business (14% of 2020 sales), the company launched its first RBESS in 2014. Following the same path of global leaders (e.g. Sonnen, Tesla), ATON developed a full range of "all-in-one" fully-integrated solutions made up of battery modules and inverters sourced from large manufacturers and integrated by in-house developed hardware and software (the so-called Energy Management System - EMS). Integrated storage solutions with performance and functionalities comparable to those of renowned brands, but with higher flexibility, customization and better pricing allowed ATON to be chosen as preferred supplier by large Italian and international multiutilities: ENEL X from 2018, Sunzil (JV of EDF and Total) from 2019 and Sorgenia from 2020. Important references with large multiutilities (55% of 2020 sales) opened-up supply agreements with local EPC/general contractors (31%), which are further accelerating growth and reducing customer concentration. ATON posted Eu7.2mn sales in 2020, after 54% 2018-2020 CAGR (versus +21% of the Italian market). In 2021, ATON has launched a new business line (general contracting on turn-key domestic energy efficiency projects).

Italian first mover with a full range of all-in-one residential energy storage solutions

ATON management historically developed a strong industrial know-how in the design and manufacturing of thermostats for train air conditioning systems and remote control systems for forklift trucks' batteries for large OEMs like Mitsubishi and Toyota (legacy business still represents 14% of FY20 sales).

Legacy industrial business at 14% of 2020 sales

ATON has leveraged on the know-how of its top managers in the supply of components to large international OEM

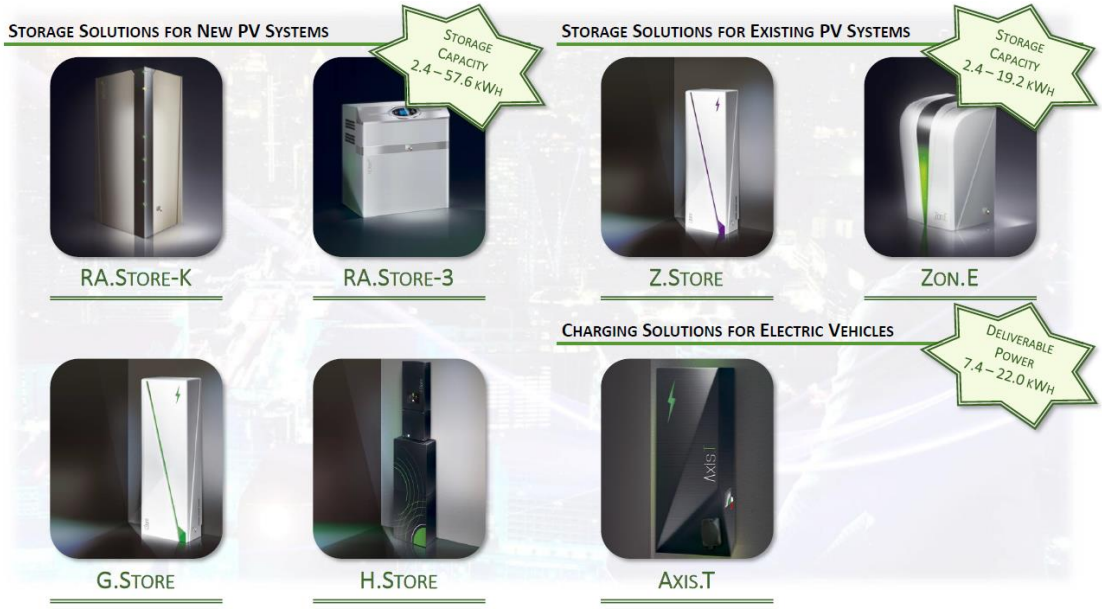


Source: Company presentation

Leveraging on this know-how and on the financial support and entrepreneurial skills of Balugani family, ATON launched its first RBESS in 2014, when residential energy storage was still absent in Italy. During the years ATON has developed a complete portfolio of products, addressing different possible configurations (e.g. solutions for new and existing PV systems) and with a scalable capacity for different consumption needs. A charger dedicated to electric vehicles has been recently added to the product offer.

ATON's product range in the residential storage business

ATON has developed a full range of all-in-one residential energy storage solutions

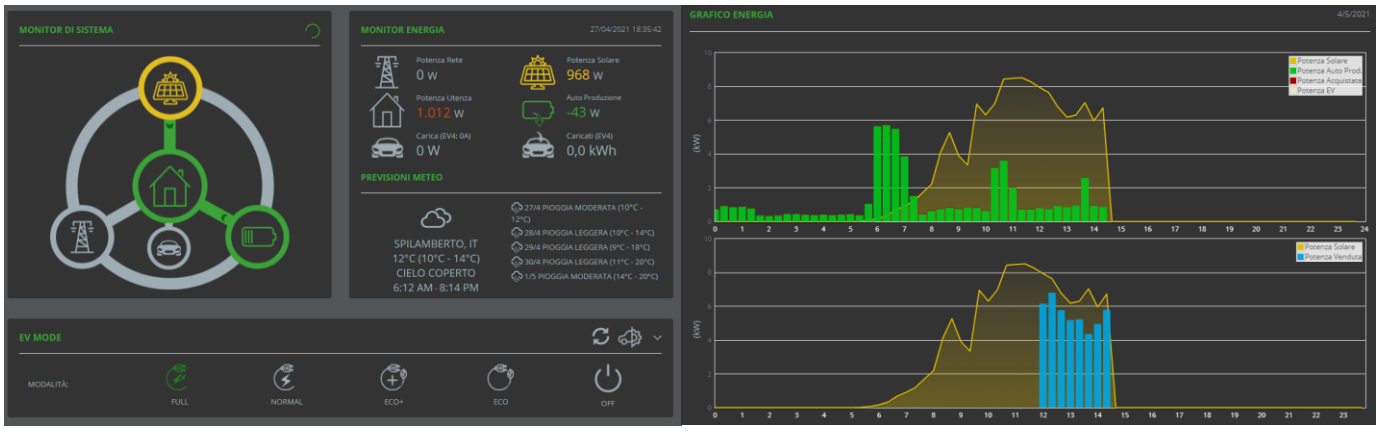


Source: Company presentation

ATON's storage systems are smart and equipped with their own SIM card and wireless data transmission technology. End-users can monitor in a real-time energy consumption, production and storage using the Aton Care App. ATON's customer service team, receives periodical performance reports of its systems. Data can be used to improve performance of the products, but other future developments cannot be ruled out. The Company's systems may be integrated with other home's appliances such as Amazon Alexa to favor energy consumption synergies.

Aton Care App

End-users can monitor in a real-time energy consumption, production and storage using the ATON Care App. ATON's customer service team receives periodical performance reports of its systems and may take timely interventions in case of issues

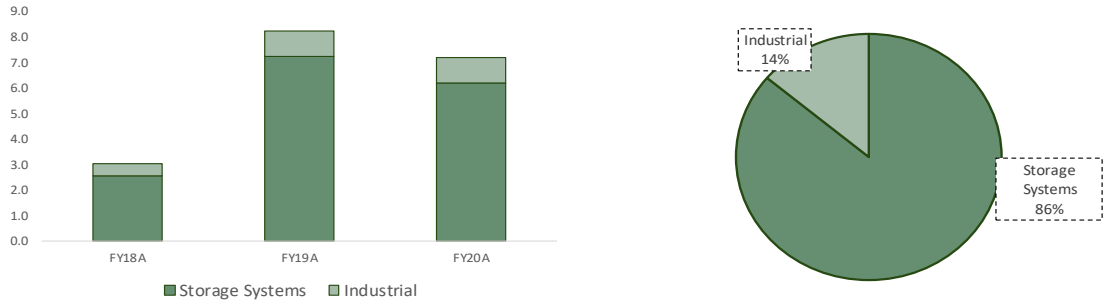


Source: ATON's website

The storage business represented 86% of group net sales in 2020. Growth of the business was capped during 2020, with the outbreak of the virus and restrictions to product installations implied by social distancing measures.

ATON – Sales by division

Storage business represented 86% of 2020 sales



Source: ATON data

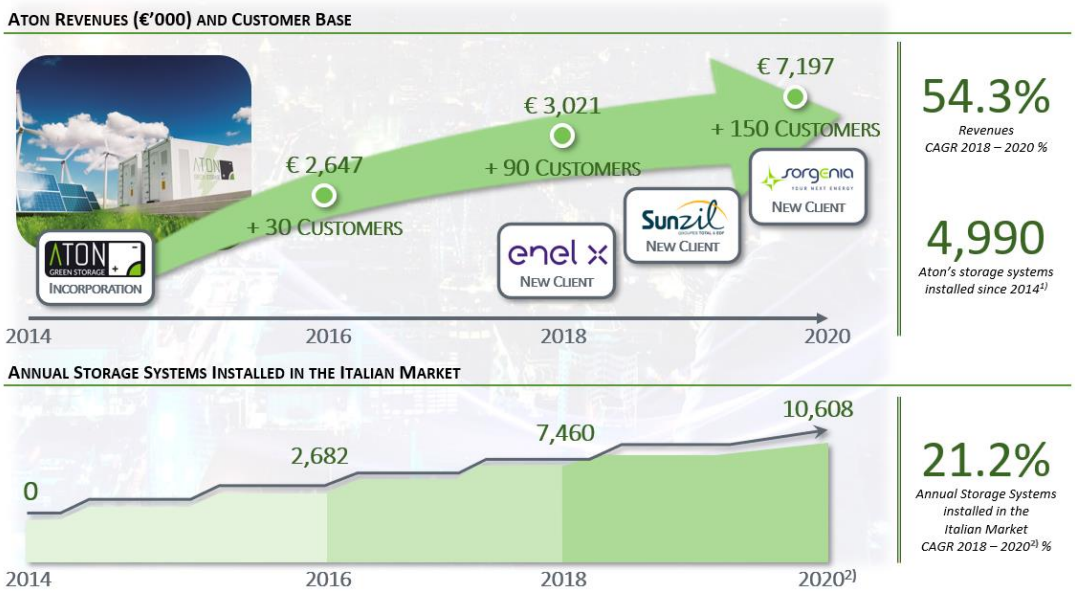
Leading Italian positioning in RBESS with a diversified portfolio of clients

ATON gained a leadership position in the Italian market, thanks to an offer of energy storage systems with performance and functionalities comparable to those of renowned brands (e.g. Tesla, Sonnen), but with higher flexibility, customization and better pricing.

A key milestone in ATON's growth story was the signing in 2018 of a strategic partnership with Enel X, a leading provider of residential renewables services (i.e. PV, BESS, e-mobility) in Italy. ATON was selected as the main supplier of white-labeled residential energy storage systems. This was an important commercial reference to develop new partnerships with Sunzil (French JV of Total and EDF) in 2019 and Sorgenia in 2020. ATON delivered Eu6.2mn net sales in the storage business in 2020, after 56% 2018-20 CAGR and outperformed its reference market (+21% CAGR).

Agreements with ENEL X, Sunzil and Sorgenia supported ATON's top line growth

ATON growth path (+54% CAGR2018-2020) strongly outperformed the reference market (+21% CAGR).

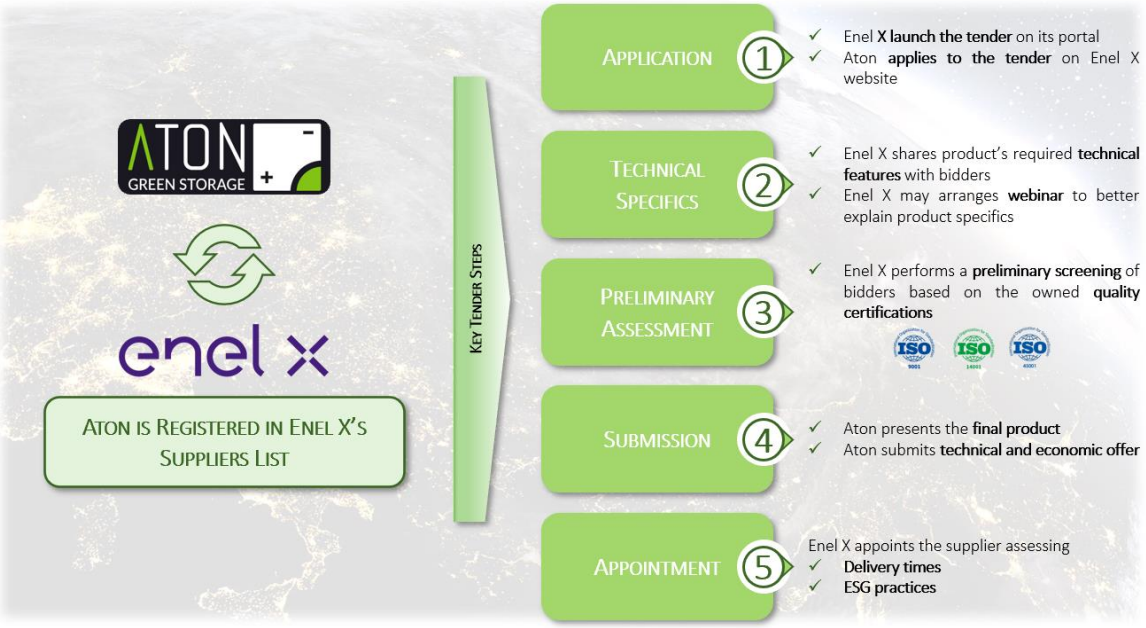


Source: Company presentation. (1) As of the 31st December 2020; (2) Installed systems in 2020 refer to the period January – October 2020

Agreements with multiutilities are usually the results of competitive bids. They are probably detrimental on margins, but they testify the achievement of quality standards.

Supplier of choice of Enel X after successfully participating into competitive bids

Enel X selects the supplier assessing the proposed technical features, delivery times, pricing and ESG practices



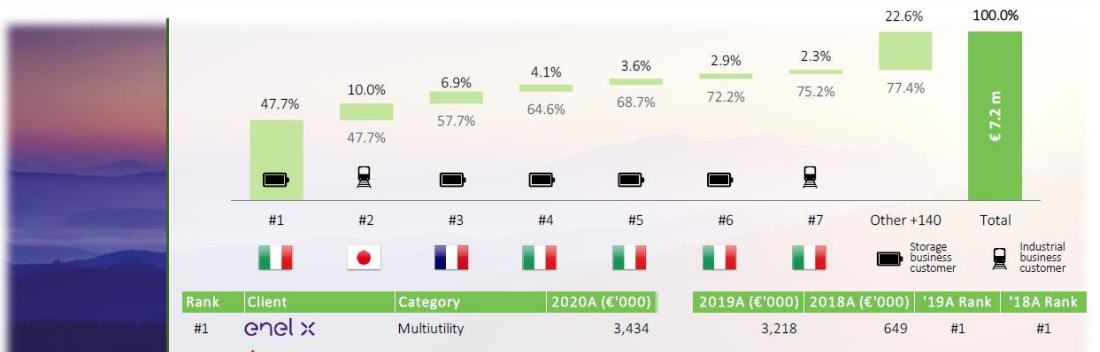
Source: Company presentation

The important references with large multiutilities paved the way for new supply agreements with local EPC/general contractors and reduced customer concentration. ENEL X represented 48% of sales in 2020, but its weight should go down below 30% in 2021e.

New customers should reduce portfolio concentration

Important references with large multiutilities also opened up new supply contracts with local EPC/general contractors, which are reducing customer concentration.

2020A REVENUE BREAKDOWN BY CUSTOMER: RELATIONSHIPS WITH TOP-TIER PLAYERS



Rank	Client	Category	2020A (€'000)	2019A (€'000)	2018A (€'000)	'19A Rank	'18A Rank
#1	enel x	Multiutility	3,434	3,218	649	#1	#1
#2	MITSUBISHI	Industrial	718	793	362	#3	#2
#3	Sunzil	Multiutility	496	821	-	#2	N.A.
#4	GRUPPO DEISOL	Installation company	296	154	96	#10	#8
#5	8m	Installation company	256	423	155	#4	#4
#6	ICS	Installation company	209	198	-	#8	N.A.
#7	AF	Industrial	164	76	-	#15	N.A.
Top 7 Clients			5,573	5,682	1,261		

Source: Company presentation

ATON boasts a diversified portfolio of customers today, including multiutilities (55% of 2020 sales), installation companies (31%) and industrial players in the legacy business (14%). The launch of the B2C business in 2021 (general contractor on turn-key small solar installations, including the own RBESS, from 110% fiscal bonus end-users) should contribute to further diversification. By contrast, the sale through specialized retailers is not a distribution option at the moment.

New customer additions reduce portfolio concentration

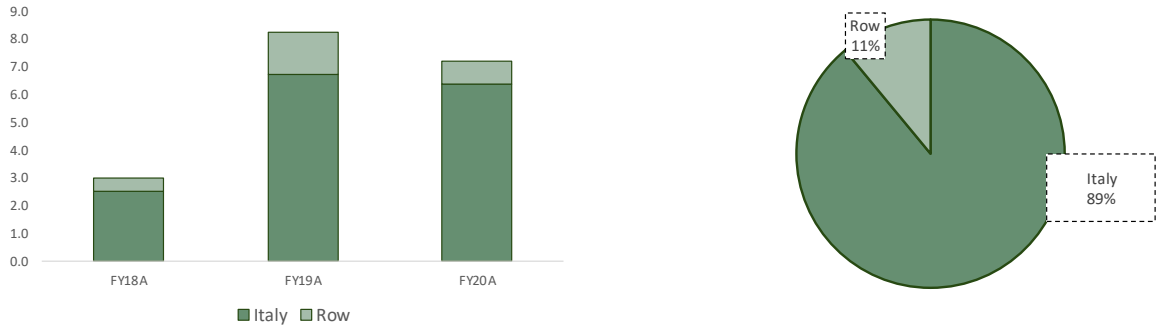
ATON boasts a diversified portfolio of customers, including multiutilities, installation companies and industrial players. The B2C business should contribute to further diversification from 2021 onwards

Source: Company presentation

Large part of the sales is generated in Italy today. International business represents around 11% of sales and it is linked to the sale of storage systems to foreign utilities.

ATON – Domestic and Foreign revenues

Foreign revenues suffered in 2020 due to Covid-19 outbreak



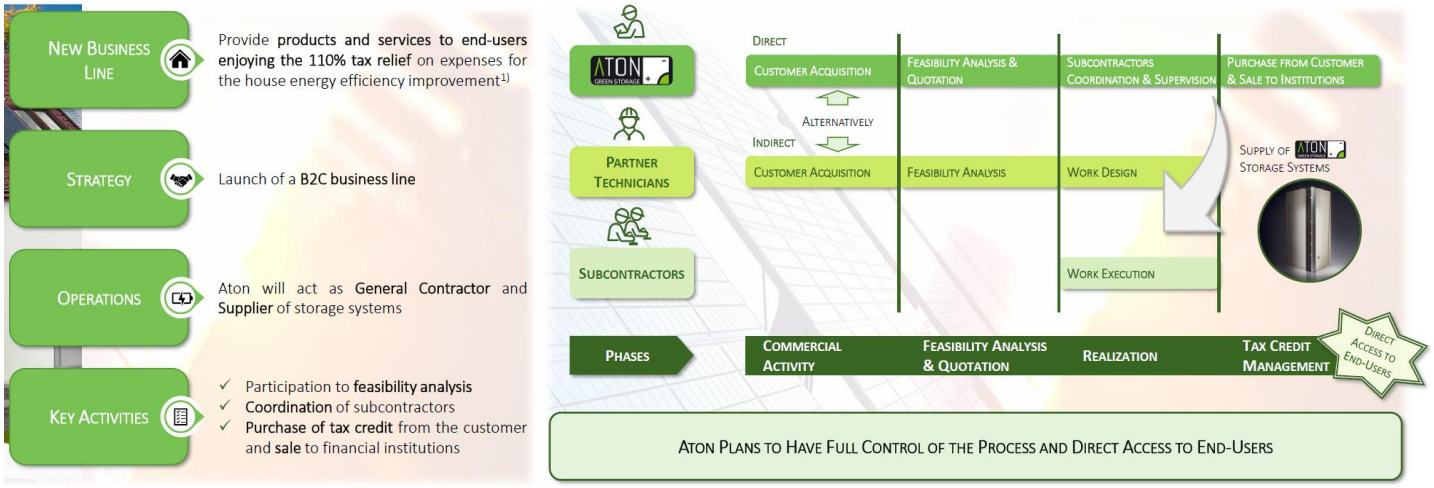
Source: ATON data as for 2018-2020

Launch of a B2C business benefiting from 110% fiscal bonus tailwind

In the first months of 2021 ATON launched a new B2C business: general contracting on turn-key domestic energy efficiency projects. ATON offers households the possibility to make their houses more energy efficient by installing solar panels, storage systems, electric vehicle charging stations and heat pumps. ATON acts as general contractor having full control of all the phases of the process, from the feasibility analysis to project design and realization, coordinating internal resources and external partners (e.g. technicians and subcontractors). The offer is very appealing for final customers because they can enjoy a special public incentive introduced in May 2020 (the so-called "SuperBonus 110%"). The launch of the B2C business is strategically important as it enhances ATON's competitive positioning as a B2C player with a direct access to end-users, instrumental for the offering of additional services (e.g. transition to energy provider, ancillary services for grid stabilization).

ATON launched a new B2C business line for the provision of turn-key domestic energy efficiency projects to households

ATON acts as general contractor having full control of all the phases of the process, from the feasibility analysis to project design and realization, coordinating internal resources and external partners (e.g. partner technicians and subcontractors)



Source: Company presentation

In more details, decree "Rilancio" introduced a 110% tax relief on the installation costs of solar panels, storage systems and electric vehicles charging stations, when combined with other energy efficiency interventions (e.g. thermal insulation of the building, installation of new generation thermal systems). According to the law, the owner of the building can get back 110% of the total cost for these interventions over 5 years as fiscal deductions for works completed between 1 July 2020 and 30 June 2022. The time horizon could be potentially extended. The upfront investment of the householder is usually 100% funded by the general contractor and/or a bank. This makes the fiscal incentive a very powerful tool to support local economy and achieve energy efficiency targets. Although the ATON's offer is not yet officially available on the market, the group has almost already achieved its 2021 target of around 50 installations just using the *worth of mouth*. The business should generate Eu3mn sales in 2021 with high margin, as householders are basically price insensitive.

Public incentives for energy efficiency interventions

Decree "Rilancio" introduced a 110% tax relief on the installation costs of solar panels, storage systems and electric vehicles charging stations, when combined with other energy efficiency interventions

SUPERBONUS 110% - MAIN FEATURES

Tax relief amounting to the 110% of installation costs sustained for photovoltaic panels and storage systems within the period July 2020 – June 2022

When it is applicable?

When the installation is joint to:
- thermal insulation of the building, or
- replacement of air conditioning systems, and
- interventions lead to an improvement of at least two energy classes (or A+)

Who can benefit?
- Natural persons
- Autonomous institutions for social housing
- Co-operative housing associations
- Third sector organisations
- Amateur sports associations

Which are the limits of applications?
- The 110% superbonus is applicable only for the first 20kW of power installed through a photovoltaic system
- Maximum expense of € 48.000 (and 2.400 €/kW) for solar panels
- Maximum expense of € 48.000 (and 1.000 €/kW) for storage systems
- The tax relief is not cumulative to the feed-in premium grant

HOME BONUS 50% - MAIN FEATURES

Tax relief amounting to the 50% of installation costs sustained for photovoltaic panels and storage systems
- For the photovoltaic system's share exceeding 20kW, or
- For the whole system if it has not benefited of 110% superbonus
- For a maximum expense of € 96,000

Source: Company presentation

ATON internally develops, designs and assembles its energy storage systems

ATON designs EMS board, firmware and software through its internal R&D department (almost 50% of workforce, 5 registered patents) and integrates key components sourced from external manufacturers (i.e. batteries, inverters, electronic boards, plastic cases) to create all-in-one energy storage systems. ATON assembles its energy storage systems inside its factory based in Spilamberto (Modena), where it also carries a final product quality assessment and functioning test for the detection of potential electronics issues. Current daily production capacity is equivalent to 60 systems.

Design, integration and testing of internally developed energy storage systems

ATON designs EMS board, firmware and software through its internal R&D department, integrates key components sourced from external manufacturers (i.e. batteries, inverters, electronic boards, plastic cases) and carries system testing

Source: Company presentation

(i) Design of EMS board, firmware and software through internal R&D department

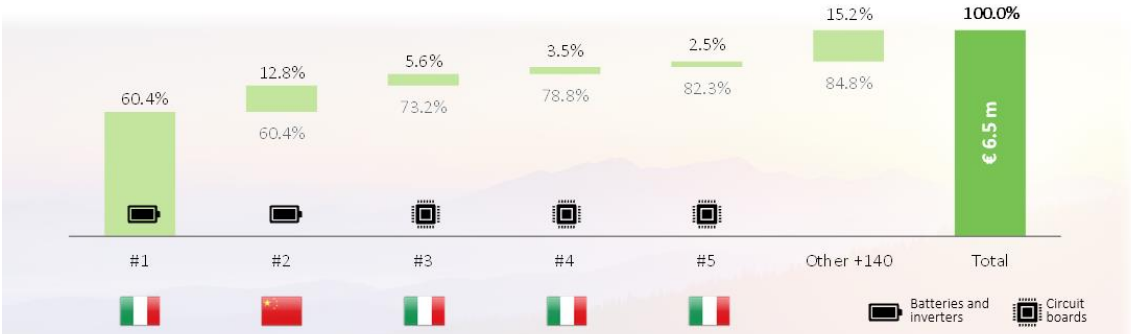
The R&D department (13 professionals) designs energy storage systems according to specifications requested by customers' (also through co-developed projects) and regulatory requirements (the company has sound relationship with CEI – Comitato Elettrotecnico Italiano, which establishes the technical regulation in this sector). The assessment of prototypes is conducted in junction with Ferrara University and anechoic chambers test are performed to be compliant with European Community regulation. ATON has registered 5 patents related to energy storage systems.

(ii) Assembling and integration of key components sourced from external manufacturers and testing

Reliance on top-tier suppliers and use of best-in-class components allow ATON to design and develop storage systems with excellent performances. The company sources batteries and inverters from leading Chinese players, which offer quality and price competitiveness. In more details, ATON's energy storage systems are based on LFP batteries supplied by Chinese manufacturers Pylontech and BYD, while inverters are mainly sourced from Goodwe. The production and assembling of circuit boards is typically outsourced to trusted Italian suppliers granting timely services. Batteries and part of the inverters are purchased through an Italian importer, which is the main supplier of the group.

2020A raw materials purchase breakdown by supplier

Reliance on top-tier suppliers and use of best-in-class components allow ATON to design and develop efficient storage systems with excellent performance



Rank	Supplier	Supply	2020A (€'000)	2019A (€'000)	2018A (€'000)	'19A Rank	'18A Rank
#1	energy	Batteries and inverters	3,950	3,223	1,534	#1	#1
#2	GOODWE	Inverters	835	1,492	595	#2	#2
#3	TEBO	Circuit boards	367	466	252	#3	#3
#4	I.D.C.	Circuit boards	230	129	106	#6	#4
#5	ELECTRO SYSTEM	Circuit boards	163	124	-	#7	N.A.
Top 5 Suppliers			**5,545**	**5,433**	**2,486**		

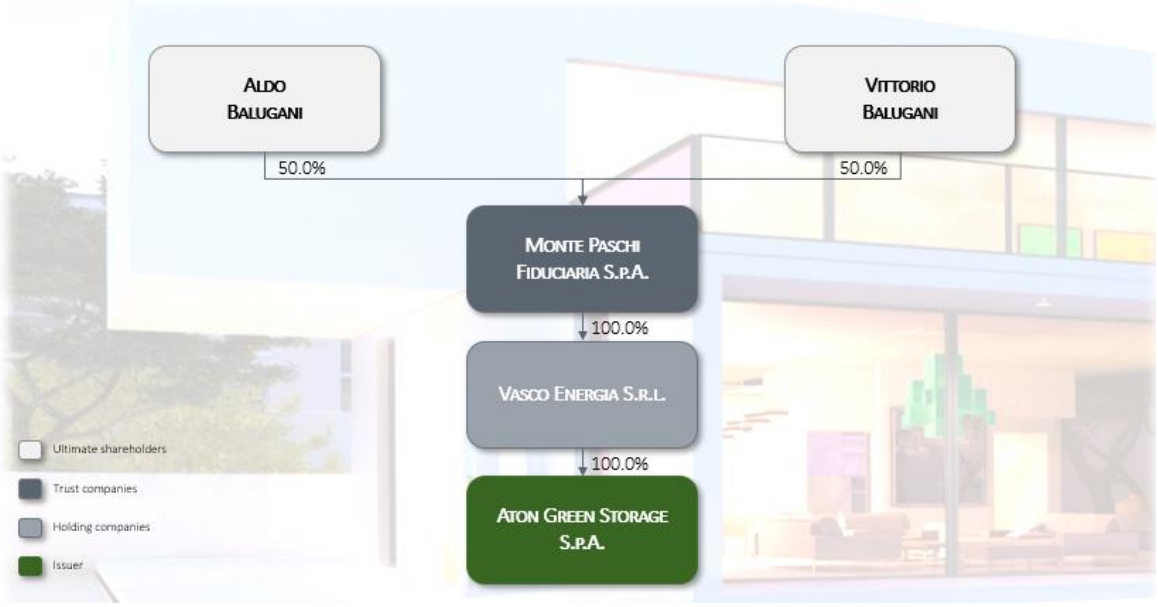
Source: Company presentation

Successful mix of technical and entrepreneurial skills

ATON is 100% owned by Vasco Energia S.r.l., holding company controlled by Aldo Balugani (50%) and Vittorio Balugani (50%). The two shareholders also control S.E.M. S.p.A., a leading Italian group involved in the production of bottled water. In the past, they were involved in the multinational Cremonini group.

Shareholding structure

ATON is controlled by Aldo and Vittorio Balugani through Vasco Energia…



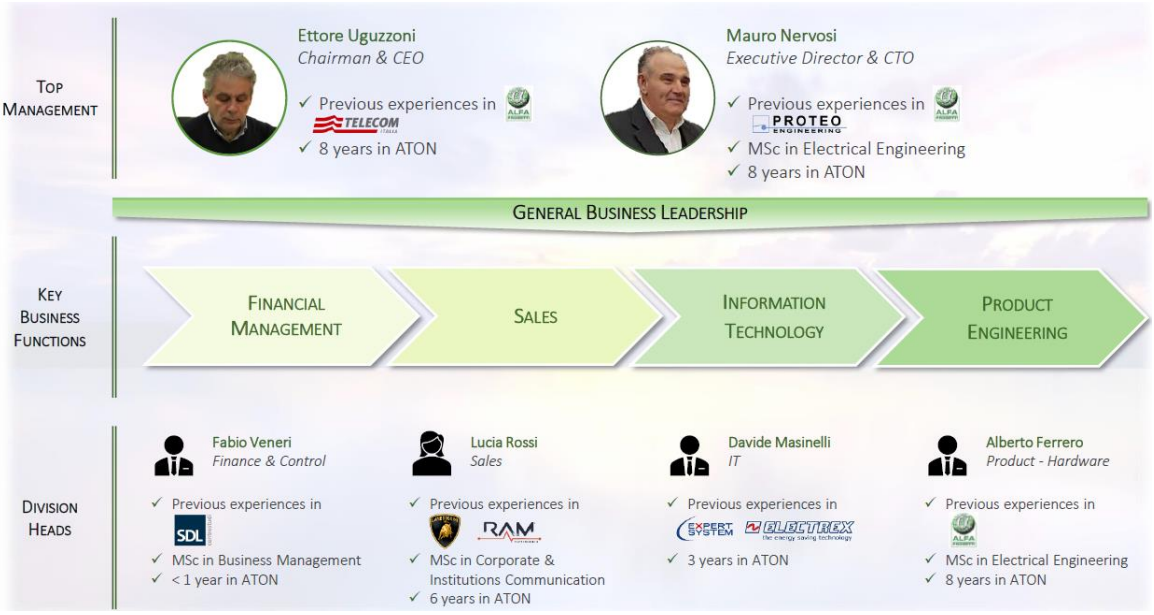
Source: Company presentation

ATON is managed by an independent team. The chairman, CEO and COO Ettore Uguzzoni is a key person, together with the CTO and board member Mauro Nervosi. Mr Uguzzoni has been in ATON for 7 years. He is an engineer with previous experiences in Alfa Progetti (21 years- founder) and Telecom Italia group (2 years). Mr Nervosi, in ATON for 8 years, is an electrical engineer with previous experiences in Alfa Progetti (21 years - founder) and Prometeo Engineering (6 years).

Aton is a structured company with other key figures on top of the two key managers.

Key managers

…and it is managed by an independent team

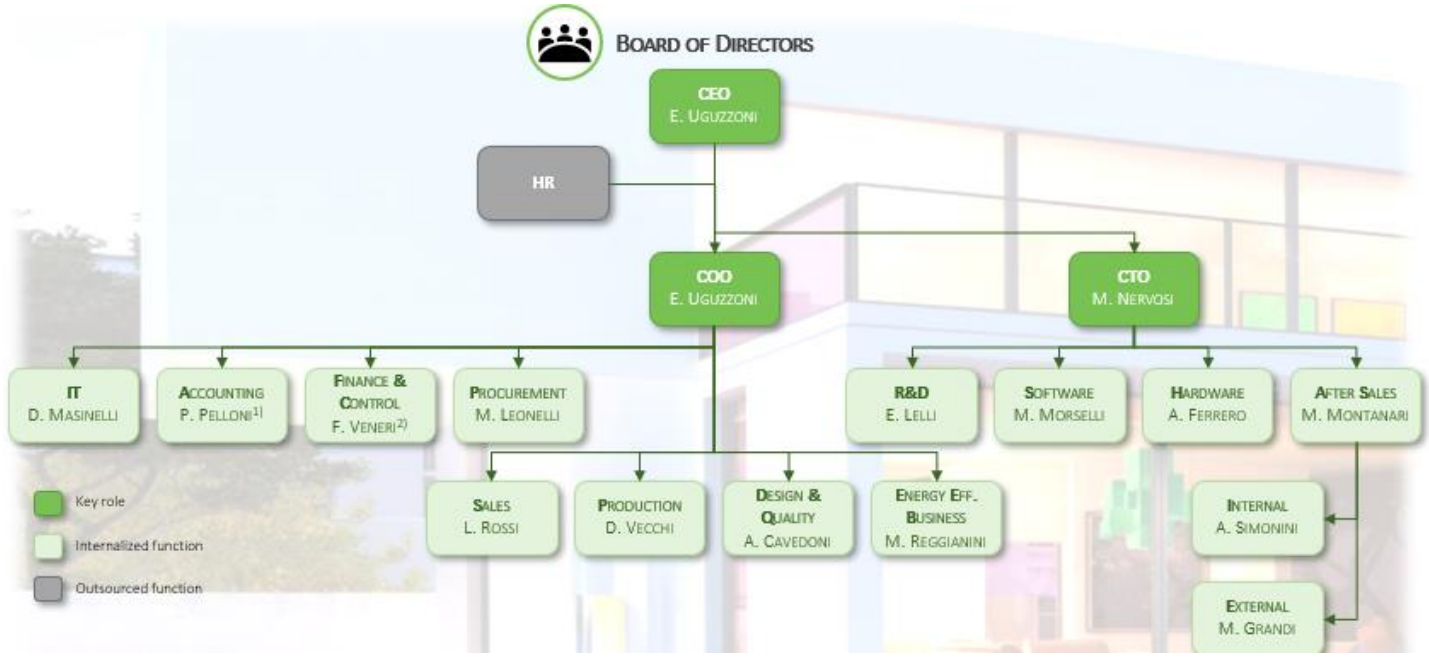


Source: Company presentation

ATON employs 27 persons (as of 31st of December 2020) and its production capacity is already able to face a significant expansion of business volumes.

Organizational structure

ATON is a structured company and employees 32 persons



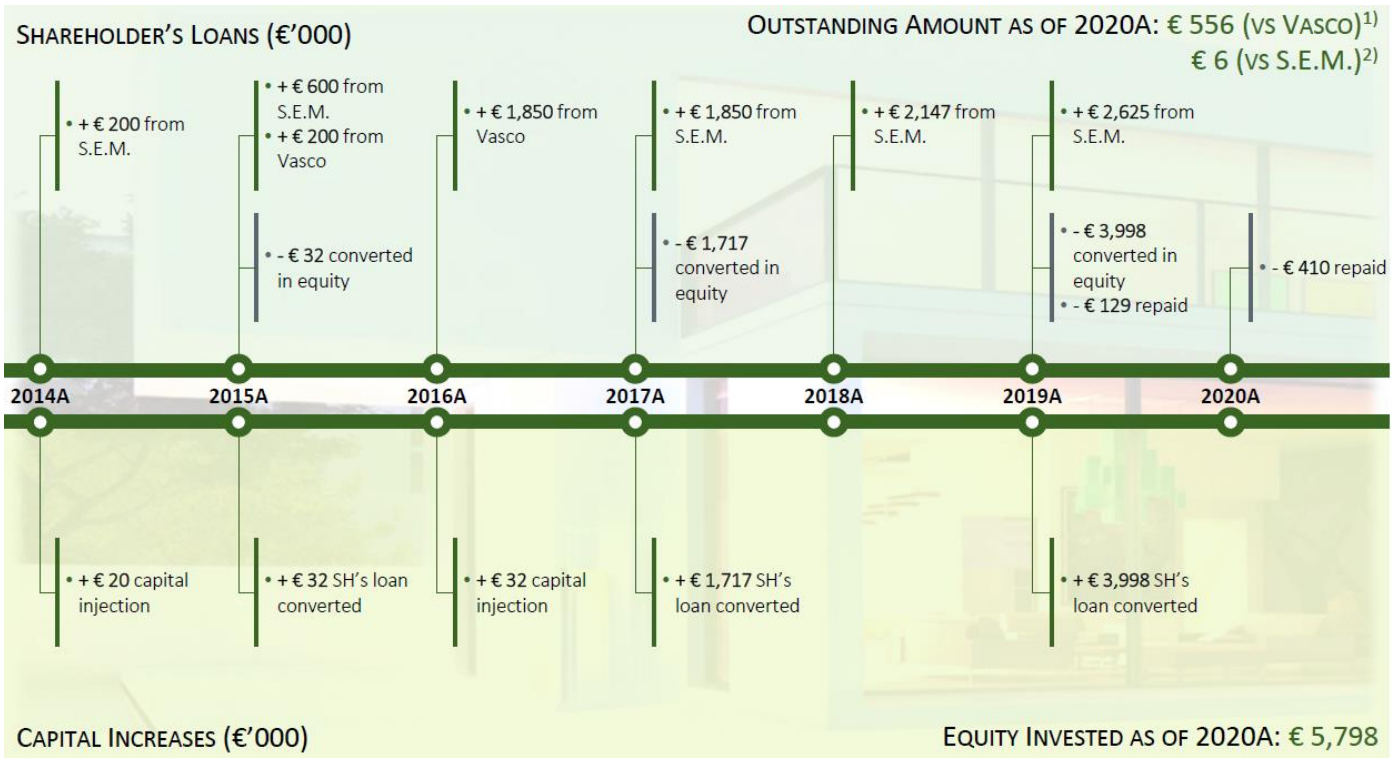
Source: Company presentation

We believe that the synergic mix of the skills of the top managers and the shareholders has been a key success factor of ATON. The CEO and CTO have strong engineering expertise. At Alfa Progetti, they have developed a strong background in thermoregulators for train air conditioning systems and remote control systems for forklift trucks' batteries, very important to come up with the ATON's business idea. The Balugani family has added financial resources together with entrepreneurial and organisational skills. ATON has acquired the business of Alfa Progetti.

Aldo and Vittorio Balugani have injected in the company >Eu6mn. All the shareholder's loans have been converted in equity, including the outstanding amount as of Dec. 2020. The related party S.E.M. provides guarantees on the banking debt of ATON.

Timeline of shareholder's loans and capital increases

Aldo and Vittorio Balugani have injected in the company >Eu6mn

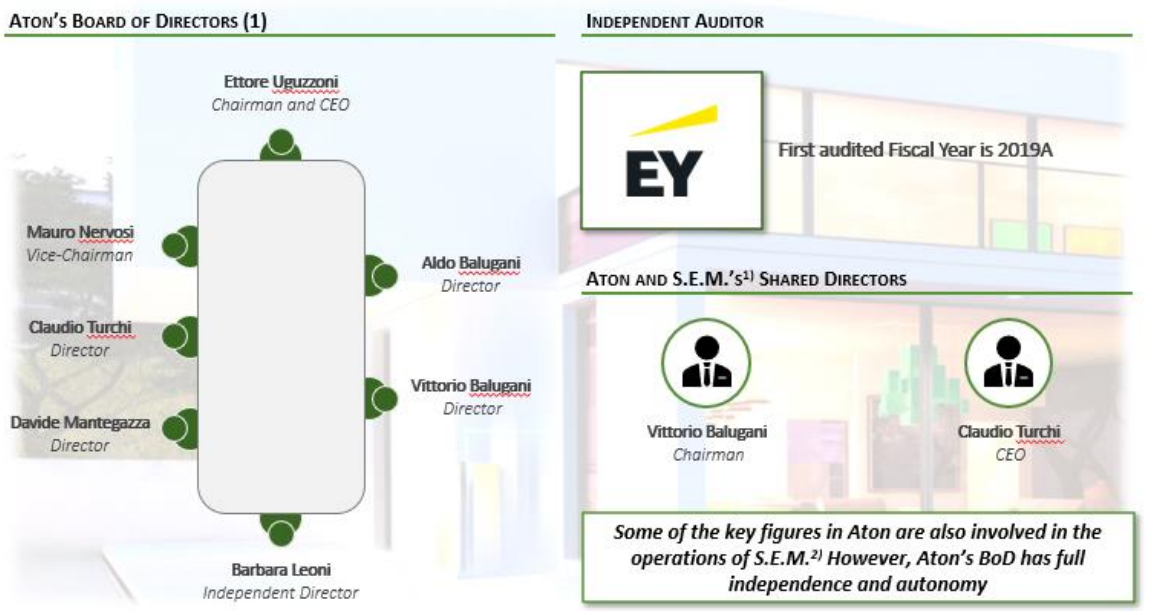


Source: Company presentation. (1) Totally reimbursed on 8 April 2021; (2) Totally reimbursed on 26 April 2021. S.E.M. S.p.A. is the business controlled by Aldo and Vittorio Balugani involved in bottled water production S.E.M. S.p.A. was a shareholder of Aton until 28 April 2021 (49% share)

The BoD is composed of 7 members, out of which one is independent. Two directors (Vittorio Balugani and Claudio Turchi) are also board members of S.E.M. S.p.A. There is not a stock option plan is place at the moment. We believe that after the planned IPO, ATON could introduce mechanisms to incentivise and retain the key managers.

Composition of the BoD

1 independent board member



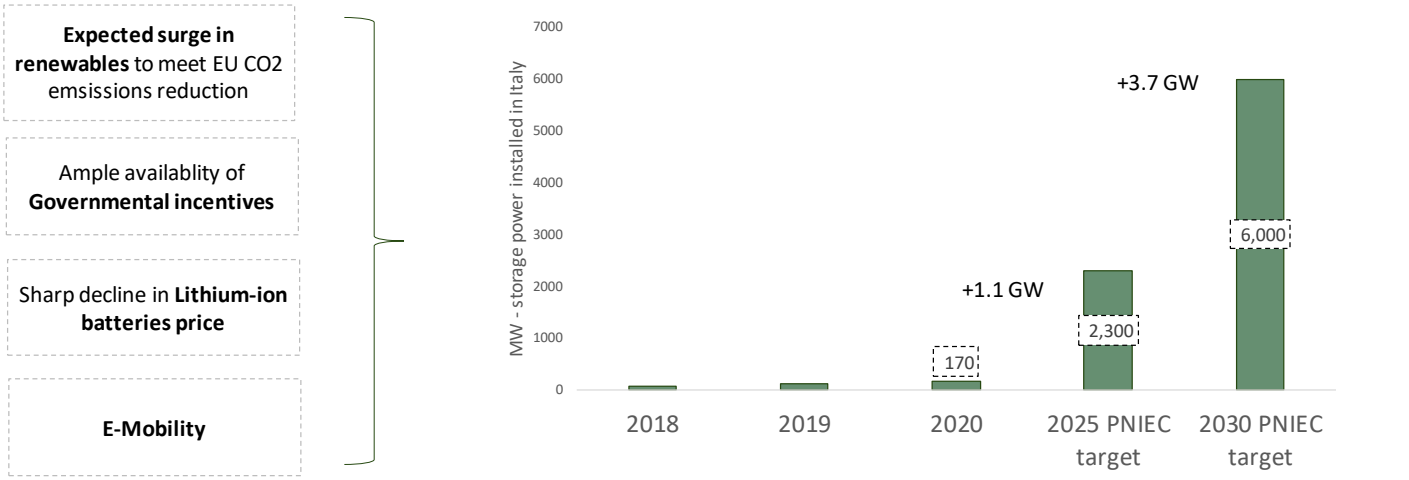
Source: Company presentation. (1) Upon listing; (2) S.E.M. S.p.A. is the business controlled by Aldo and Vittorio Balugani involved in bottled water production. S.E.M. S.p.A. was a shareholder of Aton until 28 April 2021 (49% share)

RBESSs are real enablers of energy transition

Residential Battery Energy Storage Systems are still in early days of their development and have huge potential. First residential BESSs installed in Italy date back to 2015. Since then ca 37k systems were installed. We believe that positive catalysts should support energy storage systems installations in Italy over the coming years: 1) the upcoming acceleration in the rollout of solar PV systems, given the challenging emissions reduction targets set by the EU; 2) Extraordinary governmental incentives (namely Superbonus 110%); 3) the sharp price reduction expected for Lithium-ion batteries driving BESS toward *grid-parity* (prices declined 90% between 2010 and 2020 and are expected to further decline 30% by 2023); 4) the accelerating diffusion of electric vehicles (ca 10% of total auto sales were plug-in powered in March 2021). The Italian Integrated National Energy and Climate Plan (PNIEC) is pointing to >400MW of yearly storage power installations between 2020-2025 and ca 700MW between 2025-2030, much higher figures if compared to the 170MW of cumulated storage power installed so far. Italy, which has been laggard as compared to other European countries (e.g. Germany) as of BESS deployment, despite a highly favorable environment for PV installations (lowest LCOE in Europe), is now best placed to see this market surging.

RBESS Installations – Italy is now ready to see this market surging

Expected acceleration in PV rollout, governmental incentives, batteries price deflation and e-mobility are only some of the trends supporting a surge in energy storage systems installations in Italy over the coming years



Source: Alantra, ANIE Rinnovabili, PNIEC

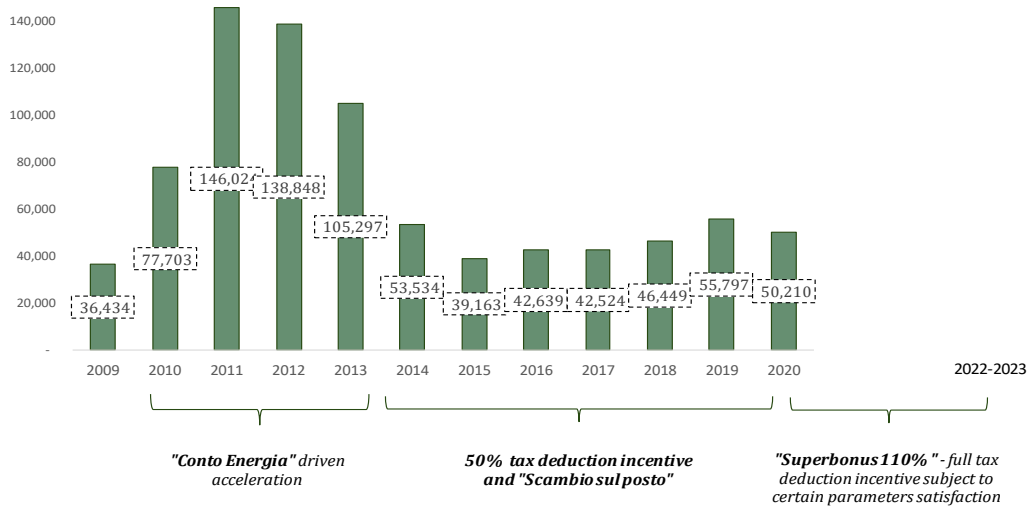
Energy storage is on the rise: Italy is a laggard, but the growth trend is clear…

Battery Energy Storage Systems in combination with variable renewable energies (solar and wind) are a fundamental tool to: (i) increase self-consumption for residential users, reducing the dependance from the national grid; (ii) minimize the need for fossil fuel-based peak generation (peak shaving); (iii) contribute to the stability of the electricity grid.

Energy storage systems were launched on the Italian market at a time when residential-scale PV installations benefitted from limited incentives, as the so-called "*conto energia*" came to an end (from 2014-2020 only the 50% *"Home Bonus"* tax relief and *"Scambio sul posto"* mechanism were active). At that time, the price of storage systems was extremely high and offered no economic returns despite significant upfront investments.

Residential PV Systems – Number of installations in Italy

Since 2014 the trend was almost flat, with an acceleration over 2018-2019 partially blocked by the Covid-19 outbreak. A further strong acceleration is expected over the next 2-3 years, as a result of new extraordinary government incentives

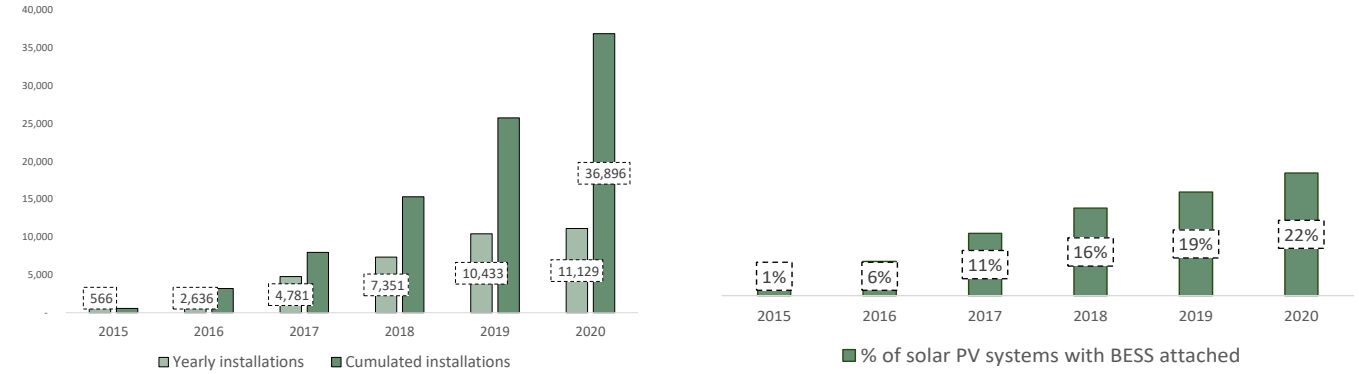


Source: GSE yearly reports, ANIE Rinnovabili

Over the last few years, residential energy storage systems installations started to gain pace, mainly thanks to declining prices. This translated into an increasing share of residential PV systems installed in combination with storage systems (22% in 2020). Looking forward, the approval of *"Decreto Rilancio"* should give a significant boost to the rollout in 2021-22.

Residential Battery Energy Storage Systems – Installations in Italy and % as of residential PV installations

Installations accelerated over the last 3Y but still represent a limited share of residential PV installation in Italy



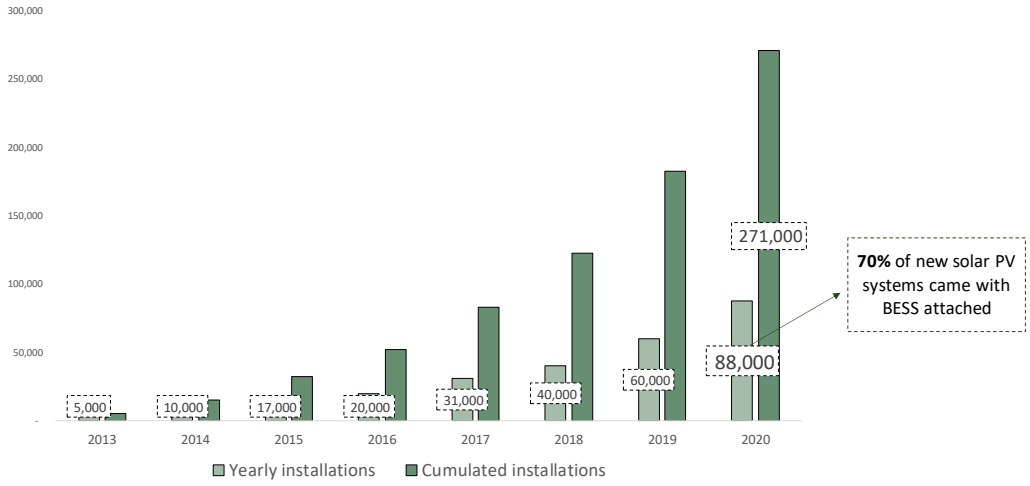
Source: Solare fotovoltaico GSE, Electicity market report, Alantra estimates

Germany, the first European market for electricity consumption covered by solar PV, has seen a much faster development of residential BESS installations. This was mainly related to: (i) a much more developed market for residential solar PV; (ii) government incentives to increase self-consumption on top of the traditional "feed-in" tariffs (Germany is among the few countries in the world to incentive self-consumption for solar PV and this has speeded-up significantly battery storage installations at household level); (iii) much higher traditional energy prices which have seen a continuous increase over the past years.

In 2020, more than 88k energy storage systems have been installed in Germany bringing the total to ca 300k. What is interesting to note is that in 2020 almost 70% of home solar PV in Germany came with BESS attached. As the rollout of residential PV and the demand for e-mobility accelerate, we expect the same growth path in Italy.

Residential Energy Storage Systems – Installations in Germany

The rollout of BESS in Germany has been much faster than in Italy thanks to stronger incentives and higher energy prices, which enhance the returns of the upfront investment



Source: Bundesverband Solarwirtschaft – Germany national energy association

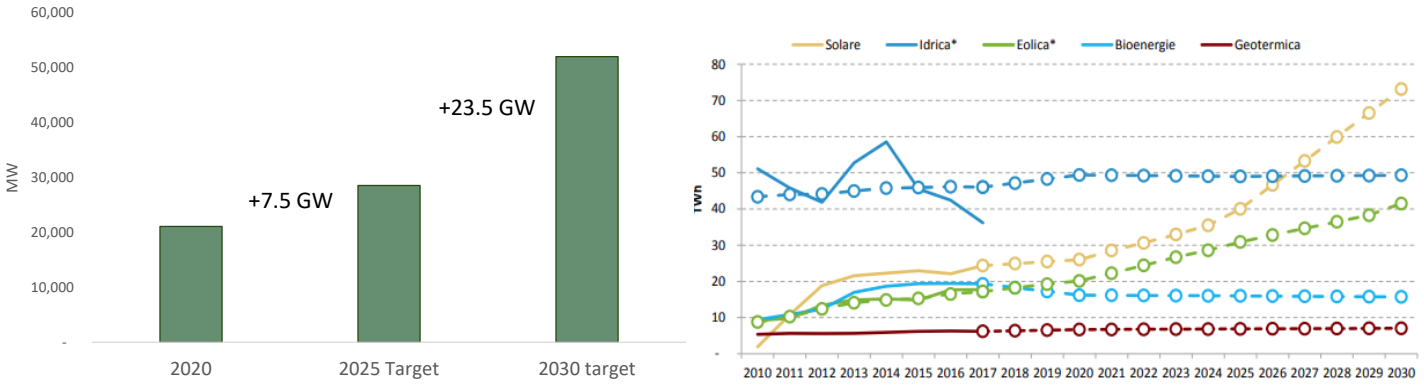
...supported by ambitious (and challenging) policy targets

Decarbonization of the power generation will be crucial to reach net-zero emissions in a Sustainable Development Scenario, with Variable Renewable Generation rising globally up to 57% in 2070. Storage systems will contribute to the security of the electricity supply in EU45, while improving grid flexibility and allowing further RES penetration.

According to the Integrated National Energy and Climate Plan published in January 2020, Italy will have to install 31 GW of new solar PV by 2030, when renewables (including also other sources) production is expected to satisfy 55% of the electric demand. Given the positive, but still limited growth observed over the last 3Y (1.8 GW), a significant jump in installations is expected from 2021 onwards. A yearly increase of 3GW is needed to meet the 2030 targets. 2025 target will be met with a yearly addition of 1.3GW. In this context, also residential scale installations will play a role.

Solar PV in Italy – 2025/2030 Targets (MW) and expected power generation evolution

An annual increase of 3GW is needed to meet the 2030 targets set by the Italian government. Solar energy should become the main green energy in Italy

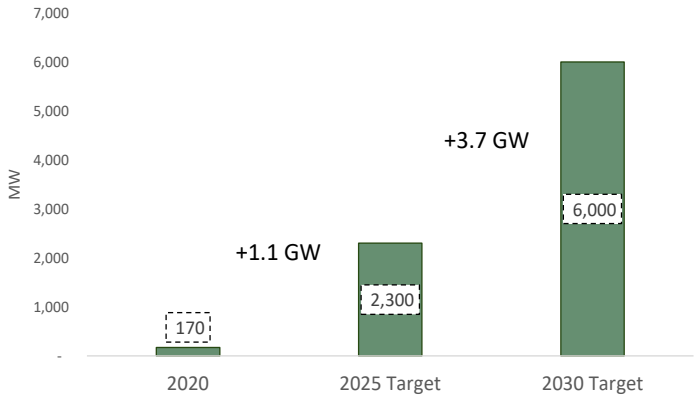


Source: Italian Integrated National Energy and Climate Plan C

To meet these targets a strong acceleration should be observed also in energy storage. According to the Integrated National Energy and Climate Plan, 2.3GW of energy storage power should be reached by 2025 (400MW per year between 2020 and 2025) and 6GW should be reached by 2030 (700MW per year between 2025-2030). These figures lie well below the cumulated 170MW BESS power installed so far in Italy and would entail a huge acceleration of installations.

BESS in Italy – 2025/2030 Targets (MW)

An annual increase of 400MW is expected to meet the PNIEC 2025 targets and then a 700MW yearly increase from 2025 to 2030



Source: Italian Integrated National Energy and Climate Plan C

Path toward grid parity should speed-up installations

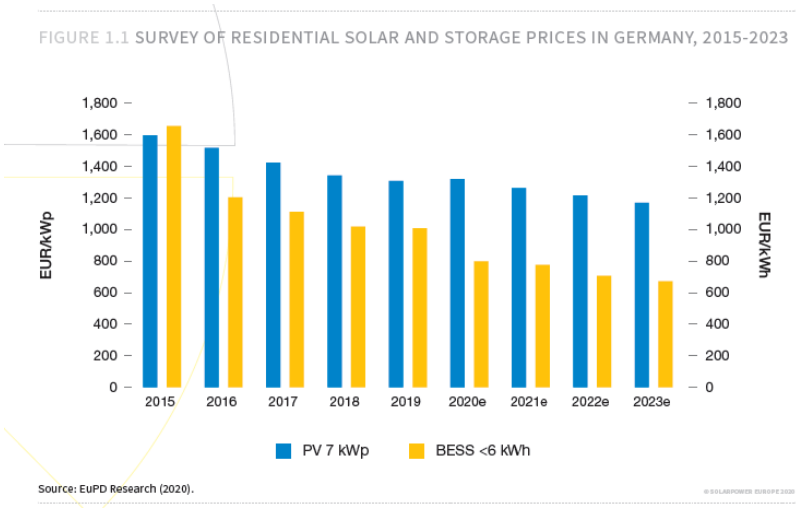
While power from solar rooftop systems has already been much cheaper than retail electricity in most European markets for several years, battery storage's rapid cost improvements are now enabling solar and storage to beat grid power as well in an increasing number of European countries.

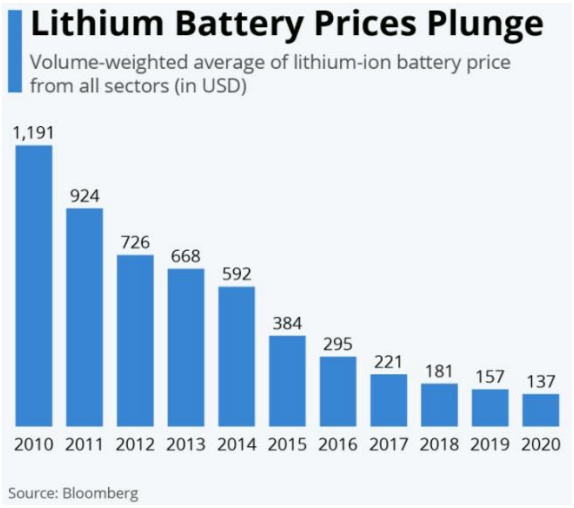
In Germany, the largest solar & storage market by far in Europe, prices have fallen by around 18% for small solar systems and nearly 40% for home storage solutions between 2015-2018. According to the European Market Outlook for Residential Battery Storage by Solar Power Europe, by 2023 a further 10% price decrease is expected for the well-established residential storage systems market, and a steeper 33% reduction for the much younger BESS segment.

BESS price decline is driven by the sharp decline in price observed both for lithium-ion battery packs and inverters (these two components represent approx. 70% of the overall BESS cost base). Lithium-ion battery pack prices, which were above USD1,100 per kilowatt-hour (KWh) in 2010, have fallen 89% to USD137/kWh in 2020. By 2023, average prices will be close to USD100/kWh, according to the latest forecast from BloombergNEF. Increasing order sizes, growth in Electric Vehicles sales and the introduction of new pack designs coupled with new cathode chemistries and falling manufacturing costs should drive price down in the near term. Long-term, BloombergNEF estimates prices could fall down to USD58/kWh by 2030.

Battery Energy Storage Systems - BESS price decline is driven by the sharp fall in battery prices

BESS prices are set to decline much faster than solar PV over the coming years, accelerating the rollout of storage systems across Europe





Source: European Market Outlook for Residential Battery Storage, BloombergNEF

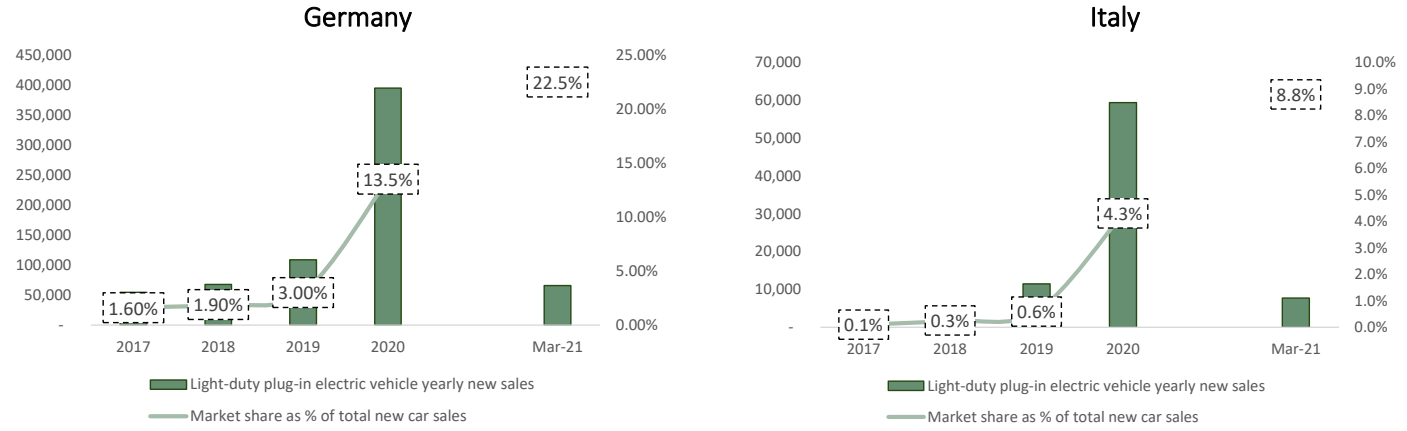
With electricity prices generally continuing an upwards trend across Europe, plus the continually reducing costs for storage systems, the economics for residential solar and storage are only improving. Bloomberg NEF forecasts a 7% per year decrease in the capital cost for residential energy storage system for the coming years. Altogether, these drivers will eventually lead residential solar and storage systems to grid parity on the entire European continent.

E-mobility will be another relevant catalyst

The transport sector is the largest contributor to EU greenhouse gas emissions; therefore, reducing transport emissions is key to meeting the challenging EU green-deal targets. EU legislation sets targets to cut CO2 emissions from cars by 37.5 % and vans by 31 % by 2030 (EEA, 2019; EU, 2019). An increase in the uptake of electric vehicles could contribute to achieving these goals. An important limit for EVs growth in Italy has been that almost all Italian houses are equipped with electric contracts allowing only 3 kW of peak consumption, making home charging of electric cars impractical (EV charging needs 3kW). With energy storage systems this problem is solved as the charging station could use the energy stored in the BESS, avoiding any discontinuity on the domestic electricity grid. No surprise that Tesla is developing a vertically integrated offer: from EV to solar rooftops, with batteries and chargers in between.

Plug-in Electric Vehicles – Yearly sales of plug-in vehicles and % on total light vehicles sales

Italy is still lagging behind Germany as of EVs sales but % of total sales is growing and storage installations could give a further boost



Source: European Market Outlook for Residential Battery Storage

Public incentives and reduction of the upfront cost should support IRR of small-scale BESS

Based on 50% fiscal benefit, we estimate 1% IRR for an average Italian householder. We believe that political focus on green energy transition and the benefits to system operation should continue to trigger fiscal incentives in the future. Ongoing reduction of the upfront cost should be another key driver. We estimate IRR at 5% with 40% reduction of the upfront cost, even in a scenario of no incentives.

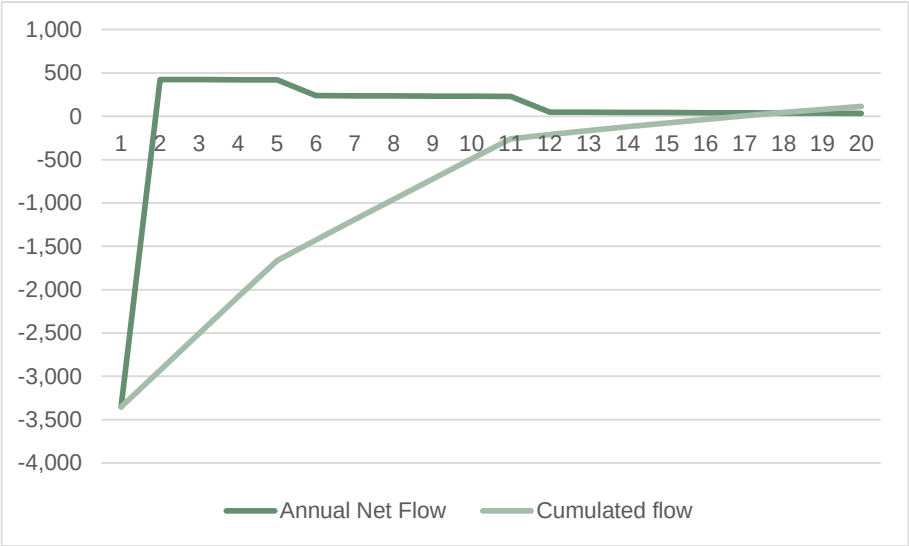
We have simulated the financial return that an average Italian householder can expect from an investment in a small-scale BESS. The outcome is obviously impacted by several factors and can change over time and in different geographies. Our analysis is based on the following assumptions:

- A BESS with a power of Kw2.4, a life time of 20 years and a cost of Eu1,500/Kw. The BESS fits with a Kw3.0 rooftop solar PV with a lead factor of 15% and an annual decalage of 0.1%;
- 10% of the electricity produced by the stand-alone solar PV is self-consumed and the % can be increased to 60% when a BESS is used in combination;
- The excess of electricity injected in the network is sold at Eu0.1/Kw and the electricity is purchased from the grid at Eu0.225/Kw;
- An annual maintenance cost for the BESS of 5% of the initial investment after 5 years;
- A fiscal benefit spread in 10 years equal to 50% of the upfront cost.

Under the above-mentioned assumptions, the householder can get a declining annual income or saving in exchange of Eu3,600 upfront investment. We estimate IRR of 0.6%.

Simulation: annual and cumulated flows linked to a residential Italian BESS

We estimate IRR of 0.6%. Declining annual income + saving in exchange of Eu3,600 upfront investment



Source: Alantra estimates

This is relatively modest to justify a strong boost to the adoption of BESS. However, we believe that:

1) Fiscal incentives can be enhanced. Under certain conditions, for example, the upfront investment for a BESS and a solar PV can be included in the 110% fiscal incentive introduced by the Italian government in 2020, which will remain in place at least until June 2022;

2) Technological developments and scale economies should trigger a reduction of the upfront costs. This happened, for example, to solar PV panels. Utility-scale solar PV reached grid parity in Italy few years ago

According to our simulation, 40% reduction of the upfront investment for a RBESS would generate IRR close to 5% even without public incentives.

Sensitivity of IRR generated by a BESS to fiscal incentive and upfront cost

According to our simulation, 40% reduction of the upfront investment would generate IRR close to 5% even without public incentives

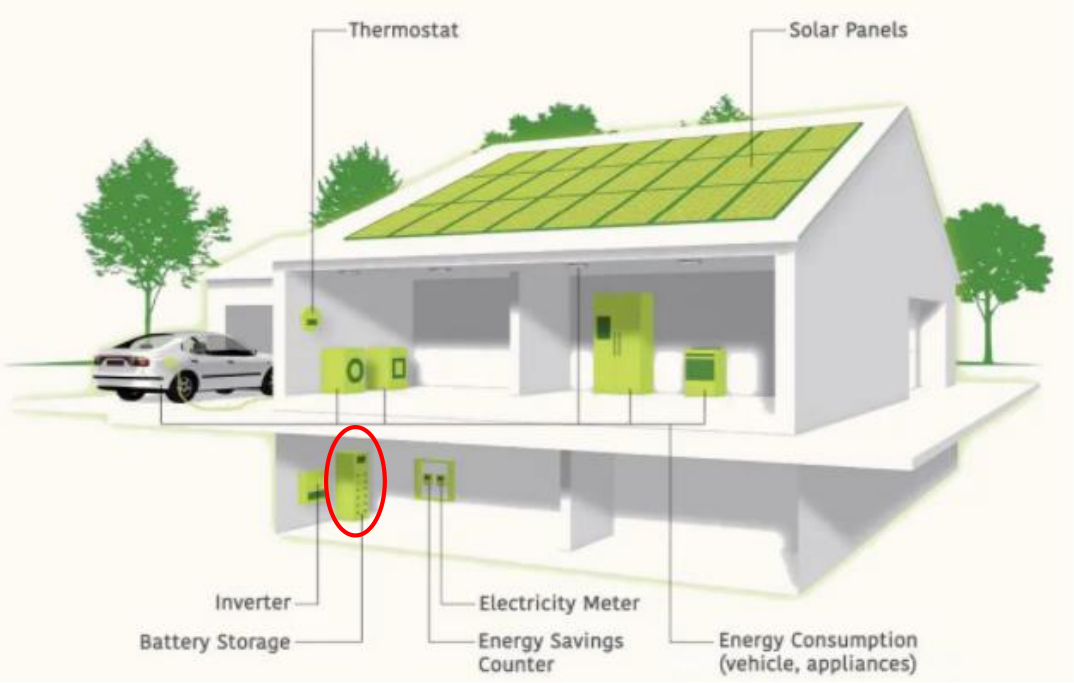
		Price (Eu/kw) of BESS							
		-70%	-60%	-50%	-40%	-30%	-20%	-10%	0%
		450	600	750	900	1,050	1,200	1,350	1,500
Fiscal contribution - % of upfront cost in 10 annual parts	0%	25.8%	15.5%	9.3%	4.8%	1.1%	-2.2%	-5.4%	-8.7%
	10%	27.1%	16.8%	10.6%	6.1%	2.5%	-0.7%	-3.7%	-6.9%
	20%	28.5%	18.1%	11.9%	7.4%	3.9%	0.8%	-2.1%	-5.0%
	30%	29.9%	19.5%	13.2%	8.8%	5.3%	2.3%	-0.4%	-3.1%
	40%	31.3%	20.8%	14.6%	10.2%	6.7%	3.9%	1.2%	-1.3%
	50%	32.7%	22.1%	15.9%	11.6%	8.2%	5.4%	2.9%	0.6%
	60%	34.1%	23.5%	17.3%	12.9%	9.6%	6.9%	4.6%	2.4%
	70%	35.5%	24.8%	18.6%	14.3%	11.1%	8.4%	6.2%	4.1%
	80%	36.8%	26.2%	20.0%	15.7%	12.5%	10.0%	7.8%	5.9%
	90%	38.2%	27.5%	21.3%	17.1%	14.0%	11.5%	9.4%	7.5%
	100%	39.6%	28.9%	22.7%	18.5%	15.4%	12.9%	10.9%	9.2%

Source: Alantra estimates

In addition, we highlight that: A) A new green oriented consumer culture can trigger investments in BESS even without a decent financial return; B) The adoption of solar PV and BESS contributes to enhance the energy efficiency and the value of a building. The dream of a world populated by smart homes (a solar PV on every roof, an (EV) car in every garage, and a battery in every basement) in not that far from reality. Tesla is actually developing a fully integrated business model: it is not only the producer of the popular Electric Vehicles (EVs), but it is also expanding in the EV chargers, battery storage systems (Tesla Power Wall) and solar rooftops.

Smart homes: A solar PV on every roof, an (EV) car in every garage, and a battery in every basement

With smart home energy systems, energy generated by solar panels is stored in batteries and used to power appliances and charge electric vehicles before eventually going to the grid



Source: https://e360.yale.edu/features/in-germany-consumers-embrace-a-shift-to-home-batteries

Flexible, tailor made, high quality all-in-one solutions

ATON has installed 2,830 storage systems in Italy over 2015-19, with an estimated market share of 11%. We estimate that, taking into account only installations powered by *intelligent* storage systems, market share would be up to above 25%. ATON competes with the two global pioneers in RBESS: the German Sonnen (100% owned by Shell group from 2019) and Tesla. In addition, other national and international groups active in the production of batteries and inverters are developing all-in-one storage systems. ATON's products are competitive in terms of quality and functionalities, but we believe that the real advantage in the Italian market is represented by: 1) flexibility/customization, which has favored the business with multiutilities. ATON sells white label products to ENEL X under specifications defined by the utility; 2) value proposition with installation companies: quality "made in Italy" products with strong references with national and international utilities; 3) local presence and network, which allows the anticipation of local regulatory changes. We believe that entry barriers will prevent the advent of newcomers from scratch in the market: 1) required mix of technical / entrepreneurial expertise and financial resources; 2) references with large multiutilities; 3) set-up of the procurement network; 4) learning curve in software development. Large local utilities could also decide to expand in the storage business, but we believe that they could use M&A as a short-cut instead of developing the business from scratch (as the Sonnen / Shell deal testifies). ATON could become a target in this scenario.

All-in-one storage solutions are becoming the standard in a global market led by Sonnen and Tesla

In the first years of market development the lack of overlapping between global manufacturers of batteries (e.g. Panasonic, LG Chem, BYD, Sony…) and inverters (e.g. Huawei, Sungrow, SMA…) for PV systems led installers to set up energy storage systems by integrating components made by different producers (e.g. combining LG's battery with SMA's inverter) and sourced through wholesale distributors.

From traditional energy storage systems assembled by installers…

In the past installers used to set up energy storage systems by integrating components sourced from different producers

Source: Alantra

The system integrator Sonnen was global pioneer and gained market leadership together with Tesla by offering "all-in-one" fully-integrated solutions consisting of battery modules and inverter sourced from large manufacturers, built into a single case and integrated by adding internally developed technology (hardware and software EMS). These systems have the advantage of being natively fully integrated, easier to install, provided with digital remote control and monitoring applications, ready to provide grid-stabilization services and to communicate with electric vehicles charging stations. Either wall mounted or free standing, with size ranging from 80-180cm height/60-70cm width/20-60cm and weight ranging from 80kg-200kg, these all-in-one RBESS are designed to be installed indoor (some also outdoor) as a piece of furniture.

…to “all-in-one” intelligent systems

Either wall mounted or free standing all-in-one RBESS are designed to be installed indoor as a piece of furniture The offer of “all-in-one” fully-integrated solutions emerged, built into a single case and integrated with internally developed hardware and software

Source: Alantra

The German player Sonnen was the frontrunner in the introduction of “all-in-one” RBESS, with its first products launched in 2010. Tesla launched its first Powerwall model in 2015.

Sonnen: global pioneer of RBESS

Founded in 2010 in Bavaria, Sonnen is one of the world's leading manufacturers of RBESS. Sonnen created the world’s first all-in-one lithium-ion home battery system available in the market. The company currently employs over 700 people in 9 locations worldwide and manufactures RBESS in Germany, North America and Australia. Sonnen has delivered around 60k residential installations around the world during its history.

Sonnen is switching its business model from a pure RBESS manufacturer to an energy provider, leaving ATON in a stronger position as a potential partner for multi-utilities in Italy.

Sonnen successfully completed multiple financing rounds to support its international development. In October 2016 the company raised Usd85mn and in May 2018 raised further Eu60mn in a new financing round, led by Shell Ventures. Shell New Energies acquired the full control of the company in 2019. Sonnen continues to operate as a wholly owned subsidiary of Shell.

Sonnen is directly present in the Italian market with its offer of RBESS sold through a network of installation companies and it is also acting as general contractor to integrate its solutions in a larger 110% compliant offer.

Sonnen: frontrunner in the introduction of “all-in-one” RBESS

Founded in 2010 in Bavaria Sonnen is a gloabal pioneer and one of the world leading manufacturers of RBESS

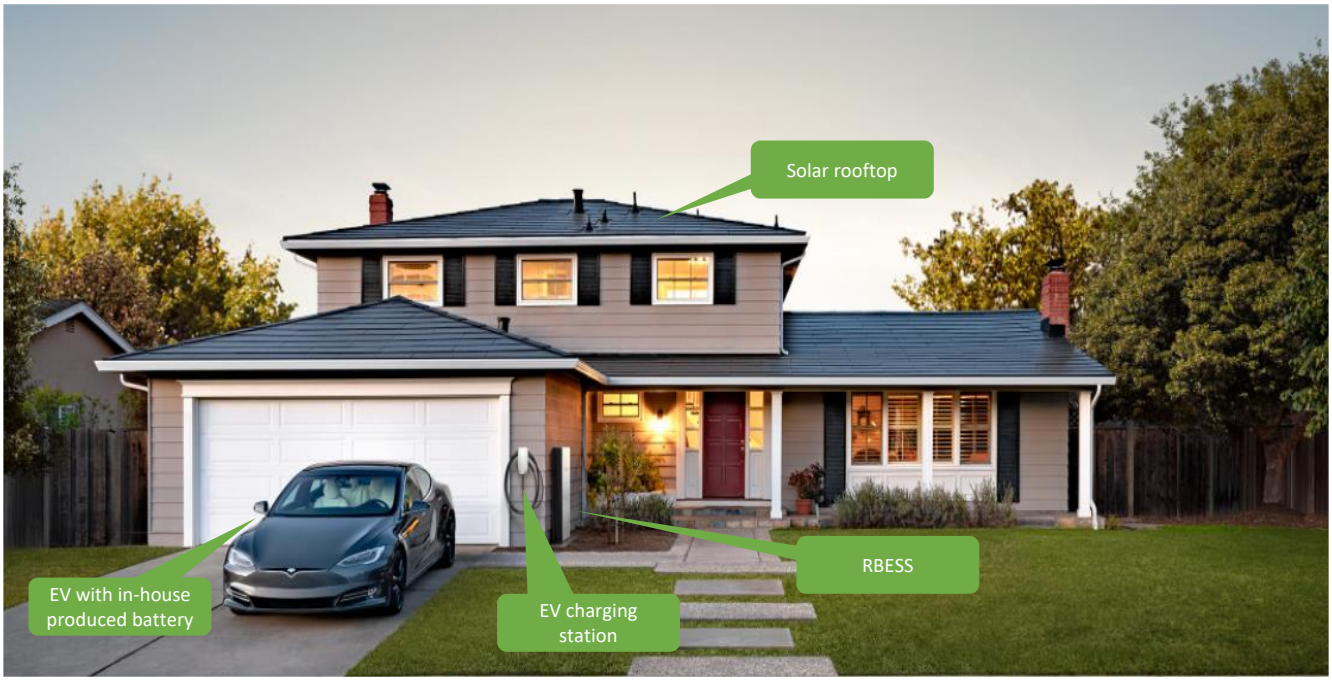
Source: Sonnen

Tesla: not just EVs

Tesla delivered a top line of USD31.5bn in 2020. The group is very well known for its EVs, but its offer also includes energy generation and storage systems (6% of 2020 sales at USD2.0bn). The division consists of the design, manufacture, installation, sales and leasing of solar energy generation and energy storage products and related services and sales of solar energy systems incentives. Tesla began deliveries of the most recent generations of Powerwall, Powerpack and Megapack, which are lithium-ion battery energy storage products integrated with inverters and control technology, in 2016, 2017 and 2019, respectively. Powerwall is designed to store energy at a home or small commercial facility. Megapack and Powerpack are utility-scale energy storage solutions. Tesla also offer integrated systems combining energy generation and storage. Tesla is developing a fully integrated offer including not only EVs and their batteries, but also the dedicated chargers, the storage systems (Tesla Powerwall) and solar rooftops.

Tesla's integrated offer

Tesla is developing a fully integrated offer from EVs to Solar rooftops



Source: Tesla, Alantra

The group launched its first RBESS in 2015 and it is present in the Italian market, where it also competes against ATON.

Tesla in the Italian market

Tesla has direct presence in the Italian market with its own offer of RBESS

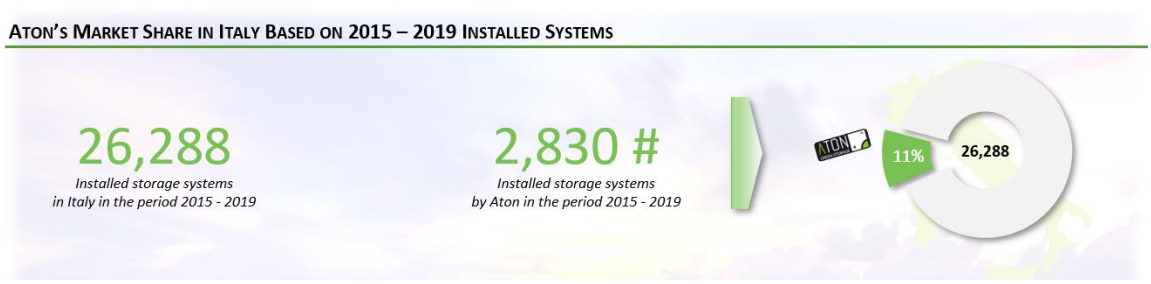
Source: Tesla

ATON is first mover and leading player in all-in-one solutions in Italy

ATON was a first mover in Italy in the development of "all-in-one" solutions starting its activities back into 2014. In the period 2015-2019 ATON designed, assembled and sold ca 2.8 thousand residential energy storage systems, ca 11% of the capacity installed in Italy over the same period (ca 26.3k RBESS). We estimate that ATON's market share was higher in 2020 (13%): the company sold 1.7k RBESS out of estimated 13.4k systems installed in Italy over the same period. While there is no specific data available, we believe ATON's market share should be much higher when considering only "all-in-one" Italian storage installations.

Leading provider of residential energy storage systems in Italy

In the period 2015-2019 ATON sold ca 2.8k residential energy storage systems, ca 11% of the capacity installed. We estimate market share at 13% in 2020E



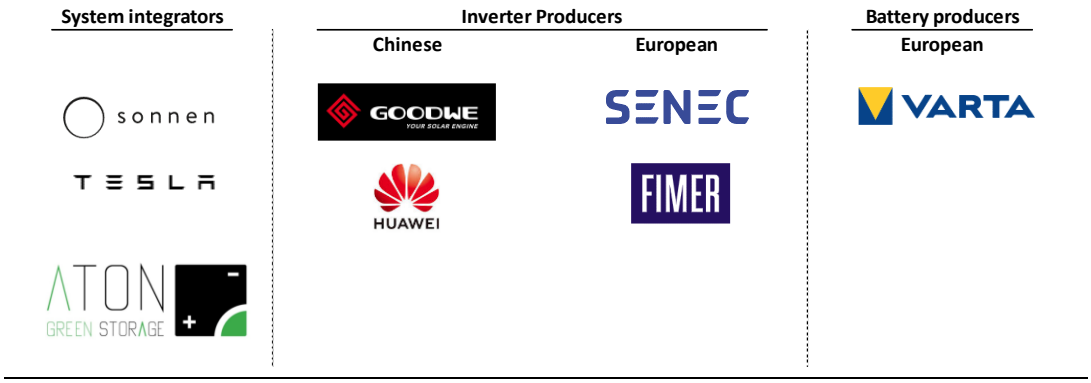
Source: Company presentation

Competitive landscape is becoming more crowded

Global players in the production of solar inverters and batteries started to follow the same strategy of system integrators by launching in 2020-2021 proprietary "all-in-one" storage solutions, integrating their own inverters and batteries with third-party components and EMS.

Competitive landscape for "all-in-one" RBESS

Sonnen and Tesla were global first movers (ATON in Italy), while inverter and battery producers are following, with the launch of proprietary solutions in 2020-2021



Source: Alantra

ATON has competitive advantages in the local market and entry barriers versus potential newcomers

ATON's BESS boast a full range of different functionalities, comparable with the best offer available on the market, where not all the players offer all-in-one solutions:

- Modularity and scalability: ATON's rack is pre-configured to contain multiple battery modules, allowing to address different energy consumption needs and potential future upgrades. Tesla's solutions do not have this feature, as the power of its BESS is initially set without possibility of future upgrades
- Pre-configuration for the deployment of parallel ready inverters: with parallel capability, multiple inverters can be combined to increase the total power produced by the system. ATON's systems are engineered to allow the smooth functioning of parallel ready inverters. This is something not offered by closed source storage systems operators
- Anti-blackout technology: anti-islanding protection is a safety measure that requires the inverters of grid-tied PV plants to shut off if there is a power outage to allow for grid maintenance. Anti-blackout technology ensures useable power during power outages. Furthermore, the system fully charges the battery anticipating bad weather conditions and outage risks. This feature is offered by all the competitors
- On-app notifications: ATON's system sends a notification via app or email when the software detects malfunctions or abnormal energy consumption. If photovoltaic panels are dirty, a low production signal is generated and sent to the reference technician. This feature is also offered by all the competitors
- GPRS connectivity: the system continuously communicates data to the cloud. In addition to the standard wi-fi connection, ATON provided its system with mobile SIM card. In this way, storage systems can be easily connected to the cloud even if installed in areas not covered by the home wi-fi. This functionality is a peculiarity of ATON today
- Virtual unity on-board control: ATON's EMS is preconfigured for the deployment of third-party software for the management of virtual power plants (i.e. grid stabilization services). This functionality is a peculiarity of ATON today
- Electric car charger control: ATON's systems are preconfigured for the smart management of proprietary electric vehicle charging station. This feature is only offered by Sonnen and Fimer

Competitive landscape and main products' functionalities

ATON's products are highly competitive in term of functionalities

	Open Source Storage Systems							Closed Source Storage Systems		
	ATON	sonnen	GOODWE	Growatt	solis	AZZURRO	SENEC	FIMER	TESLA	HUAWEI
All-In-One	✓	✓	✓	×	×	×	✓	✓	✓	×
Scalable	✓	✓	✓	✓	✓	✓	×	✓	×	✓
Parallel Ready Inverter	✓	✓	✓	✓	✓	✓	×	×	×	×
Anti-Blackout	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
On-App Notifications	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GPRS	✓	×	×	✓	×	×	×	×	×	×
Virtual Unity On-Board Control	✓	×	×	×	×	×	×	×	×	×
EV CAR Charger Control	✓	✓	×	×	×	×	×	✓	×	×

Source: Company presentation. Note: Open source storage systems can be adapted to work with different types of batteries. Closed source storage systems work with specifically designed batteries

We believe that the **real competitive advantages of ATON** in Italy are linked to:

- **Flexibility and modularity of the offer, which can address multiutilities**. This is not a peculiarity of the global leaders. This allowed ATON to produce white label products for multiutilities and to develop important credentials with them. The solution offered to ENEL X, for example, is very different compared to ATON's standard products. We add that Sonnen is developing an offer of electricity services dedicated to householders and SME in direct competition with multiutilities. This prevents business developments in this segment of the storage business in our view
- **Strong value proposition with local installation companies**. ATON can become a strong reference for national installation companies, leveraging on made in Italy with quality standards proven by links with the multiutilities. Sonnen and Tesla work only with a selected panel of installation companies, while no other competitors can offer the same mix of made in Italy and credentials
- ATON's **local presence and links**. On top of the relationships with leading local utilities, ATON has sound relationships with the Italian regulatory committee (CEI). The group has the chance to know is advance potential regulatory changes and local market trends. As a consequence, it can implement innovative functionalities ahead of international competitors.

We also believe that **entry barriers** can prevent the advent of potential newcomers from scratch:

- ATON has been established and developed thanks to a mix of technical know-how of the top management and entrepreneurial skills of the shareholders. In addition, >Eu6m equity has been injected in the group and further resourced should come from the planned IPO. This is nothing compared to the fire power of large players, but a barrier for potential newcomers from scratch
- ATON has developed business relationship with large national and international multiutilities, which are important references to expand the business B2C and with installation companies
- The group has a proven procurement network and is diversifying its suppliers
- ATON has already exploited a significant learning curve. In addition, data collected every day on the performance of the installed capacity allow continuous software and hardware improvements

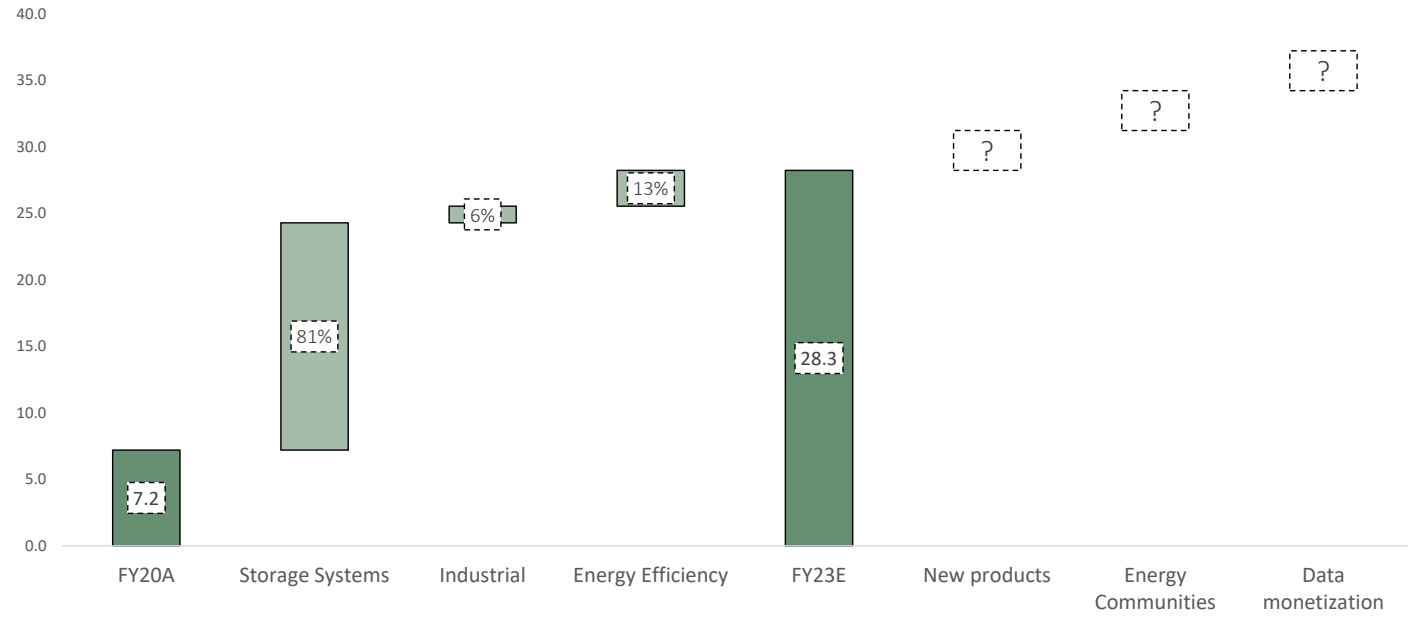
Large multiutilities could theoretically decide to expand their reach in the storage business, but we believe that M&A could be a short-cut for them and that **ATON could become a target**, as witnessed by the Sonnen/Shell deal.

Ramp-up of storage, new business lines and products

ATON aims to consolidate its leadership in domestic energy storage systems in Italy, continuing to invest in R&D and enlarging its installed base. The group is now serving large Italian multiutilities and several installation companies in the country and it is well-equipped to ride the RBESS Italian wave. Energy storage system should contribute to >80% of revenues expansion over FY20-23e period. The residual share of revenues growth should come from the recently launched B2C Energy Efficiency business (13%) and the Industrial "legacy" solutions (6%). Internally developed energy storage management software is a key activity of ATON. The group invested >Eu2.0mn in R&D over 2018-2020 period. We expect R&D efforts to continue and further accelerate over the coming years, as the company is planning to improve its product offering, addressing large scale-residential users to catch the opportunities offered by the so called "energy-communities". ATON is also actively working on new products development which should be launched over the coming years. The two main products ready to be launched are (i) a charger station with patented bidirectional energy flow technology (building-to-vehicle / vehicle-to-building); (ii) a plug & play photovoltaic system to be installed on balconies to sustain daily energy consumption of domestic users. Finally, we believe that ATON could be able to exploit the data collected from its growing installed base of BESS to improve its algorithms and potentially offer value added services (to both B2B and B2C clients).

ATON –2020-2023 top line bridge

81% of our expected 2020-2023 top line growth should come from the development of the storage systems business, 6% from the Industrial business and 13% from the recently launched B2C energy efficiency division. The launch of new products (charger stations and plug&play PV systems), an offer for large scale-residential users and data monetization are mid-term opportunities not included in our estimates



Source: ATON financial data for 2020 figures, Alantra estimates

Scaling-up the existing business

We expect the company to deliver 58% net revenues CAGR over FY20-23. ATON should be well equipped to exploit the expected boom of the Italian **energy storage** market (we expect yearly installations in Italy to double from ca13k in 2020 to ca 27k in 2023), thanks to its leading position. Overall, we expect ATON to sell approx. 80MWh of storage capacity over FY21-23. The entrance into **energy efficiency** interventions business, acting as general contractor and supplier of storage systems, should give the company a direct access to end-users and enable ATON to have full control of the process, leveraging on its internal sectorial knowhow. This business, launched in 2021, should have a strong boost over FY21-22 period also on the back of tax reliefs for end-users and should continue to be strategic for the company also beyond that date. Fiscal incentives are likely to be reduced, but not eliminated. **Industrial "legacy" business** of design and manufacture of thermoregulators for trains and remote-control systems for batteries should continue to grow over coming years as investments in rail transportation accelerate.

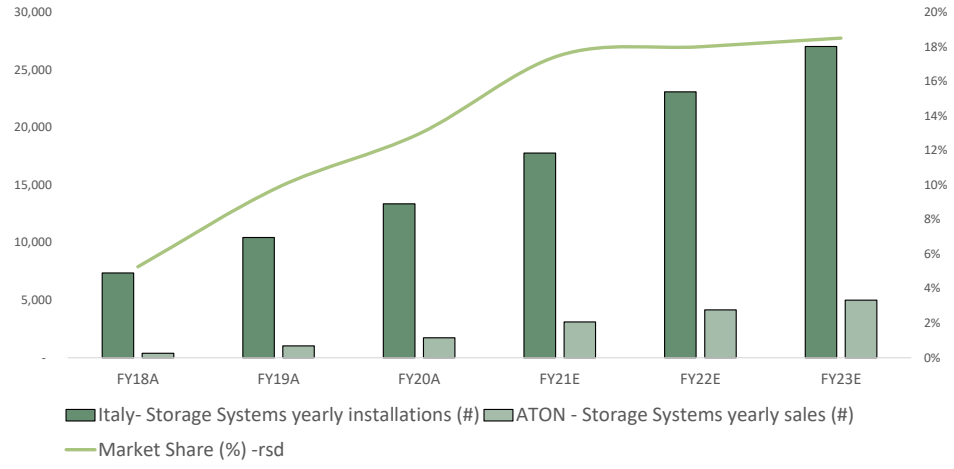
Storage Systems business

We expect Storage Systems business to post a 55% CAGR over FY20-23 period and to contribute for >80% of total revenues growth over the forecasting period. While we expect ATON to continue developing international partnerships, most of segment growth should be driven by an acceleration in domestic business, where the company has already gained a strong market positioning. 2020 installations of storage systems were hampered by (i) Covid-19 related slowdown as both commercial activities and technical interventions were blocked; (ii) unclear regulatory framework.

We are factoring approx. 700MWh of new storage systems to be added in Italy over FY21-23 period based on the High Scenario (including 110% fiscal incentive) of Solar Power Europe (a leading association of organizations active in the solar value chain). This would result in average 230MW installations per year, a number which lies well below Government PNIEC targets (which point to ca 2.3GW installations by 2025, or approx. 400MW per year over 2020-25) and main development scenarios elaborated by Terna. In this context, ATON should see its market share growing from 13% in FY20 to 19% in FY23: while on the one side we expect competition to increase, we see ATON best placed to continue to grow its market share given its strong relationship with tier 1 multiutilities and large installation companies. We expect the company to sell approx. 12k storage systems for a total capacity of around 80 MWh over FY21-23.

ATON –Installed base growth in Italy

We expect ATON to continue gaining market share on the Italian energy storage systems market

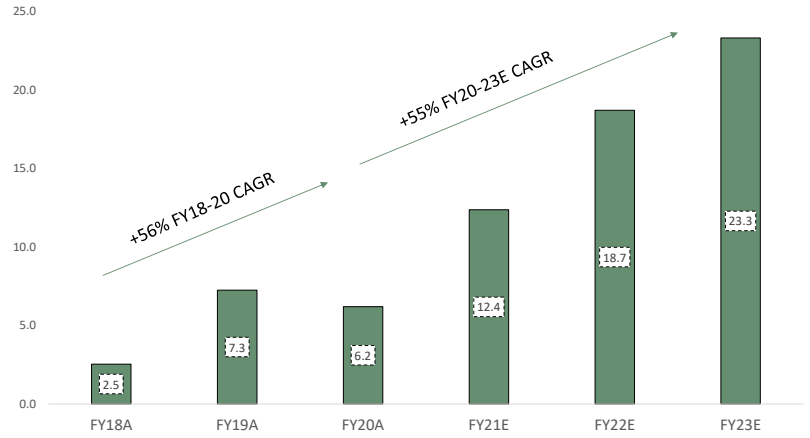


Source: Company presentation data, Alantra estimates

We are modelling a growth of the average system size from 5.7KWh in 2020 to 7KWh in 2023 as final users increase their knowledge of the product and ability to maximize its use. We are factoring a price increase per KWh installed of 10% and 5% in 2021 and 2022 respectively (driven by client mix) and 5% decline in 2023 (driven by pass-through of components' price). This should result in Italian Storage Systems revenues to grow from Eu5.4mn in FY20 to Eu21.1mn in FY23 (+57% FY20-23 CAGR). Foreign storage systems sales should grow as well with yearly installations rising from 1.2MWh per year in 2020 to 4.2MWh per year in 2023. Foreign revenues should grow from Eu0.8mn in FY20 to Eu2.2mn in FY23 (+43% FY20-23 CAGR).

ATON –Storage System business revenues

We expect ATON to deliver a 55% divisional CAGR over FY20-23 period



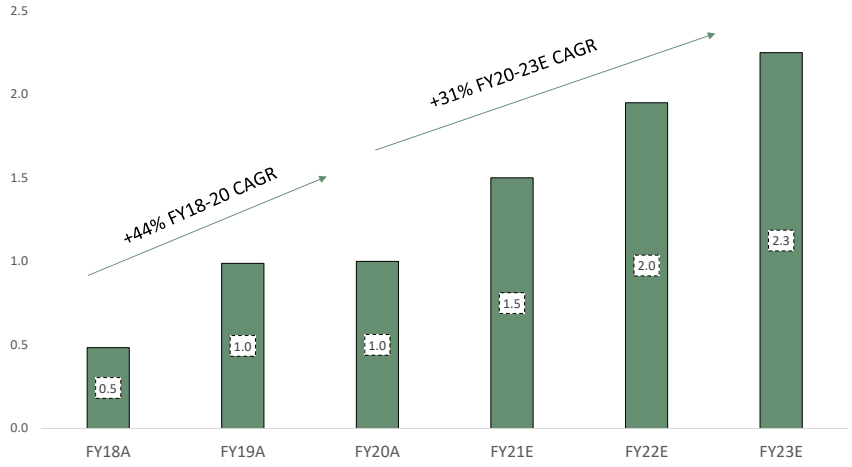
Source: Company presentation data, Alantra estimates

Industrial business

ATON has been historically able to gain high-standing industrial clients (Mitsubishi, Toyota, AF). After doubling its revenues in FY18-19, also in this business the commercial activity has been hit by Covid-19, translating in a flat performance in FY20. We expect the company to continue to deliver interesting results over the coming years and to post a 31% FY20-23 CAGR, jumping from Eu1.0mn in FY20 to Eu2.3mn in FY23 and contributing to approx. 6% of growth in the period. Growth should be supported by the pivotal role rail transportation should play over the coming years and the huge amount of resources that the Italian Recovery plan should allocate to Sustainable Mobility.

ATON –Industrial business revenues

We expect ATON to deliver a 31% divisional CAGR over FY20-23 period



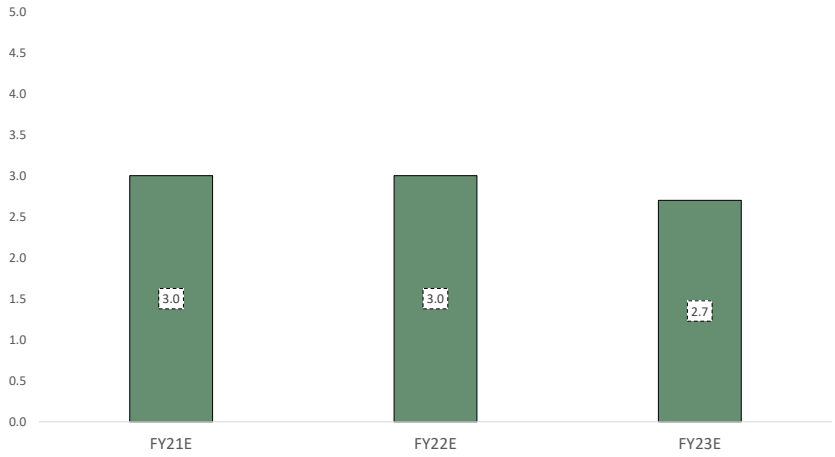
Source: Company presentation data, Alantra estimates

Energy Efficiency business

The main driver of this business over 2021-22 should be the possibility for end-customers to benefit from the 110% tax relief (d.l. "Rilancio, May 2020), whose regulatory aspects will be completely managed by ATON. The extraordinary tax relief is inflating demand. ATON has not yet launched a commercial offer on the market, but just using the worth of mouth, it has almost achieved the 2021 budget of 50 installations. According to Italian regulation, the 110% tax relief should be over in 2022 and replaced by a lower incentive, but we believe that ATON should continue to see revenue growth in this segment thanks to declining price of the key components. In our model we are conservatively factoring in 50 projects managed per year at an average project size of Eu60k (which include different energy efficiency equipment including PV, storage, heat pump boiler - while we are excluding all the structural activities for external thermal coat). This would result in Eu3mn yearly revenues over FY21-23 period. This segment should account for approx. 13% of FY20-23 growth.

ATON –Energy Efficiency business revenues

We expect this business to be broadly stable over the next 3 years, after going up from nil to Eu3mn in 2021e



Source: Company presentation data, Alantra estimates

Many additional options on the cards

ATON aims to consolidate its leadership in residential energy storage systems, continuing to invest in R&D to support future growth. The company is now working on (i) new applications for large scale-residential users in order to benefit from the expected upcoming demand from "energy communities" and (ii) internalization of the design of batteries and inverters. We expect that these projects should absorb most of the R&D related capex over the coming years.

1. Renewable Energy Communities

With the so-called *Milleproroghe Decree* being converted into law in 2020, Italy has introduced the concept of Renewable Energy Communities: groups of citizens, retail businesses and other companies that decide to join forces to equip themselves with systems to produce and share energy from renewable sources. Participants to the energy community can invest in a shared system with an overall power output of up to 200kW and then share the energy produced either by consuming it immediately or by storing it in storage systems for usage when required. The system must also be connected to the low-voltage network, through the same MV/LV transformer substation from which the energy community receives power from the grid.

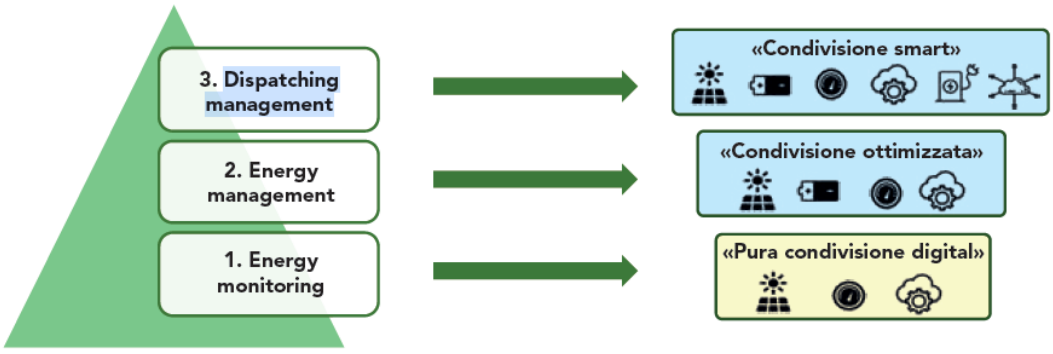
The diffusion of energy communities with the installation of solar PV generation, energy storage systems and electric vehicles charging stations will need advanced software tools for the management of energy flow in order to monetize load shifts and peak shaving in real time.

One-stop shop energy management systems are an essential ingredient for this type of active participation in local energy markets. Seamless interoperability between systems that control discrete assets at specific consumer locations and systems that aggregate and manage collective energy needs in real time across a given community, combined with systems designed to help balance the grid is the only way to ensure the safety, productivity, efficiency, resilience, and sustainability of decentralized energy systems.

A recent study from *Politecnico di Milano (Electricity Market Report, November 2020)* has highlighted the importance of software platforms in the management of Energy Communities and has assessed the as-is situation on the Italian market for energy management platforms. Only 30% of analysed platforms can control the assets inside a community and optimize their use. ATON is working to improve its storage systems which are already equipped with a "Virtual Unity on-board control" to not only communicate data to the cloud but also receive inputs (e.g. from TERNA) and execute specific balancing actions.

Energy Communities Software

Complexity of energy communities need efficient software tools for the management of energy flows. ATON aims to meet the highest requirements for its storage systems



Source: Electricity Market Report 2020 from Politecnico di Milano

2. New products

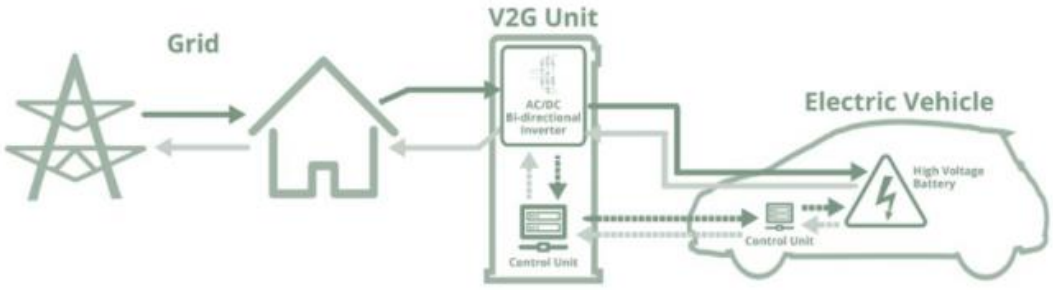
ATON is developing new products to be included to its commercial offer and which could represent an interesting opportunity over the coming years. We are not incorporating any sale from new products in our estimates.

In greater detail, ATON is working on:

(i) Charger stations with a patented technology which allow for Vehicle-to-building and Vehicle-to-grid energy exchange. In this way ATON should leverage on the expected surge in e-mobility to propose a unique system able to offer bidirectional energy flows (both from the battery to the car and vice-versa from the car to the battery). In addition, with the vehicle-to-grid technology, the battery in an electric vehicle can be used itself as an energy storage system for a home, building, or to give stability to the electrical grid. In this way the car can provide backup power for a home in blackout, recharge the house storage system if needed and fill in the gaps between supply and demand on the grid. In addition, by charging the EV during off-peak times (e.g. during the dark time) and using the excess energy to supply energy at peak times contributes heavily to emissions reduction.

Vehicle-to-Grid and Vehicle-to-Battery technology

Vehicle-To-Grid technology allows electricity to flow bidirectionally between the grid and an electric vehicle, opening opportunities for grid operators to optimize power demand and improve grid stability



Source: web

(ii) Plug & Play photovoltaic systems for domestic use. These small solar systems are meant for houses and apartments where solar PV cannot be installed. With ca 350kWh delivered per year they support daily energy consumption for residential clients and can be used by multiutilities to enrich their commercial offer. Small solar PV systems are easy to be installed and there is no need for authorization. ATON has internally developed its Plug & Play solution which should offer higher stability and safety as compared to other solutions on the market.

Plug & Play photovoltaic systems are allowed since 2020 when ARERA (energy regulation authority) has introduced in Italy the possibility to install, with a streamlined process, generation systems with a power below 800W in domestic units where a contract for energy provision is already active (Arera 315/2020/R/eel).

With a cost of ca Eu500 and a theoretical saving of approx. Eu50 on the energy bill, these solutions have fast payback times, accelerated by the 50% tax relief offered by *"bonus ristrutturazione"*.

ATON – Plug & Play PV solution

These products could find a strong acceleration over coming years as the regulatory framework has been recently defined

Source: Corporate presentation

3. Data monetization

As installed base of BESS should keep growing over the coming years, we expect that ATON could leverage on data collected from its systems to exploit new business opportunities. The company has recently hired a new IT manager to speed up this process and improve data governance capabilities. We highlight below some examples of value extraction from data:

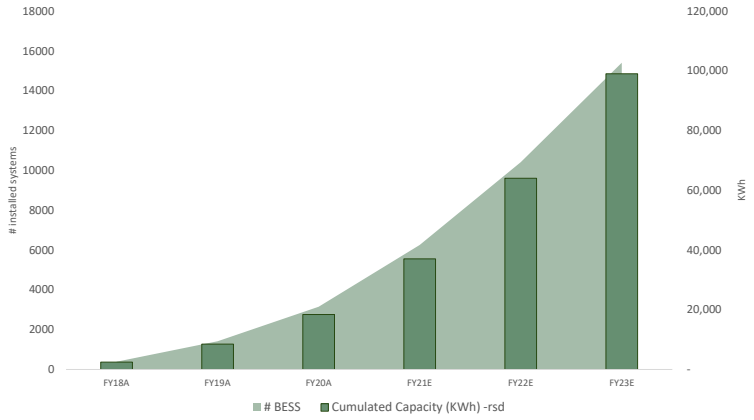
(i) Offer data analysis to multiutility clients, which install ATON products, providing them insights on how their customers are actually using the storage system and letting them offer additional services to end-users (e.g. suggestions on how to improve the use of the storage systems);

(ii) Aggregate and sell data to utilities which can only look at consumption until the meter but have no clue of what is happening "behind-the-meter". This could help them adapt commercial offer according to the type of client (e.g. a residential user with solar PV and battery could be targeted with a specific offer for electricity). The more solar installations coupled with storage systems will grow the more utilities will need to deal with this kind of data;

(iii) Directly offer additional services to B2C clients as the new Energy Efficiency business will keep growing over the coming years.

ATON – Cumulated installed base

As the installed base grows over time, ATON will be able to gather more and more data from its installed BESS and possibly monetize them



Source: Company data and Alantra estimates

Front-end loaded 58% 2020-23E net top line CAGR

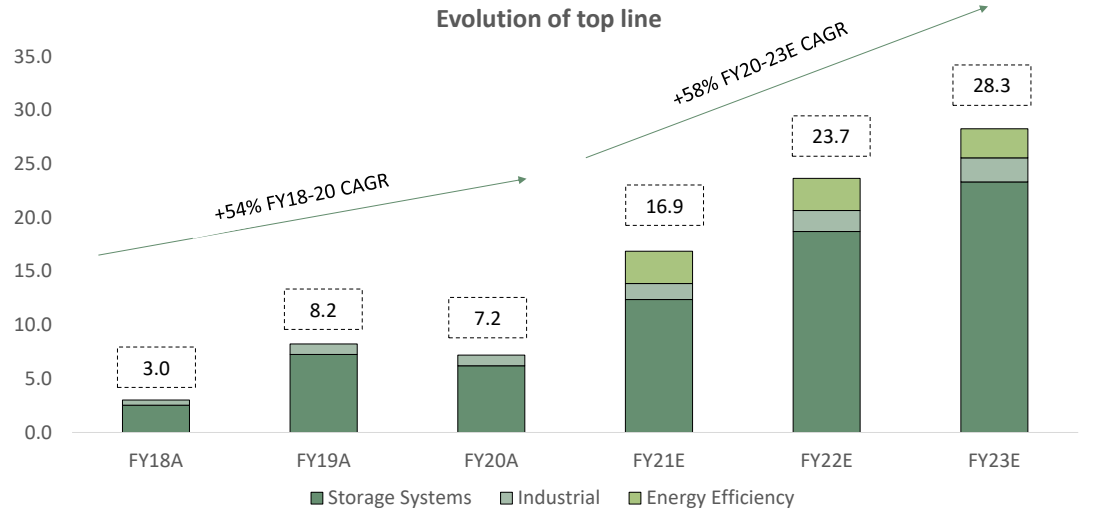
ATON's top line was up almost 3x in FY19 versus FY18. By contrast, it was down 13% yoy in FY20, as a result of: (i) Covid-19 related slowdown in storage systems installations and (ii) regulatory uncertainty around fiscal incentives. We believe that ATON is now ready to face a period of strong growth. We expect a rebound of 2021 net sales (up 134% yoy), which is already evident in the results achieved in the first 4m. Growth should continue in the coming years (expected 58% Net revenues CAGR over FY20-23). Declining prices of components (batteries and inverters are ca 70% of material costs for ATON), coupled with a less price sensitive demand (supported by fiscal incentives), should be gross margin accretive. The increase in volumes should trigger a positive operating leverage, as the existing structure is already sized to handle business growth. Internalization of design of batteries and inverters should give another contribution to efficiencies. Overall, we expect EBITDA margin to expand from 1.2% in FY20 to 23.4% in FY23 with EBITDA at Eu6.9mn in 2023 (Eu3.5mn in 2021). Financial leverage should amplify the effect on net profit, up to Eu3.6mn in 2023E from net loss of Eu1mn in 2020.

58% FY20-23E CAGR of net revenues expected

Over the past 3Y, ATON has posted a 54% CAGR of net revenues, which has jumped from Eu3mn (Eu3.4 gross) in FY18 to Eu7.2mn (Eu8.3 gross) in FY20. As domestic storage systems should continue to grow significantly over coming years to meet the challenging Government emission reduction targets, we expect that ATON should enjoy strong momentum given its (i) unique all-in-one solutions, which require limited intervention from the installers; (ii) strong relationships with leading multiutilities; (iii) expansion of the business with installation companies. On top we are factoring a positive contribution on sales growth from the entrance into the new energy efficiency business and a strong growth in the industrial business, where ATON has already secured a leading position with highly reputed clients. We expect 58% 2020-23E net top line CAGR (53% gross).

ATON – Breakdown of 2020-2023 net sales estimates

We expect ATON to post as 58% CAGR of Net Sales over FY20-23 period with Storage Systems business being the largest growth contributor



Source: ATON data as for 2018-2020, Alantra Estimates. Note: CAGR is related to net sales

Strong start to 2021

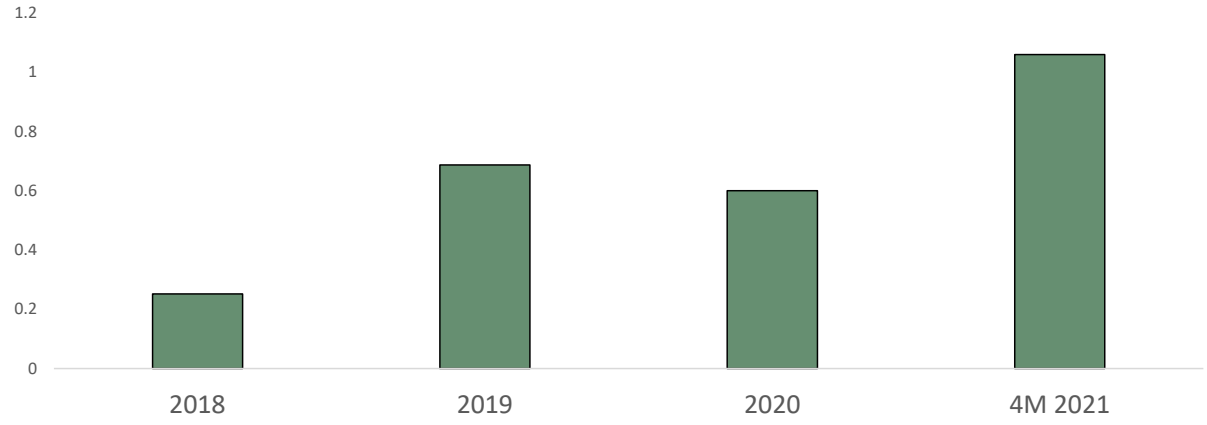
Our expected net top line growth is front-end loaded, with 134% yoy growth in 2021. Since February 2021, as lockdown measures partially eased and the details around *"Superbonus 110%"* have been clarified, the company has been experiencing a huge growth of sales. Average monthly revenues over Jan-Apr 2021 period stood at Eu1.1mn, well above the 600k average monthly revenue reported in 2020 (+76.7% YoY). Overall, the company has generated approx. Eu4.2mn sales in 4m21 (Eu1.4mn only in the month of April) according to unaudited management accounts, which represent ca 60% of FY20 net revenues. We expect a further acceleration in May and believe that 4m 2021 figures do not yet include contributions from the B2C business.

The number of clients increased significantly to 46 over the first months of the year. This was mainly related to the ongoing rising share with installation companies vs multiutilities (in 2020 the split on storage systems sales was: 36.2% installation companies vs 63.6% multiutilities). This is due to the rising interest of the final clients in adding storage systems to their PV installations. We expect this dynamic to have a positive contribution to company's profitability.

While no backlog exists for ATON, as orders cover a very limited time horizon (only for multiutilities planning is made on a quarterly basis), we believe that booming demand is forcing installation companies to secure supply of storage systems. This in turn is allowing ATON to secure actual prices for longer delivery times enhancing revenues visibility and margin expansion.

ATON – Average monthly revenues FY18-4M21

Average monthly revenues in 4m2021 are up >76.7% yoy; in April the company reported approx. Eu1.4mn revenues form 46 customers



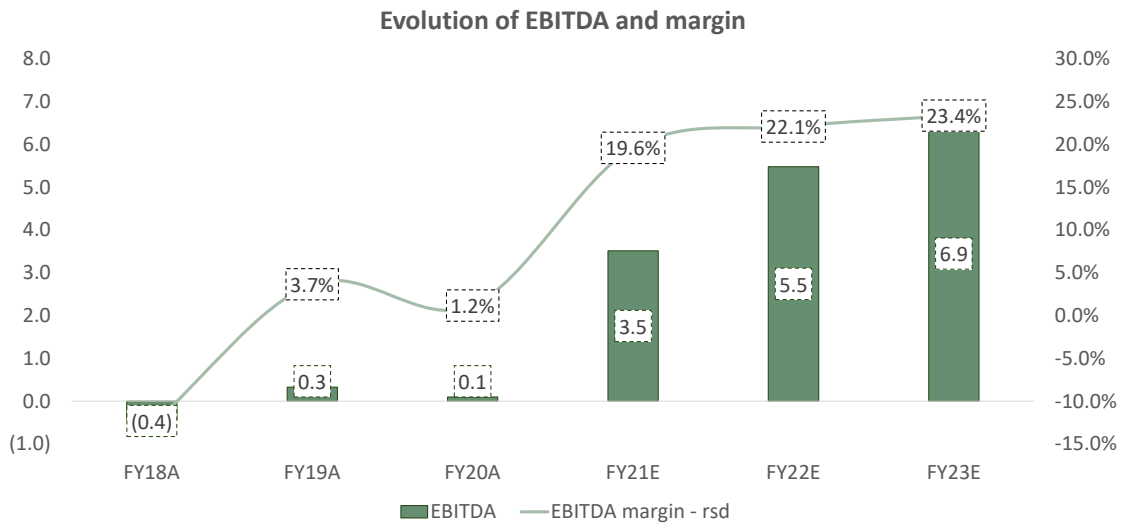
Source: ATON analyst presentation; From management accounts. 2018A, 2019A and 2020A final year rebates applied to months on a pro-quota basis

EBITDA margin ready to take-off

ATON has reported close-to-break-even EBITDA figures over FY18-20 period. Heavy investments made to support business development, organizational set-up to face future business growth and first-mover position in a still lagging market have been the main reasons of the low profitability. The future should be different: we expect EBITDA margin to expand from 1.2% in FY20 to 23.4% in FY23 with EBITDA at Eu6.9mn in 2023 (Eu3.5mn in 2021).

ATON –EBITDA Adj. and EBITDA margin

After being close to break-even in 2018-20, we now expect ATON's margins to take-off



Source: ATON data, Alantra Estimates

We believe that 3 main factors should support the strong expected margin expansion in the coming years:

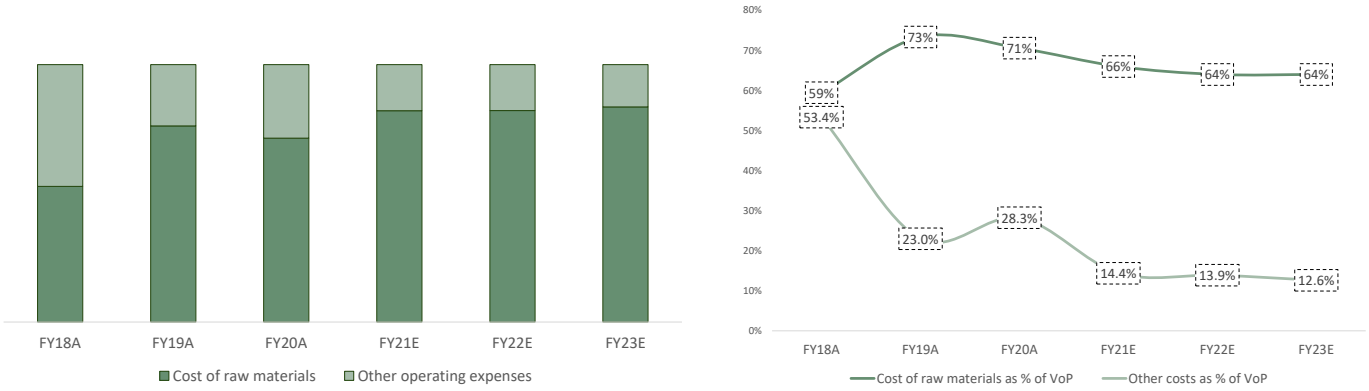
- Lower incidence of raw materials costs: raw materials are ATON's main cost item. They stood at Eu5.8mn in FY20 and accounted for 70.6% of VoP. 70% of these costs are related to the purchase of inverters and batteries. While the price of inverters has already declined significantly over the last few years, the deflationary trend in batteries is now accelerating, with the price for this critical component (almost entirely sourced from Chinese suppliers) seen reducing by 33% over the coming years. ATON is actively looking at new partners for batteries sourcing and has already secured new contracts at lower purchase price in 2021. In the meanwhile, we expect that the sale price of BESS should hold-up well, thanks to the new tax reliefs, linked to the installation of storage systems components, which make final users less price sensitive. Overall, we expect that the incidence of raw materials costs on sales could drop over the coming years from 70.6% in FY20 to 64.0% in FY23.

- Positive operating leverage: The existing organizational structure of ATON is already sized to face a strong growth in volumes. We expect growth in non-raw material costs to be limited as compared to revenue growth, thus activating a positive operating leverage. In greater detail, we expect direct and indirect costs except from raw materials (services, rentals and personnel and other costs) to grow from Eu2.3mn in FY20 to Eu3.7mn in FY23 with their incidence on VoP declining from 28.3% to 12.6%.

- Sales mix: We believe that the weight on multiutility clients should decline over time in favor of installation companies, which are smaller and more fragmented. ATON should increase its negotiation power, with higher implied profitability.

ATON – Cost base

We expect non-raw materials costs to significantly lower their incidence over both total costs and as % of VoP over the coming years. Positive operating leverage should kick-in. We also expect a lower incidence of raw materials cost on sales over the coming years, as the generous fiscal incentives in place make consumers less price sensitive

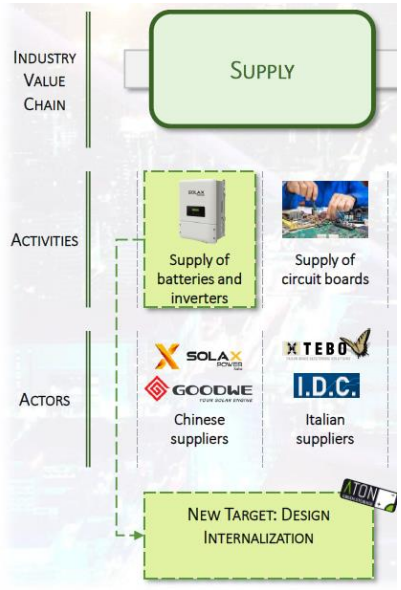


Source: ATON data as for 2018-2020, Alantra Estimates

- Internal design of batteries and inverters. Leveraging on its know-how on energy storage systems, ATON aims to internalize the design phase of batteries and inverters. In this way the company could rely on external suppliers only for pure manufacturing, while having a complete control on all the components of the storage system. This should result both in a higher value of the product being completely internally developed and should allow the company to achieve costs savings.

ATON – Efficiency gains

The company aims to internalize the design of batteries and inverters to have more control on all the components of its energy systems and to gain efficiencies

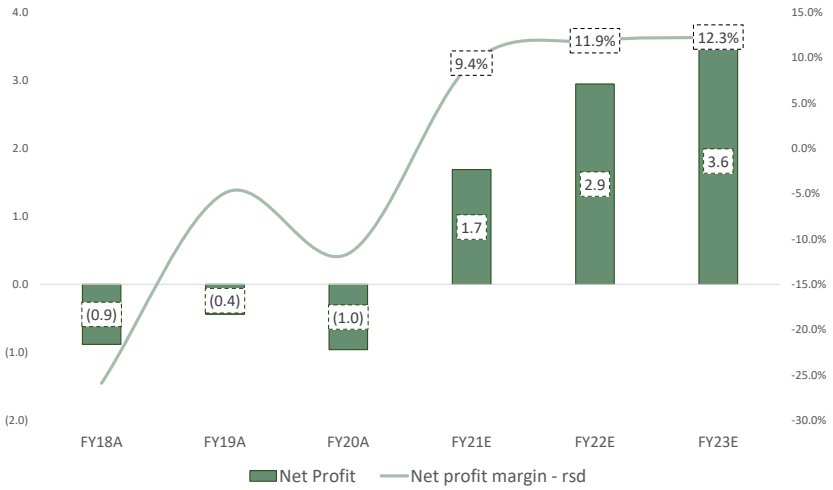


Source: Company presentation

ATON enjoys a fixed asset light business model with most of the long-term assets being made of intangibles (capitalized R&D costs), which have a fast-amortizing period. D&A accounted for approx. 12% of VoP in FY20 and are expected to account for 5.4% on average over FY21-23. Interest paid are negligible and should continue to be very low also following the full repayment of the shareholder loan completed in 1Q21 (Eu0.6mn remaining at YE20). Assuming a 28% tax rate in the future, net profit is expected to turn positive in FY21 (negative for Eu1.0mn in FY20) and to reach Eu3.6mn by FY23 (12.3% of sales).

ATON – Net Profit (FY18A-23E)

EBITDA is largely converted into net profit



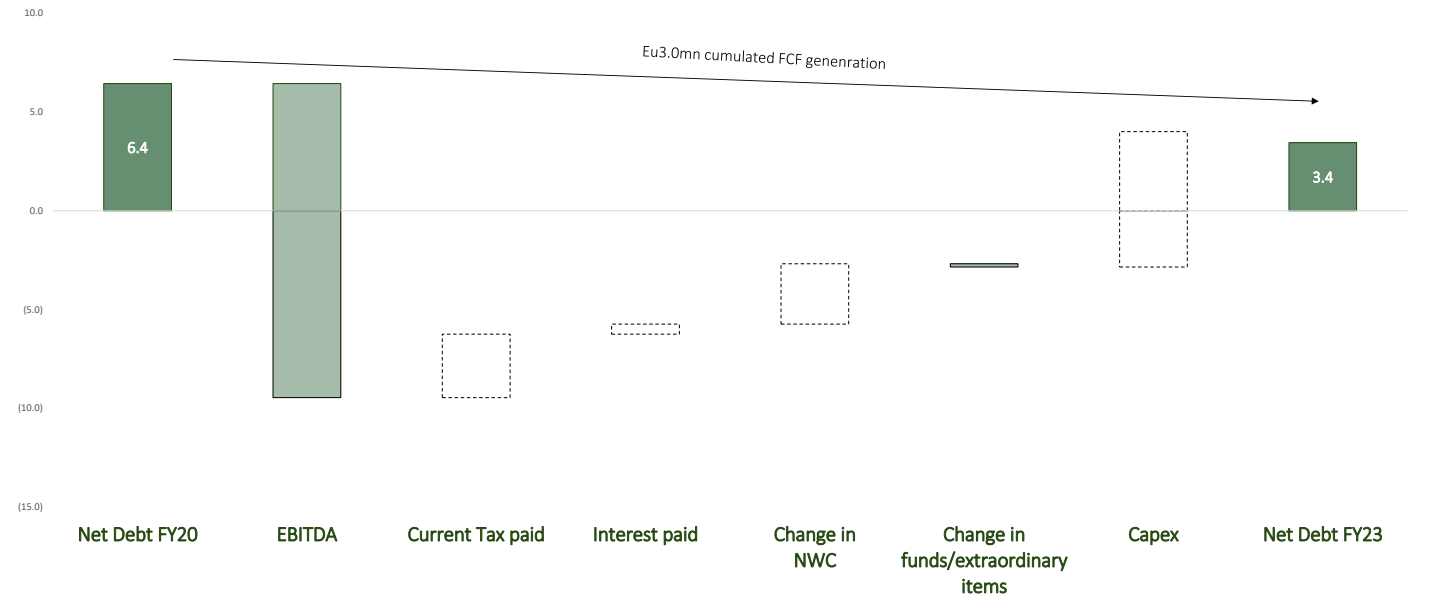
Source: ATON data, Alantra estimates

FCF generation despite growth and R&D

After Eu1.4mn FCF generation in FY20 helped by revenue slowdown, we believe that strict control of WC should allow further de-leverage in the next few years. The expected acceleration of top line growth should absorb some working capital (positive at 50% of sales in 2020, excluding non-commercial items), but while receivables are set to increase, we expect a strong improvement in inventories. The company should come back to normalized levels after inventory build-up at the end of 2020 to face an expected extraordinary demand in 2021. We estimate approx. Eu7mn capex over 2021-23 (average Eu2.3mn per year), as the company should continue to invest in its proprietary control software for (i) energy communities; (ii) grid stabilization; (iii) new end-users needs. Utilization of tax assets in FY21 should be accretive on operating cash flow. Overall, we expect Eu3.0mn cash generation over 2021-23. A mitigation of growth rates and normalization of capex should enhance cash generation profile in the future. EBITDA growth and net debt reduction should improve the group's financial profile: pre-money Net debt/EBITDA ratio should reach 1.6x in 2021 and go down to 0.5x by 2023.

ATON – Net Debt bridge

Despite the strong expected top line growth, WC should benefit from inventories normalization. Significant CAPEX should be needed to improve the proprietary software and support new product developments (a driver of M/L term growth)



Source: ATON financial data, Alantra estimates

2020 Working Capital was heavy but healthy

ATON capital employed is mostly represented by Working Capital, which accounts to ca. 85% of the overall invested capital. Being ATON a fast-growing company, WC represents one of the largest cash absorption items and its careful management is essential to manage FCF generation. We expect commercial working capital (54% of VoP in FY20) to be under control and significantly improve its incidence on sales over the coming years. Other current items should also improve as some tax assets will be cashed in. Overall, we expect WC to absorb approx. Eu3.0mn over FY21-23. In greater detail we see:

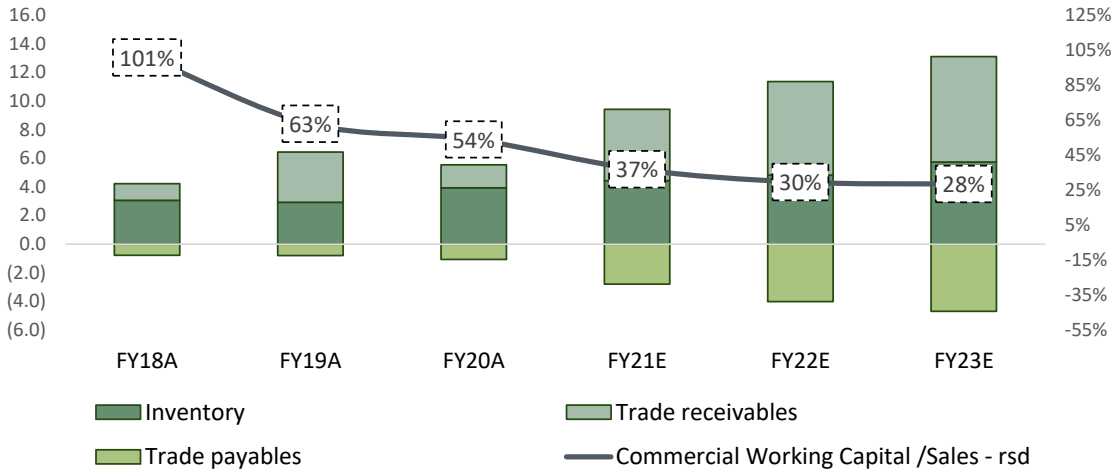
DIO at 197 in 2020 expected to significantly improve. We estimate DIO at 197 in 2020: the sourcing of raw materials is usually made from China and the shipping of inverters and batteries have high lead times. In addition, in order to face a growing demand expected in 2021, ATON has oversized its inventories in 2020. We expect over the coming years DIO to improve as (i) the strong demand faced in 2021 should lead to a fast de-stocking; (ii) the company is actively working to find domestic suppliers, which should allow shorter delivery times and lower level of inventories; (ii) the entrance into the energy efficiency business should be free of inventory requirements.

DSO expected to slightly expand. In 2020 ATON strongly reduced its DSO from 154 to 81 thanks to approx. Eu1.2mn non-recourse receivables from its largest client (Enel X). The rising share of installation companies' clients on total could somehow lower credit quality. We expect a slight expansion in DSO over coming years as (i) installation companies should increase their incidence on sales over coming years; (ii) the company will enter into the new energy efficiency business acting as general contractor and could have some delays in receiving fiscal reimbursement, as bureaucratic procedures to access the "Superbonus" could be longer than expected.

DPO at 47 should grow over the coming years. DSO has been quite low, as ATON tends to pay quickly its large suppliers to secure more favourable conditions. We expect that this figure could slightly grow over the coming years, as the new energy efficiency business could allow longer payment times to suppliers in order to back receivables not immediately transferred to banks.

ATON – Commercial Working Capital (FY18-23E)

We expect a small cash absorption from WC over the coming years despite strong top line growth, thanks to reduction of DIO from 2020 extraordinary levels



Source: ATON data, Alantra estimates

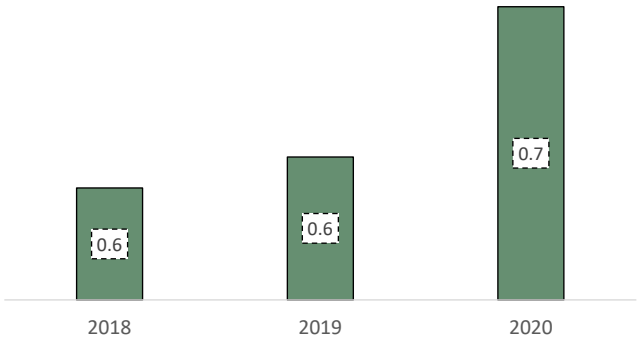
R&D should continue to require significant investments

We expect ATON to continue to invest significantly in R&D over the coming years. After deploying Eu2.5mn in total capex over 2018-20 period, out of which Eu2.1mn intangibles, we expect ATON to invest Eu6.9mn over the next 3Y.

R&D will mainly address proprietary software development for energy storage systems. The company is continuously working on its technological know-how to offer flexible solutions to installation companies and utilities. On top, the company is now improving its platform to efficiently manage the so-called "energy communities", which should develop fast over the coming years. In addition, ATON is improving its platform to exploit future grid management opportunities, a topic which should become increasingly important over the coming years.

ATON – R&D Expenses (FY18-20)

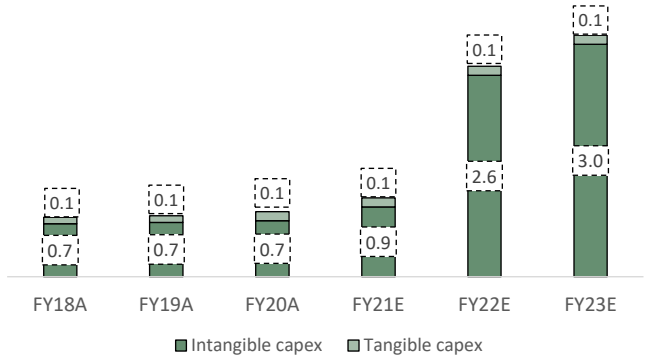
ATON invested approx. Eu2.1mn in R&D over FY18-20 period



Source: ATON

ATON – Historical and expected total capex

ATON should increase capex over the coming years



Source: ATON data, Alantra estimates

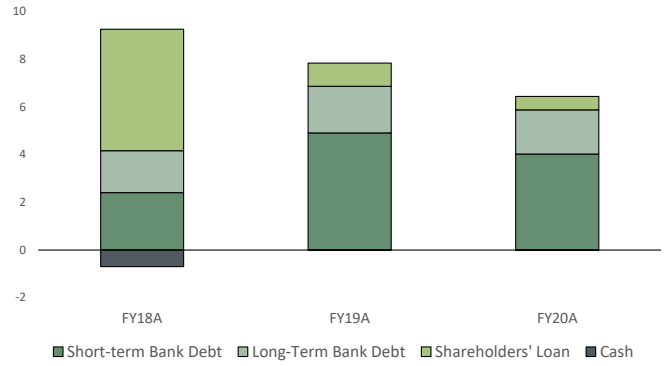
Financial profile should improve, thanks to EBITDA growth and FCF generation

ATON has gradually reduced its exposure to shareholders' loans (which have declined from Eu5.1mn in FY18 to zero at 1Q21) and increased its exposure to banks. Since inception the existing shareholders (Balugani Family) have invested approx. Eu6mn.

We expect a reduction of net debt / EBITDA in the coming years, as EBITDA growth should significantly improve the group's financial profile.

ATON – Debt Structure

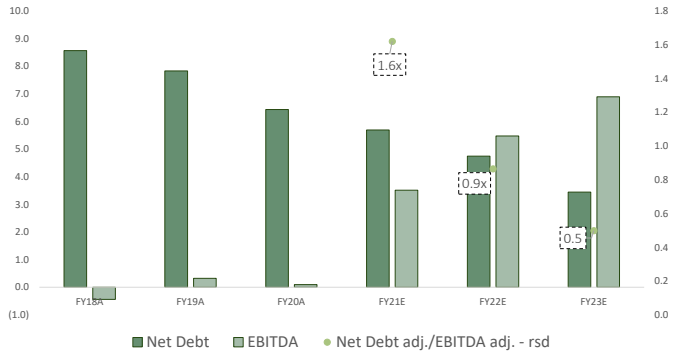
Shareholders' loan steadily decreasing over time



Source: ATON data

ATON –Net Debt, EBITDA and Net Debt / EBITDA

EBITDA growth should significantly improve the group's financial profile



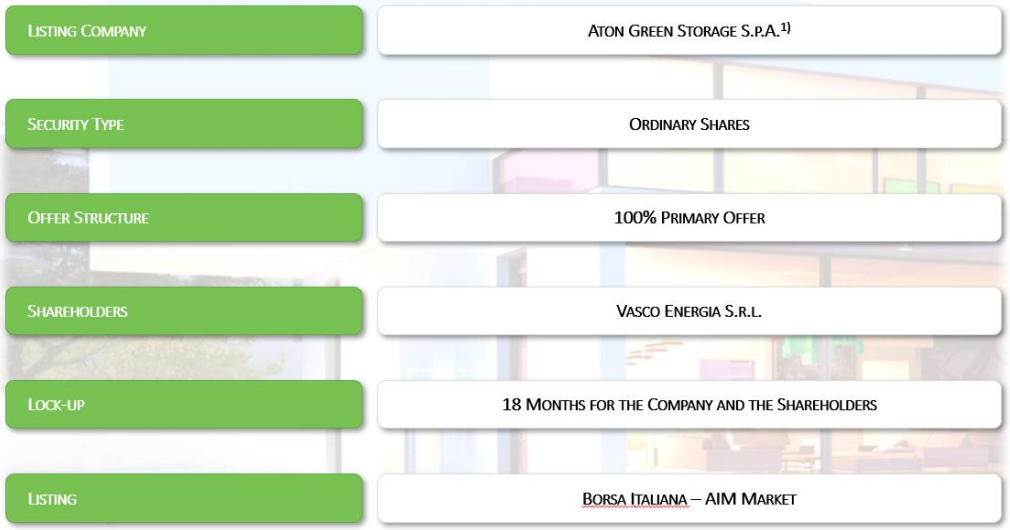
Source: ATON data, Alantra estimates

IPO structure and rational

ATON's planned IPO on Borsa Italiana – AIM Market should be 100% primary. The company and its existing shareholders will have 18 months lock-up.

Details of ATON's planned IPO

ATON's IPO on AIM Italia should be 100% primary



Source: Company presentation. (1) Listing company current name is ATON S.r.l.

We believe that proceeds from IPO could be invested in:

- **Growth of the storage business**. We expect a very strong ramp-up of the volumes sold in the coming years with consequent need of human resources, net working capital and production capacity.

- **Commercial launch of New business lines / products**.

    - ATON has just launched a new B2C division (**Energy Efficiency Interventions**) to provide products and services to end-users enjoying the 100% tax relief on expenses for the house energy efficiency improvement (under prescriptions of d.l. "Rilancio", 19 May 2020). ATON acts as general contractor and its offer includes the supply of its own storage systems;
    - Launch of **new products**. The group has developed two new products: a charger station vehicle-to-building and vehicle-to-grid and plug & play photovoltaic system;
    - Products dedicated to **Energy Communities**. ATON has already engineered a BESS with power up to 100kwh with a dedicated software to serve large scale residential applications. This is linked to the development of energy communities, triggered by new regulation.

- **Internalization of design of batteries and inventers**. Batteries and inverters are key components of a BESS. At the moment, the group purchases components completely developed from third parties. ATON is planning the internalization of design capabilities. Suppliers could be involved in pure manufacturing only in the future under specifications set by ATON, with a potential cost saving.

All these activities are **R&D** intensive. Internally developed energy storage management software has always been a key competitive advantage of the company, which has invested Eu2.0mn in R&D over 2018-2020 period. We expect this trend of R&D investments to continue and further accelerate over the coming years.

Potential use of proceeds

IPO proceeds to fund expansion of storage business, new business lines and efficiencies

Expansion of Storage business	Human resources
	Production capacity
	Net Working Capital
New business lines	**Energy efficiency intervention (General Contractor)**
	New products:
	- Charger stations (Vehicle-to-building and Vehicle-to-grid)
	- Plag & Play photovoltaic system
	Energy communities
Efficiency	In-House design of batteries and inventers

Storage solutions up to 100kwh

Supply of batteries and inverters

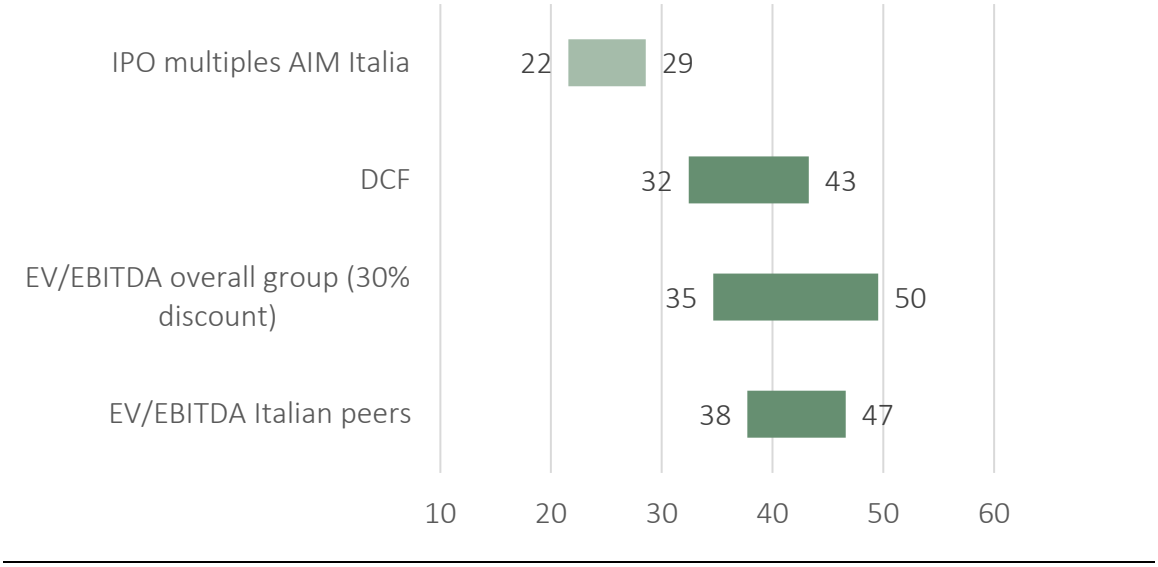
NEW TARGET: DESIGN INTERNALIZATION

Source: Alantra

Valuation approach

ATON has no highly comparable companies. We believe that investors can look at other Italian industrial stocks exposed to green / energy transition positive trends. We have selected Carel, Comal, Seri Industrial, Reno de Medici, LU-VE and Zignago Vetro. Listed producers of battery storage systems can also offer a good benchmark. However, they are usually diversified in terms of business mix, are exposed to different local markets and availability of consensus estimates is limited in many cases. Providers of batteries and inverters (key components of BESS) can offer another reference, although players in this sample are usually large and internationally diversified. DCF is a good alternative to capture the long-term potential of ATON's reference market. IPO multiples of recent deals of similar size on AIM Italia can also be a good reference for the valuation of ATON (including IPO discount).

Pre-money equity valuation of ATON based on different approaches



Source: Alantra

Equity pre-money valuation range (Eu mn) and implied multiples (x)

Pre-money Equity	Implied EV/EBITDA			Implied EV/EBIT			Implied P/E			Implied EV/Sales		
Valuation - Eu mn	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
20.0	7.4	4.6	3.5	10.4	5.9	4.6	11.9	6.8	5.5	1.5	1.0	0.8
25.0	8.8	5.5	4.2	12.3	7.1	5.6	14.8	8.5	6.9	1.7	1.2	1.0
30.0	10.3	6.4	4.9	14.3	8.3	6.5	17.8	10.2	8.3	2.0	1.4	1.1
35.0	11.7	7.3	5.6	16.3	9.4	7.5	20.7	11.9	9.7	2.3	1.6	1.3
40.0	13.1	8.2	6.4	18.3	10.6	8.4	23.7	13.6	11.0	2.6	1.8	1.5
45.0	14.5	9.2	7.1	20.3	11.8	9.4	26.7	15.3	12.4	2.8	2.0	1.7
50.0	15.9	10.1	7.8	22.3	12.9	10.4	29.6	17.0	13.8	3.1	2.2	1.8

Source: Alantra

Peers selection

ATON has no pure comps (producers of RBESS with Italian focus). We have analyzed three different clusters of listed companies:

1. Italian industrial stocks with exposure to green trends. We have included in this sample:
   a. Carel. It is among the leaders in the development, production and global distribution of niche electronic and mechanical components used in heating, ventilation and air-conditioning and refrigeration applications. Carel's solutions support reduction of CO2 emissions
   b. Comal. This is the leading Italian EPC player in utility-scale solar PV installations. The group is exposed to development of solar capacity, which is also a key driver for the development of BESS market. Comal has no significant production activities, but its business can be compared to the recently launched B2C division of ATON
   c. Seri Industrial. The company engages in the design, engineering, and implementation of solutions aimed at the production of electric accumulators and energy from renewable sources. Its activities include the production of lead from the recovery of spent batteries; design and construction of plants for the production of secondary lead recovered from spent batteries; recovery and recycling of plastic material and production of regenerated copolymer and special compounds; production of boxes for batteries for automotive and industrial use; and the production of lead and lithium electric accumulators
   d. Reno de Medici. It engages in the production and sale of coated recycled carton boards. Reno de Medici is a name on circular economy
   e. LU-VE. It is a leading manufacturer of heat exchangers and air- cooled equipment for the refrigeration and air conditioning markets. The company also manufactures glass doors and close control (precision air conditioning equipment for operating theatres, white rooms, data centers and telephone exchanges). Power generation and special applications complete the range of products. LU-VE's solutions support reduction of CO2 emissions
   f. Zignago Vetro. The group produces hollow glass containers which are primarily dedicated to the markets of Food and Beverages), Cosmetics and Perfumery and Special Glasses. It operates in both the luxury and the mass market sectors. Glass container demand appears increasingly sensitive to the growing and widespread consideration of environmental and health aspects, reflected also in new and more modern lifestyles and consumer trends, which support the use of glass containers rather than other forms of packaging

2. Battery Storage Energy producers. Companies in this sample are theoretically comparable with ATON, although exposed to different local markets. However, the availability of consensus estimates is limited in many cases

3. Producers of batteries and inverters. Players in this group are exposed to energy transition. However, they are much larger than ATON, are exposed to different local markets and have strong international presence.

Taking into account the large size of international players or the lack of consensus estimates, we believe that investors could mainly focus on the Italian panel.

Peers – Brief company description

We have selected 3 different clusters of comparable companies

Company	Country	Mkt Cap (Eu mn)	Company Description
Italian Peers			
Carel Industries SpA	ITALY	2,090	Manufactures controllers for humidifiers, refrigerators, and microprocessors
Comal S.p.A.	ITALY	35	Designs and manufactures photovoltaic systems
Seri Industrial S.p.A.	ITALY	329	Engages in the production and development of energy from renewable sources
Reno De Medici S.p.A.	ITALY	402	Produces cardboards using recycled materials
LU-VE SpA	ITALY	358	Manufactures heat exchangers for refrigeration and air conditioning for industrial applications
Storage Systems Producers			
Ferroamp Elektronik AB	SWEDEN	95	Develops and sells power electronics for smart grid applications related to solar power, energy storage, EV charging and visualization of energy flows
Eguana Technologies Inc	CANADA	64	Manufactures electronic products that converts energy and transmits electric power
Contemporary Amperex Technology Co., Ltd. Class A	CHINA	108,249	Engages in the research, development, manufacture and sale of lithium power batteries
Invinity Energy Systems PLC	JNITED KINGDOM	162	Manufactures vanadium flow batteries
Engie EPS SA	FRANCE	223	Designs and manufactures hydrogen fuel cell systems
Batteries and Inverters Producers			
Sungrow Power Supply Co., Ltd. Class A	CHINA	15,357	Designs and manufactures renewable energy generating systems and equipments
Pylon Technologies Co., Ltd. Class A	CHINA	3,017	Manufactures and distributes lithium iron phosphate and voltage energy storage batteries through online
LG Chem Ltd.	SOUTH KOREA	47,178	Manufactures petrochemicals, IT & electronic materials and energy solution materials
EVE Energy Co. Ltd. Class A	CHINA	20,966	Develops and manufactures lithium battery
BYD Company Limited Class H	HONG KONG	52,469	Engages in the research, development, manufacture and sale of rechargeable batteries
Jiangsu Goodwe Power Supply Technology Co., Ltd. Class A	CHINA	2,695	Manufactures solar inverters
SMA Solar Technology AG	GERMANY	1,438	Develops, manufactures and sells solar inverters and monitoring systems for photovoltaic applications
Enphase Energy, Inc.	UNITED STATES	13,166	Develops and manufactures solar micro-inverter systems
SolarEdge Technologies, Inc.	UNITED STATES	8,963	Provides distributed solar power harvesting and photovoltaics monitoring solutions
Varta AG	GERMANY	4,644	Engages in development, production, sale and marketing of micro batteries

Source: Factset

Based on average expected 2021-2023 figures, ATON should have margins comparable to those of the selected Italian peers and batteries/inverters producers, but higher growth rates. By contrast, top line growth should be lower on average than that of storage systems producers, with better margins.

Financials – ATON versus selected peers

Company	Country	Mkt Cap (Eu mn)	FY21E - FY23E average margins					CAGR FY20A - FY23E			
			EBITDA Margin	EBIT Margin	Net Income Margin	Capex / Sales	Dividend Payout	Sales	EBITDA	EBIT	Net Profit
ATON	**ITALY**	**nm**	**21.7%**	**16.3%**	**11.2%**	**9.1%**	**0.0%**	**52.8%**	**314.3%**	**nm**	**nm**
Carel Industries SpA	ITALY	2,090	20.3%	15.6%	12.1%	4.2%	31.8%	10.3%	11.3%	14.3%	16.3%
Comal S.p.A.	ITALY	35	10.2%	8.7%	5.5%	3.2%	na	23.4%	26.4%	28.6%	32.9%
Seri Industrial S.p.A.	ITALY	329	17.5%	11.5%	7.6%	4.2%	0.0%	32.2%	148.9%	nm	nm
Reno De Medici S.p.A.	ITALY	402	11.7%	7.0%	4.8%	4.2%	10.3%	2.3%	1.3%	4.8%	3.9%
LU-VE SpA	ITALY	358	12.3%	6.9%	4.6%	5.1%	27.9%	7.6%	11.3%	27.4%	28.1%
Zignago Vetro SpA	ITALY	1,501	28.3%	16.7%	12.7%	9.7%	69.8%	7.6%	10.3%	18.3%	14.5%
Italian Peers	**Average**		**14.4%**	**9.9%**	**6.9%**	**4.2%**	**17.5%**	**15.2%**	**39.8%**	**18.8%**	**20.3%**
	Median		**12.3%**	**8.7%**	**5.5%**	**4.2%**	**19.1%**	**10.3%**	**11.3%**	**20.8%**	**22.2%**
Ferroamp Elektronik AB	SWEDEN	95	1.5%	-3.5%	-4.5%	1.0%	0.0%	89.3%	nm	nm	nm
Eguana Technologies Inc	CANADA	64	0.2%	na	na	na	na	na	na	na	na
Contemporary Amperex Technology Co., Ltd. Class A	CHINA	108,249	19.3%	12.5%	10.7%	11.3%	7.5%	50.0%	47.2%	48.0%	48.9%
Invinity Energy Systems PLC	UNITED KINGDOM	162	-18.7%	-21.3%	-22.7%	19.0%	0.0%	262.8%	nm	nm	nm
Engie EPS SA	FRANCE	223	16.4%	9.2%	6.6%	11.3%	0.0%	143.4%	nm	nm	nm
Storage Systems Producers	**Average**		**3.7%**	**-0.7%**	**-2.5%**	**10.7%**	**1.9%**	**136.4%**	**47.2%**	**48.0%**	**48.9%**
	Median		**1.5%**	**2.9%**	**1.0%**	**11.3%**	**0.0%**	**116.4%**	**47.2%**	**48.0%**	**48.9%**
Sungrow Power Supply Co., Ltd. Class A	CHINA	15,357	12.8%	12.4%	11.3%	2.3%	10.4%	30.3%	28.9%	34.5%	35.3%
Pylon Technologies Co., Ltd. Class A	CHINA	3,017	25.5%	24.2%	22.1%	7.0%	6.8%	72.5%	61.1%	63.9%	64.1%
LG Chem Ltd.	SOUTH KOREA	47,178	17.0%	10.6%	7.1%	11.1%	22.1%	23.0%	30.5%	45.9%	94.8%
EVE Energy Co. Ltd. Class A	CHINA	20,966	16.4%	20.2%	17.8%	13.1%	4.4%	64.0%	45.7%	52.6%	56.7%
BYD Company Limited Class H	HONG KONG	52,469	11.5%	5.4%	3.1%	5.6%	7.8%	20.3%	9.8%	11.8%	30.2%
Jiangsu Goodwe Power Supply Technology Co., Ltd. Class A	CHINA	2,695	20.6%	18.9%	17.1%	2.5%	4.9%	48.8%	51.9%	49.0%	48.7%
SMA Solar Technology AG	GERMANY	1,438	8.8%	4.7%	3.3%	3.4%	30.6%	9.7%	21.7%	38.8%	26.3%
Enphase Energy, Inc.	UNITED STATES	13,166	26.4%	22.7%	16.7%	1.8%	0.0%	39.4%	42.6%	45.0%	36.2%
SolarEdge Technologies, Inc.	UNITED STATES	8,963	20.2%	15.0%	11.8%	3.7%	0.0%	24.4%	33.6%	47.0%	40.0%
Varta AG	GERMANY	4,644	30.2%	21.3%	15.5%	19.7%	13.7%	15.1%	22.4%	26.7%	29.5%
Batteries and Inverters Producers	**Average**		**18.9%**	**15.5%**	**12.6%**	**7.0%**	**10.1%**	**34.8%**	**34.8%**	**41.5%**	**46.2%**
	Median		**18.6%**	**17.0%**	**13.6%**	**4.7%**	**7.3%**	**27.4%**	**32.1%**	**45.5%**	**38.1%**

Source: Factset, Alantra

Eu35-50mn pre-money equity valuation range using multiples of peers

International players trade a strong premium versus Italian groups. On the back of the large size and limited availability of consensus estimates, we believe that investors could apply a discount to multiples of international groups.

Trading multiples

Company	Country	Mkt Cap (Eu mn)	EV/Sales			EV/EBITDA			EV/EBIT			PE		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
PEERS	**Average**		**4.4 x**	**3.0 x**	**2.4 x**	**29.5 x**	**18.2 x**	**13.1 x**	**32.7 x**	**26.6 x**	**18.0 x**	**41.6 x**	**33.3 x**	**24.2 x**
	Median		**4.2 x**	**2.0 x**	**1.5 x**	**16.8 x**	**14.3 x**	**11.7 x**	**27.9 x**	**21.3 x**	**17.2 x**	**45.1 x**	**29.8 x**	**23.8 x**
Carel Industries SpA	ITALY	2,090	5.6 x	5.2 x	4.8 x	26.9 x	25.8 x	23.7 x	35.7 x	33.4 x	30.5 x	45.1 x	41.5 x	37.7 x
Comal S.p.A.	ITALY	35	1.0 x	0.8 x	0.7 x	12.2 x	7.0 x	5.8 x	15.6 x	8.0 x	6.6 x	23.3 x	11.5 x	9.4 x
Seri Industrial S.p.A.	ITALY	329	2.1 x	1.6 x	1.4 x	13.1 x	8.9 x	7.6 x	23.9 x	13.0 x	10.6 x	31.1 x	14.4 x	11.9 x
Reno De Medici S.p.A.	ITALY	402	0.6 x	0.5 x	0.5 x	5.1 x	4.6 x	4.4 x	9.1 x	7.5 x	7.1 x	13.2 x	11.7 x	10.4 x
LU-VE SpA	ITALY	358	1.0 x	1.0 x	0.9 x	8.8 x	7.9 x	7.4 x	17.5 x	13.7 x	12.3 x	17.6 x	14.0 x	12.6 x
Zignago Vetro SpA	ITALY	1,501	3.7 x	3.5 x	3.3 x	13.3 x	12.3 x	11.7 x	23.4 x	21.3 x	18.9 x	27.2 x	24.5 x	21.6 x
Italian Peers	**Average**		**2.3 x**	**2.1 x**	**1.9 x**	**13.2 x**	**11.1 x**	**10.1 x**	**20.8 x**	**16.1 x**	**14.3 x**	**26.3 x**	**19.6 x**	**17.3 x**
	Median		**1.6 x**	**1.3 x**	**1.2 x**	**12.7 x**	**8.4 x**	**7.5 x**	**20.4 x**	**13.3 x**	**11.5 x**	**25.3 x**	**14.2 x**	**12.3 x**
Ferroamp Elektronik AB	SWEDEN	95	5.5 x	2.5 x	1.7 x	na	31.5 x	13.5 x	na	85.8 x	20.3 x	na	105.1 x	28.9 x
Eguana Technologies Inc	CANADA	64	5.3 x	1.5 x	0.9 x	na	18.1 x	6.5 x	na	na	na	na	na	na
Contemporary Amperex Technology Co., Ltd. Class A	CHINA	108,249	8.7 x	6.4 x	4.6 x	47.5 x	33.3 x	22.3 x	72.8 x	51.0 x	34.8 x	85.6 x	63.5 x	44.3 x
Invinity Energy Systems PLC	UNITED KINGDOM	162	3.3 x	1.1 x	0.8 x	na	na	7.9 x	na	na	9.9 x	na	na	39.9 x
Engie EPS SA	FRANCE	223	6.1 x	2.0 x	1.5 x	122.7 x	9.4 x	6.8 x	na	12.9 x	9.1 x	na	13.1 x	10.6 x
Storage Systems Producers	**Average**		**5.8 x**	**2.7 x**	**1.9 x**	**85.1 x**	**23.1 x**	**11.4 x**	**72.8 x**	**49.9 x**	**18.5 x**	**85.6 x**	**60.6 x**	**30.9 x**
	Median		**5.5 x**	**2.0 x**	**1.5 x**	**85.1 x**	**24.8 x**	**7.9 x**	**72.8 x**	**51.0 x**	**15.1 x**	**85.6 x**	**63.5 x**	**34.4 x**
Sungrow Power Supply Co., Ltd. Class A	CHINA	15,357	4.2 x	3.2 x	2.5 x	32.9 x	23.9 x	20.7 x	34.8 x	25.2 x	20.3 x	39.9 x	29.8 x	24.1 x
Pylon Technologies Co., Ltd. Class A	CHINA	3,017	na	na	na	na	na	na	na	na	na	46.2 x	28.1 x	19.1 x
LG Chem Ltd.	SOUTH KOREA	47,178	1.7 x	1.5 x	1.2 x	9.5 x	8.8 x	7.6 x	14.6 x	14.4 x	12.5 x	19.5 x	19.5 x	17.5 x
EVE Energy Co. Ltd. Class A	CHINA	20,966	10.3 x	6.5 x	4.7 x	58.2 x	43.2 x	28.6 x	47.5 x	33.0 x	24.6 x	53.6 x	38.3 x	26.3 x
BYD Company Limited Class H	HONG KONG	52,469	2.2 x	1.8 x	1.5 x	18.1 x	15.8 x	13.6 x	40.1 x	32.0 x	29.2 x	63.0 x	45.2 x	37.0 x
Jiangsu Goodwe Power Supply Technology Co., Ltd. Class A	CHINA	2,695	na	na	na	na	na	na	na	na	na	45.3 x	31.5 x	23.5 x
SMA Solar Technology AG	GERMANY	1,438	1.0 x	0.9 x	0.8 x	13.2 x	10.5 x	8.8 x	27.9 x	18.7 x	15.1 x	50.4 x	33.5 x	25.1 x
Enphase Energy, Inc.	UNITED STATES	13,166	11.6 x	8.6 x	6.9 x	46.2 x	33.5 x	24.2 x	62.7 x	38.2 x	25.6 x	57.2 x	43.7 x	33.9 x
SolarEdge Technologies, Inc.	UNITED STATES	8,963	5.3 x	4.2 x	3.3 x	28.3 x	20.0 x	16.3 x	42.0 x	26.0 x	20.8 x	57.9 x	38.8 x	28.5 x
Varta AG	GERMANY	4,644	4.7 x	4.0 x	3.5 x	15.6 x	12.9 x	11.8 x	23.1 x	18.8 x	15.6 x	30.4 x	25.7 x	21.9 x
Batteries and Inverters Producers	**Average**		**5.1 x**	**3.8 x**	**3.1 x**	**27.7 x**	**21.1 x**	**16.5 x**	**36.6 x**	**25.8 x**	**20.4 x**	**46.3 x**	**33.4 x**	**25.7 x**
	Median		**4.5 x**	**3.6 x**	**2.9 x**	**23.2 x**	**17.9 x**	**15.0 x**	**37.4 x**	**25.6 x**	**20.5 x**	**48.3 x**	**32.5 x**	**24.6 x**

Source: Factset, Alantra

Using EV/EBITDA multiples of Italian peers, we obtain a pre-money equity valuation range of Eu38-47mn. Valuation would be not too much different using multiples of the whole sample after 30% discount.

Pre-money equity valuation of ATON based on DCF

Eu35-50mn pre-money equity valuation using EV/EBITDA of Italian peers

Eu mn	Overall Peer Group Median multiples FY21E	FY22E	FY23E	Italian Peer Group Median multiples FY21E	FY22E	FY23E
Average Peers' Multiple valuation	**44.3**	**49.6**	**49.3**	**36.7**	**39.8**	**44.1**
Sales	17.9	24.8	29.5	17.9	24.8	29.5
EV/Sales Peer Group	4.2x	2.0x	1.5x	1.6x	1.3x	1.2x
Discount	*30%*	*30%*	*30%*			
EV based on multiples	52.8	35.5	31.7	27.9	31.9	34.8
Net Financial Position	(5.7)	(4.7)	(3.4)	(5.7)	(4.7)	(3.4)
Adjustments FY20E	(0.3)	(0.5)	(0.5)	(0.3)	(0.5)	(0.5)
Equity Value on EV/Sales	**46.8**	**30.3**	**27.8**	**21.9**	**26.7**	**30.9**
EBITDA reported	3.5	5.5	6.9	3.5	5.5	6.9
EV/EBITDA Peer Group	16.8x	14.3x	11.7x	12.7x	8.4x	7.5x
Discount	*30%*	*30%*	*30%*			
EV based on multiples	41.4	55.0	56.5	44.5	46.0	51.8
Net Financial Position	(6.4)	(5.7)	(4.7)	(6.4)	(5.7)	(4.7)
Adjustments FY20E	(0.3)	(0.3)	(0.5)	(0.3)	(0.3)	(0.5)
Equity Value on EV/EBITDA	**34.7**	**49.0**	**51.3**	**37.7**	**39.9**	**46.6**
EBIT reported	2.5	4.3	5.2	2.5	4.3	5.2
EV/EBIT Peer Group	27.9x	21.3x	17.2x	20.4x	13.3x	11.5x
Discount	*30%*	*30%*	*30%*			
EV based on multiples	49.1	63.5	62.8	51.4	56.9	59.7
Net Financial Position	(6.4)	(5.7)	(4.7)	(6.4)	(5.7)	(4.7)
Adjustments FY20E	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Equity Value on EV/EBIT	**42.3**	**57.5**	**57.8**	**44.6**	**50.9**	**54.6**
Net profit reported	1.7	2.9	3.6	1.7	2.9	3.6
P/E Peer Group	45.1x	29.8x	23.8x	25.3x	14.2x	12.3x
Discount	*30%*	*30%*	*30%*			
Equity Value on P/E	**53.3**	**61.4**	**60.4**	**42.7**	**41.8**	**44.5**

Source: Alantra

Eu32-43m pre-money equity valuation with DCF method

We believe that investors can also use DCF to value ATON, although its outcome is strongly linked to medium term assumptions and perpetual growth. Our cash flows are based on the following main assumptions:

- Our detailed 2021-23 estimates
- 15% top line growth rate and EBITDA margin stable at 23% during the period 2024-26. We believe that structural drivers should support growth of the reference market for a long period
- Terminal growth based on a healthy ROCE of 18% (2x WACC) but significantly below the value estimated in 2026 (24%) and 5% Capex/Sales. We assume that ATON is able to establish a quality brand with a consequent negotiation power with installation companies. The implied 19% EBITDA margin at terminal value is lower than the figure estimated in 2026 (23%)

We use 2% perpetual growth rate and 9.1% WACC. Sensitivity to the two parameters delivers Eu32-43mn pre-money equity valuation range.

Pre-money equity valuation of ATON based on DCF

Our DCF valuation implies 7.7x 2022 EV/EBITDA

(Eu mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E	FY25E	FY26E	TV
EBITDA	(0.4)	0.3	0.1	3.5	5.5	6.9	7.9	9.1	10.5	8.3
taxes on EBIT	0.4	0.2	0.2	(0.7)	(1.2)	(1.5)	(1.6)	(1.8)	(2.1)	(1.7)
Non recurring Cash-out	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.1	0.1	
NWC Change	(1.3)	(2.9)	2.0	(1.5)	(0.6)	(0.9)	(1.4)	(1.6)	(1.9)	(0.3)
Capex	(0.8)	(0.8)	(0.8)	(1.0)	(2.7)	(3.1)	(3.4)	(3.9)	(4.5)	(2.3)
Capex/Revenues	*-22.5%*	*-8.8%*	*-10.1%*	*-5.7%*	*-11.0%*	*-10.6%*	*-10.0%*	*-10.0%*	*-10.0%*	*-5.0%*
Free cash flow				**0.3**	**1.1**	**1.4**	**1.5**	**1.8**	**2.1**	**56.7**
Disc. Free Cash Flow				**0.3**	**0.9**	**1.1**	**1.1**	**1.2**	**1.3**	**35.0**
Year				*0.5*	*1.5*	*2.5*	*3.5*	*4.5*	*5.5*	*5.5*

Total Disc. FCF	8.3	19%
Terminal value	35.0	81%
Total EV (Eu mn)	**43.3**	
NFP FY20E (Net of conversion of Shareholders loan)	(5.9)	
Adjustments FY20E	(0.3)	
TOTAL Equity Value	**37.1**	

Implied multiples	FY21E	FY22E	FY23E
EV/ Adj. EBITDA	12.3 x	7.7 x	5.9 x
EV/Adj. EBIT	17.2 x	9.9 x	7.9 x
P/Adj. E	22.0 x	12.6 x	10.2 x

WACC	*9.1%*
Terminal Growth	*2.0%*

Source: Alantra

Sensitivity to pre-money equity valuation of ATON based on DCF

Eu32-43mn range

		Wacc				
		8.1%	8.6%	**9.1%**	9.6%	10.1%
Term. Growth	1.0%	39.9	36.6	33.6	31.1	28.8
	1.5%	42.2	38.5	35.3	**32.4**	30.0
	2.0%	44.9	40.7	**37.1**	34.0	31.3
	2.5%	48.1	**43.3**	39.2	35.8	32.8
	3.0%	51.9	46.3	41.7	37.8	34.5

Source: Alantra

Eu22-29m pre-money equity valuation with multiples of recent IPOs on AIM Italia

We believe that multiples of recent IPOs on Italian AIM can give an idea of the valuation of ATON, including an IPO discount. We have looked at all the deals in 2020 and 2021 with free float at IPO above Eu5.5mn.

Details of recent IPOs on AIM Italia

We have selected IPO deals on AIM Italia in 2020-21 with free float at IPO above Eu5.5mn

COMPANY	FIRST DAY OF TRADING	IPO VALUE (Eu mn)	MKT CAP @ IPO (Eu mn)	Free float @ IPO	CAGR SALES (F1-F3)	CAGR EBITDA (F1-F3)
UNIDATA	16/03/2020	5.7	31.7	18%	17%	19%
CY4GATE	24/06/2020	21.1	47.3	45%	53%	43%
LABOMAR	05/10/2020	29.9	110.9	27%	11%	20%
OSAI	03/11/2020	7.7	21.0	37%	22%	28%
TECMA SOLUTIONS	09/11/2020	8.5	31.5	27%	63%	48%
COMAL	16/12/2020	8.0	23.0	35%	25%	21%
eVISO	30/12/2020	9.0	43.0	21%	42%	48%
PLANETEL	30/12/2020	7.5	23.8	32%	15%	32%
ALMAWAVE	11/03/2021	30.0	115.0	26%	10%	12%
A.B.P. NOVICELLI	30/03/2021	11.0	97.4	11%	5%	-1%

Source: Companies, Alantra

On average, the IPOs were finalized at 8.5x F1 EV/EBITDA, 6.2x F2 EV/EBITDA and 4.3x F3 EV/EBITDA. The resulting implied valuation of ATON would be Eu24-29mn.

Valuation of ATON based on F1/F2/F3 EV/EBITDA multiples of recent IPOs

Eu24-29mn pre-money valuation

COMPANY	EV/EBITDA @ IPO price		
	FY1	FY2	FY3
UNIDATA	4.0	2.7	1.8
CY4GATE	10.4	8.0	5.2
LABOMAR	10.0	7.8	6.8
OSAI	6.9	5.4	3.8
TECMA SOLUTIONS	11.0	8.0	4.7
COMAL	4.4	3.7	3.1
eVISO	10.6	6.9	4.6
PLANETEL	6.3	4.6	3.1
ALMAWAVE	12.7	11.0	10.0
A.B.P. NOVICELLI	5.1	4.8	4.1
AVERAGE	**8.2**	**6.3**	**4.7**
MEDIAN	**8.5**	**6.2**	**4.3**

ATON's relevant figures			
EBITDA - Eu mn	3.5	5.5	6.9
Net debt - Eu mn	5.7	4.7	3.4
Other EV Adj. - Eu mn	0.3	0.5	0.5
Pre-money equity value - Eu mn	**23.7**	**28.6**	**26.0**

Source: Alantra

We have also used a more sophisticated approach: 1) we have skipped three outliers from the selection (Almawave, Labomar and ABP Novicelli), whose market cap at IPO was close to or higher than Eu100mn; 2) we have looked at NTM EV/EBITDA (F1, F2, F3 figures can be biased for growth stories listed in different months of the year).

Average NTM EV/EBITDA of the restricted sample (6.0x) implies Eu22mn equity value pre-money for ATON. In addition, we see a high correlation between NTM EV/EBITDA multiples of the sample and the F1-F3 EBITDA CAGR. Using a growth adjusted NTM EV/EBITDA based on the regression line, we derive an equity valuation of Eu26mn.

Valuation based on average and growth adjusted NTM EV/EBITDA multiples of selected IPOs

Eu22-26mn pre-money valuation

	IPO value - Eu mn	MKT CAP @IPO - Eu mn	CAGR (F1-F3)	EV/EBITDA (x) NTM
UNIDATA	5.7	31.7	19%	3.7
CY4GATE	21.1	47.3	43%	9.2
OSAI	7.7	21.0	28%	5.7
TECMA	8.5	31.5	48%	8.4
COMAL	8.0	23.0	21%	3.7
eVISO	9.0	43.0	48%	6.9
PLANETEL	7.5	23.8	32%	4.6
Average			**34%**	**6.0**

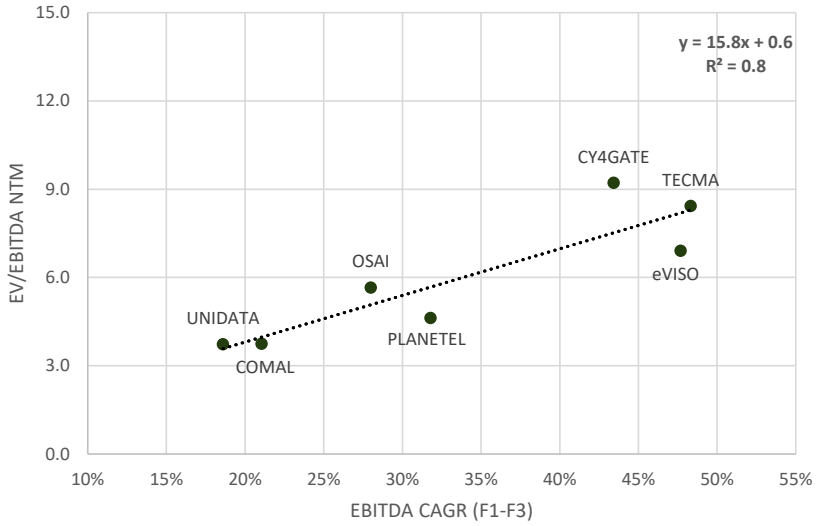
Implied Valuation of ATON using NTM average EV/EBITDA	
Average NTM EV/EBITDA - x	6.0
ATON NTM EBITDA - Eu mn	4.5
ATON NTM EV Adjustments - Eu mn	5.6
Pre-money equity value - Eu mn	**21.6**

Implied Valuation of ATON using Growth / Multiples regression line	
Implied NTM EV/EBITDA using regression line - x	7.0
ATON NTM EBITDA - Eu mn	4.5
ATON NTM EV Adjustments - Eu mn	5.6
Pre-money equity value - Eu mn	**25.8**

Source: Alantra

Correlation of expected EBITDA CAGR and NTM EV/EBITDA multiples at IPO

Correlation at 80%



Source: Alantra

Main risks

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

Pressure from large international competitors. ATON competes with global pioneers in all-in-one battery storage systems (Sonnen and Tesla). In addition, the competitive landscape is becoming more crowded with the vertical integration of producers of batteries and inverters. Competition could create price pressure and hit margins of the group. We believe that ATON has developed a flexible and tailor-made offer, with specific products offered to multiutilities. This is a segment not covered by the global leaders. In addition, ATON has developed strong links with its main client. Finally, the positioning of the group (quality *made in Italy*) represents a strong value proposition with installation companies. We also highlight that, the 110% fiscal incentives in place in 2021-22 (and their potential renewal for additional years) should create an excess of demand.

Dependence on large multiutility clients. ENEL X (the main client) represented 48% of sales in 2020 and the multiutility business segments accounted to 56%. Clients' concentration could result in increasing price pressure in the future. We highlight that ATON is diversifying its clients' base with expansion with installation companies. In addition, the launch of the B2C division should help clients' fragmentation from 2021. We estimate that the weight of ENEL X on total sales should go down to only 30% already in 2021.

Competitive pressure on profitability as soon as the 110% fiscal benefit expires. The 110% fiscal incentive in place in Italy is making end-users price insensitive. This should allow extra profits for all the operators in the value chain. The incentive should be in place only in 2021 and 2022. Its elimination could hit profitability throughout the entire business value chain. We highlight that incentives will not go from 110% to 0%. A floor could be the 50% incentive in place before the introduction of the super bonus. We cannot rule out an extension for a longer time or the set-up of a new incentive in the 50% - 110% range. Fiscal support is not just a measure to stimulate an economy hit by the virus outbreak, but it is also a powerful trigger to accelerate the energy transition and comply with the green energy targets. Finally, the main division involved should be B2C business, which should account to only 20% of sales in 2021.

Disruptions in the supply chain. ATON procures key components (batteries and inverters) from Chinese suppliers. The supply chain could experience disruptions or delayed deliveries, which were not unusual in the global trades from 2020. We stress that a diversification of the supply chain in ongoing.

Retention of key managers. The top managers of the group are not shareholders and a problem of retention could emerge in the future. We believe that the planned status of listed company could offer instruments to incentivise and retain the key managers.

Deterioration of commercial credit quality. Expansion of the business with installation companies and B2C should have a negative impact on the commercial credit risk. We highlight that: 1) this higher risk should come with higher margins; 2) the B2C business has limited commercial credit risk, as the incentive is transferred from the householder to the general contractor and become a receivable versus the government or a financial institution.

Technological obsolescence of solar PV technology could hit the market of RBESS. We believe this is not a short-term risk. By contrast, in the foreseeable future, solar should become the king of energy.

Appendix

ATON – P&L

Eu mn	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Storage Systems	2.5	7.3	6.2	12.4	18.7	23.3
YoY	*0.0%*	*185.7%*	*-14.5%*	*99.4%*	*51.3%*	*24.6%*
% on total sales	*84.0%*	*88.0%*	*86.1%*	*73.3%*	*79.1%*	*82.5%*
Industrial	0.5	1.0	1.0	1.5	2.0	2.3
YoY				*50.0%*	*30.0%*	*15.4%*
% on total sales			*13.9%*	*8.9%*	*8.2%*	*8.0%*
Energy Efficiency	0.0	0.0	0.0	3.0	3.0	2.7
YoY					*0.0%*	*-10.0%*
% on total sales				*17.8%*	*12.7%*	*9.6%*
Net Sales	**3.0**	**8.2**	**7.2**	**16.9**	**23.7**	**28.3**
YoY		*172.7%*	*-12.6%*	*134.3%*	*40.2%*	*19.5%*
% on total sales	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*
Revenues	3.0	8.2	7.2	16.9	23.7	28.3
Other revenues	(0.1)	0.2	0.5	0.5	0.5	0.5
Capitalized costs	0.5	0.5	0.6	0.6	0.7	0.8
Value of Production	**3.4**	**8.9**	**8.3**	**17.9**	**24.8**	**29.5**
YoY change		*162.1%*	*-7.4%*	*116.5%*	*38.4%*	*19.0%*
Cost of raw materials	**(2.0)**	**(6.6)**	**(5.8)**	**(11.8)**	**(15.9)**	**(18.9)**
YoY Growth		*223.4%*	*-10.9%*	*102.4%*	*34.3%*	*19.0%*
on sales %	*0.0%*	*-59.4%*	*-73.4%*	*-70.6%*	*-66.0%*	*-64.0%*
Services	**(0.7)**	**(0.8)**	**(0.8)**	**(0.9)**	**(1.3)**	**(1.5)**
YoY Growth		*18.3%*	*-0.4%*	*10.3%*	*44.0%*	*14.4%*
on sales %	*-20.2%*	*-9.1%*	*-9.8%*	*-5.0%*	*-5.2%*	*-5.0%*
Rentals	**(0.2)**	**(0.2)**	**(0.2)**	**(0.3)**	**(0.3)**	**(0.4)**
YoY Growth		*6.9%*	*2.6%*	*27.4%*	*-2.3%*	*19.0%*
on sales %	*-6.4%*	*-2.6%*	*-2.9%*	*-1.7%*	*-1.2%*	*-1.2%*
Personnel	**(0.9)**	**(1.0)**	**(1.2)**	**(1.3)**	**(1.7)**	**(1.8)**
YoY Growth		*9.1%*	*21.6%*	*7.7%*	*38.4%*	*2.0%*
on sales %	*-25.7%*	*-10.7%*	*-14.1%*	*-7.0%*	*-7.0%*	*-6.0%*
Other costs	**(0.0)**	**(0.0)**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.1)**
YoY Growth		*36.1%*	*151.0%*	*0.0%*	*0.0%*	*0.0%*
on sales %	*-1.1%*	*-0.5%*	*-1.5%*	*-0.7%*	*-0.5%*	*-0.4%*
Total Costs	(3.8)	(8.6)	(8.2)	(14.4)	(19.3)	(22.6)
YoY Growth		*123.8%*	*-5.0%*	*76.1%*	*34.2%*	*17.0%*
on sales %	*-112.8%*	*-96.3%*	*-98.8%*	*-80.4%*	*-77.9%*	*-76.6%*
EBITDA adjusted	**(0.4)**	**0.3**	**0.1**	**3.5**	**5.5**	**6.9**
YoY Growth		*-174.8%*	*-70.3%*	*3522.1%*	*56.0%*	*25.9%*
on sales %	*-12.8%*	*3.7%*	*1.2%*	*19.6%*	*22.1%*	*23.4%*
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	**(0.4)**	**0.3**	**0.1**	**3.5**	**5.5**	**6.9**
YoY Growth		*-174.8%*	*-70.3%*	*3522.1%*	*56.0%*	*25.9%*
on sales %	*-12.8%*	*3.7%*	*1.2%*	*19.6%*	*22.1%*	*23.4%*
D&A	**(0.7)**	**(0.9)**	**(1.0)**	**(1.0)**	**(1.2)**	**(1.7)**
YoY Growth		*17.9%*	*12.4%*	*2.3%*	*21.8%*	*39.0%*
on sales %	*-21.6%*	*-9.7%*	*-11.8%*	*-5.6%*	*-4.9%*	*-5.7%*
EBIT	**-1.2**	**-0.5**	**-1.1**	**2.5**	**4.3**	**5.2**
Var. YoY		*-53.9%*	*95.1%*	*-338.2%*	*69.6%*	*22.1%*
on sales %	*-34.4%*	*-6.1%*	*-12.8%*	*14.0%*	*17.2%*	*17.7%*
Interest expense	**(0.1)**	**(0.1)**	**(0.2)**	**(0.2)**	**(0.2)**	**(0.2)**
YoY Growth		*18.4%*	*66.0%*	*0.0%*	*0.0%*	*0.0%*
As a % of Debt (ST+LT)	*-0.9%*	*-1.3%*	*-2.7%*	*-2.7%*	*-2.7%*	*-2.7%*
Pre-Tax Profit	**(1.3)**	**(0.6)**	**(1.2)**	**2.3**	**4.1**	**5.0**
YoY Growth		*-48.9%*	*90.5%*	*-291.1%*	*74.7%*	*23.0%*
on sales %	*-37.0%*	*-7.2%*	*-14.8%*	*13.1%*	*16.5%*	*17.1%*
Taxes	**0.4**	**0.2**	**0.3**	**(0.7)**	**(1.1)**	**(1.4)**
Tax rate	29.8%	31.7%	21.6%	28.0%	28.0%	28.0%
Net Profit	**(0.9)**	**(0.4)**	**(1.0)**	**1.7**	**2.9**	**3.6**
YoY Growth		*-50.2%*	*118.5%*	*-275.5%*	*74.7%*	*23.0%*
on sales %	*-25.9%*	*-4.9%*	*-11.6%*	*9.4%*	*11.9%*	*12.3%*

Source: Company data, Alantra estimates from 2021

ATON – Balance Sheet

Balance Sheet	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Intangible assets	1.9	1.9	1.7	1.8	3.3	4.7
As a % of Revenues	*55.9%*	*20.9%*	*21.0%*	*9.9%*	*13.2%*	*16.0%*
PP&E	0.3	0.3	0.3	0.3	0.3	0.3
As a % of Revenues	*10.1%*	*3.4%*	*3.5%*	*1.6%*	*1.1%*	*0.9%*
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	**2.3**	**2.2**	**2.1**	**2.0**	**3.6**	**5.0**
Inventory	3.1	2.9	3.9	4.5	4.8	5.7
Days Inventory	*365*	*128*	*197*	*95*	*70*	*70*
Trade receivables	1.2	3.5	1.6	5.0	6.5	7.4
Days Receivable	*140*	*154*	*81*	*100*	*95*	*90*
Trade payables	(0.8)	(0.8)	(1.1)	(2.8)	(4.0)	(4.7)
Days Payable	*74*	*34*	*47*	*70*	*75*	*75*
Commercial Working Capital	**3.4**	**5.6**	**4.5**	**6.6**	**7.3**	**8.4**
Other assets	2.5	3.5	2.6	2.3	2.2	2.0
As a % of rev.	*73.7%*	*38.6%*	*31.8%*	*12.8%*	*8.8%*	*6.9%*
Other liabilities	(0.2)	(0.4)	(0.6)	(0.9)	(0.9)	(0.9)
As a % of rev.	*5.6%*	*4.5%*	*7.1%*	*5.0%*	*3.5%*	*3.0%*
NWC	**5.8**	**8.7**	**6.5**	**8.0**	**8.6**	**9.6**
As a % of rev.	*169.1%*	*97.1%*	*78.6%*	*44.8%*	*34.9%*	*32.4%*
Funds and provisions	(0.2)	(0.3)	(0.3)	(0.3)	(0.5)	(0.5)
Other LT Assets/Liabilities	**(0.2)**	**(0.3)**	**(0.3)**	**(0.3)**	**(0.5)**	**(0.5)**
Capital Employed	**7.8**	**10.6**	**8.3**	**9.7**	**11.7**	**14.1**
ST liabilities	2.4	4.9	4.6	4.6	4.6	4.6
LT liabilities	6.9	2.9	1.9	1.9	1.9	1.9
Cash & equivalents	(0.7)	(0.0)	(0.0)	(0.7)	(1.7)	(3.0)
NFP	**8.6**	**7.8**	**6.4**	**5.7**	**4.7**	**3.4**
Shareholders' equity	**(0.8)**	**2.8**	**1.8**	**4.1**	**7.0**	**10.6**
Total Source of Funds	**7.8**	**10.6**	**8.3**	**9.8**	**11.8**	**14.1**

Source: Company data, Alantra estimates from 2021

ATON – Cash-flow statement

Cash flow statement	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Net income	(0.9)	(0.4)	(1.0)	1.7	2.9	3.6
Taxes	(0.4)	(0.2)	(0.3)	0.7	1.1	1.4
Interest expences	0.1	0.1	0.2	0.2	0.2	0.2
D&A and provisions	0.7	0.9	1.2	1.0	1.2	1.7
Non monetary items	**0.4**	**0.8**	**1.1**	**1.8**	**2.5**	**3.3**
Δ on NWC	*(1.3)*	*(2.9)*	*2.0*	*(1.5)*	*(0.6)*	*(0.9)*
Interests paid	0.1	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Tax paid	0.4	0.2	0.3	(0.7)	(1.1)	(1.4)
Use of funds	0.0	0.1	0.1	0.0	0.1	0.0
Cahs Flows from Operating Activities	**(1.2)**	**(2.4)**	**2.2**	**1.2**	**3.7**	**4.4**
Tangible Capex	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Intangible Capex	(0.7)	(0.7)	(0.7)	(0.9)	(2.6)	(3.0)
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Cahs Flows from Investment Activities	**(0.8)**	**(0.8)**	**(0.8)**	**(1.0)**	**(2.7)**	**(3.1)**
New short term debt	0.0	0.0	0.0	0.0	0.0	0.0
New M/L term debt	2.9	0.0	0.0	0.0	0.0	0.0
Remboursement	0.0	(1.4)	(1.4)	(0.6)	0.0	0.0
Change in shareholders equity	0.0	4.0	0.0	0.6	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other items	0.0	(0.0)	0.0	0.0	0.0	0.0
Change in NFP	**0.0**	**0.7**	**1.4**	**0.7**	**0.9**	**1.3**
NFP at year beginning	0.0	(8.6)	(7.8)	(6.4)	(5.7)	(4.7)
NFP at year end	**(8.6)**	**(7.8)**	**(6.4)**	**(5.7)**	**(4.7)**	**(3.4)**

Source: Company data, Alantra estimates from 2021

Disclaimer

Explanation of Ratings: Alantra Capital Markets Sociedad de Valores SAU (Italian Branch) ("Alantra CM (Italian Branch)") Research Department provides six core ratings: BUY, HOLD, SELL, NOT RATED, UNDER REVIEW and SUSPENDED, based on the expected performance over the next 12 months.

BUY: The stock is expected to generate returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative returns during the next 12 months.

NOT RATED: The stock is not covered.

UNDER REVIEW: An event occurred with an expected significant impact on our target price and we cannot issue a recommendation before having processed that new information and/or without a new share price reference.

SUSPENDED: Alantra CM (Italian Branch) is precluded from providing an investment rating or price target for compliance reasons.

Due to share price volatility, ratings and target prices may occasionally and temporarily be inconsistent with the above definition.

This report has been prepared by Alantra CM (Italian Branch), which is pertaining to the Alantra Group, a financial Spanish group that provides investment banking, asset management, equities brokerage, capital markets and financial advisory services.

Analyst Certification

Each authoring analyst of Alantra CM (Italian Branch) whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the research.

This report is solely for the information of clients of Alantra CM (Italian Branch) and for distribution only under such circumstances as may be permitted by applicable law. Alantra CM (Italian Branch) specifically prohibits the redistribution of this material in whole or in part without the prior written permission of Alantra CM (Italian Branch) and therefore Alantra CM (Italian Branch) accepts no liability whatsoever for the actions or third parties in this respect.

Nothing in this report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. This report is published solely for information purposes, it does not constitute an advertisement and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments in any jurisdiction. The information contained in this research has been compiled by Alantra CM (Italian Branch) from sources believed to be reliable, but no representation or warranty, either expressed or implied, is provided in relation to the fairness, accuracy, completeness or correctness of the information contained herein, nor it is intended to be a complete statement or summary of the securities or markets referred to in this report. Alantra CM (Italian Branch) nor any of its affiliates has not independently verified the facts, assumptions, and estimates contained herein. All estimates, opinions and other information contained in this research constitute Alantra CM (Italian Branch)'s judgement as of the date of this research, are subject to change without notice and are provided in good faith but without legal responsibility or liability. Alantra CM (Italian Branch) its affiliated companies or any other person does not undertake that investors will obtain profits nor accept any liability for any investment losses arising from any use of this report or its contents. This report should not be regarded by recipients as a substitute for the exercise of their own judgement. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas of the Alantra Group as a result of using different assumptions and criteria. Research will be initiated, updated and coverage ceased solely at the discretion of Alantra CM (Italian Branch). The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. Alantra CM (Italian Branch) is under no obligation or keep current the information contained in this report.

From time to time, Alantra CM (Italian Branch) salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our principal trading desk that reflect opinions that are contrary to the opinions expressed in this research. Alantra CM (Italian Branch)'s affiliates, principal trading desk, and investing businesses also from time to time may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

Investments involve risks and investors should exercise prudence in making their investment decisions. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Stocks bear significantly risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in a material loss. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report.

Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other instruments. There is no representation that any transaction can or could have been realized at those prices.

Neither Alantra CM (Italian Branch) nor any of the companies pertaining to the Alantra Group nor any of their shareholders, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report.

Except as otherwise specified herein, this material is exclusively communicated by Alantra CM (Italian Branch) to persons who are eligible counterparties or professional clients and is only available to such persons. The information contained herein does not apply to retail clients.

The analysts responsible for the preparation of this report may interact with trading desk personnel, sales personnel and investment managers. Alantra CM (Italian Branch), any other company pertaining to the Alantra Group, and any of their shareholders, directors, employees may, to the extent permitted by law, have a position or otherwise be interested in any transactions, in any investments directly or indirectly the subject of this publication. The Alantra Group relies on information barriers to control the flow of information contained in one or more areas within the Alantra Group, into other areas, units, groups or affiliates of the Alantra Group. The Alantra Group may do and seek to do business with companies covered in its research reports. As a result, investors should be aware that the Alantra Group may have a conflict of interests. Information regarding transactions in which the Alantra Group has acted as an advisor, or provided professional services, is available on Alantra Group's website (http://www.alantra.com).The Alantra Group has established, implemented and maintains an effective conflicts of interest policy appropriate to its size and organization and to the nature, scale and complexity of its business. Investors should consider this report as only a single factor in making their investment decisions.

Conflict of interest

In order to disclose its possible conflicts of interest Alantra states that:

- Alantra is Corporate Broker of the following Companies: Openjobmetis, Pharmanutra, Eurotech, Farmaè, Intred, SEIF, ICF, Retelit, Franchi Umberto Marmi, Tecma Solutions, Planetel, eVISO, Comal

Research Distribution Policy

Alantra CM (Italian Branch) research will be available simultaneously for all of Alantra CM (Italian Branch)'s customers who are entitled to receive the firm's research. Research may be distributed by the firm's sales and trading personnel via email, instant message or other electronic means. Customers entitled to receive research may also receive it via third party vendors. Until such time as research is made available to Alantra CM (Italian Branch)'s customers as described above, Authoring Analysts will not discuss the contents of their research with Sales and Trading or Investment Banking employees without prior compliance consent.

For further information about the proprietary model(s) associated with the covered issuer(s) in this research report, clients should contact their local sales representative.

The disclosures contained in research reports produced by Alantra CM (Italian Branch) shall be governed by and construed in accordance with Spanish and Italian laws.

The receipt of this report implies full acceptance by its recipients of the contents of this disclaimer.

Alantra Capital Markets, S.V. S.A. is the Spanish investment firm located in Madrid, Calle de José Ortega y Gasset 29, registered at the Comisión Nacional del Mercado de Valores (CNMV) with number 258. Alantra CM (Italian Branch) is located in Milano (Italy), Via Borgonuovo 16 with number 155.

ALANTRA

Italian Equity Research