

LANDI RENZO

Company update

HOLD (Unchanged)

Target: **€ 0.73** (Unchanged)

Risk: High

STOCK DATA

Price €	0.58
Bloomberg code	LR IM
Market Cap. (€ mn)	130
Free Float	41%
Shares Out. (mn)	225.0
52-week range	0.56 - 1
Daily Volumes (mn)	0.11

PERFORMANCE

	1M	3M	12M
Absolute	-23.7%	-31.2%	-33.9%
Rel. to FTSE all shares	-20.3%	-18.2%	-22.4%

MAIN METRICS

	2021	2022E	2023E
Revenues	242.0	285.6	320.6
Adjusted EBITDA	14.6	18.4	30.3
Adj. net income	-7.6	-1.1	6.9
Adj. EPS - € cents	-6.7	-0.5	3.1
DPS ord - € cents	0.0	0.0	0.0

MULTIPLES

	2021	2022E	2023E
P/E adj	n.m.	n.m.	18.8x
EV/EBITDA	20.6x	16.5x	8.6x

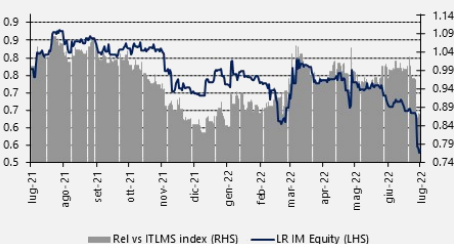
REMUNERATION

	2021	2022E	2023E
Div. Yield ord	0.0%	0.0%	0.0%
FCF yield	-1.1%	-2.8%	7.2%

INDEBTEDNESS

	2021	2022E	2023E
NFP adjusted	-142.4	-85.8	-75.9
Debt/EBITDA adj.	9.7x	4.7x	2.5x
Interests cov	2.7x	4.1x	8.7x

PRICE ORD LAST 365 DAYS



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BUILDING THE FUTURE

Landi Renzo is now a more diversified group with a leading position as a supplier of alternative fuel solutions for mobility applications and growing exposure to the gas value chain as a provider of compression solutions. Thanks to the last acquisitions (Metatron and Idro Meccanica), LR has built up its presence in two high-growth market segments: alternatively-powered mid/heavy-duty vehicles and hydrogen. In addition, the € 60 mn capital increase will further support LR's growth strategy by strengthening its financial structure. We have confirmed our TP at € 0.73 ps. Based on a full-delivery of 2025 business plan targets, we would reach a valuation of € 1.03 ps.

■ From a car component supplier to an energy transition player

Landi Renzo has transformed its business model from a car component supplier to an energy transition player covering the gas value chain from compression at generation to dedicated on-vehicles solutions. Indeed, the company supplies tailor-made compression solutions for CNG, RNG and hydrogen (Clean Tech Solutions: 35% of 2022E revenues) and low-emission alternative fuel solutions in the transportation sector (Green Transportation: 65% of 2022E revenues), from passenger cars to heavy-duty commercial vehicles.

LR's reference markets are supported by global mega trends:

- **Change in energy mix towards greener solutions such as hydrogen and biomethane** - i.e., REPowerEU provides for a dedicated action plan for biomethane plants (boosting production capacity) and the hydrogen use with the recently approved Hy2Tech-programme providing € 5.4 bn of public fundings (additional € 8.8 bn from private investments expected) for this purpose;
- **Stricter emission standards in the transportation sector with heavy-duty commercial vehicles** being more and more on focus as they are responsible for approximately 25% of the transportation sector's carbon emissions.

■ M&A to cement the future

In the 2021-2022 period LR completed two strategic acquisitions (total EV = € 41 mn): **Metatron** and **Idro Meccanica**. The acquisitions were aimed at accelerating the growth path in the two high-growth segments, namely **the development of gas mobility in the mid/heavy-duty segment** and **hydrogen compression**.

■ Capital increase to support business growth with a new active shareholder

The € 60 mn capital increase (subscription price = € 0.53ps; rights subscription period: July 18 / August 4) **is aimed at supporting Landi Renzo's growth plans and strengthening its financial structure** (ND/EBITDA 23E from 4.5x to 2.5x). GBD Green by Definition (LR controlling holding owned by Landi family and ITACA EQUITY) guarantees up to € 50 mn. **ITACA EQUITY is the initiative launched in 2021 by TIP.**

■ 2025 financial targets above our estimates

Landi Renzo has disclosed its financial targets for 2025:

- **Revenues:** >+12% CAGR 2021PF-2025E (vs our estimate of +9.1%);
- **Adjusted EBITDA:** >25% CAGR 2021PF-2025E (vs our estimate of +23.9%).

We believe that the higher 2025 targets vs our estimates are driven mainly by more aggressive assumptions on **the development of the mid-heavy-duty business** and **the contribution of the hydrogen compressor business.**

■ 2024-25E estimates raised. Target price confirmed at € 0.73ps

We have updated our estimates by: 1) assuming a higher contribution of the heavy-duty business and Clean Tech Solutions in **2024-25E (adj. EBITDA +11% on average)** while **confirming 22-23E estimates**; 2) **Including the € 60 mn capital increase.**

We confirmed our target price at € 0.73 ps (2023-24E adj. EV/EBITDA of 9.8x-7.3x and 2023-24E PE of 23.8x-13.9x) as the dilutive impact of the capital increase is fully offset by higher target multiples justified by the **higher LT growth rate expected and the better financial structure.**

MAIN FIGURES € mn*	2019	2020	2021	2022E	2023E	2024E
Revenues	192	142	242	286	321	351
Growth	2%	-26%	70%	18%	12%	10%
EBITDA	24.7	8.0	13.2	16.2	30.2	38.9
Growth	15%	-68%	65%	22%	87%	29%
Adjusted EBITDA	26.3	8.0	14.6	18.4	30.3	38.9
Growth	4%	-69%	82%	26%	65%	29%
EBIT	12.9	-5.5	-2.9	0.5	14.7	23.7
Growth	15%	n.m.	n.m.	n.m.	n.m.	61%
Profit before tax	8.5	-11.4	1.8	-2.0	13.1	22.5
Growth	103%	n.m.	n.m.	n.m.	n.m.	71%
Net income	6.0	-7.7	-1.0	-2.4	6.9	11.8
Growth	28%	n.m.	n.m.	n.m.	n.m.	71%
Adj. net income	7.5	-6.3	-7.6	-1.1	6.9	11.8
Growth	-24%	n.m.	n.m.	n.m.	n.m.	71%

MARGIN	2019	2020	2021	2022E	2023E	2024E
Ebitda Margin	12.9%	5.6%	5.5%	5.7%	9.4%	11.1%
Ebitda adj Margin	13.7%	5.6%	6.0%	6.4%	9.4%	11.1%
Ebit margin	6.7%	-3.9%	-1.2%	0.2%	4.6%	6.7%
Pbt margin	4.4%	-8.0%	0.7%	-0.7%	4.1%	6.4%
Ni rep margin	3.1%	-5.4%	-0.4%	-0.8%	2.2%	3.4%
Ni adj margin	3.9%	-4.4%	-3.1%	-0.4%	2.2%	3.4%

SHARE DATA	2019	2020	2021	2022E	2023E	2024E
EPS - € cents	5.3	-6.8	-0.9	-1.1	3.1	5.3
Growth	28.1%	n.m.	n.m.	n.m.	n.m.	71%
Adj. EPS - € cents	6.7	-5.6	-6.7	-0.5	3.1	5.3
Growth	-24.4%	n.m.	n.m.	n.m.	n.m.	71%
DPS ord - € cents	0.0	0.0	0.0	0.0	0.0	0.0
BVPS - €	0.6	0.5	0.5	0.5	0.5	0.6

VARIOUS - € mn	2019	2020	2021	2022E	2023E	2024E
Capital employed	130	131	198	201	200	203
FCF	-3	-12	-1	-4	9	12
Capex	9	12	8	13	13	14
Working capital	30	27	10	7	8	11

INDEBTNESS - €mn	2019	2020	2021	2022E	2023E	2024E
NFP adjusted	-71	-82	-142	-86	-76	-64
NFP	-62	-73	-133	-77	-67	-55
D/E	1.06 x	1.44 x	2.59 x	0.76 x	0.64 x	0.49 x
Debt/EBITDA adj.	2.7 x	10.2 x	9.7 x	4.7 x	2.5 x	1.6 x
Interests cov	5.0 x	0.9 x	2.7 x	4.1 x	8.7 x	12.1 x

MARKET RATIOS	2019	2020	2021	2022E	2023E	2024E
P/E ord	17.2 x	n.m.	n.m.	n.m.	18.8 x	11.0 x
P/E ord Adj	13.7 x	n.m.	n.m.	n.m.	18.8 x	11.0 x
PBV	1.5 x	1.6 x	1.7 x	1.2 x	1.1 x	1.0 x
P/CF	5.8 x	20.1 x	6.3 x	9.6 x	5.8 x	4.8 x

EV FIGURES	2019	2020	2021	2022E	2023E	2024E
EV/Sales	0.7 x	1.0 x	1.1 x	0.9 x	0.8 x	0.7 x
EV/EBITDA	5.7 x	21.1 x	20.6 x	16.5 x	8.6 x	6.4 x
EV/EBIT	10.9 x	n.m.	n.m.	n.m.	17.7 x	10.5 x
EV/CE	1.1 x	1.1 x	1.3 x	1.3 x	1.3 x	1.2 x

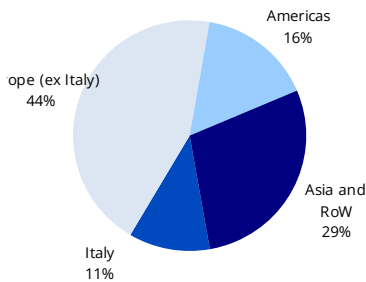
REMUNERATION	2019	2020	2021	2022E	2023E	2024E
Div. Yield ord	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	-2.6%	-13.3%	-1.1%	-2.8%	7.2%	8.9%
ROE	9.5%	-12.4%	-1.7%	-2.8%	6.0%	9.4%
ROCE	7.5%	-2.9%	-0.5%	0.2%	4.9%	7.7%

Source: Company data and Equita SIM estimates

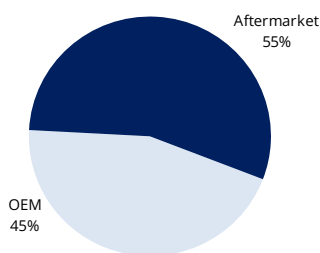
*Our estimates do not include line-by-line consolidation of KLR (Indian JV).

BUSINESS DESCRIPTION

SALES BREAKDOWN - 2021



GREEN TRANSPORTATION: CHANNEL MIX - 2021



Landi Renzo (LR) is an energy transition player covering the gas value chain from compression at generation to dedicated on-vehicles solutions. It has two different and independent business lines:

1. **Green Transportation** (Automotive: OEM/AM and passenger/mid-heavy duty);
LR is a global leader in the niche market of LPG, CNG (compressed natural gas), RNG (renewable natural gas), LNG and hydrogen fuel systems for passenger (a global market that we estimate to be worth about € 800-850 mn) and mid/heavy-duty vehicles. LR brings >60 years of experience in the fuel system sector (the group's origins date back to 1954) and it is among the market leaders in most countries in which it operates (main markets: Italy, Egypt, Iran, Turkey, and India).

LR markets its systems through **two main channels**:

- **Aftermarket (installers and distributors)**
- **Car manufacturers (OEM)**

LR's business model focuses on R&D and distribution with substantial outsourcing of production.

2. **Clean Tech Solutions (JV SAFE-CEC – 51% stake – Partner: Clean Energy Fuels Corp).**
 In the Clean Tech Solutions segment, LR operates through its JV **SAFE-CEC which is specialized in design and manufacturing of technically advanced, customized solutions, packages, and equipment for Biomethane, CNG and hydrogen infrastructures with an international installed base of >6k compressors.** The JV was established in 2017 through a strategic aggregation with Clean Energy Fuels.

Landi Renzo is headquartered in Reggio Emilia (Italy) and is listed on the Italian stock exchange since 2007 (MTA Star segment).

On August 5, 2021, **LR announced the acquisition of Metatron.** Metatron is an Italian company and global leader in the supply of mid/heavy-duty gas and hydrogen mobility components.

The acquisition allows LR to strengthen its presence and accelerate growth in the HD segment thanks to a wider product and customer portfolio.

On January 18, 2022, **LR announced the acquisition of Idro Meccanica** through its subsidiary Safe-CEC. **Idro Meccanica is a leading Italian company in the production of innovative technologies and systems for hydrogen, biomethane and natural gas compression.**

5-YEAR HISTORICAL RESULTS (€ mn)

	2017	2018	2019	2020	2021
Revenues	206.3	188.1	191.9	142.5	242.0
EBITDA	4.7	21.5	24.7	6.7	14.6
<i>EBITDA margin</i>	<i>2.3%</i>	<i>11.4%</i>	<i>12.9%</i>	<i>4.7%</i>	<i>6.0%</i>
Net Income	4.1	4.5	6.0	-7.7	-1.0
NFP	-49.0	-52.9	-61.8	-72.9	-133.5

Source: company data

STRENGTHS / OPPORTUNITIES

- Leader in the gas mobility with a global footprint and commercial network
- Well established relationship with key customers in the OEM channel (both truck and passenger car) and with installers in the AM channel
- Several LPG/CNG/RNG/LNG adoption plans in many countries (e.g. US and India)
- New segments development: Heavy-duty, hydrogen, Biogas

WEAKNESSES / THREATS








- Competition from local LPG/CNG/RNG/LNG kits manufacturers with lower quality of products
- Increasing penetration of EV in the passenger segment
- Vulnerability to geopolitical situations in specific markets
- Relevant time and cash required for a country to roll out relevant LPG/CNG/RNG/LNG infrastructure
- Client concentration risk in the Green Transportation division

COMPANY OVERVIEW

Landi Renzo is an energy transition player covering the gas value chain from compression at generation to dedicated on-vehicles solutions. The company covers the energy transition value chain by developing and selling components for vehicles (passenger car/mid-heavy duty) running on natural gas, RNG, LNG, LPG, and hydrogen and by **supplying tailor made compression solutions** for biomethane, natural gas, and hydrogen which are used along the full gas value chain.

In particular, **the group operates through two independent divisions:**

- **Clean Tech Solutions** (35% of 2022E Group revenues – infrastructure): the division designs and manufactures compressors for gas processing and distribution (CNG, RNG, and hydrogen) as well as operations in the Oil & Gas market. The division's products satisfy multiple market requirements for the compression, from the post-generation stage to refueling stations.
- **Green Transportation** (65% of 2022E Group revenues - automotive): the division designs, manufactures and sells alternative fuel systems (gas & hydrogen mobility) for both passenger car and mid-heavy duty vehicle. The division sells to OEMs (47% of divisional 2022E revenues – longstanding relationships with key OEMs) and to independent distributors and installers (53% of divisional 2022E revenues);

LANDI RENZO BUSINESS OVERVIEW			
Green Transportation			Clean Tech Solutions
Hydrogen and Renewable Natural Gas			
OEM Heavy Duty and Off Road	OEM Passenger cars	Clean Fuel Transformation	Infrastructure Equipment
 <ul style="list-style-type: none"> • Components and full systems for Hydrogen and RNG/CNG/LNG* 	 <ul style="list-style-type: none"> • RNG/CNG/LPG as effective and efficient solutions to reduce emissions • H₂ on LCV after 2026 	 <ul style="list-style-type: none"> • Fuel System to convert petrol light and mid duty into a CNG/LPG* bi-fuel vehicle 	 <ul style="list-style-type: none"> • RNG and Hydrogen compression solutions from generation to refueling stations • CNG compression for gas recovery and refueling stations
 <p>Different projects on FCEV and H₂-Internal Combustion Engines Already active in the Hydrogen infrastructure market</p>	 <p>Market leadership position ~30% MS – Green Transportation ~25% MS – Clean Tech Solutions</p>	 <p>Global presence 85% export – Green Transportation 80% export – Clean Tech Solutions</p>	

Source: Company presentation

CLEAN TECH SOLUTIONS (INFRASTRUCTURE SEGMENT)

Clean Energy Fuels (listed on Nasdaq – Ticker: CLNE) is a US company focused on the procurement and distribution of renewable natural gas (“RNG”) and conventional natural gas (“CNG” and “LNG”) for the United States and Canadian transportation markets.

In 2021, the company reported revenues of \$ 256 mn and an adjusted EBITDA of \$ 57 mn.

The Clean Tech Solutions division designs and manufactures compressors for gas processing and distribution (CNG, RNG, and hydrogen) as well as operations in the Oil & Gas market.

The Clean Tech Solutions business is carried out through the **Safe-CEC JV** (fully consolidated since May 2021), which is 51% owned by Landi Renzo and 49% by the US company Clean Energy Fuels.

Gas compression is the mechanical process that compresses natural gas into smaller volumes leading to higher pressure, which drives the flow of gas.

Compressors play a key role along in almost all stages of the gas value chain:

- **Post generation** (i.e. feeding into the primary and/or secondary grid and virtual pipeline);
- **Transportation;**
- **End use** (i.e., refueling stations and industrial uses).

The compressors developed by Safe-CEC are used in all these stages and are designed to manage:

- **RNG;**
- **CNG;**
- **Hydrogen** - thanks to the acquisition of Idro Meccanica in 2022.

Safe-CEC provides both single compressor skid and whole package systems, including aftersales service, maintenance, and spare parts. To date, the company has an installed compressor base of more than 6k units (~35% in Europe & Russia, ~30% in Asia Pacific, and ~15% in North America) and an established relationship with major players in the gas value chain.



Source: Company presentation

On the hydrogen side, thanks to the acquisition of Idro Meccanica, **Safe-CEC has a wide range of products already available that are designed for hydrogen** (managing pressure up to 800bar). The installed base of hydrogen compressors is about 150 with the company indicating an acceleration of orders for these systems since the beginning of the year.


Demand for Safe-CEC's products is driven by several trends of which we believe the main ones are:

- **Changing in energy mix** (natural gas/biogas/hydrogen);
- **Growing adoption of Gas & Hydrogen mobility** (passenger cars/trucks);
- **Growing industrial use of hydrogen;**
- **Growing investment in biomethane plants.**

These trends are supported by the increasingly stringent environmental regulations introduced by different governments worldwide. In particular, in Europe, **the REPowerEU supports Safe-CEC's target market as it provides for**, among others:

- **The construction of more than 4,000 new biomethane plants by 2030;**
- **The acceleration of investments in green hydrogen production;**
- **Financial support for the green transition in the hard-to-abate sectors** (i.e., the European Commission expects approximately 30% of European steel production to be decarbonized by 2030 through the replacement of blast furnaces with electric arc furnaces and DRI plants which use hydrogen as reducing agents) **and industrial hydrogen applications.**

REPOWEREU SUPPORTING THE CLEAN TECH SOLUTIONS MARKET



The European commission developed a plan to **make Europe independent from Russian fossil fuels** well before 2030, thus accelerating the **Energy Transition**:

- €300bn investments in the 2022-2030 period
- Strong focus on RNG and Hydrogen as clean energy sources
- Development of pan-European networks
- Provide incentives for the implementation of the policies

Initiatives the can affect LRG activities

Short term

- **Approval of first EU-wide hydrogen projects** by the summer
- **Increase the production of biomethane by tenfold** to produce 35 bcm / y of renewable gas (construction of up to **4.000 new biomethane plants**)

Long term (by 2027)

- A **hydrogen accelerator to build 17.5 GW of electrolysers** by 2025 to fuel EU industry with homegrown production of 10 million tons renewable hydrogen
- **Around 30% of EU primary steel production** is expected to be decarbonized on the basis of **renewable hydrogen by 2030**
- A **modern regulatory framework for hydrogen**

Source: Company presentation

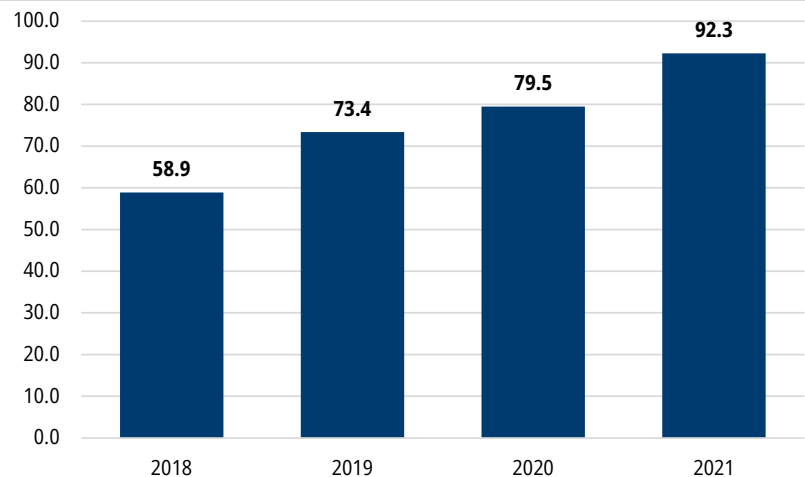
In addition, last July 1, 2022, **in Italy Minister of Infrastructure and Sustainable Mobility Enrico Giovannini signed two decrees supporting the use of hydrogen in rail** (local and regional) **and road transport** (focus on heavy transport). Specifically, using NRRP (Italian National Recovery and Resilience Plan) resources, **the ministry authorized investments totaling € 530 mn** divided as follows:

- **€ 300 mn for rail transport to replace diesel trains with hydrogen-powered trains.** Italian government is planning investments in the entire supply chain including the construction of 10 hydrogen refueling stations whose tender will be awarded by March 2023 and whose construction will be completed by June 2026;
- **€ 230 mn for road transport for the construction of at least 40 hydrogen refueling stations for light and heavy vehicles.** Tenders will be awarded by March 2023 and the stations are expected to be built by June 2026.

We believe that Landi Renzo can benefit from the investments planned by the Italian government:

- **Directly through the Green Tech Solutions division** as a potential supplier of hydrogen compressors for refueling stations: we estimate that 20 stations may require investments of more than € 20 mn for compressors;
- **Indirectly through the Green Transportation division** as the acceleration of investments in distribution infrastructure is a key step for the adoption of hydrogen FCEV vehicles.

CLEAN TECH SOLUTIONS: REVENUES EVOLUTION (€ MN)



Source: Equita elaborations on Company data

CLEAN TECH SOLUTIONS: 2018-2021 PERFORMANCE (€ MN)

	2018	2019	2020	2021
Revenues	58.9	73.4	79.5	92.3
Adj. EBITDA	4.0	6.1	5.1	8.3
Adj. EBITDA margin	6.8%	8.3%	6.4%	9.0%

Source: Company data

GREEN TRANSPORTATION (AUTOMOTIVE SEGMENT)

Landi Renzo is a leading global player in the development, manufacture and sale of complete alternative fuel systems (including LPG, CNG, RNG and hydrogen) for both passenger cars and mid/heavy-duty vehicles. This segment mainly includes the Landi Renzo, AEB, Lovato and Med brands. In 2021 the Green Transportation division reported revenues of € 173 mn with an adjusted EBITDA of € 7.2 mn (margin = 4.2%).

In this sector, Landi Renzo has a global market share of about 30% with a competitive environment characterized by the presence of another large global player (Westport Fuel Systems - 2021A sales of \$ 312 mn) and several small local players.

Regardless of the type of gas used, gas conversion kits include components such as pressure regulators, electronic control units (ECUs), injection rails, valves, and tankers. Landi Renzo manufactures all these components except for the tankers, which are bought from third parties.

GREEN TRANSPORTATION: PORTFOLIO OF PRODUCTS AND CLIENTS

M&HD & Off-road	M&HD System integration	Passenger & Light Duty
<p>Injectors Pressure regulators Control Units Valves Feeding System FC Control unit Pressure regulators Injection System Integrated manifold</p> <p>CNG LNG RNG H₂</p>	<ul style="list-style-type: none"> Complete vehicle modification System Integration of components and subsystems Layout definition Calibration Test Homologation <p>RNG CNG H₂</p>	<p>Pressure regulators Electronic Control Units Injection systems Valves Kit conversion systems</p>
<ul style="list-style-type: none"> Landi Renzo Group supplies major HD OEMs with components for monofuel CNG / LNG engines, as well as hydrogen components used in both FCEV and H₂ ICE applications 	<ul style="list-style-type: none"> Landi Renzo USA provides CARB and EPA certified natural gas systems 	<ul style="list-style-type: none"> CNG and LPG components for OEM applications, supporting the fuel line integration into the original engine Full conversion kits which can be applied to a broad range of models for retrofitting to clean fuel technology

Source: Company presentation

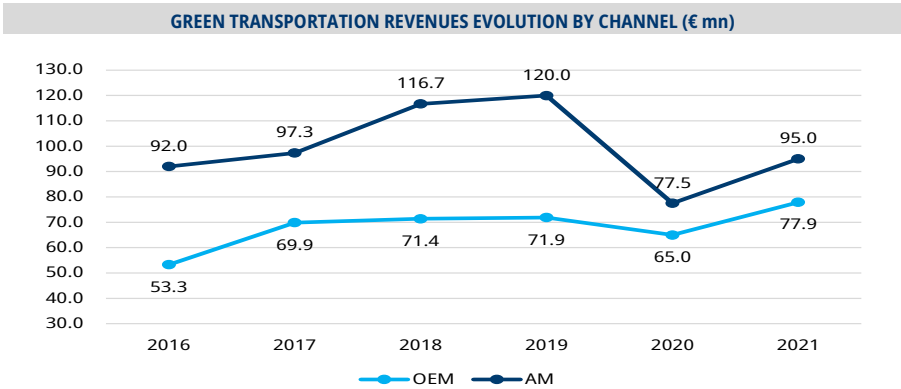
The systems provided by Landi Renzo can be:

- **Monofuel** = systems that use a single fuel. Mainly used in the mid/heavy duty segment (CNG monofuel truck);
- **Bifuel** = systems using two independent fuel types. Mainly used in the passenger car segment (gasoline/LPG vehicle);
- **Trifuel** = systems that use three independent fuel types. This solution represents an extremely limited share of the passenger car market and includes hybrid vehicles with LPG and CNG systems (i.e., in 2020 Landi Renzo in partnership with SNAM launched for the Italian market this solution for specific Toyota branded car models).

Green Transportation products are sold in more than 50 countries worldwide through two selling channels:

- **OEM** (47% of the division's 2022E sales): direct sales to automakers and truck manufacturers. This channel also includes so-called "Delayed OEM" sales, i.e., conversions to alternative fuel systems on "km0" vehicles. Landi Renzo works with major OEMs such as Renault, Stellantis, Dacia, Tata, Iveco, Scania and Weichai;
- **After-Market** (53% of the 2022E division's sales): sales to distributors and authorized installer which provides CNG/LPG conversion services to already registered vehicles (passenger car).

The OEM channel typically has greater visibility as it is based on OEMs annual sales planning even though contracts typically do not include guaranteed minimum supplies but follow demand trends. In this channel, **components are approved per vehicle/brand, and this makes, especially for the mid/heavy-duty segment, switching from one manufacturer to another difficult.** In the AM channel, orders are more spot with a very wide customer base.



Landi Renzo's gas conversion solutions have historically been aimed at the **passenger car segment**, which still accounts for about 90% of the business unit's 2022E expected sales. However, **in recent years Landi Renzo has entered the mid/heavy-duty market with a material acceleration in 2021 through the acquisition of the Italian company Metatron.**

Indeed, despite the mid/heavy-duty market is still almost entirely made up of diesel vehicles, **the more and more stringent emission standards across regions are pushing manufacturers toward alternative fuel systems with gas and hydrogen expected to assume an increasing role in the segment.** Compared to the passenger car segment, in the mid/heavy duty segment the adoption of fully electric solutions is more complex (considering the required range and battery weight) offering relevant opportunities for the development gas & hydrogen mobility.

In particular, in the mid/heavy-duty segment hydrogen offers material advantages compared to electric motors:

- **Faster fuelling** (similar to diesel);
- **Longer range** (c2x times electric motor and slightly lower than diesel);
- **Less weight.**

MHD VEHICLES: TECHNOLOGIES COMPARISONS

	RNG		Electric		FCEV	
	Short term	Long term	Short term	Long term	Short term	Long term
Total Cost of Ownership	●	◐	◐	◐	○	◐
Product range	●	●	◐	◐	●	●
Technical feasibility	●	●	◐	◐	◐	◐
Tank-to-wheel Emissions	◐	◐	-	-	-	-
Applications	• Long-haul transportation • Possible restrictions to access to cities due to local regulations		• Inner city distribution • Short to medium delivery		• Long-haul transportation • Urban buses in specific regions	

Source: Company presentation

With this in mind, **Landi Renzo has a range of products for hydrogen already available for both passenger car and truck:**

- **Pressure regulators;**
- **Injection systems;**
- **Valves;**
- **Electronic metering devices.**

Although the use of hydrogen in mobility is still at an early stage, **we believe that the availability of a product portfolio designed for hydrogen already today represents a material competitive advantage for Landi Renzo.** Indeed, Landi Renzo is working with main OEMs, which have begun to address emerging segments in the mobility such as hydrogen, strengthening relationships.

The company has indicated that the price list for hydrogen components is significantly higher than other gases today. While we prices will come down as hydrogen penetration increases, **the relationships developed at this early stage of technology development are critical considering that the market will be primarily if not exclusively dependent on the OEM channel.**

We highlight that **several manufacturers have announced the start of series production of hydrogen truck from 2024** with Hyundai being the front-runner in hydrogen-adoption.

HYDROGEN HEAVY-DUTY VEHICLES				
Manufacturer	Model	GVW(t)	Range (km)	Availability
Iveco	Nikola Tre	40	>800	2023
DAF	XF Hydrogen	44	600-800	Prototype
Daimler Truck	GENH2	40	up to 1,000	Series announced for 2027
Hyundai	Xcient FC	36	~400	Production since 2020
Hyundai	Xcient FC	42	~400	Production since 2022
MAN	Bayernflotte	tbd	tbd	Demo fleet 2024

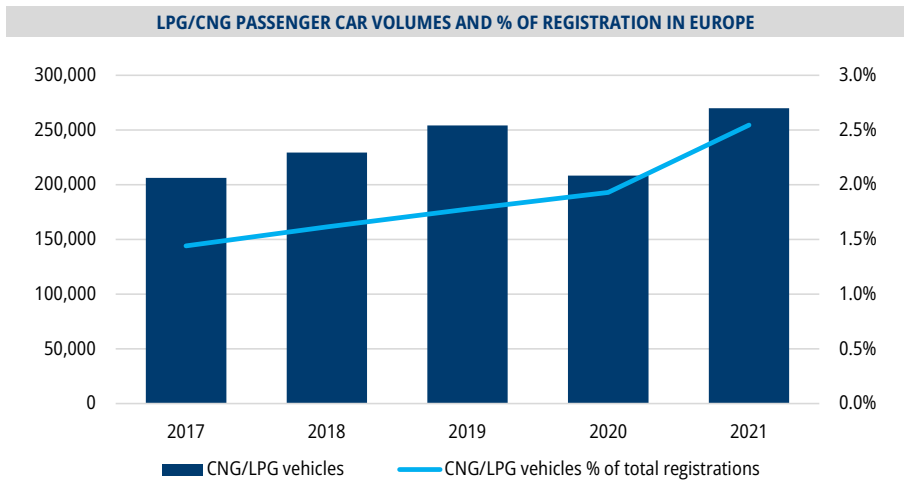
Source: Company website and ACEA

Moreover, **Landi Renzo is developing solutions to enable the usage of gaseous hydrogen in traditional ICE vehicles as an alternative to hydrogen fuel cell vehicles.** Indeed, in 2021 Landi Renzo joined H2 - ICE, a partnership between five Italian companies (Punch Torino, AVL Italia, Industria Italiana Autobus and TPER), aimed at the development of an internal combustion engine directly powered by hydrogen for the mid/heavy-duty segment with an initial focus on public transport buses. **The project is still in the development and testing phase.**

CNG/LPG VEHICLES MARKET OVERVIEW

The Green Transportation division has an established presence in more than 50 countries supplied both through direct sales to OEMs (47% of the division's 2022E sales) and to authorized distributors for after-market sales (53% of the division's 2022E sales). Over the past 5 years, the geo mix of the division has changed with developing countries (mainly North Africa and Asia) becoming more relevant.

However, the division's main market remains the European market where most of its sales to OEMs in the passenger car segment are concentrated. Specifically, in Europe the division reported sales of € 108 mn in 2021 or approximately 63% of total sales. Despite the growing penetration of hybrid and fully electric vehicles, alternative fuel (LPG/CNG) passenger car registrations have grown by 7% CAGR 2017-2021 while remaining a niche market (2.5% of total registrations in 2021).



Source: Equita SIM elaborations on ACEA data

We highlight that:

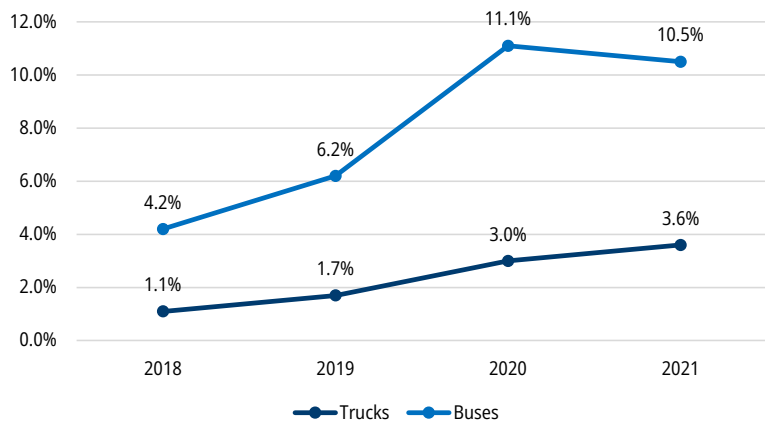
- **The European market of alternative fuel passenger cars is mainly an LPG vehicle market.** Indeed, LPG accounts for approximately 84% of total registrations in the segment versus 16% of natural gas;
- **Natural gas car sales are highly concentrated in the Italian market, which accounts for approximately 73% of total registrations (2021).** The other relevant markets are: **Germany** (1/10 of the Italian market) and **Greece** (1/30 of the Italian market);
- **Italy is also the leading market for LPG vehicle sales accounting for 47% in 2021 followed by France (22%), Romania (7%) and Poland (6%).**

Focusing on the European commercial vehicle market, a large part of the market is still made up of diesel vehicles. However, the share of alternatively-powered vehicles (mainly natural gas) has gradually become more important accounting for:

- 3.6% of truck registrations in Europe;
- 10.5% of bus registrations in Europe.

During 2018-2021, alternatively-powered trucks grew by 38% CAGR reaching 9.8k units while alternatively-powered buses grew by 27% CAGR reaching 3k units.

ALTERNATIVELY-POWERED TRUCK/BUS AS % OF TOTAL REGISTRATIONS IN EUROPE

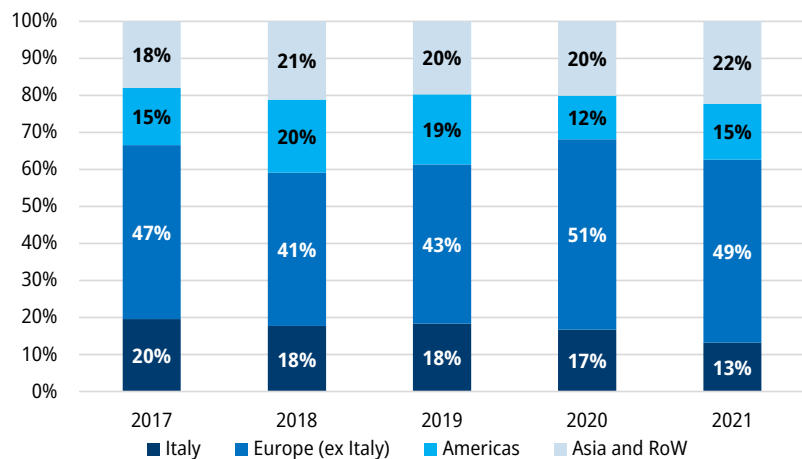


Source: Equita SIM elaborations on Company data

One of the main drivers of the alternative fuel vehicle market growth is the increasingly stringent regulations on emissions for both the passenger car and mid/heavy-duty segments.

In this context, solutions offered by Landi Renzo enable OEMs to reduce emissions while avoiding fines for non-compliance with emission standards.

GREEN TRANSPORTATION: 2017-2021 GEO MIX EVOLUTION



Source: Equita SIM elaborations on Company data

Europe

As for the passenger car segment, the standards on emissions in Europe today are set by Euro 6, which came into effect in September 2015 for all newly registered vehicles. Euro 6 introduced significantly more restrictive standards than Euro 5. In the coming months, the finalization of the new Euro 7 emission standards is expected with the new standards likely to come into force between 2025 and 2027. Finally, we emphasize that in June 2022, the European Parliament approved the EU Commission’s proposal to end the sale of gasoline/diesel/LPG cars from 2035 with an exemption for small manufacturers (up to 10,000 cars per year). We emphasize that:

- The measure in order to become effective needs additional institutional approvals including negotiations with individual European governments;
- The measure would apply only to LPG cars while there is no ban on CNG cars.

Regarding the mid/heavy-duty segment, **the European Union has set emission reduction targets as a percentage compared to EU average in the reference period** (1 July 2019–30 June 2020):

- **from 2025 onwards: 15% reduction;**
- **from 2030 onwards: 30% reduction.**

These rules on CO₂ emissions represent an incentive for all truck-makers in order to avoid significant penalties in case of non-compliance with the targets

- €4,250 per g CO₂/tkm in 2025;
- €6,800 per g CO₂/tkm in 2030.

China

Since January 2021, **China has adopted China-6a standards for GHG emissions for passenger cars and MHDs**. Generally, **China-6 standards are more stringent than European ones** aiming to materially reduce the emissions of harmful pollutant such as oxides of nitrogen (NOX) and particulate matter during the whole useful life of the vehicles (emissions durability) and being a contribute to achieving carbon neutrality by 2060. In 2023, **the transition towards China-6 will complete with the adoption of China-6b standards**, which are going to revise some criteria, making them even tougher.

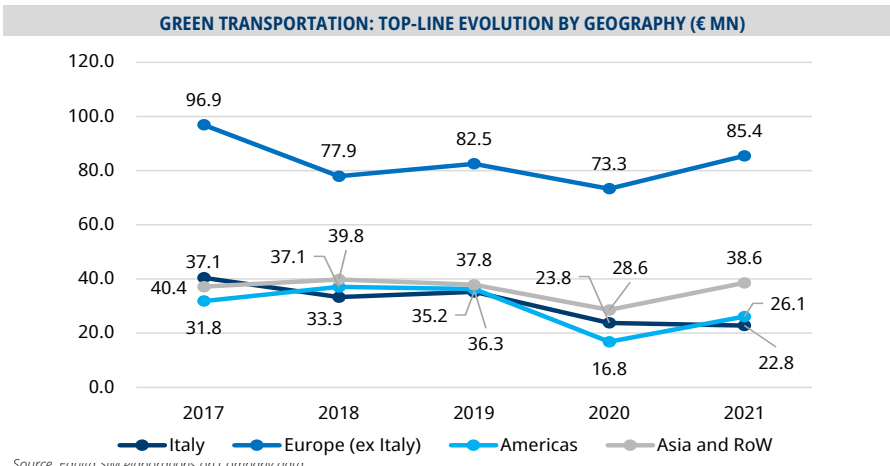
In 2020, **the Chinese government set the goal of 20% non-gasoline powered vehicles sold by 2025**, from 5% (2020). Despite Chinese government expects to reach this target focusing on EVs, it is supporting other alternative fuels:

- **Hydrogen:** by 2025, China counts on having at least 50,000 hydrogen-vehicles on the road and at least 1,000 refueling stations. In 2020, China had 250 refueling stations, around 40% of all stations in the world, and about 7,177 hydrogen-powered vehicles;
- **Natural Gas:** at the end of 2020 China had 10mn natural gas-powered vehicles in service (mainly passenger cars).

India (JV)

India started the adoption of regulations on vehicles GHG emissions in 2000 (Bharat State Emissions Standards). From April 2020, the regulation in force in India is the so-called **Bharat VI**, whose reference is the Euro 6 regulation and applies to gasoline- and diesel-powered vehicles. More in detail, **Bharat VI aims at cutting CO₂ emissions by 30% for gasoline engines and NO_x by 80% for both gasoline and diesel engines**.

Indian government is promoting the use of alternative fuels supporting investment in CNG fuel stations as well as in the deployment of RNG and hydrogen fueling infrastructure.



STRATEGIC ACQUISITIONS STRENGTHENING LR POSITIONING IN KEY SEGMENTS











In the 2021-2022 period Landi Renzo completed two strategic acquisitions: **Metatron** (Green Transportation) and **Idro Meccanica** (Clean Tech Solutions). The two acquisitions were aimed at accelerating the growth path in the two segments considered to have the highest potential for the group, namely **the development of gas mobility in the mid/heavy-duty segment** (Metatron in addition to a complete product portfolio has an established relationship with all major OEMs in the sector) and **hydrogen compression** (Idro Meccanica has a complete product portfolio for hydrogen compression). **The total investment for the two companies (100% EV) was € 41 mn.**

More in detail:

Metatron: go big in the HD segment

On August, 2021, **Landi Renzo announced the acquisition of Metatron, an Italian company specialized in the development of gas and hydrogen components for the mid-heavy duty segment.**

METATRON: SNAPSHOT

<p><i>Highlights</i></p> <ul style="list-style-type: none"> • Metatron S.p.A. is a leading T1 supplier of Hydrogen, CNG/RNG and LNG components • The company is currently market leader in Europe, in Russia and China, with a market share of about 60% • Metatron's client portfolio includes major HD OEM producers worldwide for both CNG/LNG/H2 <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">    </div> <div style="text-align: center;">    </div> <div style="text-align: center;">   </div> </div>	<p><i>Products</i></p> <p>Fuel Cell Vehicles</p> <p>H2</p>  <ul style="list-style-type: none"> • Electronic and mechanical pressure regulators for both HD application (fuel cell vehicles or ICE H2 engine) and LCV <p>Natural Gas and LNG</p> <p>CH4</p>  <ul style="list-style-type: none"> • Advanced pressure regulator for HD applications, (buses and medium/long haul trucks) • Mono ECUs for M&HD vehicles • Fuel rails for CNG and LNG M&HD vehicles • Low-pressure piping
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Long term, sustainable growth in the M&HD market segment, targeting global market leadership in Gas and Hydrogen fuel components and solutions

Source: Company presentation

Metatron:

- **was founded in 1998** and is **headquartered in Castel Maggiore, Italy**;
- **has an extensive portfolio of products for mid/heavy-duty:**
 - o **Fuel cell vehicles:** pressures regulators;
 - o **Natural gas vehicles:** pressures regulators, electronic control units, fuel rails (devices that guarantee the right amount of methane is injected into the engine) and low-pressure hoses.
- **is an official supplier to most of the European and Chinese heavy duty operators** (>60% of sales are made in China). Customer list include: **Iveco, Foton, CNHI, Weichai, MAN, Scania** and **Isuzu**;
- **reported sales of € 27.4 mn in 2020 (€ 29.4 mn in 2019), an average 2019-2020 adjusted EBITDA of € 4 mn with an average margin of approximately 14% (vs 12% of LR).**

In our opinion, **the Metatron deal has a strong strategic sense** as it allows Landi Renzo to:

- **Strengthen its presence in the mid/heavy-duty segment;**
- **boost growth in the mid-heavy duty segment** thanks to the broad product and customer portfolio;
- **develop cost/R&D synergies.**

The acquisition is based on an EV (100%) of € 34.3 mn (equity value = € 26.8 mn). As of today, the company has acquired 72.4% of Metatron with the remaining 27.6% on which there is a binding agreement with the closing which can reasonably take place post completion of the capital increase.

Therefore, we estimate that Metatron was paid approximately 8.5x average 2019-2020 adjusted EBITDA.

METATRON: PRODUCT PORTFOLIO



Source: Company website

Idro Meccanica: entering the hydrogen compression business

In January 2022, Landi Renzo announced the acquisition of Idro Meccanica through its subsidiary Safe-CEC.

Idro Meccanica:

- is a leading Italian company in the mechanical-hydraulic compression for hydrogen and biomethane market;
- has an installed hydrogen compressor base of approximately 150 units in both distribution and industrial fields;
- has a well-established relationship with major operators in hydrogen production and distribution;
- generated revenues of € 6.5 mn, adjusted EBITDA of € 0.7 mn with a margin of 10% in 2021.

IDRO MECCANICA: BIOGAS COMPRESSOR



Source: Company website

We believe that **the acquisition of Idro Meccanica is strategic because:**

- it allows LR to accelerate its **growth strategy in hydrogen and biomethane distribution infrastructure;**
- it gives access to a **complete portfolio of innovative and market-known hydrogen/biomethane compressors and a large customer base.**

The acquisition is based on an EV (100%) of € 7 mn (equity value = € 6.4 mn). To date, the company has acquired 90% of Metatron's share capital with a binding agreement on the remaining 10%.

Therefore, Idro Meccanica was paid approximately 11x 2021 adjusted EBITDA.

1Q22 RESULTS OVERVIEW

- **Revenues:** € 66.9 mn (+101% YoY, +30.4% lfl) vs € 65.6 mn expected;
- **Adjusted EBITDA:** € 2.7 mn (€ 0.5 mn in 1Q21) vs € 2.6 mn expected;
- **EBITDA:** € 1.8 mn (€ 0.4 mn in 1Q21) vs € 1.6 mn expected;
- **Net income:** € -3.1 mn (€ -4.1 mn in 1Q21) vs € -2.3 mn expected;
- **NFP:** € -150.8 mn (€ -133.5 mn at 2021YE) vs € -149.6 mn expected.

FIRST QUARTER RESULTS (€ mn)							
Group	1Q21	%	1Q22 Exp.	%	1Q22 Act.	%	Change act/exp
Sales	33.3	100	65.6	100	66.9	100	2%
Incr. %	-		97%		101%		
EBITDA	0.4	1.1	1.6	2.5	1.8	2.7	11%
Incr. %	-		362%		412%		
EBITDA adj.	0.5	1.5	2.6	4.0	2.7	4.0	1%
Incr. %	-		422%		425%		
EBIT	-3.0	-9.0	-2.5	-3.7	-2.5	-3.7	n.m.
Incr. %	-		n.m.		n.m.		
Net Income	-4.1	-12.4	-2.3	-3.6	-3.1	-4.7	n.m.
Incr. %	-		n.m.		n.m.		
Adj Net Income	-4.0	-12.0	-1.7	-2.6	-1.5	-2.3	n.m.
Incr. %	-		n.m.		n.m.		
NF Position	-85.5		-149.6		-150.8		1%

Source: Company data and Equita SIM estimates

1Q22 results were overall in line with expectations even at divisional level:

- **Green Transportation** (automotive) reported sales of € 46.3 mn (+39% YoY or +30% LFL) vs € 45.1 mn expected with AM channel growing 9.4% YoY (vs 8% expected) and OEM channel growing LFL by 57% (vs +50% expected) supported by substantial orders from a leading OEM customer and favorable YoY comparison. EBITDA adj. at € 1.3mn (vs € 1.1mn expected) with margin at 2.9%;
- **Clean Tech Solutions** (SAFE-CEC - not consolidated in 1Q21) reported sales of € 20.6mn (+17.5% YoY) vs € 20.5mn expected. Adjusted EBITDA was € 1.3 mn (vs € 1.5 mn expected) with margin of 6.5%.

Below the operating line, **the higher net loss was fully explained by the decision not to prudently set aside deferred tax assets.**

We highlight that **the increase in net debt in the quarter was partly due to the acquisition of Idro Meccanica** (€ 6 mn).

NEW BUSINESS PLAN: ADJUSTED EBITDA >+25% CAGR 2021PF-25E

On July 14th, 2022, **the company unveiled its growth strategy for the period 2022-2025E and its 2025E financial targets.** We point out that business plan targets assume line-by-line consolidation of the Indian JV KLR on which negotiations with the Indian partner are still ongoing (our current estimates do not include line-by-line consolidation of the JV but for comparison we provide combined expectations).

At group level, **the company expects a 2021PF-2025E CAGR of:**

- **Revenues:** >+12% (vs our estimate of +9.1%) reaching € 489 mn in 2025E;
- **Adjusted EBITDA:** >25% (vs our estimate of +23.9%) reaching € 64 mn in 2025E.

2025 TARGETS VS EQUITA ESTIMATES (€ MN)				
	2021 PF	2025BP	2025 Equita including KLR*	BP vs Equita
Revenues	302.6	488.8	428.7	14%
2021PF-2025E CAGR		12.7%	9.1%	
Adj. EBITDA	22.0	63.8	51.8	23%
2021PF-2025E CAGR		30.5%	23.9%	
Revenues				
Clean Tech Solutions	99	156	148	5%
2021PF-2025E CAGR		12.2%	10.7%	
Green Transportation	204	332	280	19%
2021PF-2025E CAGR		13.0%	8.3%	
Adj. EBITDA				
Clean Tech Solutions	9	23	19	19%
2021PF-2025E CAGR		26.2%	20.8%	
Green Transportation	13	41	32	30%
2021PF-2025E CAGR		33.2%	24.9%	

* KLR is included in the Green Transportation division.
Source: Company data and Equita SIM estimates

We believe the difference between company's 2025 targets and our 2025E estimates is mainly due to more aggressive assumptions on:

- the **development of the mid-heavy-duty business** with acceleration in 2024-25E of sales of hydrogen solutions;
- the **development of the Indian JV**;
- the **contribution of the hydrogen compressor business** to the Clean Tech Solutions division.

The company did not provide short-term financial targets.

At the divisional level, **the growth strategy is based on the following pillars:**

Green Transportation

- **Passenger car:** the company aims to consolidate its leadership position in the industry (LR's average market share = ~30%) focusing on growing opportunities for gas mobility in some emerging countries such as India, South America and North Africa. Management's key priority is on improving profitability (in both OEM and AM channel) through cost cutting and price increases and boosting cash generation (management expects limited investments in R&D in the coming years). More in details, for:
 - o **AM channel:** the company is keen to maintain its 30% market share in conversions and looks at entering new geographies (through new agreement with distributors – thus limited investments required);
 - o **OEM channel:** the company aims to strengthen its commercial positioning in India (a market considered strategic) and its relationship with major European OEMs.

- **Mid/Heavy-duty:** the company aims to become a world leader in the production of hydrogen, LNG and CNG components and systems for mid/heavy-duty vehicles by leveraging Metatron's knowhow and product portfolio. The company aims to achieve a 35% global market share by 2025 in the segment with a global leadership in hydrogen solutions. In addition, the company aims to strengthen partnerships with OEMs by fostering joint development of innovative products

Overall, **the company expects for the Green Transportation division a 2021-2025E CAGR of:**

- **Revenues:** +13% (vs our estimate of +8%);
- **Adjusted EBITDA:** +33% (vs our estimate of +25%).

GREEN TRANSPORTATION: 2025 TARGETS VS EQUITA ESTIMATES (€ MN)

	2021 PF	2025BP	2025 Equita including KLR	Delta BP Equita
Revenues	204	332	280	19%
2021PF-2025E CAGR		13.0%	8.3%	
Adj. EBITDA	13	40.8	32	30%
2021PF-2025E CAGR		33.2%	24.9%	

Source: Company data and Equita SIM estimates

Clean Tech Solutions

The company aims to seize the growing opportunities related to the energy transition (H2, RNG and CNG) by achieving a 30 percent market share in compressors for CNG/RNG and expanding the areas supplied along the value chain. In addition, the company aims to have a 20% global share by 2025 in hydrogen compression.

Overall, **the company expects 2021-2025E CAGR of:**

- **Revenues:** +12% (vs. our estimate of +11%);
- **Adjusted EBITDA:** +26% (vs our estimate of +21%).

CLEAN TECH SOLUTIONS: 2025 TARGETS VS EQUITA ESTIMATES (€ MN)

	2021 PF	2025BP	2025 Equita	Delta BP Equita
Revenues	99	156	148	5%
2021PF-2025E CAGR		12.2%	10.7%	
Adj. EBITDA	9	23.0	19	19%
2021PF-2025E CAGR		26.2%	20.8%	

Source: Company data and Equita SIM estimates

GREEN LIGHT ON THE € 60 MN CAPITAL INCREASE

On July 11th, 2022, the BoD resolved to increase the share capital of LR, exercising the mandate granted to it by the Shareholders' Meeting of April 29th, 2022. The capital increase is aimed at:

- **supporting Landi Renzo's growth plans** (transformation into a strategic player in the renewable natural gas and hydrogen industry);
- **strengthening its financial structure.**

Landi Family (main shareholder of LR with a stake of 59%) **and ITACA EQUITY** (the initiative launched in 2021 by TIP, targeting equity investments in turnarounds and special situations), which to date is not a shareholder of the company, **have committed to underwrite up to € 50 mn out of € 59.6 mn of the capital increase.**

Based on the agreements between Landi family and ITACA EQUITY, a new controlling holding of Landi Renzo called **GBD Green by Definition** was established through:

- **Transfer of stake** (59.1%) and **€ 18.1 mn financial credits** by **Girefin and Gireimm** (the Landi family holdings);
- **Up to € 39.4 mn investment in cash** by Itaca Equity Holding for a minority stake.

Key characteristics of the capital increase:

■ **Size: up to € 59.6 mn with 1:1 ratio**

Capital increase with pre-emptive rights (112.5mn new shares to be issued based on the ratio of 1 new share for every 1 share held) **for a maximum amount of € 59.6 mn.**

■ **Schedule: rights subscription period from July 18 to August 4**

Option rights may be exercised from July 18, 2022, to August 4, 2022, (included), and the option rights may be traded on Euronext STAR Milan from July 18, 2022, to July 29, 2022 (included).

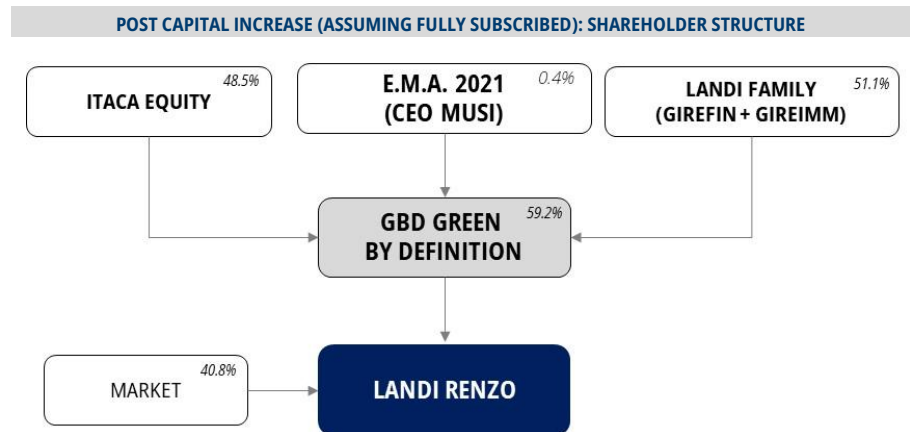
Any option rights not exercised within the term of the subscription period will be offered on Euronext STAR Milan for at least two trading days, unless early closure occurs, **within the month following the end of the subscription period.**

■ **Price: set at € 0.53ps (ca. 16% discount vs price pre announcement)**

The subscription price is set at € 0.53ps (discount on TERP based on preannouncement stock price equal to approximately 16%).

■ **Post capital increase simulation on shareholder structure (@ € 0.53ps - fully subscribed)**

Post capital increase (assuming fully subscribed), the following situation would occur at **shareholders' level:**



Source: Equita SIM estimates

ESTIMATES UPDATED TO INCLUDE € 60 MN CAPITAL INCREASE

We have updated our 2022E-2025E estimates by:

- **Assuming a higher contribution of the heavy-duty business** (now € 51 mn in 2025 vs previous estimate of € 44 mn) **and Clean Tech Solutions** (now € 148 mn in 2025 vs previous estimate of € 135 mn) **in 2024-25E** (adj. EBITDA +11% on average) **while confirming 2022-23E estimates;**
- **Including the € 59.6 mn capital increase with issuance of 112.5 mn new shares.** The new number of shares post capital increase is 225mn (vs 112.5 mn pre);
- **We now consider the € 8.9 mn of future share capital increase contribution** (provided by Landi family in 2017) as financial debt rather than equity (our previous approach). **We have therefore raised the 2022E net debt by € 8.9 mn while reducing the total number of shares;**
- **Reducing annual financial expenses by about € 1.5 mn over the period.**

All in all, **we now expect 2022E net debt at € 86 mn** (ND/EBITDA adj. 2022E = 4.7x) **and 2023E net debt at € 76 mn** (ND/EBITDA adj. 2023E = 2.5x)

Our current estimates do not assume line-by-line consolidation of the Indian JV KLR (in which Landi Renzo holds 51% stake) **pending developments on negotiations between Landi Renzo and the Indian partner.**

LANDI RENZO: NEW 2022E-2024E ESTIMATES (€ mn)

Group/€ mn	2021	%	2022E		2023E		2023E		2024E		2024E			
			Prev.	%	Curr.	%	Prev.	%	Curr.	%	Prev.	%	Curr.	%
Sales	242.0		285.6		285.6		320.6		320.6		340.0		351.1	
Incr. %	70%		18%		18%		12%		12%		6%		10%	
EBITDA	12.6	5.2	16.4	5.7	16.4	5.7	30.3	9.4	30.3	9.4	35.7	10.5	38.9	11.1
Incr. %	90%		30%		30%		85%		85%		18%		29%	
EBITDA adj.	14.6	6.0	18.4	6.4	18.4	6.4	30.3	9.4	30.3	9.4	35.7	10.5	38.9	11.1
Incr. %	22%		26%		26%		65%		65%		18%		29%	
EBIT	-2.9	-1.2	0.5	0.2	0.5	0.2	14.7	4.6	14.7	4.6	20.5	6.0	23.7	6.7
Incr. %	n.m.		n.m.		n.m.		n.m.		n.m.		39%		61%	
Net Income	-1.0	-0.4	-3.0	-0.8	-2.4	-0.8	5.9	2.2	6.9	2.2	9.6	2.8	11.8	3.4
Incr. %	n.m.		n.m.		n.m.		n.m.		n.m.		62%		71%	
NF Position	-133.5		-136.1		-76.9		-127.2		-67.0		-115.3		-54.9	

Source: Company data and Equita SIM estimates

CHANGE IN ESTIMATES (%)

	2022E	2023E	2024E	Average
Sales	0%	0%	3%	1%
EBITDA adj.	0%	0%	9%	3%
EBIT	0%	0%	15%	5%
Net Income	n.m.	17%	23%	7%
NF Position	59	60	60	60

Source: Company data and Equita SIM estimates

TARGET PRICE CONFIRMED AT € 0.73PS

We confirmed our target price at € 0.73 ps (2023-24E adj. EV/EBITDA of 9.8x-7.3x and 2023-24E PE of 23.8x-13.9x) as the dilutive impact of the capital increase is fully offset by higher target multiples justified by the **higher LT growth rate expected and the better financial structure.**

LANDI RENZO: VALUATION				
Division	2023 EBITDA (€ mn)	EV/EBITDA target multiple	Valuation (€ mn)	LR's stake %
Clean Tech Solutions	11.5	13.0x	149.4	51%
Green Transportation	18.8	8.5x	159.5	100%
KLR	5.0	5.0x	25.0	51%
Total EV			333.9	
EV - Pro-quota			248.4	
NFP - pro-quota 2023			-70.8	
Others			-4.0	
Equity value			173.6	
# of shares adj. (mn)			225	
Equity value - € ps			0.77	
Discount			1.0	
Target price € ps			0.73	

Source: Equita SIM estimates

On the positive side:

- **The capital increase will lead to a more solid financial structure easing pressure on management which can increase focus on the business development also supported by a relevant partner as ITACA EQUITY;**
- We appreciate the **growing exposure to the Clean Tech Solutions business** (excellent track-record and visibility) **and to the gas mobility business for Mid&Heavy trucks** (lower competitive pressure from electrification);
- **LR offers good exposure to the future development of the hydrogen business in the automotive segment both as a component supplier and in the infrastructure business.**

However, **we confirm our HOLD rating on LR as: 1) the current macro environment dents visibility on short-term targets with the automotive business** (the most relevant business for LR) **still in a challenging context; 2) we wait for more visibility on the hydrogen and heavy-duty businesses which are key drivers of future growth.**

Given the targets provided by the company to 2025, **we decided to provide a simulation valuation of Landi Renzo in the scenario of full delivery of the company's targets.** In this scenario of full organic growth potential exploitation, **we would reach a valuation of € 1.03 ps.**

VALUATION SIMULATION ON 2025 COMPANY TARGETS				
Division	2025 EBITDA (€ mn)	EV/EBITDA target multiple	Valuation (€ mn)	LR's stake %
Clean Tech Solutions	23.0	9.0x	207.0	51%
Green Transportation	33.8	6.5x	219.7	100%
KLR	7.0	4.0x	28.0	51%
Total EV			454.7	
EV - Pro-quota			339.6	
NFP - pro-quota 2025			-38.3	
Others			-4	
Equity value			297.3	
# of shares adj. (mn)			225	
Equity value - € ps			1.32	
Discount			1.3	
Target price € ps			1.03	

Source: Equita SIM estimates

SECTOR MULTIPLES

SECTOR MULTIPLES																
Company	Description			EV/EBITDA			P/E			EBITDA margin			Net debt/ Ebitda	Sales CAGR	EBITDA CAGR	EPS CAGR
	Curr.	Price	Mkt cap (€ mn)	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022E	22-24E	22-24E	22-24E
LANDI RENZO SPA	EUR	0.58	130	16.5 x	8.6 x	6.4 x	n.m.	18.8 x	11.0 x	6.4%	9.4%	11.1%	4.7 x	10.9%	45.5%	n.m.
WESTPORT FUEL SY	USD	1.0	176	n.m.	n.m.	7.7 x	n.m.	n.m.	52.0 x	-6.5%	0.6%	4.3%	n.m.	16.4%	n.m.	n.m.
VALEO	EUR	18.4	4,451	3.7 x	3.1 x	2.5 x	18.4 x	8.2 x	5.6 x	11.9%	12.4%	13.2%	1.5 x	11.3%	17.1%	81.7%
SOGEFI	EUR	0.8	94	2.3 x	2.0 x	1.6 x	4.2 x	3.2 x	2.7 x	12.2%	12.5%	12.8%	1.7 x	4.1%	6.8%	25.2%
BREMBO SPA	EUR	9.7	3,229	6.6 x	5.9 x	5.3 x	13.2 x	11.9 x	10.9 x	17.3%	17.7%	18.1%	0.6 x	4.2%	6.6%	10.0%
CONTINENTAL AG	EUR	65.9	13,188	4.2 x	3.3 x	2.8 x	11.4 x	7.1 x	5.8 x	11.0%	12.7%	13.4%	1.0 x	6.0%	17.1%	40.6%
ELRINGKLINGER AG	EUR	7.2	457	5.2 x	4.0 x	3.4 x	21.8 x	7.3 x	5.6 x	10.2%	12.1%	13.0%	2.5 x	5.2%	18.6%	96.6%
FAURECIA	EUR	16.8	3,313	4.3 x	3.1 x	2.5 x	9.6 x	4.2 x	3.4 x	11.8%	12.9%	13.7%	2.9 x	11.0%	19.3%	68.1%
AUTOLIV INC	USD	74.5	6,418	8.1 x	5.5 x	4.6 x	18.1 x	9.6 x	7.5 x	10.6%	13.9%	15.1%	1.3 x	10.5%	31.9%	55.8%
BORGWARNER INC	USD	33.7	7,980	4.6 x	3.9 x	3.5 x	8.3 x	6.8 x	5.9 x	14.5%	15.0%	15.1%	1.0 x	9.3%	11.4%	18.4%
JOHNSON CONTROLS	USD	46.9	32,301	11.0 x	9.5 x	8.5 x	15.7 x	12.9 x	11.1 x	14.6%	16.0%	16.6%	1.9 x	5.1%	12.1%	18.8%
Average (ex LR)				5.6 x	4.5 x	4.2 x	13.4 x	7.9 x	11.1 x	10.8%	12.6%	13.5%	1.6 x	8.3%	15.7%	46.1%
Median				4.6 x	3.9 x	3.4 x	13.2 x	7.3 x	5.8 x	11.9%	12.8%	13.5%	1.5 x	7.7%	17.1%	40.6%
Max				11.0 x	9.5 x	8.5 x	21.8 x	12.9 x	52.0 x	17.3%	17.7%	18.1%	2.9 x	16.4%	31.9%	96.6%
Min				2.3 x	2.0 x	1.6 x	4.2 x	3.2 x	2.7 x	-6.5%	0.6%	4.3%	0.6 x	4.1%	6.6%	10.0%
LANDI RENZO SPA	EUR	0.58	130	16.5 x	8.6 x	6.4 x	n.m.	18.8 x	11.0 x	6.4%	9.4%	11.1%	4.7 x	10.9%	45.5%	n.m.
CLEAN ENERGY FUE	USD	5.0	1,109	21.5 x	17.0 x	7.8 x	n.m.	n.m.	18.8 x	11.3%	18.2%	35.3%	-1.6 x	20.6%	113.2%	n.m.
BURCKHARDT COMPR	CHF	399.0	1,377	12.8 x	11.1 x	9.9 x	19.9 x	17.4 x	15.7 x	14.4%	15.1%	15.8%	0.4 x	6.2%	11.1%	12.6%
Average (ex LR)				17.1 x	14.1 x	8.9 x	19.9 x	17.4 x	17.3 x	12.9%	16.6%	25.6%	-0.6 x	13.4%	62.2%	12.6%
Median				17.1 x	14.1 x	8.9 x	19.9 x	17.4 x	17.3 x	12.9%	16.6%	25.6%	-0.6 x	13.4%	62.2%	12.6%
Max				21.5 x	17.0 x	9.9 x	19.9 x	17.4 x	18.8 x	14.4%	18.2%	35.3%	0.4 x	20.6%	113.2%	12.6%
Min				12.8 x	11.1 x	7.8 x	19.9 x	17.4 x	15.7 x	11.3%	15.1%	15.8%	-1.6 x	6.2%	11.1%	12.6%

Source: Bloomberg data and Equita SIM estimates;

STATEMENT OF RISK

The primary elements that could **negatively impact the stock include:**

- Significant increase in short term interest rates
- Sharp decrease in oil price
- New M&A deals at very dilutive multiples
- Country or regional political and economic instability
- Increasing competition in alternative fuel systems market
- Decreasing penetration of LPG/CNG systems
- Inability to effectively develop new products

The primary elements that could **positively impact the stock include:**

- Significant decrease in short term interest rates
- Significant increase in oil price
- New M&A deals (likely acquisitions) at cheap multiples
- Decreasing competition in alternative fuel systems market
- Increasing penetration of LPG/CNG systems

APPENDIX 1 – ALTERNATIVE FUELS

ALTERNATIVE FUELS		
Fuel	State	Description
CNG	Gaseous	Compressed Natural Gas ("CNG") is natural gas (mainly methane) in its gaseous state. It is extracted from fossil resources present in the ground
LNG	Liquid	Liquefied Natural Gas ("LNG") is natural gas (mainly methane) in its liquid form. Natural gas is liquefied mainly to transport it in areas not covered by pipelines.
LPG	Liquid	Liquefied Petroleum Gas ("LPG") is a mixture of light hydrocarbons (mainly propane and butane).
RNG	Gaseous / Liquid	Renewables Natural Gas ("RNG") is natural gas (mainly methane) obtained by fermenting organic waste. Chemically, natural gas and renewable natural gas are almost identical
H2	Gaseous	Hydrogen is a clean fuel as it does not contain carbon (water is the by product)

Source: Equita SIM

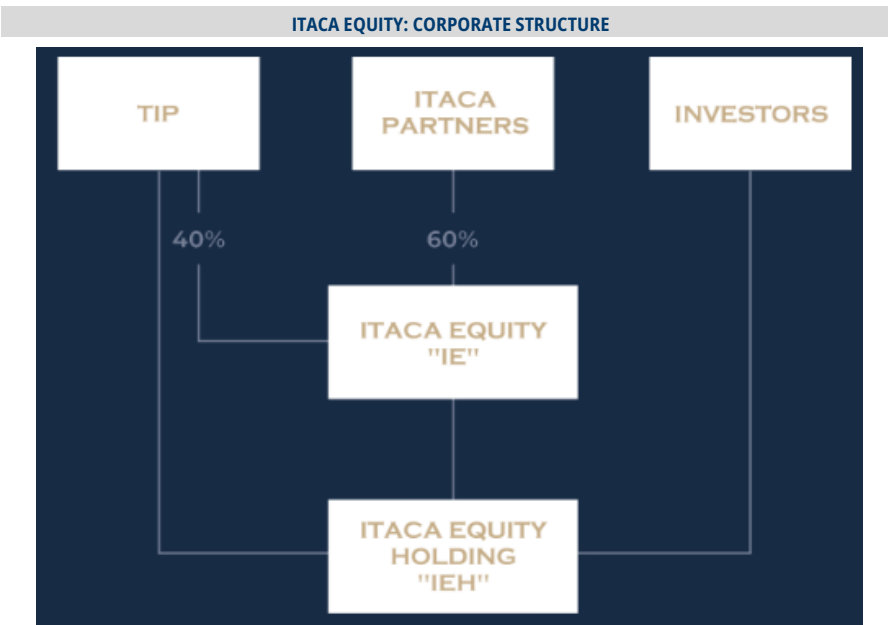
APPENDIX 2 - ITACA EQUITY: TIP'S NEW INITIATIVE TARGETING TURNAROUNDS AND SPECIAL SITUATIONS

ITACA EQUITY is the initiative launched by TIP (on September 10th, 2020) targeting equity investments in turnarounds and special situations.

The initiative is carried out with three partners with **strong competencies in the sector**:

- **Mr. Sergio Iasi** - the manager who led the restructuring of Trevi Finanziaria, Prelios and Officine Maccaferri;
- **Mr. Angelo Catapano** - founder of private equity and M&A advisory firms Medinvest and Long Term Partners;
- **Mr. Massimo Lucchini** - manager with leading roles in Unicredit and DepoBank in the areas of restructuring and distressed debt.

The three partners have 60% of ITACA, while TIP owns the remaining 40% stake.



Itaca Partners is the company held by the three operating partners: Sergio Iasi, Angelo Catapano and Massimo Lucchini
Source: Company website

ITACA EQUITY evaluates turnaround opportunities and provides new equity together with a **holding company which will collect capital commitments from TIP and other investors, following the scheme already successfully applied by TIP in Asset Italia.**

ITACA EQUITY focuses on companies with sales amounting to at least € 100 mn (possibly >€ 200 mn) **with tangible industrial potential** and **requiring fresh equity** for amount in the range of € 30 mn to € 100 mn, which have the following **characteristics**:

- **Valid and sustainable business model;**
- **Strong leverage which needs to be rebalanced;**
- **A temporary liquidity crisis to overcome.**

ITACA EQUITY received soft capital commitments for € 600 mn, of which € 100 from TIP and € 500 mn from more than 40 Italian family offices.

Landi Renzo will be the first investment made by ITACA EQUITY.

P&L*	2019	2020	2021	2022E	2023E	2024E
Revenues	192	142	242	286	321	351
Growth	2%	-26%	70%	18%	12%	10%
Total opex	-143	-116	-197	-232	-253	-274
Growth	3%	-19%	70%	18%	9%	8%
Margin	-74%	-81%	-81%	-81%	-79%	-78%
EBITDA	25	8	13	16	30	39
Growth	15%	-68%	65%	22%	87%	29%
Margin	13%	6%	5%	6%	9%	11%
Depreciation& amortization	-12	-12	-16	-16	-16	-15
Provisions	0	0	0	0	0	0
Depreciation&provisions	-12	-12	-16	-16	-16	-15
EBIT	13	-6	-3	1	15	24
Growth	15%	n.m.	n.m.	n.m.	n.m.	61%
Margin	7%	-4%	-1%	0%	5%	7%
Net financial profit/Expenses	-5	-6	-4	-4	-3	-3
Profits/exp from equity inv	0	0	9	1	2	2
Other financial profit/Exp	na	na	na	na	na	na
Total financial expenses	-5	-6	-4	-4	-3	-3
Non recurring pre tax	0	0	0	0	0	0
Profit before tax	9	-11	2	-2	13	22
Growth	103%	n.m.	n.m.	n.m.	n.m.	71%
Taxes	-3	4	-1	1	-4	-7
Tax rate	-8%	30%	0%	0%	69%	34%
Minority interests	0	0	-2	-1	-2	-4
Non recurring post tax	na	na	na	na	na	na
Net income	6	-8	-1	-2	7	12
Growth	28%	n.m.	n.m.	n.m.	n.m.	71%
Margin	3%	-5%	0%	-1%	2%	3%
Adj. net income	8	-6	-8	-1	7	12
Growth	-24%	n.m.	n.m.	n.m.	n.m.	71%
Margin	4%	-4%	-3%	0%	2%	3%

CF Statement*	2019	2020	2021	2022E	2023E	2024E
Cash Flow from Operations	16	1	11	14	23	29
(Increase) decrease in ONWC	-11	3	-4	3	-1	-3
(Purchase of fixed assets)	-9	-12	-8	-13	-13	-14
(Other net investments)	0	0	-30	-6	1	1
(Distribution of dividends)	0	0	0	0	0	0
Rights issue	0	0	0	60	0	0
Other	2	-3	-29	-1	0	0
(Increase) Decrease in Net Debt	-2	-11	-61	57	10	12

Source: Company data and Equita SIM estimates

**Our estimates do not include line-by-line consolidation of KLR (Indian JV).*

INFORMATION PURSUANT TO EU REGULATION 2016/958 supplementing Regulation EU 596/2014 (c.d. MAR)

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EXPECTED TOTAL RETURN FOR THE VARIOUS CATEGORIES OF RECOMMENDATION AND RISK PROFILE

RECOMMENDATION/RATING	Low Risk	Medium Risk	High Risk
BUY	ETR >= 10%	ETR >= 15%	ETR >= 20%
HOLD	-5% <ETR < 10%	-5% <ETR < 15%	0% <ETR < 20%
REDUCE	ETR <= -5%	ETR <= -5%	ETR <= 0%

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Date	Rec.	Target Price (€)	Risk	Comment
April 20, 2022	HOLD (HOLD)	0.73 (0.95)	High	Change in estimates

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BUY	57.3%	67.1%
HOLD	39.6%	31.6%
REDUCE	0.6%	1.3%
NOT RATED	2.4%	0.0%

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