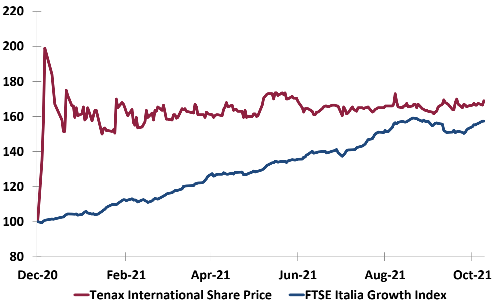
TENAX INTERNATIONAL
CLEANAIR SWEEPERS

H1 21 profitability and sales foster investments for new models

OUTPERFORM

Current Share Price (€): 3.38
Target Price (€): 4.49

Tenax International - Performance since IPO



Source: S&P Capital IQ - Note: 18/12/2020 (IPO offer price)=100

Company data

ISIN number	IT0005428898
Bloomberg code	TNX IM
Reuters code	TNX.IM
Industry	Manufacturing
Stock market	Euronext Growth Milan
Share Price (€)	3.38
Date of Price	26/10/2021
Shares Outstanding (m)	3.2
Market Cap (€m)	10.7
Market Float (%)	31.7%
Daily Volume	15,400
Avg Daily Volume YTD	14,460
Target Price (€)	4.49
Upside (%)	33%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	IPO
Tenax - Absolute (%)	2%	3%	69%
FTSE Italia Growth (%)	1%	11%	57%
Range H/L (€) since IPO		3.98	2.00
YTD Change (€) / %		0.04	1%

Source: S&P Capital IQ

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An uninterrupted positive trend

In H1 2021 the good performance of 2020 continued: sales at €4.5m (+ 40% YoY) and total revenues +37% YoY, reaching €5.2m. EBITDA improved, with a margin of 14% vs. 8% in H1 2020. Inventory increased to respond to rising demand, while receivables term extensions continued to facilitate customers managing pandemic operative issues.

Outlook: clean street - clean air, the restless trend

It is undisputable, as long-standing wish, that major institutions' investments to stimulate economic recovery after the pandemic crisis will be concentrated in cleaner infrastructures. This is already leading to an acceleration of the electrification process of public and private urban vehicle fleets. In absence of slowdown warnings for this sector, the following assumption is that most public utilities worldwide will start projects to electrify their electric street sweepers fleet, asking for diversified products per size and customization.

H1 2021 performance and mid-term perspective sustain our estimates

Tenax business in H1 2021 performed ahead of expectations, considering the persistence of uncertainty in the current global economic framework. Furthermore, investments to expand sales network in Europe and North America and to develop products for new market segments support our view on Tenax. Thus, we keep our estimates for 2021-25E, with just some fine tuning to factor in H1 2021 figures.

Target Price €4.49 per share (from €4.38), OUTPERFORM rating confirmed

Our updated valuation indicates a Target Price per share of €4.49 (from €4.38), 33% upside on current share price. We confirm the OUTPERFORM rating on the stock.

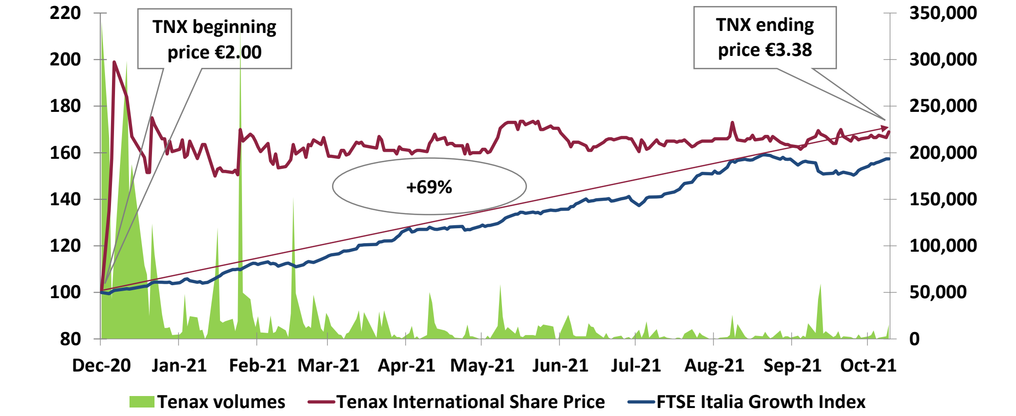
Key financials and estimates

€m	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Sales	**7.9**	**8.4**	**7.9**	**10.0**	**12.3**	**15.8**	**19.3**	**22.0**
Total revenues	8.4	8.9	8.9	10.6	12.8	16.6	20.2	22.4
EBITDA	**1.1**	**1.0**	**1.0**	**1.3**	**1.6**	**2.0**	**2.5**	**2.6**
Margin on revenues	*13%*	*12%*	*11%*	*12%*	*12%*	*12%*	*12%*	*12%*
Net (Debt) Cash	**(3.3)**	**(3.8)**	**(2.9)**	**(3.6)**	**(2.9)**	**(1.7)**	**(1.3)**	**0.3**
Equity	**1.5**	**1.7**	**4.7**	**5.0**	**5.5**	**6.3**	**7.4**	**8.7**

Source: Company data 2018-20A, EnVent Research 2021-25E

Market update

Tenax - Share price performance and trading volumes since IPO

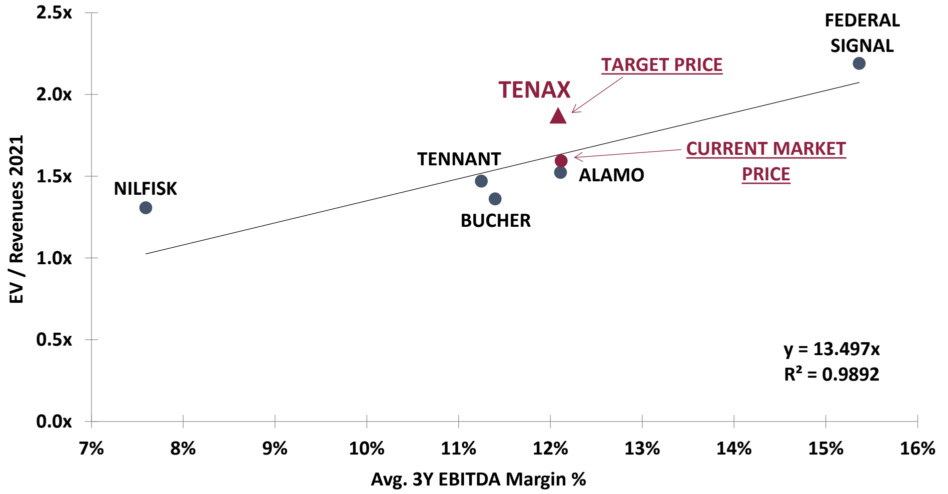


Source: EnVent Research on S&P Capital IQ - Note: 18/12/2020 (IPO offer price) = 100

Trading price range €2.00-3.98 per share

+69% for Tenax since IPO, in the same period the Italia Growth Index increased by 57%

Peer group - Regression analysis and Tenax target positioning



Source: EnVent Research, October 2021

The fruitful trend of 2020 continues

H1 2021 revenues +40% YoY, trade working capital increased consequently

H1 2021 reports sales at €4.5m (vs. €3.2m in H1 2020, +40%) with total revenues including change in inventory reaching €5.2m, +37% on H1 2020. EBITDA at €0.7m, with margin at 14% vs. 8% in H1 2020, evidences a potential quantum leap toward a remarkable performance. Net income of €0.3m, alternatively readable as a breakeven, is a reasonable achievement for an ongoing investment period, in which we could also expect additional resources devoted to growth.

On the balance sheet, trade receivables were consistent with prior periods and our estimates €4.5m (DSO at 142 H1 2021, like 140 FY20), while inventory increased by 19% to €5.8m vs. €4.9m FY20 somewhat over our implied level. Balanced by trade payables increase (€2.7m), Trade Working Capital of €7.3m represents an investment in the region of 70% of estimated yearly sales (vs. 56% of actual sales in

FY20). According to management, the increase in trade working capital is due to the increase in inventories to cope with the higher market demand. Net financial debt was €4.7m as of June 30, increased from €2.9m as of year-end 2020. Breakdown:

- Short-term Bank debt €3.8m
- Long-term Bank debt €2.9m
- Cash and equivalents €2.0m

Performance better than expected proof of green solutions unchallengeable trend

H1 2021 key figures are consistent - revenues - and better - profitability - than our estimates and enlighten that the persistence of the Covid-19 emergency, while limiting promotional activity, did not affect the order intake, the performance of which is more than satisfactory, nor we see other factors that could suggest warnings.

Profit and Loss

€m	H1 2020	H1 2021
Sales	3.2	4.5
Change in workin progress	0.4	0.2
Capitalization of Intangible assets	0.2	0.2
Other income	0.0	0.3
Total Revenues	**3.8**	**5.2**
YoY %	-	*37.2%*
Materials	(2.2)	(2.6)
Services	(0.7)	(1.5)
Personnel	(0.8)	(1.0)
Other operating costs	(0.1)	(0.2)
Operating charges	**(3.5)**	**(4.5)**
EBITDA	**0.3**	**0.7**
Margin	*8.1%*	*14.2%*
D&A	(0.3)	(0.3)
EBIT	**0.1**	**0.4**
Margin	*1.3%*	*8.2%*
Interest	(0.1)	(0.1)
EBT	**(0.0)**	**0.3**
Margin	*-0.5%*	*6.6%*
Income taxes	(0.0)	(0.0)
Net Income (Loss)	**(0.0)**	**0.3**
Margin	*-0.7%*	*5.8%*

Balance Sheet

€m	H1 2020	2020	H1 2021
Inventory	4.6	4.9	5.8
Trade receivables	1.6	4.1	4.5
Trade payables	(1.8)	(3.2)	(2.7)
Trade Working Capital	4.4	5.7	7.3
Other assets (liabilities)	(0.3)	(0.1)	0.4
Net Working Capital	**4.1**	**5.7**	**7.7**
Intangible assets	1.5	2.0	2.1
Property, plant and equipment	0.4	0.4	0.3
Equity investments and financial assets	0.0	0.0	0.0
Non-current assets	**2.0**	**2.4**	**2.4**
Provisions	**(0.4)**	**(0.4)**	**(0.4)**
Net Invested Capital	**5.7**	**7.7**	**9.8**
Bank debt	4.4	5.4	6.7
Other financial debt	0.7	0.0	0.0
Cash and equivalents	(1.0)	(2.5)	(2.0)
Net Debt (Cash)	**4.0**	**2.9**	**4.7**
Shareholders' Equity	1.7	4.7	5.1
Equity	**1.7**	**4.7**	**5.1**
Sources	**5.7**	**7.7**	**9.8**

Source: Company data

Cash Flow

€m	H1 2020	H1 2021
EBIT	**0.1**	**0.4**
Current taxes	(0.0)	(0.0)
D&A	0.3	0.3
Provisions	0.0	(0.0)
Cash flow from P&L operations	**0.3**	**0.7**
Trade Working Capital	(0.5)	(1.6)
Other assets and liabilities	0.1	(0.5)
Capex	0.0	(0.4)
Operating cash flow after working capital and capex	**0.0**	**(1.7)**
Interest	(0.1)	(0.1)
Equity investments and financial assets	(0.0)	(0.0)
Goodwill allocation	(0.2)	0.0
Equity adjustment	0.0	0.0
Net cash flow	**(0.3)**	**(1.8)**
Net (Debt) Cash - Beginning	(3.8)	(2.9)
Net (Debt) Cash - End	(4.0)	(4.7)
Change in Net (Debt) Cash	**(0.3)**	**(1.8)**

Ratio analysis

KPIs	H1 2020	H1 2021
ROE	neg.	neg.
ROS (EBIT/Sales)	2%	9%
DOI	229	222
DSO	65	142
DPO	98	115
TWC/Sales	69%	81%
Net Debt / EBITDA	6.5x	3.2x
Net Debt / Equity	2.4x	0.9x
Net Debt / (Net Debt+Equity)	0.7x	0.5x
Cash flow from P&L operations / EBITDA	101%	92%
FCF / EBITDA	3%	neg.

Source: Company data - Note: H1 KPIs calculated on LTM economics

Business update

- Development completed for the 3rd generation of Electra 2.0 Evo and started for a next-generation sweeper with a larger capacity (5mc), a segment in which Tenax is not currently present
- Setup of a sales organization dedicated to the German market, after the introduction of models and version fully compliant with German homologation rules at the beginning of H1
- Homologation procedures ongoing in order to introduce Tenax models on the North American market

Bonds issuing to finance long-term growth

- Listing in July on the ExtraMOT Pro segment of the Italian Stock Exchange of an unsubordinated and non-convertible bond for a total amount of €2.7m, fully subscribed by Anthilia Capital Partners SGR (corner investor, €2.2m) and 4 professional investors (€0.5m, with €0.5m oversubscription). It consists of 54 bearer securities, par value €0.05m, gross annual fixed rate 4.9%, with eight constant six-monthly instalments from 31/12/2023 to 30/06/2027
- Anthilia also subscribed an unlisted senior bond for €0.3m, gross annual fixed rate 4.90%, consisting of six bearer securities with a par value of €0.05m and maturity on 12/2027. According to management, the main goal of this issue is to accelerate the growth path, opening new foreign markets and the implementation of new products.

Outlook: opportunities unchanged, if not better

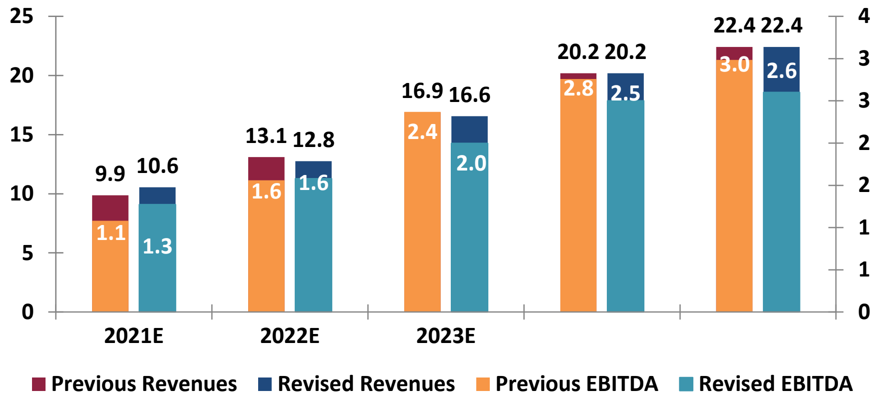
We see recurring signals suggesting that the electric vehicles market potential is among those taking advantages from the post pandemic investment programs and recall major driving factors (EnVent Research on public sources):

- commercial fleets and public bodies are continuing their plans to electrify trucks and buses, to meet climate commitments and policy requirements
- increasing awareness and diffusion of ESG issues compliance policies
- stricter guidelines on the automotive industry emissions
- rising pressures on cleaner municipal fleets and private delivery fleets

Estimates revision

H1 2021 sales were in line with our full year expectation. We have thus maintained our previous sales estimates and have just fine-tuned other captions. Based on H1 figures, we have restated operating expenses and thus adjusted upwards our short-term profitability projections. On the working capital, while maintaining a normalization effect on all main indicators for the following years, we have raised 2021E DSO and DOI to factor in H1 21 signals.

Change in estimates (€m)



Source: EnVent Research

	Revised					Previous					Change %				
€m	2021E	2022E	2023E	2024E	2025E	2021E	2022E	2023E	2024E	2025E	2021E	2022E	2023E	2024E	2025E
Sales	10.0	12.3	15.8	19.3	22.0	10.0	12.3	15.8	19.3	22.0	0%	0%	0%	0%	0%
Revenues	10.6	12.8	16.6	20.2	22.4	9.9	13.1	16.9	20.2	22.4	7%	-3%	-2%	0%	0%
EBITDA	1.3	1.6	2.0	2.5	2.6	1.1	1.6	2.4	2.8	3.0	18%	1%	-16%	-9%	-13%
Margin	*12%*	*12%*	*12%*	*12%*	*12%*	*11%*	*12%*	*14%*	*14%*	*13%*					
EBIT	0.6	0.8	1.3	1.8	1.9	0.4	0.8	1.7	2.3	2.3	50%	4%	-22%	-22%	-18%
Margin	*6%*	*6%*	*8%*	*9%*	*9%*	*4%*	*6%*	*10%*	*11%*	*10%*					
Net Income (Loss)	0.3	0.4	0.8	1.1	1.2	0.2	0.4	1.1	1.5	1.6	49%	-6%	-29%	-27%	-22%
Net (Debt) Cash	(3.6)	(2.9)	(1.7)	(1.3)	0.3	(2.8)	(2.0)	(0.8)	(0.0)	1.2					
Net Debt / EBITDA	*2.8x*	*1.8x*	*0.9x*	*0.5x*	*cash*	*2.6x*	*1.3x*	*0.3x*	*0.0x*	*cash*					

Source: EnVent Research

Financial projections

Profit and Loss

€m	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Sales	7.9	8.4	7.9	10.0	12.3	15.8	19.3	22.0
Change in inventory	0.4	0.4	0.7	0.5	0.4	0.7	0.9	0.4
Capitalization of intangible assets	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Other income	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenues	**8.4**	**8.9**	**8.9**	**10.6**	**12.8**	**16.6**	**20.2**	**22.4**
YoY %	*39.7%*	*6.4%*	*-0.1%*	*18.9%*	*20.8%*	*29.9%*	*21.9%*	*11.0%*
Materials	(4.1)	(4.3)	(4.1)	(5.0)	(6.2)	(8.4)	(10.6)	(12.1)
Services	(1.7)	(1.6)	(1.8)	(2.2)	(2.7)	(3.5)	(4.2)	(4.8)
Personnel	(1.4)	(1.7)	(1.7)	(1.9)	(2.1)	(2.3)	(2.5)	(2.5)
Other operating costs	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.5)	(0.4)	(0.4)
Operating charges	**(7.3)**	**(7.9)**	**(7.9)**	**(9.3)**	**(11.2)**	**(14.6)**	**(17.7)**	**(19.8)**
EBITDA	**1.1**	**1.0**	**1.0**	**1.3**	**1.6**	**2.0**	**2.5**	**2.6**
Margin on Sales	*13.5%*	*12.3%*	*12.8%*	*12.7%*	*12.8%*	*12.6%*	*13.0%*	*11.8%*
Margin on Total Revenues	*12.8%*	*11.6%*	*11.4%*	*12.1%*	*12.4%*	*12.1%*	*12.4%*	*11.6%*
D&A	(0.5)	(0.6)	(0.6)	(0.7)	(0.8)	(0.7)	(0.7)	(0.7)
EBIT	**0.6**	**0.4**	**0.4**	**0.6**	**0.8**	**1.3**	**1.8**	**1.9**
Margin	*7.3%*	*4.4%*	*4.7%*	*5.8%*	*6.2%*	*8.0%*	*8.8%*	*8.6%*
Interest	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
EBT	**0.4**	**0.2**	**0.2**	**0.4**	**0.6**	**1.1**	**1.6**	**1.7**
Margin	*5.4%*	*2.8%*	*2.7%*	*4.1%*	*4.7%*	*6.8%*	*7.8%*	*7.7%*
Income taxes	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	(0.3)	(0.4)	(0.5)
Net Income (Loss)	**0.4**	**0.1**	**0.2**	**0.3**	**0.4**	**0.8**	**1.1**	**1.2**
Margin	*4.8%*	*1.4%*	*1.9%*	*2.9%*	*3.3%*	*4.9%*	*5.6%*	*5.5%*

Source: Company data 2018-20A, EnVent Research 2021-25E

Balance Sheet

€m	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Inventory	3.1	3.9	4.9	5.4	5.7	6.5	7.4	7.8
Trade receivables	3.0	2.7	4.1	4.4	4.5	4.8	5.8	5.9
Trade payables	(2.3)	(2.6)	(3.2)	(3.0)	(3.7)	(4.9)	(6.1)	(7.0)
Trade Working Capital	3.8	4.0	5.7	6.7	6.6	6.3	7.1	6.7
Other assets (liabilities)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Net Working Capital	**3.6**	**3.8**	**5.7**	**6.6**	**6.5**	**6.1**	**6.9**	**6.5**
Intangible assets	0.9	1.5	2.0	2.0	2.0	2.0	1.9	1.9
Property, plant and equipment	0.3	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Non-current assets	**1.3**	**2.0**	**2.4**	**2.4**	**2.4**	**2.4**	**2.3**	**2.4**
Provisions	**(0.1)**	**(0.4)**	**(0.4)**	**(0.4)**	**(0.4)**	**(0.5)**	**(0.5)**	**(0.5)**
Net Invested Capital	**4.8**	**5.4**	**7.7**	**8.7**	**8.4**	**8.0**	**8.7**	**8.3**
Net Debt (Cash)	**3.3**	**3.8**	**2.9**	**3.6**	**2.9**	**1.7**	**1.3**	**(0.3)**
Equity	**1.5**	**1.7**	**4.7**	**5.0**	**5.5**	**6.3**	**7.4**	**8.7**
Sources	**4.8**	**5.4**	**7.7**	**8.7**	**8.4**	**8.0**	**8.7**	**8.3**

Source: Company data 2018-20A, EnVent Research 2021-25E

Cash Flow

€m	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
EBIT	**0.6**	**0.4**	**0.4**	**0.6**	**0.8**	**1.3**	**1.8**	**1.9**
Current taxes	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	(0.3)	(0.4)	(0.5)
D&A	0.5	0.6	0.6	0.7	0.8	0.7	0.7	0.7
Provisions	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from P&L operations	**1.1**	**1.2**	**1.0**	**1.2**	**1.4**	**1.7**	**2.1**	**2.1**
Trade Working Capital	(2.9)	(0.2)	(1.7)	(1.0)	0.1	0.3	(0.8)	0.3
Other assets and liabilities	0.5	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0
Capex	(0.2)	(1.1)	(0.5)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Capex - IPO cost	0.0	0.0	(0.6)	0.0	0.0	0.0	0.0	0.0
Operating cash flow after working capital and capex	**(1.4)**	**(0.1)**	**(1.9)**	**(0.5)**	**0.9**	**1.4**	**0.6**	**1.8**
Interest	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Goodwill allocation	0.0	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0
IPO Proceeds	0.0	0.0	2.9	0.0	0.0	0.0	0.0	0.0
Net cash flow	**(1.6)**	**(0.5)**	**0.9**	**(0.7)**	**0.7**	**1.2**	**0.5**	**1.6**
Net Debt (Beginning)	(1.7)	(3.3)	(3.8)	(2.9)	(3.6)	(2.9)	(1.7)	(1.3)
Net Debt (End)	(3.3)	(3.8)	(2.9)	(3.6)	(2.9)	(1.7)	(1.3)	0.3
Change in Net Debt (Cash)	**(1.6)**	**(0.5)**	**0.9**	**(0.7)**	**0.7**	**1.2**	**0.5**	**1.6**

Source: Company data 2018-20A, EnVent Research 2021-25E

Ratio analysis

KPIs	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
ROE	26%	8%	4%	6%	8%	13%	15%	14%
ROS (EBIT/Sales)	8%	5%	5%	6%	6%	8%	9%	9%
ROIC (NOPAT/Invested Capital)	9%	5%	4%	5%	7%	12%	15%	17%
DOI	143	168	225	195	170	150	140	130
DSO	114	98	154	130	110	90	90	80
DPO	120	127	154	120	120	120	120	120
TWC/Sales	48%	48%	73%	67%	54%	40%	37%	31%
Net Debt / EBITDA	3.1x	3.7x	2.9x	2.8x	1.8x	0.9x	0.5x	-0.1x
Net Debt / Equity	2.1x	2.3x	0.6x	0.7x	0.5x	0.3x	0.2x	0.0x
Net Debt / (Net Debt+Equity)	0.7x	0.7x	0.4x	0.4x	0.3x	0.2x	0.1x	0.0x
Cash flow from P&L operations / EBITDA	99%	114%	96%	92%	91%	85%	83%	81%
FCF / EBITDA	-135%	-12%	-190%	-39%	55%	69%	26%	68%
Per-capita revenues (€k)	283	262	251	290	324	378	419	477
Per-capita cost (€k)	52	54	54	54	54	54	54	54
Earnings per Share (€)	n.a.	n.a.	0.05	0.10	0.13	0.26	0.36	0.39

Source: Company data 2018-20A, EnVent Research 2021-25E

Valuation

For the valuation of Tenax International we keep applying the DCF method. We deem appropriate to rely more on the DCF model than on market multiples because of Tenax early-stage investment cycle and expectation of continuing its growth path, while most peers, equipped with a traditional technology, may have a less appealing outlook.

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 1.2% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, October 2021)
- Market return: 12.4% (3Y average. Source: Bloomberg, October 2021)
- Market risk premium: 11.2%
- Beta: 1
- Cost of equity: 12.4%
- Cost of debt: 4%
- Tax rate: 24% (IRES)
- 40% debt/(debt + equity)
- WACC 8.7%, unchanged from the prior note
- Perpetual growth rate after explicit projections: 2.5%, unchanged
- Terminal Value assumes an EBITDA margin of 12%, from 11%

DCF Valuation

€m		2018	2019	2020	2021E	2022E	2023E	2024E	2025E	Perpetuity
Revenues		**8.4**	**8.9**	**8.9**	**10.6**	**12.8**	**16.6**	**20.2**	**22.4**	**23.0**
EBITDA		**1.1**	**1.0**	**1.0**	**1.3**	**1.6**	**2.0**	**2.5**	**2.6**	**2.8**
Margin		*12.8%*	*11.6%*	*11.4%*	*12.1%*	*12.4%*	*12.1%*	*12.4%*	*11.6%*	*12.0%*
EBIT		**0.6**	**0.4**	**0.4**	**0.6**	**0.8**	**1.3**	**1.8**	**1.9**	**2.2**
Margin		*7.3%*	*4.4%*	*4.7%*	*5.8%*	*6.2%*	*8.0%*	*8.8%*	*8.6%*	*9.4%*
Taxes		(0.2)	(0.1)	(0.1)	(0.2)	(0.2)	(0.4)	(0.5)	(0.5)	(0.6)
NOPAT		**0.4**	**0.3**	**0.3**	**0.4**	**0.6**	**1.0**	**1.3**	**1.4**	**1.6**
D&A		0.5	0.6	0.6	0.7	0.8	0.7	0.7	0.7	0.6
Provisions		0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from operations		**0.9**	**1.2**	**0.9**	**1.1**	**1.4**	**1.7**	**2.0**	**2.1**	**2.2**
Trade Working Capital		(2.9)	(0.2)	(1.7)	(1.0)	0.1	0.3	(0.8)	0.3	(0.3)
Other assets and liabilities		0.5	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0
Capex		(0.2)	(1.1)	(0.5)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.6)
Capex - IPO costs		0.0	0.0	(0.6)	0.0	0.0	0.0	0.0	0.0	0.0
Yearly unlevered free cash flow		***(1.6)***	***(0.1)***	***(2.0)***	***(0.5)***	***0.8***	***1.3***	***0.6***	***1.7***	***1.2***
- H1 unlevered free cash flow					***1.8***					
Free cash Flow to be discounted					**1.3**	**0.8**	**1.3**	**0.6**	**1.7**	**1.2**
WACC	8.7%									
Long-term growth (G)	2.5%									
Discounted Cash Flows					**1.2**	**0.7**	**1.1**	**0.4**	**1.2**	
Sum of Discounted Cash Flows	4.7									
Terminal Value										**20.7**
Discounted TV	14.2									
Enterprise Value	**18.9**									
Net Debt as of 30/06/21	(4.7)									
Equity Value	**14.2**									

DCF - Implied multiples	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
EV/Revenues	2.1x	1.8x	1.5x	1.1x	0.9x	0.8x
EV/EBITDA	18.7x	14.8x	12.0x	9.5x	7.5x	7.3x
EV/EBIT	44.8x	30.6x	24.0x	14.3x	10.6x	9.8x
P/E	83.6x	47.0x	33.4x	17.5x	12.5x	11.4x

Current market price - Implied multiples		**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
EV/Revenues		1.7x	1.4x	1.2x	0.9x	0.8x	0.7x
EV/EBITDA		15.1x	12.0x	9.6x	7.6x	6.1x	5.9x
EV/EBIT		36.2x	24.7x	19.3x	11.5x	8.6x	7.9x
P/E		62.0x	34.9x	24.8x	13.0x	9.3x	8.5x
Discount	-19%						

Source: EnVent Research

Target Price

The application of our valuation model yields a target price of €4.49 per share (revising our previous €4.38). With a potential upside of 33% on the current share price, we keep an OUTPERFORM recommendation.

Please refer to important disclosures at the end of this report.

	€
Target Price	4.49
Current Share Price (26/10/2021)	3.38
Premium (Discount)	**33%**

Source: EnVent Research

Annex

Peer Group - Market Multiples

Company	EV/REVENUES			EV/EBITDA			EV/EBIT			P/E		
	2020	2021E	2022E	2020	2021E	2022E	2020	2021E	2022E	2020	2021E	2022E
Bucher Industries	1.4x	1.4x	1.2x	13.4x	10.6x	9.7x	19.4x	13.3x	11.9x	27.6x	18.9x	17.0x
Nilfisk	1.0x	1.3x	1.3x	17.8x	8.8x	8.4x	26.1x	15.6x	14.8x	neg	17.0x	15.9x
Tennant	1.5x	1.5x	1.4x	12.3x	11.1x	10.7x	21.2x	17.0x	16.7x	38.5x	17.9x	16.6x
Federal Signal Corp.	2.0x	2.2x	2.0x	12.3x	13.9x	11.9x	16.7x	18.8x	15.2x	20.9x	22.8x	19.3x
Alamo Group	1.6x	1.5x	1.4x	13.1x	12.1x	10.7x	18.5x	16.4x	13.8x	28.9x	19.2x	16.9x
Mean	**1.5x**	**1.6x**	**1.5x**	**13.8x**	**11.3x**	**10.3x**	**20.4x**	**16.2x**	**14.5x**	**29.0x**	**19.2x**	**17.1x**
Median	**1.5x**	**1.5x**	**1.4x**	**13.1x**	**11.1x**	**10.7x**	**19.4x**	**16.4x**	**14.8x**	**28.3x**	**18.9x**	**16.9x**
Tenax International	1.5x	1.4x	1.0x	13.3x	12.4x	8.6x	31.9x	32.6x	17.8x	62.2x	51.9x	23.4x

Source: S&P Capital IQ, October 2021

Investment case

Company

Tenax International S.p.A. (Tenax), listed on Euronext Growth Milan (formerly AIM Italia) since December 2020, is an Italian producer of high performance full electric road sweepers and washers. Tenax vehicles are designed and engineered from the ground up in-house, rather than electrifying older diesel-based models already available in the market. The internal development process unlocks the full potential of the electric power technology, providing light and efficient vehicles with zero emissions and with modulable power storage based on customers' needs. Major end customers are public administrations and municipalities which are reached through a comprehensive dealer network.

Revenue drivers

Major trends such as urbanization and growing population are generating growing demand of automated machinery, for efficient and sustainable urban and industrial surfaces cleaning and waste management. Sales are generated by selection and participation to public tenders by municipal organizations, with Tenax supplying cheaper and more efficient cleaning vehicles compared to conventional machines based on diesel engines and heavy powertrains of industrial machines.

Drivers

Industry drivers

Global continuing and growing demand for mobile machinery. Mega-trends are gradually shifting the addressable market towards emerging economies. While Europe holds a major share of the global street sweeper market, followed by North America, the market in Asia Pacific is likely to expand significantly, with Chinese and Indian governments investing in smart city projects.

Electric-based machines at the core of e-mobility innovation. The fight against climate change and decarbonization of transport is expected to bring huge benefits to cities and communities: an electric vehicle is not only cleaner than an internal combustion vehicle, it is also more efficient, consuming one-third of the energy of fuel-powered cars. The market penetration of electric cars is still low, but their growth is impressive: in 2018, the global number of electric vehicles reached over 5m, +63% YoY (Source: International Energy Agency. *Global EV Outlook 2019*, 2019).

Feeding sustainability demand in the road sweepers market: wide room for growth of full electric vehicles. Electric and hybrid street sweepers are gaining increased popularity among municipal organizations for reducing greenhouse gas emissions. Manufacturers are increasing their R&D activity to integrate into the machines high-capacity batteries and to introduce machines that consist of large hoppers and water tanks, resulting in fewer scheduled stops and improving productivity levels.

European road safety legislation for mobile machinery evolving towards establishing standards for manufacturers. The European Commission is in the process of harmonizing the requirements for the road circulation of mobile machinery, especially sweepers, across the EU. Industry manufacturers are actively involved in the review of the relevant regulation to determine the more appropriate conformity procedures to industry's needs.

The mobile machinery industry is a Europe-based world-class industrial cluster. World-class manufacturers of road sweepers are mainly European companies, with Swiss and Italian manufacturers among the top worldwide operators.

Company drivers

Full-electric pioneer in a market segment destined to shift to electric. Tenax, producing 100% electric street cleaning machines, is in a niche market driven by growing demand for electric vehicles, which meet the ethical obligation for public bodies of leading the way for reducing pollution and energy consumption.

Development and innovation skills. R&D, innovation and new product development, are at the core of Tenax business model, addressing customers' service needs. The value chain is directly managed with main focus on value-added phases such as design and engineering.

Diversified product portfolio. Tenax product portfolio includes different models of sweepers and a washer, covering different needs as to water tank and waste tank capacity. In addition, the Company's machines are adaptable to different kinds of batteries based on specific customers' needs.

Global presence. Tenax has a global presence: one production plant in Italy and a network of dealers supporting sales, marketing and product distribution in 42 countries. Over 80% of Tenax machines are for export markets.

Ability to design and develop cost-effective cleaning vehicles. Tenax electric sweepers assure a 30-40% lower weight and lower engine voltage compared to most competitors' products. Electric vehicles eliminate efficiency losses and oil leaks and allow the choice of the most appropriate battery. Electric vehicles have lower operating and maintenance costs, compared to internal combustion vehicles. Electrical systems last longer and break down less often. As such, the life-cycle cost of a full electric vehicle is lower than that of the earlier technology, so that in 18 months, according to management, its higher purchase price compared to a diesel vehicle is repaid.

Challenges

High rivalry. Competition in the industry is based on several factors, including product quality, reliability, innovation and technology, pricing. For the full electric products, the ability to compete in the industry depends also on the cost savings generated along the learning curve.

Second and fast second movers may populate market and increase competition. According to Fact.MR, a market intelligence firm, electric vehicles represent around 12% of total street sweepers market, increasing to around 21% in 2027. As mass market and dominant design emerge, Tenax might face traditional trailblazer trials. Growth may lead giants and well-established players to consolidate their electric vehicles share fleet exploiting their existing sales network, manufacturing capabilities and brands.

Municipal organizations dependency. Tenax products are sensitive to capital spending policies and availability of public bodies and agencies.

International markets exposure. Total revenues coming from foreign operations accounted for more than 80% of 2019 total revenues. International operations are in principle subject to risks, such as political and economic instability, local labor markets, trade relations and variety of regulatory frameworks. In addition, foreign operations outside the Euro-area can impact the financial position due to fluctuations in currency exchange rates.

Sustainability of operating margins. Tenax is enjoying sound profitability and operating margins since the beginning of operations, higher than several industry competitors. As operations progress, with capital expenditure aimed at widening the product portfolio, together with the high rivalry in the industry, in the long-term operating margins may be aligned to the industry trends.

Retention of quality management and people. Tenax top management has gained a solid industry experience, as such they are critical to operations and marketing. Moreover, technology development and marketing effectiveness in managing the growth program are dependent on the ability to attract and retain qualified staff.

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Date	Recommendation	Target Price (€)	Share Price (€)
01/02/2021	OUTPERFORM	3.97	3.00
26/04/2021	OUTPERFORM	4.38	3.21
26/10/2021	OUTPERFORM	4.49	3.38

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