



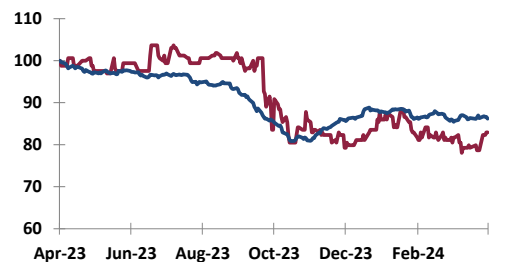
FY23 at 20% up, as per expectations, waiting for larger models

OUTPERFORM

Current Share Price (€): 2.72

Target Price (€): 5.26

Tenax International – 1Y Performance



Source: S&P Capital IQ - Note: 13/04/2023 = 100

Company data

ISIN number	IT0005428898
Bloomberg code	TNX IM
Reuters code	TNX.IM
Industry	Manufacturing
Stock market	Euronext Growth Milan
Share Price (€)	2.72
Date of Price	12/04/2024
Shares Outstanding (m)	3.5
Market Cap (€m)	9.5
Market Float (%)	33.6%
Daily Volume	0
Avg Daily Volume YTD	5,513
Target Price (€)	5.26
Upside (%)	93%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	6M	1Y
Tenax - Absolute (%)	3%	-4%	-9%	-17%
FTSE Italia Growth (%)	0%	-2%	1%	-13%
1Y Range H/L (€)			3.40	2.56
YTD Change (€) / %			0.06	2.3%

Source: S&P Capital IQ

Analysts

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Trading update

After overperforming the market for the first six months, Tenax share price declined from October 2023. Bearish trend is still ongoing so far, resulting in -17% LTM, while the FTSE Italia Growth index in the same period lost 13%.

FY23: sales 20% up, improving profitability

Tenax FY23 sales were €20.5m from €17m in FY22, +20% YoY, in line with our H1 2023 note estimates; 94% exports, in line with last year. Total revenues at €22m. Profitability improved, with EBITDA at €2.3m, over 10% margin, from €1.8m in FY22: increase in material cost was partially offset by lower services. Period net income of €0.7m, vs €0.3m in FY22, despite non-recurring €0.1m provision for aged inventory. Operating cash flow before capex was €4.4m. Trade Working Capital up to €9.5m from €7.0 at FY22 (respectively, 56% on sales vs 41%): inventory increased (+35% YoY), according to management to cope with higher demand, as well as trade receivables (+6%), while trade payables decreased (-3%). Net debt position at €5.4m as of December 2023 from €5.1m as of June 2023, after €0.5m capital increase for warrant exercise, with Net Debt/EBITDA and Net Debt/Equity in line with previous year.

Ongoing sustainability trend

Disclosed backlog as of February 2023 were €13.9m, nearly 70% of FY23 road sweepers and washer sales (over 20% YoY), of which €12m are expected to cover H1 2024 budget (+33% on H1 2023). The sustainability trend is more widespread than ever and Tenax backlog confirms the ongoing positive outlook for zero emission cleaner sweepers; according to management, next years will see further development from new markets such as USA, Germany and South Korea.

Target price and OUTPERFORM rating confirmed

FY23 performance and latest backlog, as well as the expected launch of Electra 5.0 and sales from new markets, call for upward review. However, considering the several production delays in the last years due to supply chain issues, we keep our sales 2024-25E estimates and we add 2026, factoring in improved profitability and capital dynamics. In our updated valuation we assume an overall balance between upward and new shares effects; we carry forward our previous note OUTPERFORM rating and €5.26 target price per share, +93% on current share price.

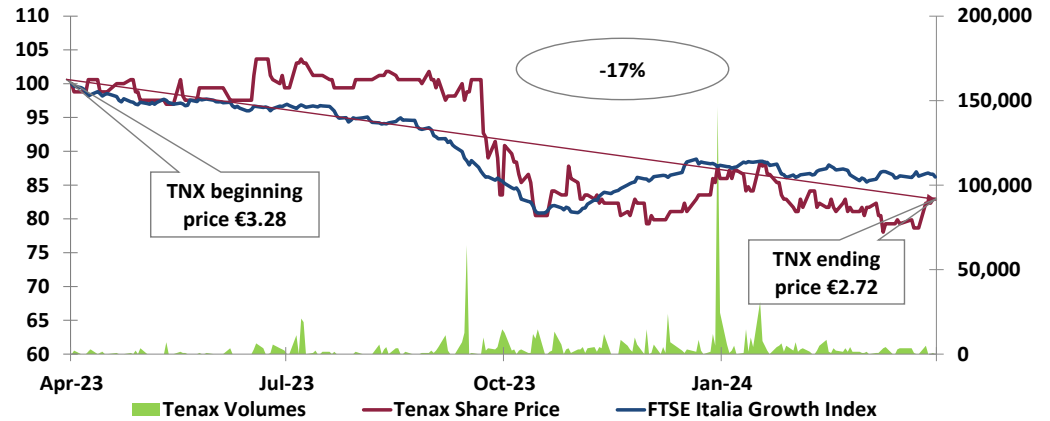
KEY FINANCIALS AND ESTIMATES

€m	2022	2023	2024E	2025E	2026E
Sales	17.0	20.5	24.5	29.5	33.9
Total Revenues	18.4	22.0	25.9	31.4	35.5
EBITDA	1.8	2.3	2.7	3.3	4.1
Margin on Revenues	9.8%	10.2%	10.4%	10.6%	11.5%
Net (Debt) Cash	(4.3)	(5.4)	(6.0)	(6.2)	(5.8)
Equity	6.2	7.3	8.4	9.6	11.2
Key Ratios	2022	2023	2024E	2025E	2026E
ROE	5%	10%	12%	13%	14%
TWC/Sales	41%	47%	43%	40%	38%
Net Debt/EBITDA	2.4x	2.4x	2.2x	1.9x	1.4x
DCF - Implied multiples	2023	2024E	2025E	2026E	
EV/Revenues	1.1x	0.9x	0.8x	0.7x	
EV/EBITDA	10.9x	9.0x	7.3x	6.0x	
P/E	27.3x	18.4x	14.9x	12.0x	

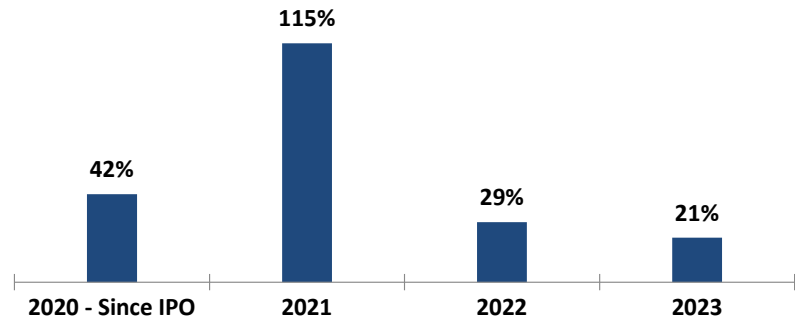
Source: Company data 2022-23A, EnVent Research 2024-26E

Market update

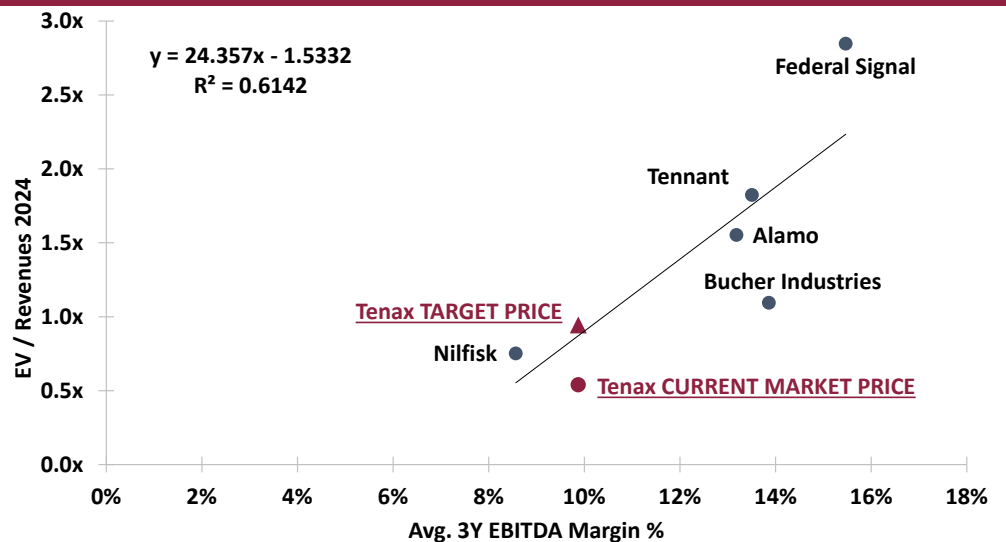
Tenax International – 1Y Share price performance and trading volumes



Tenax International – Liquidity analysis and velocity turnover



Industry peer group – Regression analysis and Tenax target positioning



Investment case

Pioneer of zero emission city cleaning

In-house full electric vehicles

Public tenders worldwide, over 90% export

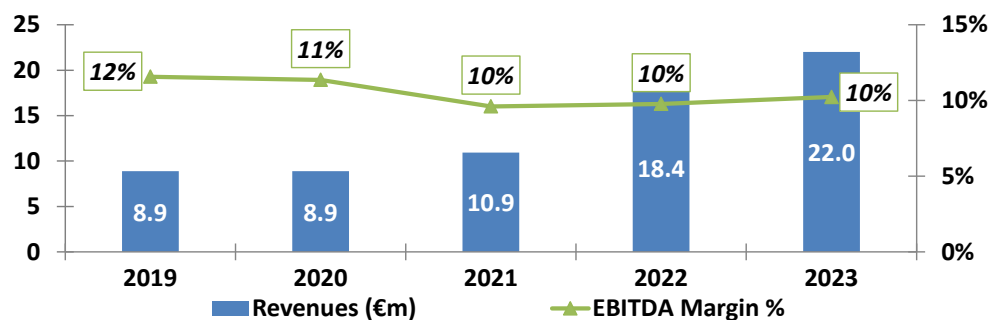
Strategy

Tenax International is an Italian producer of high performance full electric road sweepers and washers for cleaning on public and private roads or areas designed and engineered in-house. The major purpose of internal development is to unlock the full potential of electric power technologies, compared to electrification of competitors' older diesel-based models, providing light and efficient vehicles with zero emissions and with exchangeable power storage based on customers' needs. Tenax owns active patents for its in-house technology.

Major end-customers are public administrations and municipalities which are reached through a comprehensive dealer network. Sales are generated by selection and participation to public tenders. Tenax operates in the compact street sweepers segment and its full-electric vehicles are sold worldwide, with over 90% revenues generated internationally.

Main strategic goal is to foster leadership in the electric segment, developing next-generation sweepers for segments in which Tenax is not present and improving the existing range in response to customer requirements. Tenax will continue the geographical expansion into new markets and to evaluate acquisition opportunities to enrich product and customer portfolio.

Historical Sales and EBITDA



Source: Company data

Drivers

Industry and Company drivers

- Electric-based machines at the core of e-mobility innovation
- Feeding sustainability demand in the road sweepers market: wide room for growth of full electric vehicles
- The mobile machinery industry is a Europe-based world class industrial cluster
- Full-electric pioneer in a niche market segment destined to shift to electric
- Development and innovation skills, ability to design and develop cost-effective cleaning vehicles
- Diversified product portfolio and global presence

Challenges

- High rivalry: second and fast second movers may populate market and increase competition
- International market exposure
- Sustainability of operating margins
- Investment in inventory and working capital

Risk profile

Competitive forces			Materiality of risk map			
Force	Factors					
Competitive rivalry	<ul style="list-style-type: none"> • High competition • Major players offering electric vehicles 	<p>The materiality of risk map is a 2x2 grid. The vertical axis represents risk, with 'Higher risk' at the top and 'Lower risk' at the bottom. The horizontal axis represents impact, with 'Lower impact' on the left and 'Higher impact' on the right. Bubbles are placed as follows: 'Competitive rivalry' (yellow, high risk, high impact), 'Customers' (yellow, high risk, high impact), 'New entrants' (yellow, medium risk, medium impact), 'Suppliers' (green, low risk, low impact), and 'Substitutes' (green, low risk, low impact). The overall risk profile is labeled as 'MEDIUM-LOW'.</p>				
Customers	<ul style="list-style-type: none"> • Competitive auction process for municipalities • Compliance with public sector regulations 					
New entrants	<ul style="list-style-type: none"> • Investments to develop product range • Investments to establish international sales network • Niche market but increasing demand 					
Substitutes	<ul style="list-style-type: none"> • Small market size discouraging investments • No smarter alternative to full electric 					
Suppliers	<ul style="list-style-type: none"> • Easy access to components • Wide range of suppliers 					

Source: EnVent Research

Business update

- 345,700 Tenax 2020-23 warrants (IT0005428815) have been exercised during the third exercise period between November 8-23, 2023, at a strike price of €2.66, with a conversion ratio of 1 share : 2 warrants, for a total amount of 172,850 shares and €460k raised

Sales breakdown by geography, 2023

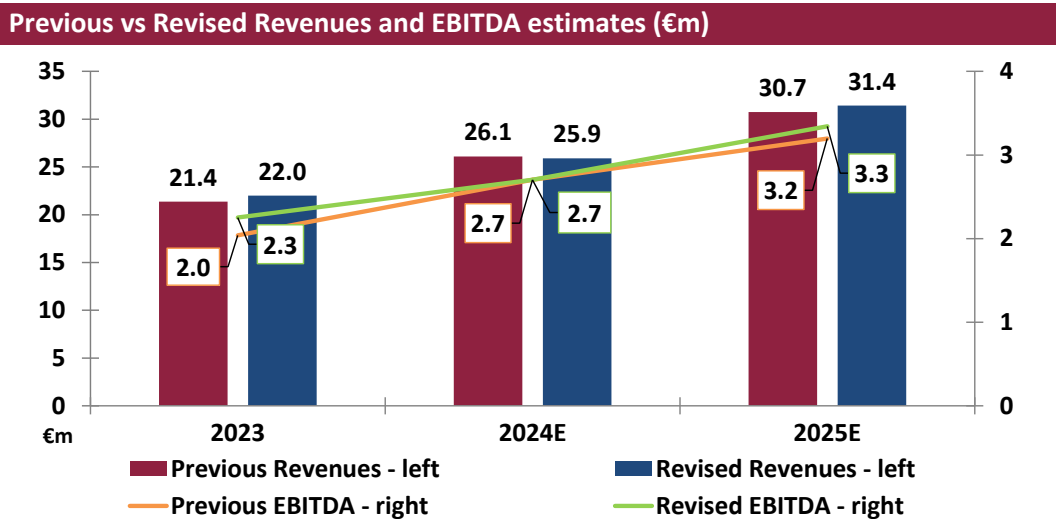


Source: EnVent Research on Company data

Estimates revision

Based on FY23 results and current backlog, we keep our latest sales estimates and fine-tuned operating costs. On the BS, we have factored in current working capital and capex dynamics. Furthermore, we add 2026 to our estimates' period.

Change in estimates



€m	Revised			Previous			Change %		
	2023	2024E	2025E	2023E	2024E	2025E	2023	2024E	2025E
Sales	20.5	24.5	29.5	20.4	24.5	29.4	0%	0%	0%
Revenues	22.0	25.9	31.4	21.4	26.1	30.7	3%	-1%	2%
EBITDA	2.3	2.7	3.3	2.0	2.7	3.2	10%	0%	5%
<i>Margin on Revenues</i>	10%	10%	11%	10%	10%	10%			
EBIT	1.5	1.8	2.1	1.0	1.4	1.6	45%	25%	34%
<i>Margin on Revenues</i>	7%	7%	7%	5%	5%	5%			
Net Income (Loss)	0.7	1.0	1.3	0.5	0.8	0.9	38%	30%	41%
Net (Debt) Cash	(5.4)	(6.0)	(6.2)	(4.2)	(4.1)	(3.8)	27%	47%	62%
<i>Net Debt/EBITDA</i>	2.4x	2.2x	1.9x	2.1x	1.5x	1.2x			

Source: EnVent Research

Financial projections

Profit and Loss

€m	2022	2023	2024E	2025E	2026E
Sales	17.0	20.5	24.5	29.5	33.9
Change in inventory	0.8	0.8	0.8	1.5	1.2
Capitalization of R&D	0.4	0.5	0.4	0.3	0.3
Other income	0.2	0.2	0.2	0.2	0.2
Total Revenues	18.4	22.0	25.9	31.4	35.5
YoY %	68.2%	19.6%	17.7%	21.3%	13.1%
Materials	(8.8)	(11.4)	(13.7)	(16.7)	(18.9)
Services	(4.4)	(4.2)	(4.7)	(5.8)	(6.1)
Personnel	(2.9)	(3.6)	(4.1)	(4.7)	(5.4)
Other operating costs	(0.5)	(0.5)	(0.7)	(0.9)	(1.0)
Operating charges	(16.6)	(19.8)	(23.2)	(28.1)	(31.4)
EBITDA	1.8	2.3	2.7	3.3	4.1
Margin on Sales	10.6%	11.0%	11.0%	11.4%	12.1%
Margin on Revenues	9.8%	10.2%	10.4%	10.6%	11.5%
D&A	(1.0)	(0.8)	(0.9)	(1.2)	(1.6)
EBIT	0.8	1.5	1.8	2.1	2.5
Margin	4.5%	6.6%	6.8%	6.7%	7.1%
Interest	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
EBT	0.5	1.1	1.5	1.8	2.2
Margin	2.9%	4.8%	5.6%	5.7%	6.3%
Income taxes	(0.2)	(0.4)	(0.4)	(0.5)	(0.6)
Net Income (Loss)	0.3	0.7	1.0	1.3	1.6
Margin	1.8%	3.2%	4.0%	4.1%	4.5%

Source: Company data 2022-23A, EnVent Research 2024-26E

Balance Sheet

€m	2022	2023	2024E	2025E	2026E
Inventory	6.4	8.6	9.4	10.9	12.1
Trade receivables	5.7	5.7	7.0	8.4	9.1
Trade payables	(5.0)	(4.9)	(5.8)	(7.4)	(8.3)
Trade Working Capital	7.0	9.5	10.6	11.8	12.8
Other assets (liabilities)	0.6	(0.2)	(0.1)	0.0	0.2
Net Working Capital	7.7	9.4	10.5	11.8	13.0
Intangible assets	2.8	3.5	3.7	3.6	3.2
Property, plant and equipment	0.5	0.5	0.8	1.2	1.6
Equity investments and financial assets	0.1	0.1	0.1	0.1	0.1
Non-current assets	3.4	4.0	4.6	4.8	4.9
Provisions	(0.4)	(0.7)	(0.7)	(0.8)	(0.9)
Net Invested Capital	10.6	12.7	14.4	15.9	17.0
Net Debt (Cash)	4.3	5.4	6.0	6.2	5.8
Equity	6.2	7.3	8.4	9.6	11.2
Sources	10.6	12.7	14.4	15.9	17.0

Source: Company data 2022-23A, EnVent Research 2024-26E

Cash Flow

€m	2022	2023	2024E	2025E	2026E
EBIT	0.8	1.5	1.8	2.1	2.5
Current taxes	(0.2)	(0.4)	(0.4)	(0.5)	(0.6)
D&A	0.9	0.8	0.9	1.2	1.6
Provisions	0.0	0.2	0.1	0.1	0.1
Cash flow from P&L operations	1.6	2.1	2.3	2.9	3.5
Trade Working Capital	1.0	(2.5)	(1.1)	(1.2)	(1.0)
Other assets and liabilities	(0.1)	0.8	(0.0)	(0.1)	(0.2)
Capex	(1.3)	(1.5)	(1.5)	(1.5)	(1.6)
Capex - IPO cost	0.0	0.0	0.0	0.0	0.0
Operating cash flow after WC and capex	1.2	(1.1)	(0.3)	0.1	0.7
Interest	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Equity investments and financial assets	(0.1)	0.0	0.0	0.0	0.0
Warrant exercise	0.2	0.4	0.0	0.0	0.0
Changes in equity	0.1	0.0	0.0	0.0	0.0
Net cash flow	1.0	(1.0)	(0.6)	(0.2)	0.4
Net Debt (Beginning)	(5.4)	(4.3)	(5.4)	(6.0)	(6.2)
Net Debt (End)	(4.3)	(5.4)	(6.0)	(6.2)	(5.8)
Change in Net Debt (Cash)	1.0	(1.0)	(0.6)	(0.2)	0.4

Source: Company data 2022-23A, EnVent Research 2024-26E

Ratio analysis

KPIs	2022	2023	2024E	2025E	2026E
ROE	5%	10%	12%	13%	14%
ROS (EBIT/Sales)	5%	7%	7%	7%	7%
ROIC (NOPAT/Invested Capital)	6%	8%	9%	10%	11%
DOI	136	154	140	135	130
DSO	100	84	85	85	80
DPO	109	90	90	95	95
TWC/Sales	41%	47%	43%	40%	38%
Net Debt/EBITDA	2.4x	2.4x	2.2x	1.9x	1.4x
Net Debt/Equity	0.7x	0.7x	0.7x	0.6x	0.5x
Net Debt/(Net Debt+Equity)	0.4x	0.4x	0.4x	0.4x	0.3x
Cash flow from P&L operations/EBITDA	89%	94%	86%	87%	86%
FCF/EBITDA	65%	-48%	-11%	2%	18%

Source: Company data 2022-23A, EnVent Research 2024-26E

Valuation

We have updated our Tenax valuation through the Discounted Cash Flows and market multiples methods.

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 3.2% (Italian 10-year government bonds interest rate – last 30 days average. Source: Bloomberg, April 2024)
- Market return: 11.8% (last 30 days average. Source: Bloomberg, April 2024)

- Market risk premium: 8.6%
- Beta: 1 (judgmental, based on risk assessment)
- Cost of equity: 11.8%
- Cost of debt: 6.5%
- Tax rate: 24% (IRES)
- 40% debt/(debt + equity) as target capital structure
- WACC 9.0%, according to above data
- Perpetual growth rate after explicit projections (G): 3.0%
- Terminal Value assumes a 12.5% EBITDA margin

DCF Valuation

€m	2022	2023	2024E	2025E	2026E	Perpetuity
Revenues	18.4	22.0	25.9	31.4	35.5	36.6
EBITDA	1.8	2.3	2.7	3.3	4.1	4.6
<i>Margin</i>	<i>9.8%</i>	<i>10.2%</i>	<i>10.4%</i>	<i>10.6%</i>	<i>11.5%</i>	<i>12.5%</i>
EBIT	0.8	1.5	1.8	2.1	2.5	4.1
<i>Margin</i>	<i>4.5%</i>	<i>6.6%</i>	<i>6.8%</i>	<i>6.7%</i>	<i>7.1%</i>	<i>11.1%</i>
Taxes	(0.2)	(0.4)	(0.5)	(0.6)	(0.7)	(1.1)
NOPAT	0.6	1.0	1.3	1.5	1.8	2.9
D&A	1.0	0.8	0.9	1.2	1.6	0.5
Provisions	0.0	0.2	0.1	0.1	0.1	0.0
Cash flow from operations	1.6	2.1	2.3	2.8	3.5	3.4
Trade Working Capital	1.0	(2.5)	(1.1)	(1.2)	(1.0)	(1.0)
Other assets and liabilities	(0.1)	0.8	(0.0)	(0.1)	(0.2)	0.0
Capex	(1.3)	(1.5)	(1.5)	(1.5)	(1.6)	(0.5)
Yearly unlevered free cash flow	1.2	(1.1)	(0.4)	0.0	0.7	1.9
Free Cash Flow to be discounted			(0.4)	0.0	0.7	1.9
WACC	9.0%					
Long-term growth (G)	3.0%					
Discounted Cash Flows			(0.3)	0.0	0.5	
Sum of Discounted Cash Flows	0.2					
Terminal Value						31.5
Discounted TV	24.3					
Enterprise Value	24.5					
Net Debt as of 31/12/24	(5.4)					
Equity Value	19.1					
Equity Value per share (€)	5.17					

DCF - Implied multiples	2022	2023	2024E	2025E	2026E
EV/Revenues	1.3x	1.1x	0.9x	0.8x	0.7x
EV/EBITDA	13.6x	10.9x	9.0x	7.3x	6.0x
EV/EBIT	29.3x	16.8x	13.9x	11.7x	9.7x
P/E	57.8x	27.3x	18.4x	14.9x	12.0x
Discount of current market price vs DCF	-37%				
Current market price - Implied multiples	2022	2023	2024E	2025E	2026E
EV/Revenues	0.8x	0.7x	0.6x	0.5x	0.4x
EV/EBITDA	8.5x	6.8x	5.7x	4.6x	3.8x
EV/EBIT	18.4x	10.6x	8.7x	7.3x	6.1x
P/E	30.1x	14.2x	9.6x	7.8x	6.3x

Source: EnVent Research

Market multiples

Company	EV/REVENUES			EV/EBITDA			EV/EBIT			P/E		
	2023	2024E	2025E	2023	2024E	2025E	2023	2024E	2025E	2023	2024E	2025E
Bucher Industries	0.9x	1.1x	1.1x	6.5x	8.3x	7.9x	7.8x	10.4x	10.0x	10.3x	14.7x	14.0x
Nilfisk	0.7x	0.8x	0.7x	8.8x	5.5x	5.0x	11.2x	9.2x	8.0x	12.2x	11.0x	9.5x
Tennant	1.5x	1.8x	1.8x	9.7x	11.2x	10.8x	13.1x	15.4x	14.4x	15.8x	19.6x	18.5x
Federal Signal	2.9x	2.8x	2.7x	17.3x	16.3x	15.2x	22.0x	20.4x	18.7x	29.7x	27.5x	24.6x
Alamo	1.6x	1.6x	1.5x	11.1x	10.5x	9.8x	13.8x	13.1x	12.0x	18.5x	17.6x	15.7x
Mean	1.5x	1.6x	1.5x	10.7x	10.4x	9.7x	13.6x	13.7x	12.6x	17.3x	18.1x	16.4x
Median	1.5x	1.6x	1.5x	9.7x	10.5x	9.8x	13.1x	13.1x	12.0x	15.8x	17.6x	15.7x

Tenax International	0.7x	0.6x	0.5x	6.8x	5.7x	4.6x	10.6x	8.8x	7.4x	14.3x	9.7x	7.8x
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Source: EnVent Research on S&P Capital IQ, 12/04/2024

We have applied to our 2024-25 estimates the median EV/Revenues and EV/EBITDA from the peer group. In our view, in a framework of limited comparability of peers, we deem more reliable the valuation through the fundamentals on which is based the DCF. However, market multiples, as well as the DCF implied multiples, give a consistent indication of ground for a rising performance, given the low shares turnover at discount trading levels.

Multiples application

€m						
Tenax (€m)	Market Multiples	EV	Net debt 31/12/2023	Equity value	Equity value per share (€)	
2024E Revenues	25.9	1.6x	40.2	(5.4)	34.8	9.45
2025E Revenues	31.4	1.5x	46.9	(5.4)	41.5	11.27
Mean					38.2	10.36
2024E EBITDA	2.7	10.5x	28.4	(5.4)	23.0	6.24
2025E EBITDA	3.3	9.8x	32.8	(5.4)	27.4	7.44
Mean					25.2	6.84

Source: EnVent Research

Target Price

After updating estimates and number of shares, our DCF valuation yield €5.17 per share, overall supporting our previous note target price of €5.26, implying an 93% upside on current stock price, and we thus confirm the OUTPERFORM rating on the stock.

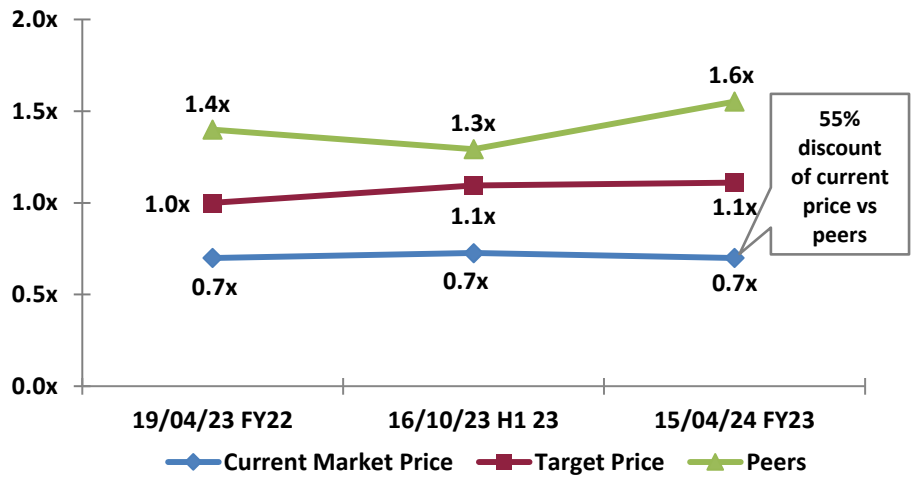
Tenax International Price per Share	€
Target Price	5.26
Current Share Price (12/04/2024)	2.72
Premium (Discount)	93%

Source: EnVent Research

Room for value buildup as size increases

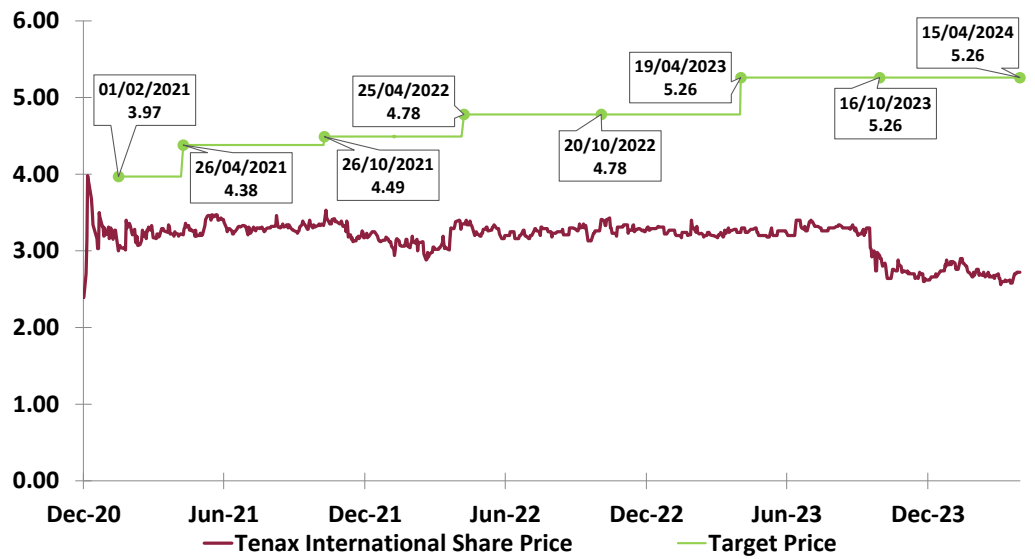
Please refer to important disclosures at the end of this report.

Implied EV/Sales vs current market price



Source: EnVent Research on S&P Capital IQ, 15/04/2024

Tenax International Share Price vs EnVent Target Price



Source: EnVent Research on S&P Capital IQ, 15/04/2024

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Rating system and rationale (12-month time horizon):

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UNDERPERFORM: stocks are among the least attractive in a peer group, with the target price 10% below the current market price;

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DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

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
25/04/2022	OUTPERFORM	4.78	3.35
18/10/2022	OUTPERFORM	4.78	3.26
19/04/2023	OUTPERFORM	5.26	3.24
16/10/2023	OUTPERFORM	5.26	2.98
13/02/2024	OUTPERFORM	5.26	2.68
15/04/2024	OUTPERFORM	5.26	2.72

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Number of companies covered:	23	OUTPERFORM	NEUTRAL	UNDERPERFORM	SUSPENDED	UNDER REVIEW	NOT RATED
Total Equity Research Coverage %		91%	9%	0%	0%	0%	0%
of which EnVent clients % *		85%	50%	na	na	na	na

* Note: Companies to which corporate and capital markets services were supplied in the last 12 months.

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