

The Power Bet: why Efficiency Means Higher Returns

VedoGreen has recently **realized** an in-depth survey on the **smart energy industry**, the sector, that, thanks to new energy **efficiency** solutions, will achieve the strongest **growth** rate among the green industry

by Pier Paolo Albricci

Energy efficiency technologies are the ones that can generate the greatest return in the very next future," is the conclusion of a recent report "Green Economy on capital markets," produced by VedoGreen, a company specialized in finance for listed and private green enterprises. VedoGreen monitored the green companies listed on the main European stock exchange market and scouted in its database of about 3,000 private Italian green companies. The methodology identified 10 sectors of the Italian Green Economy, agribusiness, ccobuilding,

eco-mobility, environmental services, green chemistry, lighting solutions, smart energy, waste management, water, air & noise treatment, white biotech. Comparing the enterprises of these sectors, the analysts found out that the smart energy industry, thanks to energy efficiency solutions, will have the strongest growth rate among all the others, as Anna Lambiase, founder and CEO of VedoGreen explains to Lombard in the following interview. Moreover she selected some companies (featured on the next pages) of very different size, both listed and private, which combine strong market position, business ideas and technological issues. And a couple of start-ups too.

Lombard: Why do you see smart energy a defining industry for Italy's future development?

Lambiase: Italy is the country where the energy cost is the second cost for enterprises after the labor one, and now it is facing a double challenge: on one hand reducing energy cost in compliance with environmental restrictions, in order to strengthen companies'

competitiveness, and on the other, investing in new energy in order to support Italian best-in-class energy enterprises.

L. Where the investments enough in the last period?

L. With 92 TWh of gross renewable energy produced in 2012, +11% vs 2011, Italy is 3rd in the EU-15, after Germany and Sweden, but before Spain. The most important contribution to this results comes from PV, which went from 10.8 TWh in 2011 to 18.9 TWh in 2012, wind and bioenergy. Since 2000 renewable energy production has been increasing its weight on total energy production in all EU 15 countries, excluding Austria and Luxembourg. Denmark recorded the highest growth (+32%) but Italy has grown from 18% to 31% in terms of percentage of renewable energy source on total electricity.

L. What does the situation look like in terms at the consumptions?

L. Actually the final gross energy consumption is around 127.5 Mtoe (millions of tonnes oil equivalent), of which heating, energy use for heating and cooling, accounts for 45%,

transport consumption for 32% and electricity for 23%. Looking at final gross energy consumption per sector, transports have the highest energy consumption share (32%), while industrial use of energy accounts for 26% and residential sector for 23%. Public Administration energy consumption accounts only for 2.3%. However, according forecasts for 2016 and 2020, the highest potential contribution to final gross energy consumption reduction comes from the residential sector and transports.

L. In this scenario, why do you see energy efficiency technologies as the most

interesting to invest in?

L. Many operators are looking with strong interest at the positive results that investments in smart city, smart grid and energy storage will generate. The reason behind is the great potential of technology integration: in fact smart grids possess demand response capacity to help balance electrical consumption with supply, as well as the potential to integrate new technologies to enable energy storage devices and the large-scale use of electric vehicles.

L. How would you define the main characteristics of the smart energy industry?

L. Smart Energy is a wide

sector integrating a large number of goals: environmental protection and decarbonization of the economy, industrial development and technological innovation, price sustainability and resource rationalization, energy efficiency and renewables and security and energy independence.

L. So, what is the best way to look into and compare the performance?

L. We have to look at the companies that operate in renewable energy production (pv, wind, hydroelectric, bioenergy, cogeneration), technologies for energy efficiency, such as smart metering, smart grid, energy storage, technologies for smart cities and energy transmission systems.

L. What are the organizational and financial characteristics of the companies operating within the industry?

L. According to our database, the industry average sales in 2012 are €333 mn, while the average EBITDA margin was 20%, although growth was only 1% y/y. VedoGreen scouted out the 31 top companies of the sector: 16 of them recorded more than €100 mn in sales, and 17 had a profitability (EBITDA % range) that exceeded 10%.

L. In what way does this market appeal to foreign investors?

L. From January to July, this year, listed green industries collected €74 mn through 18 IPOs. 36 foreign investors, funds and banks, invested in a market that has a total capitalization of €1.5 bn., and interest is growing rapidly. **L.**



Anna Lambiase founded VedoGreen in 2011 as part of the IR Top Group, focalized on investor relations. The mission is to help companies operating in the green industry raise capital for growth, to communicate with investors and shareholders, to reach the right position in the capital markets, with the aim of reinforcing their business structure and catching up with the growth rate of the green sector. VedoGreen operates through three divisions: the Financial Advisory department, the green economy database scouting department and the network organization department. Moreover, VedoGreen realized the first report focusing on the "Green Economy in capital markets"



Blowing into micro-generators

Asja Ambiente Italia

Sector
Renewable energy

Asja Ambiente is an international group that operates in China (where it has one plant), Brazil (three plants) and Italy (53 plants). It designs, builds and runs state-of-the-art renewable energy power stations. The company was founded in 1995 by its current chairman Agostino Re Rebaudengo and in just under 20 years it has become a leading producer of electricity from all renewable sources (biogas, biomass, solar and wind). It has a turnover of approximately €67 mn and EBITDA of €20 mn in 2013 from its output of 523,409 MWh of green energy, which amounts to

846,691 barrels of oil equivalent. Around two years ago, Asja moved into the world of energy efficiency through the newly launched asjaGen and embarked on a new venture: manufacturing and selling high-efficiency micro-CHP units. In July 2014, a new production plant spanning roughly 2,000 m² was opened next to the company's headquarters in Rivoli, near Turin to produce those micro-generators. "Between 2008 and 2013, the cost of photovoltaic systems has been reduced by 72% in Italy," argued Agostino Re Rebaudengo, who is also chairman



Agostino Re Rebaudengo,
chairman of Asja Ambiente

of AssoRinnovabili, the association of producers, industry and services in renewables. "Although the public incentives were perhaps overly generous, we outperformed Germany, which in 2012 provided incentives to renewable sources amounting to €162 (\$208) per megawatt hour, compared with Italy's €153 per megawatt hour." "Several studies have shown, moreover, that Italian incentives have produced a largely positive balance between costs and benefits," he concluded.

Financial highlights (€ mn) in 2012 ...

Market	Revenues	EBITDA	EBITDA %	Mkt Cap
-	72	27	37.5	unquoted

... and in 2013

Revenues	EBITDA	EBITDA %
67	20	29.8

The business is in the core of wind turbines

Bonfiglioli

Sector
Power transmission

It is one of Italy's leading producers and distributors of power transmission and control equipment, engaged in the manufacturing and development of electromechanical components and devices for wind turbines, gearmotors, drive systems, planetary gearboxes, electric motors, servomotors, regenerative inverters and photovoltaic inverters. Its solutions are used in a vast range of applications all over the world. From the smallest systems to 7 MW giants, one wind turbine out of every four in the world is moved by technology developed



Sonia Bonfiglioli, chairman and CEO

by Bonfiglioli, an Emilian company which boasts more than 60 years of experience and reached a turnover of €613.8 mn in 2013 (with

EBITDA of €53.4 mn) showing an impressive growth in the last four years. In 2009 the turnover was at € 399 mn with an EBITDA at €9.1 mn. The company started investing directly in the wind sector in 1986, with the design and production of complete solutions for large inland and offshore systems. The same technology – as developed by Bonfiglioli Vectron – has allowed the company to establish itself as a maker of products used in the creation of electronic solutions for the control and conversion of electric power also in the photovoltaic energy industry. It specializes in large, wide-scale plants with more than 2 GW installed worldwide and Germany is one of its main markets.

Financial highlights (€ mn) in 2012...

Market	Revenues	EBITDA	EBITDA %	Mkt Cap
-	613.8	53.4	8.7	unquoted

... and in 2013

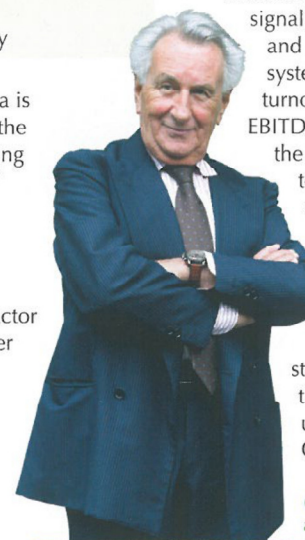
Revenues	EBITDA	EBITDA %
613.8	53.4	8.7

Moving towards the stock exchange

Ducati Energia

Sector
Sustainable mobility

Ducati Energia is engaged in the manufacturing and development of electromechanical components and devices. The firm's products include capacitors, power factor correction and power electronics, wind power generators, alternators and ignition systems, electrical vehicles and charging stations,



Guidalberto Guidi, chairman
and CEO of Ducati Energia

electric network systems, railway signaling systems, ticket issuing, and transport automation systems. Having posted a turnover of €100 mn and EBITDA of €15 mn in 2013, the goal is to take turnover to €120 mn by the end of 2014, while the target in the three-year plan is to reach €200 mn. "We are going down this path to see whether we are suited to the stock market and whether the stock market is suited to us," explained Guidalberto Guidi, chairman and

CEO of Ducati, whose daughter Federica is the Minister of Economic Development. Ducati's "Duck" electric vehicles were at the center of controversy because they will benefit from green incentives that have been introduced by none other than the minister headed by Federica. "I believe that we will be able to achieve our growth targets organically, but being in the stock exchange would unquestionably allow us to seize opportunities that we would be unable to take on our own." Exports account for approximately 50% of the company's business, but this figure would stand at 90% if it were not for three public clients (Enel, Terna and Ferrovie) responsible for practically all of its domestic business.

Financial highlights (€ mn) in 2013...

Market	Revenues	EBITDA	EBITDA %	Mkt Cap
-	98	15	15.3	unquoted

... and in 2014e

Revenues	EBITDA	EBITDA %
120	20	16.6

Driving automation in high tech sectors

Elemaster

Sector
Smart grid

Elemaster Group stands out in the competitive scenario as a company specialized in designing and developing electronic technologies, for command, control and regulation equipment by designing, engineering and manufacturing services (ODM/EMS), integrated with the creation of custom components and PCB manufacturing. Founded in 1978 by Gabriele Cogliati, who is the chairman and CEO of the group, Elemaster began developing its international activity in the USA with the support of an Indian partner (Sienna Corporation),

in India with the same partner and in China with an Italian company (OMP). All the new foreign branches are joint ventures in order to lower the risk of the startups and share knowhow and sales network with local partners. In February of last year a minority interest in the group was sold to the private equity fund Idea Capital, which is specialized in high-tech investments. Elemaster's headquarters are in Lomagna (LC), close to Milan and it currently manages 3 plants in Italy and one in Bizerte (Eleonotech) with a Tunisian partner. The group today



Gabriele Cogliati,
founder and CEO

has a portfolio of 200 customers in 11 highly technological industrial sectors. Through its evolution Elemaster Group has always expanded the number of sectors and niche markets in which it operates: from traditional segments such as Industrial Automation and Telecommunication, Elemaster Group has penetrated into high-tech niches such as Aerospace and Biomedical, Energy storage and Railways. The diversification of the business portfolio has allowed Elemaster Group to absorb market fluctuations in the sectors most affected by the economic crisis.

Financial highlights (€ mn) in 2012...

Market	Revenues	EBITDA	EBITDA %	Mkt Cap
-	120	na	na	unquoted

... and in 2013

Revenues	EBITDA	EBITDA %
123	12	10



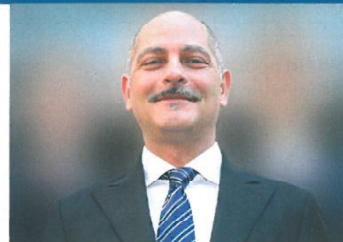
From photovoltaic to gas, retail is the business

ENERTRONICA

Sector
Renewable energy

Listed on the AIM Italia – MAC market since last March, Enertronica works as an EPC (engineering, procurement and construction) contractor on the creation of photovoltaic plants for electricity production, offering specialist solutions for large plants and turnkey options. Investment and development initiatives are planned to boost the EPC, energy service company (ESCO) and energy reselling areas, while there will be internationalization efforts in South Africa and in Romania. Along with the leading Italian electric components firm Gefran, it has

started a joint venture and opened an industrial unit of approximately 5,000 square meter in Cape Town to supply components to the local photovoltaic market. "With the listing, we gained the standing and resources and now we have the necessary tools to compete properly both in Italy and internationally," explained CEO Vito Nardi. Through its Fornitura Componenti business unit, Enertronica supplies high quality photovoltaic module attachment systems, solar trackers and LED lighting systems for public infrastructures and industrial premises. Last September Enertronica also got the license to sell gas to retail: the business will begin in 2015 with a forecasted turnover of € 3mn. In 2013, the



Vito Nardi, chairman and CEO

company's production value was €6.1 mn (compared to €5.5 mn in 2012) and EBITDA stood at €1 mn doubling the figure of 2012. The positive trend continued in the first half of this year with turnover doubling to €4.4 mn, although EBITDA was slightly negative (€14,000), but still 58% better than the figure for 1H of 2013.

Financial highlights (€ mn) in 2013...

Market	Revenues	EBITDA	EBITDA %	Mkt Cap 30/09/2014
AIM Italia - MAC	6.1	1.1	16.6	10

... and in 2014 1H

Revenues	EBITDA	EBITDA %
4.4	neg.	nm

With the wind in the engine

ERG Renew

Sector
Renewable energy

ERG Renew, an ERG group company, is active in the renewable energy and environmental services sectors. In 2006 it began generating electricity from renewable sources and today, following a period of intense growth, it is the leading wind energy operator in Italy with 1,087 MW and a market share



Alessandro Garrone, chairman of ERG Renew since 2012

of 13%. The company is also one of top 10 operators in Europe with 1,341 MW. The first step towards geographical diversification came in 2007 with the acquisition of wind farms in France (64 MW).

ERG Renew later acquired the assets of GDF Suez (86 MW) thanks to which it was able to enter the German market. With the development of the LUKERG Renew, joint venture in partnership with LUKOIL in 2011, the company continued its geographical diversification overseas

and growth strategy, initially in Bulgaria (54 MW; 50% ERG Renew) and Romania (154 MW; 50% ERG Renew). ERG Renew also saw a small drop in turnover in the first half of the year, from €199 mn to €189mn. However, unlike many of its competitors, the Genoese group's management was able to preserve its margins, €149 mn in EBITDA, in line with the previous year, and a strong leap of the bottom line from €25mn to €63mn. In the meantime investments in new activities continued, with the acquisition of a wind farm project in Poland (42MW) which will come onstream in 1H 2015 and the finalization of 3 project financings for a total of €167mn for the Gebeleis and Topolog wind farms.

Financial highlights (€ mn) in 2013...

Market	Revenues	EBITDA	EBITDA %	Mkt Cap unquoted
-	338	245	72	

... and in 2014 1H

Revenues	EBITDA	EBITDA %
189	149	78,8

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Powered by allies

Fri El Green Power

Sector
Renewable energy

FRI-EL Green Power is one of the main national producers of electrical energy from renewable sources from wind, biomass and biogas. The company was originally founded as Ener. Co by the Gostner brothers, Thomas, Josef and Ernst, in 1994 in Bolzano, in the heart of the Alps. Benefitting from its status as an early-mover, the company has developed its business and know-how in the last 20 years and become one of Italy's leading producers of electricity from renewable sources. In 2013, it had

a turnover of €149 mn, EBITDA of €54 mn and approximately 140 employees. At present, the group's gross output stands at 817 GWh, which is equivalent to the energy requirements of almost 400,000 households. It has a total installed capacity of just under 600 MW, including more than 300 MW under its own management. Most of this comes from wind power, followed by biomass and biogas. FRI-EL's secret lies in these very numbers, because it has made diversification the key to its growth. "Thanks to work with



Josef Gostner, vice chairman and CEO of FRI-EL Green Power

significant partners such as EDF Energies Nouvelles from France and RWE Innogy from Germany, we have grown in a range of fields that have now become crucial parts of our structure, even though they were only recently introduced. For example, FRI-EL only operated in the Italian wind power sector since 2002 and in biogas and biomass (solids and liquids) since 2007.

Financial highlights (€ mn) in 2012...

Market	Revenues	EBITDA	EBITDA %	Mkt Cap
-	150	55	37	unquoted

... and in 2013

Revenues	EBITDA	EBITDA %
149	54	36.2

More services to save energy

Gruppo Green Power

Sector
Energy savings

Green Power Group is in the renewable energy business, focusing mainly on services and products for the sale and installation of turnkey photovoltaic and solar thermal plants, as well as solutions and products for energy efficiency and sustainable mobility for domestic users. GGP's strategic goal is to become a leader in the energy saving field by expanding its range of services (energy saving, LED lighting kits, electric mobility solutions and micro-systems for home automation). In 2013, its net revenues were up 62.5% at €52.3

mn and there was a 146.6% increase in EBITDA to €4.8 mn, giving an EBITDA margin of 9.1% (6% at the end of 2012). Sales of solar thermal systems (which account for 13% of the turnover) tripled in 2013, while photovoltaic system sales were up 49%. However, this year there was a sudden slowdown in the photovoltaic segment of the market that had a big impact on the results of the first half. At the end of June,



Luca Ramor, chairman

turnover had fallen from the €30.5 mn in 2013 1H to €13.3 mn and EBITDA had dropped from €3.5 mn to €0.6 mn. Nonetheless, "given the orders received from clients in the first few months of the second half of 2014," the management expects "to end 2014 with a significant upturn in turnover and EBITDA." The strategy is to diversify the product range and move towards retail, through its subsidiary, the green vehicle rental firm Unix, and Bluepower Connection, which provides telemarketing services for the group.

Financial highlights (€ mn) in 2013...

Market	Revenues	EBITDA	EBITDA %	Mkt Cap 30/09/2014
AIM Italia - MAC	52.3	4.8	9.1	23

... and in 2014 1H

Revenues	EBITDA	EBITDA %
13.3	0.6	4.5

Green fuel from biomass

Ital Green Energy

Sector
Renewable energy

The company is engaged in the production of electric energy from renewable resources. In line with environmentally friendly corporate policies, Ital Green started the production of approximately 900 mn KW/h per year of green energy in two power plants: one of them is powered by the combustion of solid biomass materials, with an electric power output of 12 MW, while the other is



Dino Marseglia, chairman of the group

powered by liquid biomass, with an output of 24 MW. Ital Green Energy belongs to the Marseglia Group,

one of Italy's leading oil producing, refining and marketing companies and one of the first in Europe to believe in biofuel production. At its plant in Monopoli (Apulia region), the group company Ital Bi Oil is capable of producing 200,000 tons of biodiesel a year. This special fuel is made with rapeseed, sunflower and soybean oil and it can be used in heating systems and engines that currently run on diesel without

the need to convert them in any way. Drawing on the know-how built up over its many years in the field, Ital Green Energy, between 2002 and 2009, built and started production at three solid and liquid biomass power stations. At around the same time, it began developing its photovoltaic business, thus diversifying its production sectors. In just a few years Ital Green Energy has managed to spread 6 photovoltaic plants across the regional territory, with capacities of between 70 kW and 1 MW. It is quite an achievement for a company with fewer than 50 employees. Furthermore, in 2013 it posted a turnover of approximately €210 mn and EBITDA of €10 mn.

Financial highlights (€ mn) in 2012 ...

Market	Revenues	EBITDA	EBITDA %	Mkt Cap
-	249	9	3.6	unquoted

... and in 2013

Revenues	EBITDA	EBITDA %
210	10	4.7

Mini-wind: the bet starts in 2015

True Energy Wind SA

Sector
Renewable energy (mini-wind)

T rue Energy Wind (TEW), part of Iris Fund Sicav Sif, is a holding company operating through its subsidiaries in energy production from mini-wind sources. The business model is based on managing the entire value chain for mini-wind plant construction, starting from the selection of windy sites via feasibility studies through energy production. Founded in 2013, the company has already built, through its subsidiary Windmill, 50 turbines for a total power capacity of 1.4 MW. TEW uses in-house and outsourced advisory

teams in order to guarantee the management of every single phase of the process and ensure that it benefits from a highly streamlined structure and significant rationalization of costs. In 2014 1H1 revenues increased by 125.8% to €103th with a gross profit of € 80th (+126%) but net financial loss of € 662th due to interest on loans and fair value valuations on financial instruments put the profit&loss statement into the red

Ciro Mongillo, ceo

(€ 1.1mn). Assets grew to € 10.6 mn (+120%). The the negative result of the first half 2014 was expected as the result of the current investment strategy that involves a strong program of investments for the first two years in order to maximize the number of production plants. According to the board the company could restore its profitability starting 2015, thanks also to the acquisition in July of the 90% of Magenta, a SPV that owns five 199 kW wind plants each in the South of Italy that will begin to sell energy into the network starting next November.

Financial highlights (€ mn) in 2013 ...

Market	Revenues	EBITDA	EBITDA %	Mkt Cap 30/09/2014
AIM Italia - MAC	0.15	neg	nm	4

... and in 2014 1H

Revenues	EBITDA	EBITDA %
0.13	neg	nm

Green fuel from biomass

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Sector
Renewable energy

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chairman of the group

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Ciro Mongillo, ceo

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Financial highlights (€ mn) in 2013 ...

Market	Revenues	EBITDA	EBITDA %	Mkt Cap 30/09/2014
AIM Italia - MAC	0.15	neg	nm	4

... and in 2014 1H

Revenues	EBITDA	EBITDA %
0.13	neg	nm

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