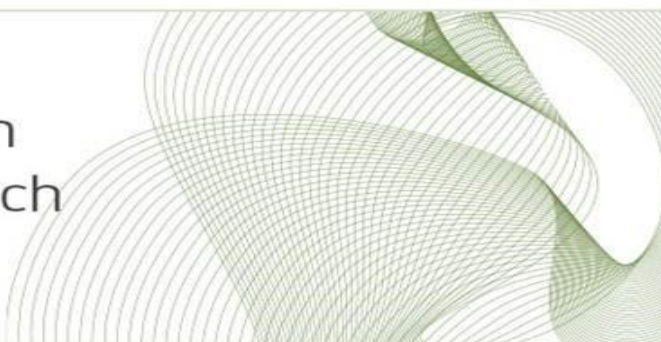


Alantra Italian Equity Research



SOLID WORLD (BUY, TP Eu7.2):

SolidFactory acquires a business unit in the equipment automation and enters in the solar PV market

Today Solid World has announced the acquisition of a business unit from Formula E srl (part of the group Vismuda Srl), active in the production of equipment automation specialized in the photovoltaic sector, allowing Solid World to enter into the renewable solar PV market. The agreement entails: 1) a payment of Eu0.97mn for the business unit (of which up to Eu0.2mn through a capital increase reserved to Formula E Srl); 2) the lease of the patents and know-how for a yearly fee of Eu0.4mn for up to 10 years; 3) A call option lasting 2 years from the deal for the purchase of the patents for a total value of ca. Eu8-10mn.

THE BUSINESS UNIT

Formula E S.r.l. (part of the Baccini group, a holding company active in the renewable sector) is headquartered near Treviso and is specialized in the production of machinery for the manufacturing and metallization of photovoltaic cells. Through the extensive use of high-precision linear motors, independent cell transport trays, and continuous automatic checks after each processing phase, Formula E's machinery increases production efficiency, while reduces plant downtime and production waste. With Eu3mn of revenues in 2022, the company has recently entered into the Food & Beverage and the Environmental Sanitation sectors.

THE AGREEMENT

The deal entails a payment of Eu0.97mn (of which up to Eu0.2mn through a capital increase reserved to Formula E Srl) while excludes the patents and know-how owned by Vismuda and Formula E Srl, which under the agreement, is leased to Solid World for an annual fee of Eu0.4mn for up to 10 years with a call option in the first two years that allows Solid World to purchase the patents for a total amount ranging from Eu8-10mn. The business will be part of SolidFactory, a subsidiary of Solid World Group, that is specialized to assist clients in the implementation of next-gen smart factories, acting as contractor.

OUR COMMENT

We believe that the deal would allow Solid World to further accelerate the SmartFactory business unit, by integrate know-how and track-record of cutting-edge production process and automation while entering in the renewable PV solar energy vertical. The total deal consideration, also taking into account the call option exercise for the patents, stands at around Eu9-11mn, which should reflect: 1) control premium (Solid World will maintain 51% of SolidFactory) and 2) potential synergies not disclosed yet.

We believe that Solid World should benefit from cross-selling capabilities between the SolidFactory BU (developing of next-gen smart factories as a contract manufacturer) together with its expertise in system integration activity of 3D software and hardware offering to deliver a turnkey solution. We remind that we expect SolidFactory to generate revenues as from 2023, with a consequent rump-up in the years to come.

Please find attached our initiation report on Solid World.

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