ALLEGO N.V. (ALLG)

Equity Research Division 3rd June 2023 **BUY: $2.08**

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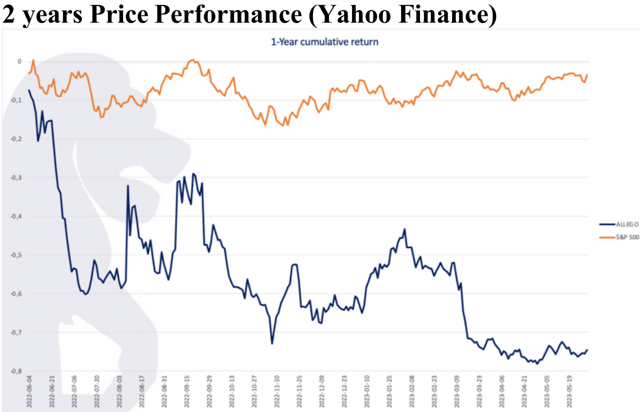
Basic Information	
Last Closed Price	$ 2.08
Target Price	$ 4.52
+/- Potential	+117.5%
Bloomberg Ticker	ALLG
GICS Sector	Consumer Cyclical
GICS Sub-Industry	Auto parts

2 years Price Performance (Yahoo Finance)



Key Financials	
Market Cap	$571.5M
52-Wk High	$ 9.43
52-Wk Low	$ 1.85
Fiscal Year End.	31 December 2023

Key Executives	
Mr. Mathieu Bonnet	Chief Executive Officer
Mr. Ton Louwers	Chief Financial Officer

Company Description

Allego N.V. operates as an electric vehicle (EV) charging company. The enterprise offers charging solutions for electric cars, motors, buses, and trucks. It has a charging network with renewable energy and charging solutions for business-to-business customers, including leading retail and auto brands. In 2018 Allego became part of Meridiam and rapidly expanded its European network. As of 2023 the company is building an international charging network with already 40,000+ charge points operational throughout Europe. It also provides Allego EV Cloud, a customer payment tool that offers essential services to owned and third-party customers comprising authorization and billing, smart charging and load balancing, analysis, and customer support. The company was founded in 2013 and is based in Arnhem, the Netherlands.

Summary

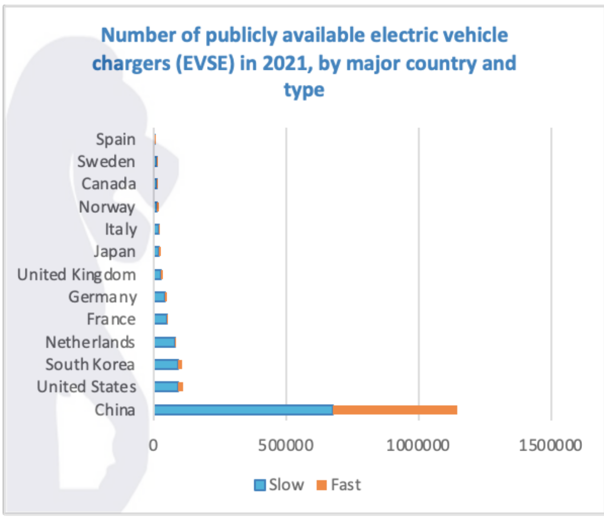
Allego N.V. is a fast-growing company operating an electric vehicle (EV) charging network throughout Europe (with 82.8% Revenue CAGR over the last 2 financial years). The company has not yet experienced consistent positive GAAP earnings, however, its position within the EV charging industry, its ability to build new strategic partnerships and accelerate its operations, along with the prominent potential to achieve economies of scale when entering its maturity stage, establish Allego N.V. as a promising cash generating business in the future. From a valuation standpoint, we performed both absolute and relative valuation. For the absolute one, we used FCFF through 2031 plus TV and discounted at a forecast WACC of 7.64%, resulting in a price per share of $4.52. To confirm the outcome of the absolute valuation we performed a relative analysis, using a set of applicable multiples, including a transaction one, and obtained a final price per share of $3.2, which is fairly coherent with what we found with the DCF analysis, and that confirms the target value for the stock of $4.52, representing a potential premium of +117.5% with respect to the current value and leading to a "Buy" recommendation.

Figure 1. Key Financials

(in million)	FY2019	FY2020	FY2021
Gross Profit	25.8	44.2	86.3
EBITDA	(28.6)	(22.5)	(292.2)
Operational EBITDA	(27.8)	(9.7)	9.2
Loss for the year	(43.1)	(43.4)	(319.7)

Source: Allego N.V. Financial Reports

Figure 2. Public EVSE by country (2021)



Source: Statista

Company Overview

Despite a year of challenges, including the impact of the novel coronavirus ("COVID-19"), Allego reported 2021 results that exceeded its internal projections. Reported 2021 revenues nearly doubled to €86.3 million, compared to €44.2 million in the prior financial year, as total charging sessions exceeded 6.1 million, an increase of 65% from the 2020 level. Charging revenue grew 75% to €26.1 million, driven by higher utilization rates as the fallout from COVID-19 abated and an increased installed base. Additionally, charging revenues benefited from increased average kWh consumption caused by the growing population of battery-electric vehicles (BEVs) and the increasing number of cars with extended battery capacity. Services revenue increased by 105% to €60.2 million from the previous period. The Company had significant success in signing new marquee contracts with blue-chip customers.

With Europe's focus on energy independence, Allego sees significant tailwinds for its business, furthermore, with high urbanization rates leading to the scarcity of private charging, the demand for public fast EV charging within Allego's core Europe markets will remain elevated.

Industry Outlook

In recent times, demand for Electric Vehicles (EVs) has been rising rapidly worldwide, with China and the United States holding major market stakes. Since the demand for EVs is increasing, the electronic charging industry is thriving. Moreover, Governments all over the world are heavily contributing towards setting up new charging stations.

The market for EV chargers is currently valued at around $5.86 billion (Mordor Intelligence). New technological opportunities and expanded consumer awareness offer new drivers of future demand to accompany government actions. However, the industry faces some challenges and, given the fact that it is still very young, it certainly awaits future regulations which may impede certain businesses. The EV charging sector has progressed significantly since its inception, and we anticipate substantial growth opportunities for the market in the future. The market is expected to reach $53.25 billion in value over the next five years at a Compound Annual Growth Rate (CAGR) of 44.44%.

Trends

Increasing Purchase of Electric Vehicles to Propel Market Growth

To allure consumers to buy EVs, governments are offering automakers subsidies, rebates, tax exemptions, and fixed quotas. These factors are expected to drive further the growth of the EV charging station market. Since the demand for EVs is rising, the demand for charging stations and established power grids is also expanding to ensure that the cars run smoothly. Furthermore, stringent government vehicle emission regulation is another reason for enhanced demand for EVs.

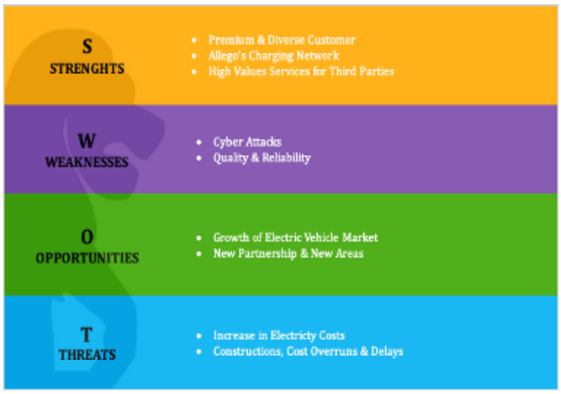
Regional Insights

Asia Pacific EV charging market stood at USD 12.64 billion in 2020 and is expected to remain at the forefront and hold the largest position in the market during the forecast period. One of the main drivers is the demand for large-scale EV charging infrastructure in China. The country's fast-rising economy is also fueling the expansion of advanced technologies to improve electrification in China. For instance, in 2020 China invested nearly USD 2.4 billion in the charging infrastructure to improve its efficiency. Japan and Korea have also significantly contributed to the increased number of electric vehicles charging stations in the region.

Europe is expected to reach a significant share in the EV charging station market in the upcoming years, owing to the presence of key players in the region, thus, promoting region's consumers to adopt EVs and autonomous vehicles.
In the US, many states have mandated zero-emission vehicles by 2035, which is one of the main drivers for the region's market growth. Moreover, according to the Inflation Reduction Act (IRA), effective as of August 2022, only passenger vehicles assembled in North America qualify for the $7,500 federal tax incentive. Thus, IRA further stimulates growth in the American market as it helps to alleviate supply chain disruption concerns, and additionally provides new incentives for used vehicles, commercial vehicles and trucks used in fleets. Consequently, American carmakers have since announced major investments in electrification. Increased investments in the EV market further spurred investments in the EV charging market, as they are closely related.

SWOT Analysis

Figure 3. SWOT analysis



Source: Minerva Investment Management Society

Strengths

Premium & Diverse Customer

A wide scope of partnerships with various operators allows Allego to diversify its risk and income streams. There are 4 main areas of diversification on which the company has focused: Fleets & Corporates, OEMs, Hosts and Municipalities.

Allego's Charging Network

Allego is an ideal partner for Fleet Companies because of its large Ultra-Fast and Fast public charging network, as well as its charging solutions services offering. Allego's charging network incentivizes fleet and logistics companies to begin shifting strategically to electric vehicles. The company is currently in discussion to construct an e-truck highway charging hub for Lidl in the Netherlands, at the same time assessing another partnership with Uber in targeted cities. One of the other current projects is aimed at allowing electric taxis to benefit from public charging units in Madrid. In 2022 Allego's charging network revenue increased 107.7%, going from € 6.9 million in 2021 to € 14.4 million in the Q3 of 2022, benefitting from improvements across all key measures.

High Value Services for Third Parties

Allego is also offering Premium Services for third parties that generate traffic on its network. These services include Installation Consulting and Services (i.e., management of site installation for the customers), Operations & Maintenance (i.e., managing and servicing of charging sites), and Software Suite (i.e., provision of essential data analytics). Revenue from services increased by 102.6% in 2022, primarily driven by the start of the new project with Carrefour, which boosted the revenue to € 7.9 million in 2021.

Weaknesses

Cyber Attacks

Computer malware, viruses, ransomware, hacking and phishing attacks on online networks have become more prevalent and may occur on the company's systems or on those of hardware manufacturers that supply Allego. Cyber-attacks could harm Allego's business, introduce liability to data subjects or result in the misappropriation of company funds, which may damage its reputation and brand, and at the same time would require substantial funds to be resolved.

Quality & Reliability

A typical problem encountered in the EV market concerns their conditions, their wear, and the possibility of their usability. Despite the use of excellent resources, the latter cannot guarantee total usability of Allego's chargers, which could also depend on malfunctions in the system or possible vandalism of the EV chargers.

Opportunities

Growth of the Electric Vehicle Market

One of the major Allego's opportunities concerns the growth of the electric vehicle market. Especially in Europe, where it has massive presence and where the position of the European Union is progressively in favor of the electricity market, especially due to the objectives set by the European Parliament to counter global warming.

New Partnerships & New Areas

Due to its strong presence in the European market, especially in Western Europe and Scandinavian counties, Allego has managed to enter into various expedient agreements on the provision of its services with municipalities and large companies. Among the latest agreements are those with Tamoil in Italy, Trophi in Denmark, Nissan in Italy, Spain and Portugal. The company also plans to expand into Central and Eastern Europe to increase its area of influence, with several partnership agreement already concluded in Poland and the Baltic countries.

Threats

Increase in Electricity Costs

EV market growth may lead to an overload of the power grid. According to the estimates, 1.1 EV chargers are needed for every EV car, which may increase peak electricity demand on local grids by 15-50%, thus requiring expensive upgrades in order to accommodate the intensified demand. Furthermore, the global upsurges in electricity pricing will increase the price of charging, which could affect the demand and hamper the use of EV public charging stations, thus reducing the number of charging sessions and adversely impacting Allego's profitability and growth potential. Moreover, its competitors may be able to source electricity on better terms, allowing for lower charging prices, thus plummeting the number of its charging sessions and leading to poorer financial performance.

Construction, Cost Overruns and Delays

The installation of charging stations on a particular site is generally subject to oversight and regulation in accordance with national and local laws (e.g., building codes, safety, environmental protection, and related matters), and typically requires various local approvals and permits, such as grid connection permits that may vary by jurisdiction. Meaningful delays or cost overruns may impact Allego's recognition of revenue in certain cases and/or impact customer relationships, either of which could affect the company's business and profitability.
As the demand for public fast and ultrafast charging increases and qualifications for contractors become more stringent, Allego may encounter shortages in the number of qualified contractors, that are needed to establish new charging stations and to provide their maintenance.

Financial Analysis

Profitability

As the sole financial information available for the firm prior to its IPO in March 2021, to assess Allego's profitability we examined the returns on its assets and equity for the years 2020 and 2021. Allego had low profitability in 2020 and 2021, with the company suffering losses in both of those years. In particular, we analyzed the components of the ROE (Net Profit Margin, Asset Turnover and Equity Multiplier) according to the DuPont formula:

$$ROE = Net\ Profit\ Margin\ \times Asset\ Turnover\ \times Equity\ Multiplier.$$

The company's Net Profit Margin drastically decreased from -98% in 2020 to -370% in 2021 mainly due to the huge increase in SG&A expenses. Despite a minor increase in the asset turnover ratio from 0.36 in 2020 to 0.39 in 2021, the Equity Multiplier significantly decreased from -1.65 to -2.86 in 2021. This also indicates that a significant portion of the company's operations was supported by debt funding. This sharp decline in profitability is mainly due to the increase in share-based payment expenses, with shares granted to an external consulting firm in FY2020 (€ 291.8 million in 2021, € 7.1 million in 2020).

At the same time ROA decreased considerably from -36% in 2020 to -146% in 2021. This decline occurred due to a huge net loss caused by increased SG&A expenses, nonetheless there was a surge in the total value of assets, mainly attributable to the increase in Trade Receivables and Other Financial Assets (mainly derivatives). Allego is a company in its early development stage with its SG&A expenses mainly relating to support functions such as marketing, communication, and IT costs, which are necessary to establish sound positioning of the company in the market during its expansion phase. As previously noted, a large portion of SG&A expenses is attributable to share-based expenses paid for external consulting, which are non-cash and one-time expenses, thus, a sharp decrease in SG&A expenses is expected over the following years.

Figure 4. Du Pont Analysis

Profitability	2020	2021
Net Profit Margin	-98%	-370%
Asset Turnover	0.36	0.39
Equity Multiplier	-1.65	-2.86
ROE	59%	417%
ROA	-36%	-146%

Source: Minerva Invest. Management Society

Liquidity

The company's liquidity position has greatly improved during the last financial period, as shown by Allego's liquidity ratios for 2020 and 2021. The Current Ratio, which gauges how well the business can use current assets to pay short-term obligations, increased from 1.97 in 2020 to 2.10 in 2021, which signals an improvement in Allego's liquidity position. This development is caused by the increase in the value of current assets, mainly Trade Receivables and Other short-term Financial Assets. Likewise, the Quick Ratio, measuring the amount of short-term coverage the business can retain using its short-term assets net of inventory, has increased from 1.76 in 2020 to 1.94 in 2021. Moreover, Allego's working capital has significantly increased from € 22,914 thousands in 2020 to € 62,324 thousands in 2021 (also due to the increase in current assets) indicating that the company currently has more resources to cover its short-term liabilities, than in the previous year.

By comparing the change of the current ratio to the quick ratio, we can observe that the inventory portion is the most changed (+87%). Overall, the general trend over the past financial period shows an improvement in Allego's liquidity position.

Figure 5. Liquidity Ratios

Liquidity	2020	2021
Current ratio	1.97	2.10
Quick ratio	1.76	1.94
Working capital	22,914	62,324

Source: Minerva Invest. Management Society

Figure 6. Solvency measures

Solvency	2020	2021
D/E	-2.65	-3.86
D/E (with only L-T debts)	-2.33	-3.12
Cost of debt	6.56%	6.44%

Source: Minerva Invest. Management Society

Solvency

Looking at Allego's solvency position over the past two years, it's clear that the company has experienced some significant changes in its financial structure.

The interest coverage ratio (ICR) was not analyzed since the company experiences a negative EBIT both in 2020 and 2021. Regarding the debt-to-equity ratio (D/E), we see that Allego's ratio went from -2.65 in 2020 to -3.86 in 2021. The change in D/E ratio is mainly attributable to the increase in Borrowings, Trade Payables, Lease and Contract Liabilities. In fact, Allego has been taking on more debt with respect to its equity, which could increase the company's financial risk. If we consider only long-term debt, the ratio is slightly higher, but it still went from -2.33 in 2020 to -3.12 in 2021. Lastly, the cost of debt, which is the average interest rate that Allego pays on its debt, remained stable (6.56% in 2020 and 6.44% in 2021).

Overall, Allego's solvency situation has worsened over 2020-2021 period as result of the company increasing its debt-to-equity ratio. The higher level of indebtedness is consistent with the fact that the company is still in its early development stage and additional resources are necessary to support Allego's development strategy. Despite the fact that the cost of debt has remained largely consistent, this scenario could be a negative factor for the company's long-term financial stability.

Valuation

Free Cash Flow to Firm Approach

For the purpose of conducting valuation analysis of the company we choose the DCF asset side model, which is a quantitative method used to estimate the value of an investment based on its expected future cash flows. We opted to use the FCFF approach, since the debt held on the BS of the company increased almost two times during the last three financial years (going from 114.5 mln EUR in 2019 to 213.1 mln EUR in 2021), and the estimate of debt repayments and the consequent interest expenses would make the FCFE computation more cumbersome and uncertain.

With FCFF approach we obtain Enterprise Value. The Equity Value of the underlying company is then calculated by adding Financial Investments and subtracting Net Debt and Non-controlling Interest. The target price obtained using this approach is $4.52, which exceeds the current market price and represents a potential premium of 117.5% (as of 30/05/2023), leading to a "Buy" recommendation.

To follow the DCF valuation process step by step, we first compute cost of equity and cost of debt based on the following assumptions and estimates:

Figure 7. Assumptions & WACC

ASSUMPTIONS	
Tax Rate:	25.8%
Perpetual Growth Rate:	1.2%
Current Price (USD):	2.08
NOSH (mln):	267.18
Cash (mln EUR):	24.65
Financial Instruments (mln EUR):	30.40
Debt (mln EUR):	244.75
NCI (mln EUR):	–
Enterprise Value (mln EUR):	1 318.10
Enterprise Value (mln USD):	1 128.40
Beta:	0.85 x
Risk-free Rate:	2.89%
EMRP:	5.94%
Cost of Equity:	8.31%
Pre-Tax Cost of Debt:	8.26%
Cost of Debt:	6.13%
Debt/(Debt + Equity):	30.57%
Equity/(Debt + Equity):	69.43%
WACC:	**7.64%**

Source: Minerva Investment Management Society

Risk-free rate (2.89%)

Risk-free rate expresses the average yield to maturity of the 10 years Eurozone Central Government Bond over 2022 and 2023 (3.15%) minus the default spread, which was obtained via operation-based approach (i.e. taking into account weighted average of the default spreads of the countries based on their share in total revenue estimate).

Figure 8. Sensitivity Analysis

Target share price (USD)		WACC				
		5.64%	6.64%	7.64%	8.64%	9.64%
TGR	2.23%	11.29	7.77	5.60	4.13	3.09
	1.73%	9.68	6.85	5.01	3.74	2.81
	1.23%	8.44	6.10	4.52	3.40	2.57
	0.73%	7.45	5.47	4.10	3.10	2.35
	0.23%	6.64	4.94	3.74	2.84	2.16

Source: Minerva Investment Management Society

Equity Risk Premium (5.94%)

According to Damodaran's analysis on equity risk premia, the value denotes the premium an investor will require to invest in the stock rather than in the risk-free security.

Beta (0.85)

To compute the beta two methods have been implemented: i) regression against the NYSE as a proxy for the market portfolio; ii) bottom-up beta based on the comparable companies selected for the relative valuation analysis.
The bottom-up approach arrived at a Beta of 0.87, while both Bloomberg and Refinitiv estimates suggest a Beta of 0.85. The difference in Beta estimates is minor and is mainly explained by the limited pool of the peers selected for bottom-up approach, thus, we opted to use the Beta value proposed by Bloomberg.

Cost of Debt (8.26%)

As a proxy for the cost of debt, we used the company's effective interest rate and, applying the standard corporate income tax rate of 25.8%, we obtained the 6.13% after tax cost of debt.

Cost of Equity and WACC (8,31% and 7,64%)

We used the Capital Asset Pricing Model (CAPM), a theory based on stock's volatility and level of risk compared to the general market. Thus, we assumed that that the expected cost of equity Ke is:

$$Ke = rf + \beta \times [\mathrm{E(rm)} - \mathrm{rf}] = 8.31\%$$

Accounting for the cost of debt, we estimated a WACC of 7.64%, which resulted from the shares of equity and debt equal to 69.5% and 30.5%, respectfully.

Findings

Moving further to the DCF Valuation, we apply a two-stage DCF model, followed by a terminal stage. To assess the expected sales growth of the company for the period 2022-2031 we have considered the estimated CAGR of the overall industry for the period under consideration, putting a higher emphasis on the period till 2028, when revenue is expected to grow at a steady rate of 44.4%, and decreasing to 30.0% for the time interval till 2031. We estimate that after this period the company will enter a mature stage, in which it will grow continuously with an estimated terminal growth rate, assumed to be equal 1.23% (EU-wide GDP growth rate over the last 20 years).

Cost of Sales, as well as other costs, are expressed as a % of revenue. Operating profitability improves over time due to economies of scale and networking with suppliers, allowing for more efficient use of resources and discounted prices provided by contractors, which progresses as the company matures. This is addressed both in the structure of Cost of Sales and Operating Expenses as a gradual decrease in the % of revenue allocated to such expenses as the company expands, subsequently affecting the EBIT margin of the company. Growth Capex has been forecasted as a % of revenue according to the company's capital expenditure practice over the last financial periods, with more aggressive capex strategy during the period of high growth. Net Working Capital was forecasted based on Days Sales Outstanding, Days Payables Outstanding, and Days Inventory on Hand ratios.

Further we have used the following formula to calculate the FCFFs:

$$FCFF = EBIT \times (1 - T) + D\&A - CapEx - \Delta NWC$$

After calculating the FCFFs and the Terminal Value, we use the estimated WACC to discount them, thus obtaining the Enterprise Value of $1.3bn. This value is then decreased by Net Debt & Debt equivalents and Minority Interests and increased by Financial Investments to get the Equity Value of almost $1.1bn, arriving at an implied share price of $4.52.

Relative valuation

To better contextualize the performance of the company in the market, we will now take a look at its multiples, both the ones emerging from the trading numbers and the ones calculated from the most recent transactions in the industry.

Trading Multiples

First, we start defining a pool of suitable comparables for our target. The industry presents a very complex landscape, for all the reasons highlighted in the last paragraphs; therefore, the ideal comparable (the one operating in the same industry, with the same specialization, with a similar market cap and similar financial values) just does not exist. Therefore, we decide to focus on two main factors that are not negotiable for us: the strong involvement in the EV charger segment, and wide business horizons (not focused on a niche market/area). These criteria enabled us to identify 7 peers (the list can be seen in the tables).

Figure 9. Trading multiples analysis

COMPANY	MARKET	EV/EBITDA FL	P/BV	P/SALES	P/TANGIBLE BOOKS	EV/SALES
ALLEGO						
ABB LTD		17,441	5,045	2,228	74,949	2,435
BP PLC		5,527	1,766	0,52	2,628	0,655
FASTNED		17,084	4,072	16,702	4,14	17,11
EVBOX		13,686	1,041	0,379	2,542	0,676
SCHNEIDER ELECTRICS		14,57	3,395	2,468	X	2,733
WALLBOX		41,393	4,393	4,581	6,572	4,644
RWE		5,372	0,99	0,714	1,246	X
AVERAGE		16,44	2,96	3,94	15,35	4,71
75TH PERCENTILE		17,26	4,23	3,52	5,96	7,76
MEDIAN		14,57	3,40	2,23	3,38	2,58
25TH PERCENTILE		9,61	1,40	0,62	2,56	0,67
EV 75TH PERCENTILE		NA	544.522.590,00 €	709.998.500,00 €	566.464.228,00 €	1.078.709.500,00 €
EV AVG		NA	480.326.540,00 €	529.785.000,00 €	416.625.568,00 €	359.176.000,00 €
EV 25 PERCENTILE		NA	327.674.082,00 €	305.856.000,00 €	368.973.389,50 €	93.234.250,00 €
EqV 75TH PERCENTILE		NA	324.429.590,00 €	489.905.500,00 €	346.371.228,00 €	858.616.500,00 €
EqV AVG		NA	260.233.540,00 €	309.692.000,00 €	196.532.568,00 €	139.083.000,00 €
EqV 25TH PERCENTILE		NA	107.581.082,00 €	85.763.000,00 €	148.880.389,50 €	-126.858.750,00 €

Source: Minerva Investment Management Society

Once defined the set of comparables, we have to decide which multiples we want to focus on. Here we start to encounter the first obstacle: most of the traditional multiples can't be calculated for our target, since both EBITDA and Earnings are negative; moreover, also the growth rate of the latter is below 0. Therefore, multiples such as P/E, PEG, EV/EBITDA, P/EBITDA, and many others can't be calculated. If this is a very solid quantitative point that should lead us to avoid these multiples, there is also a qualitative reason that should discourage us from following this path: the industry is a capital-intensive business, which requires large capital investments and which is still at a very early point of its development. Therefore, numbers that take into account costs, such as EBITDA or Earnings, aren't the best proxy in this context.
This is the reason why we decide to proceed with the following multiples:

P/BV: the ideal multiples here would be P/IC, to have an idea of the investments that the firm is sustaining to pursue organic growth. However, for many of the firms in the sample, data regarding the Invested Capital are partial or not precise. Therefore, we decided to move on with this alternative, the Book Value being a decent proxy of the value considered.

P/TBV: the issue with operating in such a fast-growing context as the EV one is that a big part of the Total Asset of a company may be represented by intangible assets, which value is very hard not only to estimate but consequentially to verify. Therefore, we decide to run the same multiple, but this time netting the denominator for intangible assets. If the valuation is based on solid assumptions, the result from the two multiples should produce similar, if not identical, results.

P/SALES: remaining on the equity side multiples, we want to have a proxy of the value of the company with regards to the sales the company made in the last fiscal year. Although we are analyzing a company in a fast-growing industry, it is vital to understand if the business model is backed up by solid numbers in sales.

EV/SALES: Following the same reasoning as above, we decided to focus on the relation between the value of the company and its sales. However, this time we directly take the Enterprise Value at the numerator, to have a wider overview of the total assets of the comparables and the target.

We then get the values presented above and calculate the simple average of the four values obtained, with a consequential Equity Value close to 226 million euros and a price per stock of 0.86 euro ($0.92).

Figure 10. Transaction multiple analysis

BUYER	TARGET	INDUSTRY	DATE	EQ/REV
First Reserve Sustainable Growth Corp	Juuce Limited	EV charger stations manufacturer	12/08/2021	26,81
Lotte Data Communication Company	JoongAng Control Co., Ltd.	electric vehicles chargers	13/01/2022	2,21
Duc Giang Chemicals Group JSC	Tia Sang Battery JSC	electric vehicles chargers	23/03/2023	1,40
Charmzone Global	CS Enertech, Co. Ltd.	large capacity battery packs	25/05/2022	0,90
Shin Heung Energy & Electronics Co., Lt	STIC Investments, Inc.	Battery maker for EV	02/11/2021	2,20
Nissin Electric Co Ltd	Sumitomo Electric Industries, Ltd	Electronic progression systems	22/03/2023	1,00
STIC Investments, Inc	Shin Heung Energy & Electronics Co., Ltd.	Battery maker for EV	02/11/2021	2,20
China Bester Group Telecom Co., Ltd	Zhechu Energy Group Co., Ltd.	EV vehicles battery producer	08/03/2023	57,70

Source: Minerva Investment Management Society

Transaction multiples

We decide to run a check also taking into consideration the multiples implied in the most recent M&A deals in the industry. First, we established some criteria to shrink the deals to take into consideration. Being the industry in a growth phase, we decided to consider deals not older than 3 years: technology innovation and changes in the market environment should be minimal with such a short time frame.

The EV- charger industry is still not fully developed and the number of M&A transactions of the relevant amount is not high enough; therefore, we decided to include in our analysis also strictly related-industry deals, such as batteries for EV vehicle producers.

Then, we faced the same issue encountered above: multiples such as EV/EBITDA or P/E were not an option for us; moreover, often multiples such as P/BV are not calculated or available for M&A transactions. Therefore, we decided to proceed with a single multiple, which therefore needed to be available for the entire basket of transactions considered: P/SALES.

We take into consideration the transactions presented below and obtain the value of the average multiple equal to 11.803 with a corresponding Equity Value of 1,641 million and a price per share of 5.12 euros ($5.48), including an acquisition discount of 20%

If we take the average of the two previously considered values, we have a price per share equal to $3.2 dollars, which is fairly coherent with what we found with the DCF analysis, especially if we consider the high variability of the findings, due to the limited number of comparable companies.

Therefore, the relative valuation confirms the target value for the stock of $4.52.

Investment Risk

Increase in the Cost of Land

Allego typically enters into long-term leases for its charging stations. With the growing adoption of EVs, increased competition may develop in securing suitable sites for charging stations, especially in high traffic areas. This competition may trigger increases in the cost of land leases, tenders organized by landowners, delays in securing sites and a quicker depletion of available sites for the company's charging stations. The term of leases may also be impacted by increased competition. This could negatively impact the potential economic return of building such charging stations in certain zones or on certain sites and therefore negatively impact Allego's business and profitability.

Limited Number of Suppliers and Manufacturers.

Allego has extended its hardware and equipment supplier base, but it still relies on quite a limited number of suppliers. This undiversified hardware supplier base increases its risks since it does not currently have proven alternatives or replacement manufacturers beyond the key ones. In the event of interruption or insufficient capacity, it may not be able to increase capacity from other sources or develop alternate or secondary sources without incurring material additional costs and substantial delays. If Allego experiences an increase in demand greater than expected for the development of its charging stations or services or if it needs to replace an existing supplier, it may be difficult to supplement or replace them on acceptable terms, which may undermine the company's ability to capture higher growth or deliver solutions to customers in a timely manner.

Inflation

Inflation could adversely affect Allego by increasing the costs of materials and labor needed to operate the business and could continue to adversely affect the company in future periods. If the current inflationary environment continues, there can be no assurance that the company would be able to recover related cost upsurges through price increases, which could result in downward pressure on its operating margins. As a result, Allego's financial condition, results of operations, and cash flows, could be adversely affected over time.

Risks Related to the EV Market

Allego's future growth is highly dependent upon the adoption of EVs by consumers. The market for EVs is still rapidly evolving, characterized by rapidly changing technologies, competitive pricing and competitive factors, evolving government regulation and industry standards, changing consumer demands, behaviors, and the environment in general. Although demand for EVs has grown in recent years, bolstered in part by pro-EV regulations in Europe, there is no guarantee that such demand will continue to grow. If the market for EVs develops more slowly than expected, Allego's business, prospects, financial conditions, and operating results would be impaired.

Appendix

Balance Sheet	Units	2019	2020	2021
ASSETS				
Non-current assets				
Property, Plant & Equipment	€'000	46 954	40 464	41 544
Intangible Assets	€'000	4 960	4 010	8 333
Right-of-use Assets	€'000	–	13 614	30 353
Deferred Tax Assets	€'000	–	722	570
Other Financial Assets	€'000	14 355	16 426	19 582
Total non-current assets	€'000	**66 269**	**75 236**	**100 382**
Currents assets	€'000			
Inventories	€'000	7 287	4 925	9 231
Prepayments and Other Assets	€'000	6 042	8 114	11 432
Trade and Other Receivables	€'000	12 946	25 076	42 077
Contract Assets	€'000		41	1 226
Other Financial Assets	€'000	3 622	–	30 400
Cash & Cash equivalents	€'000	21 277	8 274	24 652
Total current assets	€'000	**51 174**	**46 430**	**119 018**
TOTAL ASSETS	€'000	**117 443**	**121 666**	**219 400**
EQUITY AND LIABILITIES				
EQUITY				
Equity Share Capital	€'000	1	1	1
Equity Share Premium	€'000	36 947	36 947	61 888
Reserves	€'000	4 592	3 823	4 195
Retained Earnings	€'000	(79 136)	(114 515)	(142 736)
EQUITY AND LIABILITIES	€'000	**(37 596)**	**(73 744)**	**(76 652)**
NCI	€'000	–	–	–
TOTAL EQUITY	**€'000**	**(37 596)**	**(73 744)**	**(76 652)**
LIABILITIES				
Non-Current liabilitites				
Borrowings	€'000	114 467	159 610	213 128
Lease Liabilities	€'000	13 065	12 077	26 097
Provisions	€'000	363	207	133
Deferred Tax Liabilities		–	–	–
TOTAL NON-CURRENT LIABILITIES (B)	€'000	**127 895**	**171 894**	**239 358**
Current liabilities				
Trade and Other Payables	€'000	20 034	13 739	29 333
Contract Liabilities	€'000	5 250	7 278	21 192
Current Tax Liabilities	€'000	276	309	401
Lease Liabilities	€'000	1 514	1 826	5 520
Provisions	€'000	70	364	248
TOTAL CURRENT LIABILITIES (C)	€'000	**27 144**	**23 516**	**56 694**
TOTAL EQUITY AND LIABILITIES (A+B+C)	€'000	**117 443**	**121 666**	**219 400**

Profit & Loss Statement	Units	2019	2020	2021
Revenue from contracts with customers	€'000	**25 822**	**44 249**	**86 291**
Charging sessions	€'000	9 515	14 879	26 108
Service revenue from the sale of charging equipment	€'000	9 147	15 207	37 253
Service revenue from installation services	€'000	6 880	12 313	19 516
Service revenue from operation and maintenance of charging equipmen	€'000	280	1 850	3 414
Service revenue from contracts with customers	€'000	–	–	–
Cost of Sales (excluding depreciation and amortization expenses)	€'000	(20 911)	(30 954)	(61 122)
as % of Revenue	%	81%	70%	71%
Gross Profit	€'000	**4 911**	**13 295**	**25 169**
Other income	€'000	3 475	5 429	10 853
Selling and distribution expenses	€'000	(6 068)	(3 919)	(2 472)
General and administrative expenses	€'000	(39 199)	(47 468)	(337 451)
Operating Loss	€'000	**(36 881)**	**(32 663)**	**(303 901)**
Finance costs	€'000	(5 947)	(11 282)	(15 419)
Loss before income tax	**€'000**	**(42 828)**	**(43 945)**	**(319 320)**
Income tax	€'000	(276)	689	(352)
Net Income/ (Loss) for the year	**€'000**	**(43 104)**	**(43 256)**	**(319 672)**
Attributable to:	€'000			
Equity holders of the company	€'000	(43 104)	(43 256)	(319 672)
Non- controlling interests				
Loss per share:	€'000			
Basic and dilluted loss per ordinary share	€'000	(431)	(433)	(3 197)
Other Comprehensive Income/Loss for the year, net of tax	€'000	3	8	(14)
Total Comprehensive Income Attributable to Equity Holders	**€'000**	**(43 101)**	**(43 248)**	**(319 686)**
Total Comprehensive Income Attributable to NCI				

	Units	2021A	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	TV
Revenue	€'000	86 291	124 982	180 524	260 749	376 626	543 999	785 752	1 134 940	1 475 422	1 918 049	2 493 464	2 524 134
growth	%		44.8%	44.4%	44.4%	44.4%	44.4%	44.4%	44.4%	30.0%	30.0%	30.0%	1%
EBIT	€'000	(303 901)	(265 624)	(35 754)	(39 078)	(49 237)	(36 507)	37 866	66 289	85 542	161 103	228 386	231 195
EBIT margin	%	(352%)	(213%)	(20%)	(15%)	(13%)	(7%)	5%	6%	6%	8%	9%	9%
Tax rate	%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	25.8%
EBIAT	€'000	(304 236)	(265 624)	(35 754)	(39 078)	(49 237)	(36 507)	37 866	66 289	85 542	161 103	228 386	171 547
D&A	€'000	303 561	261 508	29 808	45 187	58 061	72 175	85 520	111 930	146 144	180 501	215 698	218 351
Change in WC	€'000	188	(4 694)	(5 819)	(7 606)	(9 952)	(12 749)	(22 139)	(28 318)	(12 284)	(38 901)	(7 664)	(7 758)
Capex	€'000	(16 776)	(31 258)	(45 149)	(52 175)	(48 961)	(70 720)	(102 148)	(147 542)	(191 805)	(230 166)	(299 216)	(218 351)
FCFF	**€'000**	**(17 263)**	**(40 068)**	**(56 913)**	**(53 672)**	**(50 090)**	**(47 800)**	**(900)**	**2 359**	**27 596**	**72 536**	**137 205**	**163 789**
DFCFF	**€'000**			**(54 856)**	**(48 059)**	**(41 667)**	**(36 939)**	**(646)**	**1 573**	**17 098**	**41 751**	**73 367**	**1 365 746**

Disclaimer