

# Y 2018 FINANCIAL RESULTS

“ Delivering a  
sustainable value „



# 2018 main highlights

## Q1 Bolt-on acquisitions

- Blu Ranton acquisition
- Marche Multiservizi and Megas.net merger
- Sangroservizi acquisition

## Q2 Creating Shared Value

- Part of the Leading Utilities of the World
- First sustainable revolving credit line introduced in Italy

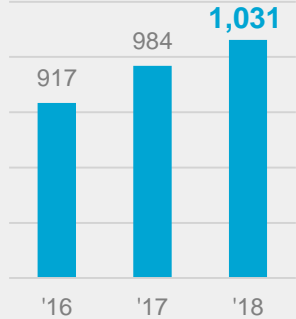
## Q3-Q4 Strategic partnerships & Other important achievements

- Partnership with Eni for used vegetable oil
- Partnership with Bio-On to produce bio-plastic
- Chioggia port tender
- CMV merger
- Safeguard & Default + public lighting tenders awarded
- Bio-methane plant

## 2019 New BP & FTSE Mib

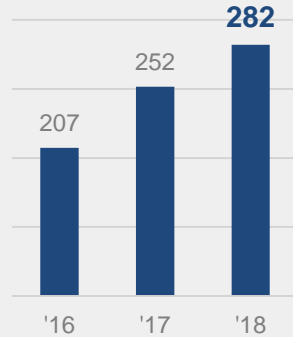
- Business Plan to 2022 presented
- Wide road show to keep an open dialogue with stakeholders
- FTSE Mib inclusion

# 2018 results in a snapshot



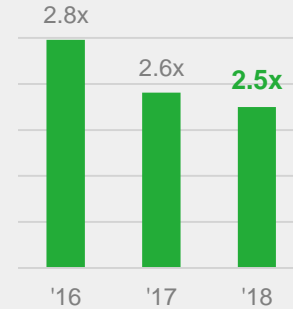
Ebitda (M€)

**+4.7%**  
'18/'17



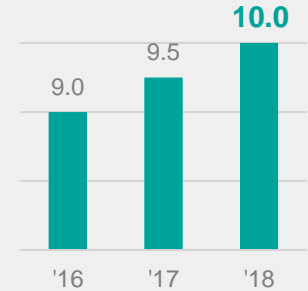
Net Profit (M€)

**+12.1%**  
'18/'17



Net Debt/Ebitda (x)

**(3.8%)**  
'18/'17

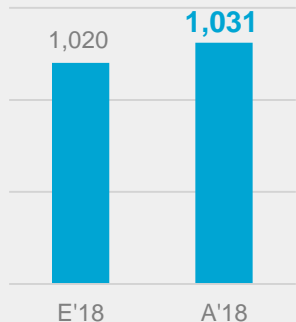


Dividend (c€)

**+5.3%**  
'18/'17

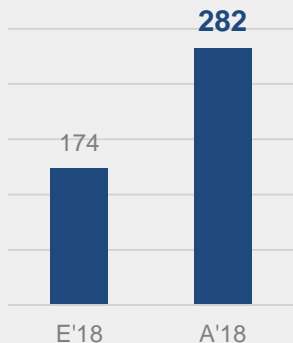
**Keep on walking the solid growth path**

# Delivery of BP '14-'18



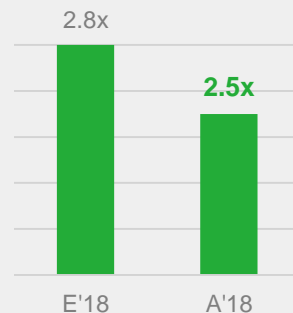
Ebitda (M€)

**+1.1%**



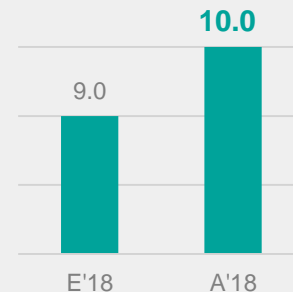
Net Profit (M€)

**+62.0%**



Net Debt/Ebitda (x)

**(10.7%)**

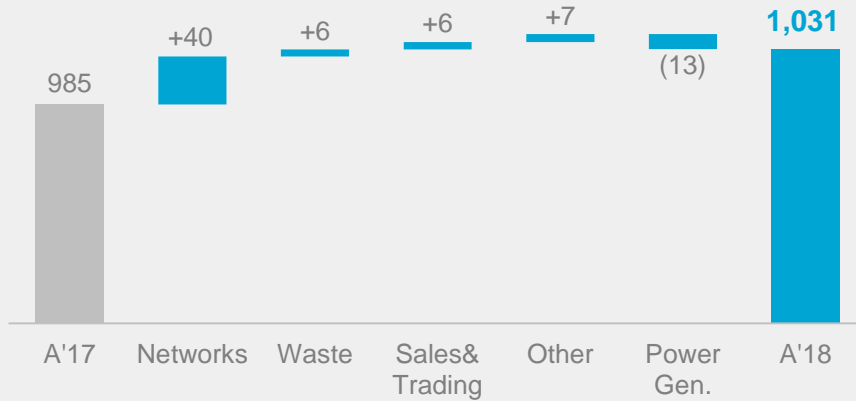


Dividend (c€)

**+11.1%**

**Good execution**

# Ebitda growth in all core activities



Ebitda growth by business  
(M€)

**+46 M€ +4.7%**

## Regulated

- Mainly Efficiencies & Cost cutting
- Development capex

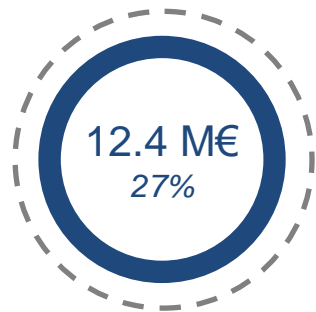
## Liberalised

- Positive trend in waste prices
- Market expansion and confirmed margins in energy supply
- Partial recovery in power gen. in H2

## Organic growth drivers

# Organic growth distribution

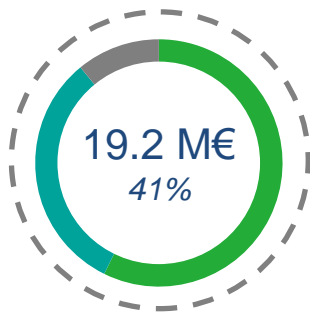
Development capex, tariffs and quality



Development deployed mainly to improve network resiliency

+

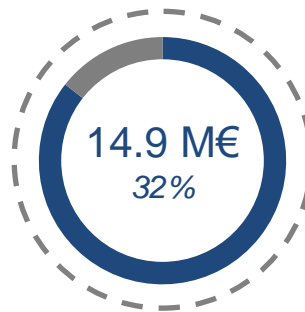
Market expansion & Top Line Growth



Cross selling and market expansion in energy, exploiting market trends in waste

+

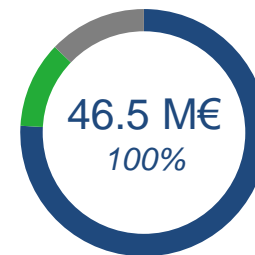
Efficiencies



Never ending optimization effort

=

Organic Growth



Organic growth in line with the track record

## Constant and visible organic growth

# A conservative mix

The Group portfolio shows a multi-business industrial approach, balanced between regulated and free-market activities, which offers visible competitive advantages and underpins the value creation achieved



# 2018 results by business in a snapshot

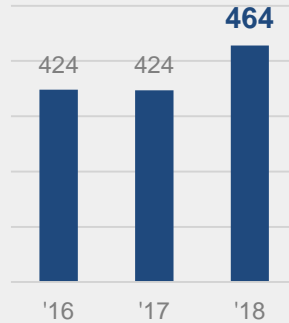


1,031  
'18 Ebitda

■ Liberalized ■ Regulated

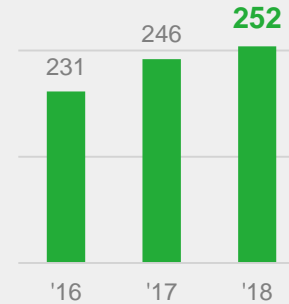
Business mix

**52%**  
regulated



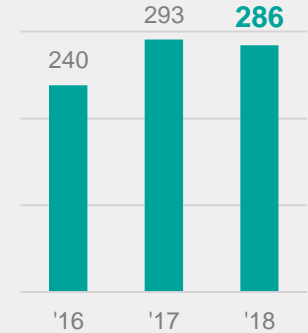
Networks (M€)

**+9.6%**  
'18/'17



Waste (M€)

**+2.4%**  
'18/'17



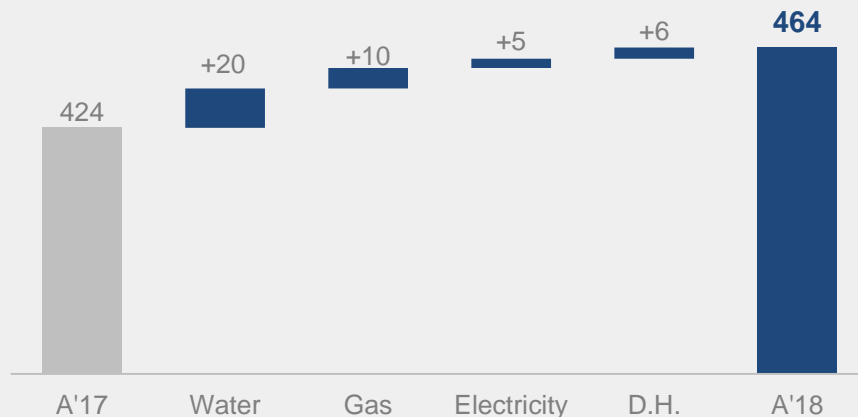
Energy (M€)

**(2.3%)**  
'18/'17

**Safe and balanced business mix continues to work just fine**



# Networks



Ebitda growth  
(M€)

**+40 M€ +9.5%**

## RAB

- Solid and diversified among three businesses

**3.1bn**

## Gas tenders

- Tender in Udine Atem in progress

**Started**

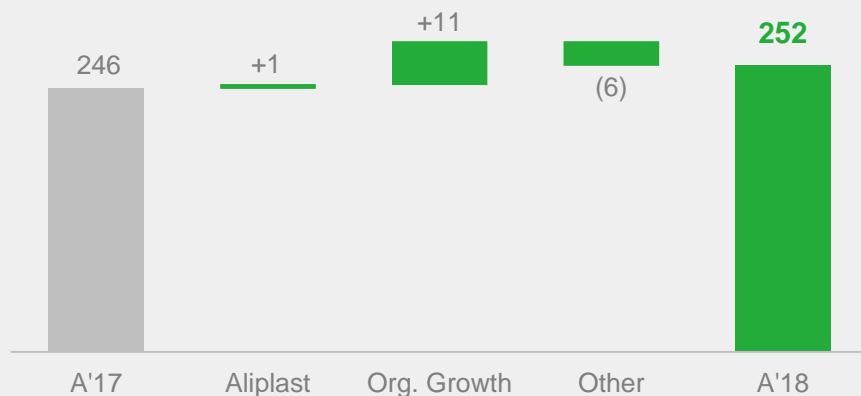
## Extra returns

- Quality premiums in water
- Security premiums in gas
- Network resiliency premium in elect.

**Beaten  
stds**

**Efficient networks support good service**

# Waste



Ebitda growth  
(M€)

**+6 M€ +2.4%**

## Prices

- Slight increase in all businesses

**+10%**

## Recycling

- Sorted Urban waste collection up from 57.7% to:
- Enhanced recycling and re-use activities (WTE, selection and bio-digestion and compost):

**62.5%**

**+3%**

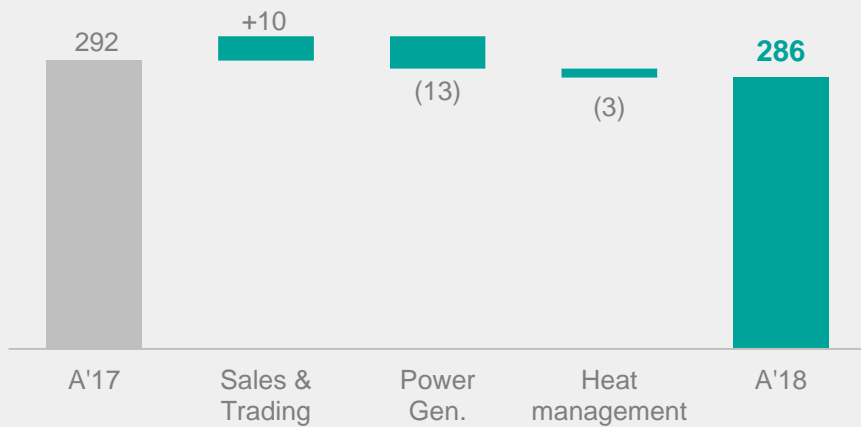
## New plants

- Bio-methane plant will contribute to Ebitda in 2019

**+7m€**

**Better results from our infrastructures**

# Energy



Ebitda growth  
(M€)

**(7 M€) (2.3%)**

## Customer base

- 2,524k clients (+146k '18/'17)

**+6.2%**

## Retail unpaid ratio

- Less than 1% receivables remain unpaid by retail customers after 1 year

**<1%**

## Cost to serve

- A key competitive advantage is to keep low cost base: Hera's is among 1<sup>st</sup> quartile

**1<sup>st</sup>  
Quartile**

## Default & FUI

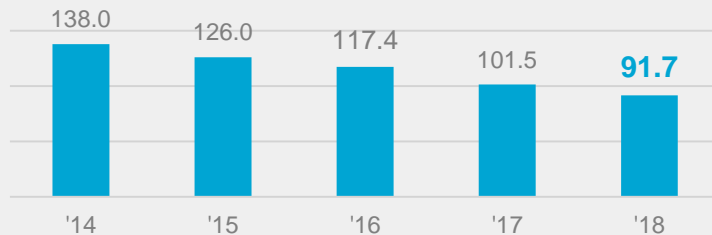
- Larger business scope from 1<sup>st</sup> October for next 12 months

**75k  
clients**

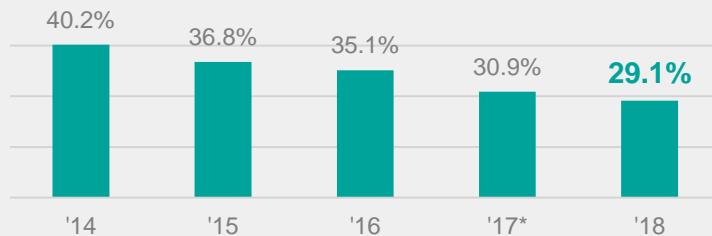
**Expanding market share, defending margins**

# Below Ebitda

Fin. expenses (M€)

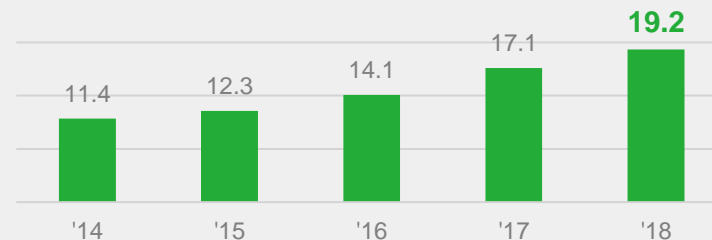


Tax rate (%)

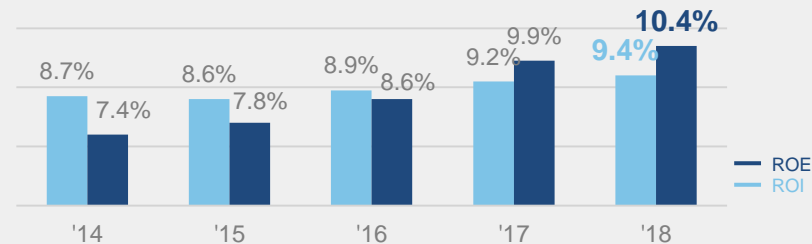


\*Adjusted

EPS (c€)

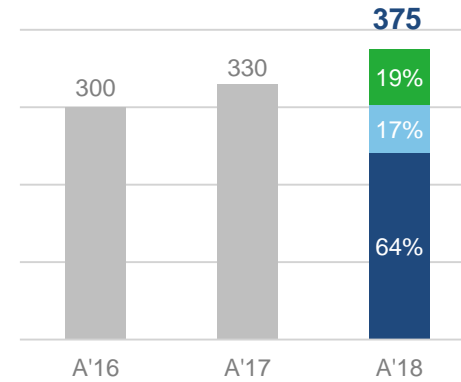
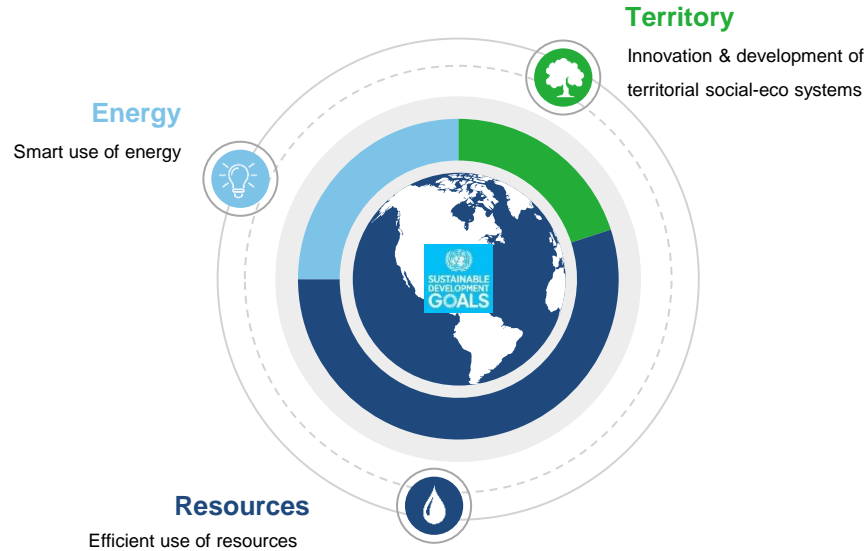


ROI & ROE (%)



Progressively enhanced profitability & returns

# Creating Shared Value



CSV track record  
(M€)

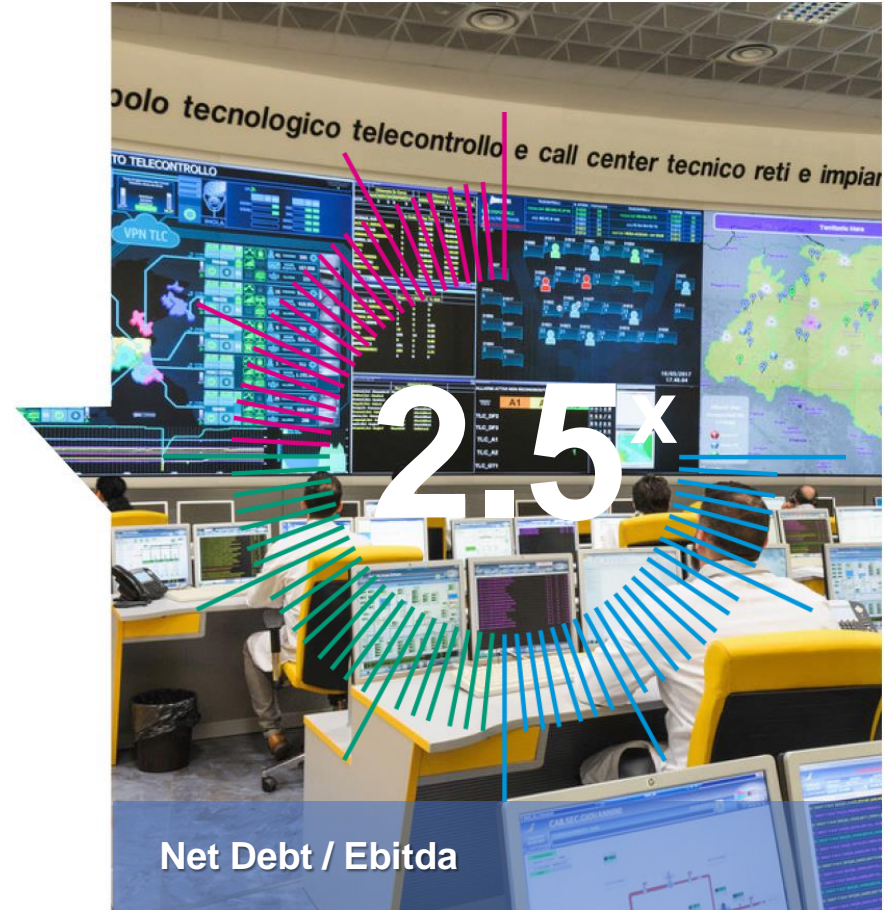
**+14%**  
'18/'17

**36%**  
of Ebitda

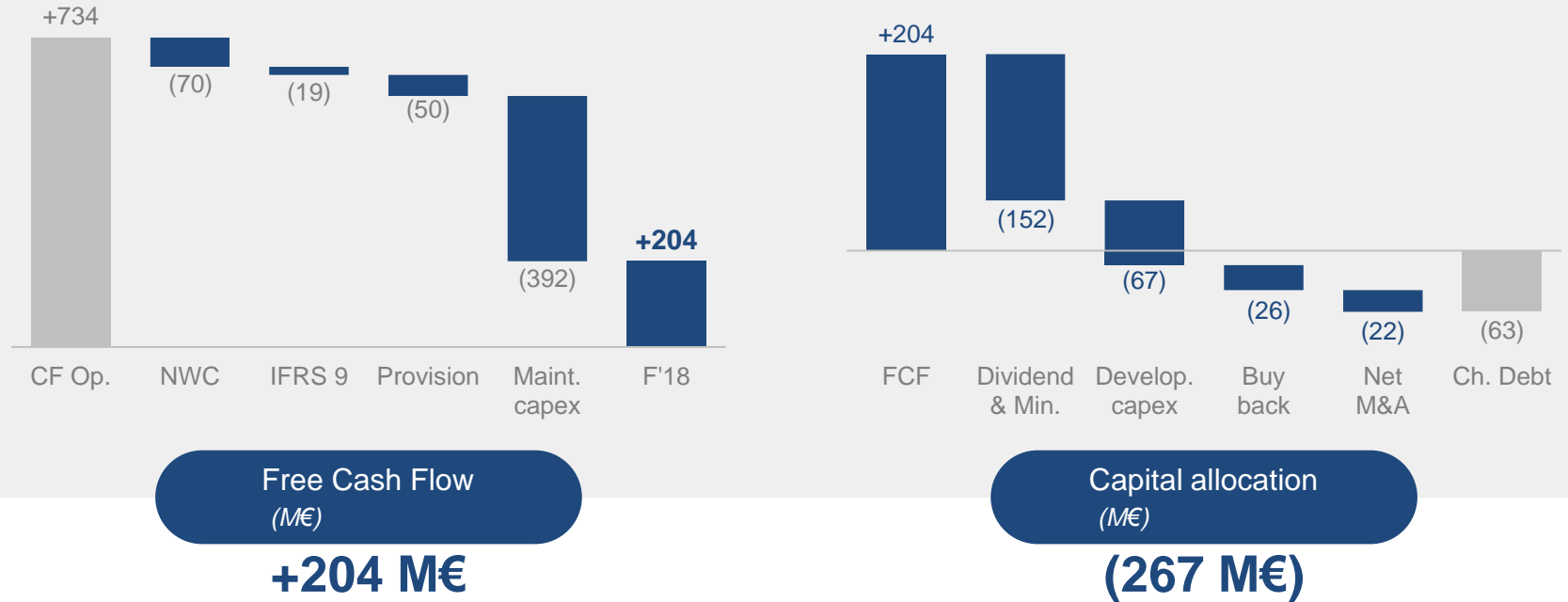
**100% of 2018 Ebitda growth is “Shared Value”**

# Sound financial profile

A positive free cash generation covering dividends and part of development capex and M&A, assured a further reduction of the financial leverage enhancing potential further expansion plans.

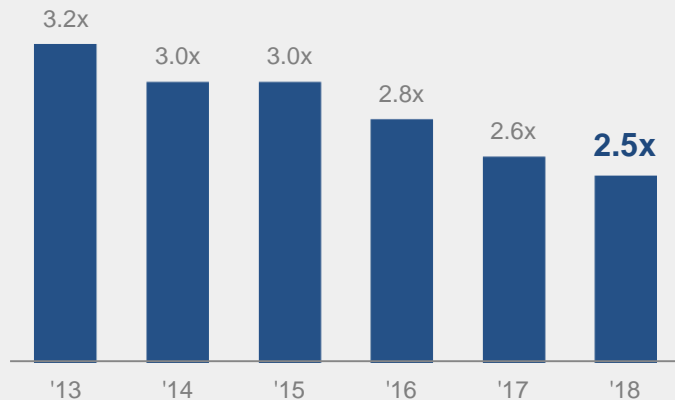


# Cash flows



**Balancing remuneration and development**

# Financial profile



Debt/Ebitda  
(x)

**Very safe**

**Further fire power to sustain growth**

**FFO/Net Debt**

**27%**

**Duration**

**~7Y**

**Fixed interest rates**

Portion of debt at fixed rates

**85%**

**Credit lines committed**

**300m€**

**Refinancing needs end '19**

395 m€ of 10y bond is due in Dec. '19

350 m€ Bank loans signed at a rate:

**<1%**



# Closing remarks

Positive growth underpinned by operating, financial and tax management combined with enhancement of returns on invested capital allow to pursue a sustainable capital allocation balanced between “development” and “remuneration” to shareholders.




**10c€**

il Rifiutologo

HERA

**Proposed dividend**

## Closing remarks



1

Economic performances and increase in return of invested capital

2

Sound balance sheet and positive cash generation underpin dividends proposed at 10c€ per share (+5.3%)

3

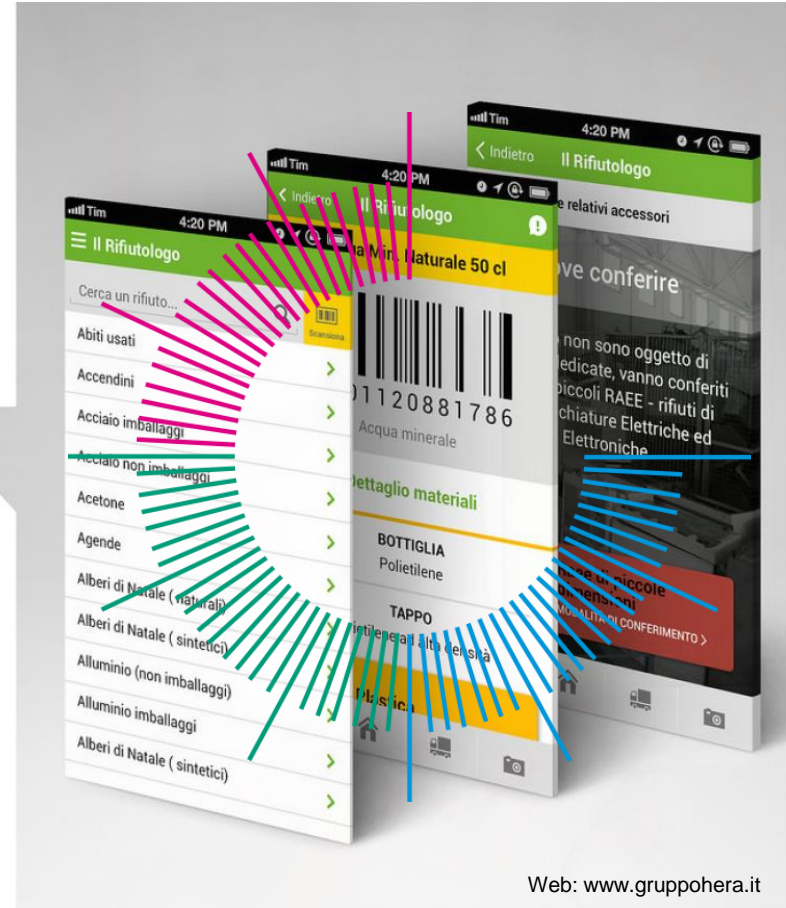
Low leverage to go for potential M&A

4

**Positive 2019 expected**

# Q&A and Appendix

Further details on 2018 annual results are available in this section.



# Annex: P&L

## Profit & Loss

(M€)

	Y '17	Y '18	
<b>REVENUES</b>	<b>6,136.8</b>	<b>6,626.4</b>	<b>+8.0%</b>
<b>EBITDA</b>	<b>984.6</b>	<b>1,031.1</b>	<b>+4.7%</b>
<i>Ebitda margin</i>	<i>16.0%</i>	<i>15.6%</i>	
Depreciation and provisions	(505.3)	(521.0)	
<b>EBIT</b>	<b>479.3</b>	<b>510.1</b>	<b>+6.4%</b>
Financial costs	(98.0)	(87.1)	
Figurative interests (IAS)	(18.2)	(19.5)	
Income from Associates & J.V.	14.7	14.9	
<b>PRETAX PROFIT</b>	<b>377.8</b>	<b>418.4</b>	<b>+10.7%</b>
Tax	(111.8)	(121.8)	
<i>Tax rate</i>	<i>29.6%</i>	<i>29.1%</i>	
Special items*	0.8	0.0	
Minorities	(15.3)	(14.7)	
<b>NET PROFIT POST MINORITIES</b>	<b>251.5</b>	<b>281.9</b>	<b>+12.1%</b>

\* Special items are calculated as follows:

- In 2017 they were the sum of positive effects generated by the release of goodwill through a substitute tax payment and negative effects related to goodwill write-offs
- In 2018 they have been the sum of extraordinary capital gains and extraordinary capital losses

# Annex: Waste and Water

## Waste: Profit & Loss

(m€)	Y 2017	Y 2018	Ch.
Revenues	1,083.8	1,123.7	+39.8
<b>Ebitda</b>	<b>246.0</b>	<b>252.0</b>	<b>+6.0</b>

## Waste: KPIs

Data	Y 2017	Y 2018	Ch.
Urban W. Volumes (Kton)	2,311	2,348.0	+37.5
Special W. Volumes (Kton)	2,257	2,142.8	(113.7)
<b>Waste from third parties</b>	<b>4,567</b>	<b>4,490.8</b>	<b>(76.2)</b>
Internal W. Volumes (Kton)	2,235	2,802.2	+567.6
<b>Total Volumes Treated</b>	<b>6,802</b>	<b>7,293.0</b>	<b>+491.4</b>

## Water: Profit & Loss

(m€)	Y 2017	Y 2018	Ch.
Revenues	859.9	878.6	+18.7
<b>Ebitda</b>	<b>229.9</b>	<b>249.7</b>	<b>+19.8</b>

## Water: KPIs

Data	Y 2017	Y 2018	Ch.
<b>Aqueduct (mm3)</b>	<b>302.8</b>	<b>291.1</b>	<b>(11.7)</b>
Sewerage (mm3)	251.5	246.0	(5.5)
Purification (mm3)	249.5	244.0	(5.4)

# Annex: Gas and Electricity

## Gas: Profit & Loss

(m€)	Y 2017	Y 2018	Ch.
Revenues	1,980.3	2,371.0	+390.8
<b>Ebitda</b>	<b>301.7</b>	<b>316.5</b>	<b>+14.8</b>

## Gas: KPIs

Data	Y 2017	Y 2018	Ch.
Volumes distrib. (mm3)	3,017.7	3,066.8	+484.6
Volumes sold (mm3)	5,216.6	6,168.2	+951.5
<i>of which trading (mm3)</i>	<i>2,965.7</i>	<i>3,822.7</i>	<i>+857.0</i>
District Heating (GWht)	506.0	507.5	+1.4
Final retail volumes (mm3)	2,251.0	2,345.5	+94.5
Clients ('000 unit)	1,396.3	1,455.9	+59.6

## Electricity: Profit & Loss

(m€)	Y 2017	Y 2018	Ch.
Revenues	2,380.2	2,462.1	+81.9
<b>Ebitda</b>	<b>184.5</b>	<b>183.5</b>	<b>(0.9)</b>

## Electricity: KPIs

Data	Y 2017	Y 2018	Ch.
Volumes sold (GWh)	10,517.3	11,854.1	+1,336.8
<i>of which Salvaguardia (GWh)</i>	<i>2,415.3</i>	<i>2,398.3</i>	<i>(17.0)</i>
Volumes distrib. (GWh)	3,046.0	3,078.7	+32.8
Clients ('000 unit)	981.6	1,068.7	+87.1

For further info please get in touch with the IR team

[IR@gruppohera.it](mailto:IR@gruppohera.it)