

press release

Bologna, 24 January 2024

## Hera Group presents Business Plan to 2027

*Development, resilience and creating shared value for stakeholders are at the heart of the Group's new strategic document, which foresees investments totalling 4.4 billion to speed up the ecological transition and enhance asset resilience to climate change. The preliminary results for 2023 outperform the previous Plan's goals that have been achieved three years ahead of schedule, thanks to the numerous development actions implemented and the Group's ability to grasp market opportunities.*

### **Business Plan to 2027, operating and financial highlights**

- 2027 Ebitda: 1.650 billion euro (+27% compared to 2022)
- Five-year investments at 4.4 billion euro
- Increased return on net invested capital, from 7.9% to 9.5% in 2027
- Net debt/Ebitda below 3x over the period covered by the Plan: 2.7x in 2027
- 7% average annual increase in Earnings per Share
- Dividends to rise by 28% (up to 16 €cents per share in 2027)
- Average annual Total Shareholder Return (TSR) at 12%.

### **Business highlights: sustainable growth**

- 2.5 billion euro in investments aligned with the European Taxonomy for Sustainable Investments (98% of eligible investments)
- Shared-value investments coming to over 70% during the entire five-year plan
- Increase in shared-value Ebitda, up to over 55% in 2027, reaching 64% of total Ebitda
- Commitment to reduce total CO<sub>2</sub> emissions by 29% within 2027 and by 37% within 2030 confirmed
- 30% of the investment plan goes towards digitisation and infrastructure innovation
- 40% of the investment plan contributes to increasing the climate-change resilience of the Group's infrastructures
- 10 billion euro distributed over the five-year period 2023-2027 to stakeholders in the areas served by the Group

### **Highlights from 2023 preliminary results**

- Ebitda expected to rise over 1,480 million euro (+14%)
- Net debt/Ebitda ratio expected to settle below 2.6x (from 3.3x in 2022)
- Dividend expected at 14 euro cents (+12% over 2022), higher than forecast by the Plan

Today, the Hera Group's Board of Directors, chaired by Executive Chairman Cristian Fabbri, reviewed the preliminary results for 2023 and approved the Business Plan to 2027.

Growth in all main key operating and financial indicators, from Ebitda to ROI, earnings per share and dividends, accompanies a focus on financial balance, with net debt/Ebitda ratio stably below 3x.

The significant investment plan allocated for the 2023-2027 five-year period will support numerous projects and accelerate activities geared towards strengthening resilience and generating shared value and sustainable development. Hera thus confirms itself as a solid point of reference in its reference markets responding to the

challenges of the external context and enabling the ecological, energy and digital transition, the circular economy and resource protection.

### **Preliminary results 2023**

Forecast 2023 annual results highlight an Ebitda in excess of 1,480 million euro, up 185 million compared to the 1,295 million euro seen in 2022. This result comes three years ahead of the target set out in the previous Business Plan to 2026 (1,470 million euro), signs highest track record growth and confirms both the strategy undertaken by the Group and its timing in grasping a number of market opportunities that arose in 2023. After the extraordinary conditions seen on energy markets in 2022, the Group's focus on cashflow and the efficient management of working capital and financial management led to a reduction in the net debt/Ebitda ratio, which is expected to settle below 2.6x, with a clear improvement from 3.3x in 2022.

### **Cristian Fabbri, Executive Chairman of Hera Group:**

*"4.4 billion in investments aimed at industrial development, sustainable growth and resilience underpin our projections of the Ebitda coming to 1.65 billion euro in 2027, up 28% compared to 2022, along with a dividend increase of 5% CAGR. 40% of capex plan will contribute to making our infrastructures even more resilient. A 29% reduction in carbon emissions and our commitment to resource regeneration are concrete examples of our contribution to the ecological transition, and the Ebitda generated by activities that also meet the targets set out in the UN Agenda will rise to 64%. Furthermore, over the five years covered by the Plan we will distribute 10 billion euro to the stakeholders. This Plan fully responds to our Group's purpose: to generate sustainable value by promoting a 'just' transition. The record growth in Ebitda seen in 2023, which we expect to come to over 1.48 billion euro, and the considerable decrease in debt, with the net debt/Ebitda ratio expected below 2.6x, are promising indications and fundamental building blocks of this Business Plan. They are matched by the provisional awarding of more than one million customers in the Italian electricity market liberalization process, allowing us to more rapidly reach 4.3 million energy customers and to consolidate our position as Italy's third largest operator in this sector."*

### **Orazio Iacono, CEO of the Hera Group:**

*"With Ebitda expected to reach almost 1.5 billion euro in 2023, and financial leverage strongly improving to less than 2.6x, we will meet and exceed the targets set out in the previous Business Plan to 2026 three years ahead of schedule. These results prove the validity of our Group's strategic vision in seizing market opportunities and our commitment towards sustainable growth in the areas served. This commitment has been confirmed once again by our new Business Plan, with shared-value Ebitda expected to exceed 1 billion euro in 2027, showing a 55% increase in absolute terms over 2022-2027, higher than the growth rate of overall Ebitda, testifying to the growing importance of initiatives that not only generate margins for our company, but are also in line with the objectives found in the UN Agenda. More than 70% of the investments made over the time covered by the Plan will indeed be allocated to sustainability projects that benefit all our stakeholders. Regarding our various businesses, the next five years will see an important contribution to growth in the Group's results coming from all activities, in particular the waste management sector, thanks to our strategy that leverages a portfolio of global waste services that will further strengthen our leadership in this market, and the networks sector, which will see a significant investment plan, accompanying the areas served towards the green transition."*

### **Business Plan to 2027**

The strategic objective underlying the Hera Group's new Business Plan is to create value benefitting all stakeholders, thanks to financial, environmental and social sustainability objectives, along with a business

model and an industrial structure that are resilient to the negative effects of climate change and external market crises.

### **Creating value: 2027 Ebitda up to 1.650 billion and dividend up to 16 €cents (+28%)**

The projects planned will bring overall Ebitda to more than 1,650 million euro in 2027, with a 355 million euro improvement compared to the 2022 result. Taking into account a number of business opportunities that will no longer be present during the time covered by the Plan and that contributed with roughly 120 million euro to the 2022 result, the growth will reach 475 million euro with an average annual rate coming to 7%.

In particular, organic development represents the main driver of growth, coming to 375 million euro, and will be driven by the investment plan, the expansion in liberalised markets, the Group's ability to offset increases in inflation thanks to efficiencies and innovation, as well as the tariff adjustments recently defined by the Authority concerning all regulated activities. An important contribution is also expected from M&As, coming to 100 million euro and in line with the track record of the Group, which will thus continue to enlarge its perimeter as a consequence of highly fragmented reference markets and its strategy for integration (horizontal or vertical) in the sectors in which it operates.

Thanks to these growth targets in economic indicators, the Plan projects an increased return on investment (ROI) coming to 9.5% in 2027, up from 7.9% in 2022.

In light of the positive preliminary results expected for 2023, the entire dividend policy was also revised upwards, projecting distribution of a dividend coming to 14 €cents per share as early as June 2024, up 12% compared to the last dividend paid and higher than the expectations of the previous Business Plan (12.5 €cents).

More specifically, dividends are expected to increase steadily each year and reach 16 €cents by 2027 (+28% compared to the last dividend paid), with net earnings per share also expected to grow by an average of 7% per year. Based on the current price of Hera stock, this new policy guarantees an average return coming to 5% and offers full visibility for prospective dividends in each year of the Plan.

As a result, total shareholder return (TSR), which covers both trends in expected earnings and the yield in terms of dividends, settles at over 12% per year.

### **Sustainable growth to support the ecological transition: shared-value Ebitda at 64% in 2027 and economic contribution to local areas at 10 billion euro**

The Hera Group has confirmed its focus on the circular economy and decarbonisation, in order to encourage and support the ecological transition of the areas served with initiatives aimed at citizens, public administrations and industrial customers, offering its extensive set of plants and the know-how it has accumulated in various business sectors.

The initiatives set out in the Business Plan to 2027 make it possible to project a path that is perfectly consistent with achieving the industrial objectives to 2030 in terms of circular economy and decarbonisation.

As regards the circular economy, for example, the route to be followed confirms 2030 targets such as an increase in recycled plastics (+150% compared to 2017) and the reuse of wastewater (reaching 18% of total wastewater by 2030).

Concerning the Group's commitment to reduce carbon dioxide emissions, the ambitious reduction target set at 37% by 2030, already validated by the prestigious international network Science Based Target initiative (SBTi) for emissions coming from both the Group and its customers, has been confirmed, projecting a 29% reduction as early as 2027. In addition, Hera will be three years ahead of schedule in reaching its 2030 target of increasing the share of renewable electricity in total sales to over 50%.

With a view to the “just transition”, over the years the Hera Group has placed an increasing focus on generating economic value distributed to all its stakeholders (workers, shareholders, suppliers and PAs). The Group is expected to distribute approximately 10 billion euro over the five years covered by the Plan to the served areas. At the same time, a significant trend will continue to be seen in shared-value Ebitda. Reported and certified by external auditors since 2016, this figure is expected to rise to 64% of the Group’s total Ebitda in 2027, amounting to more than 1 billion euro (roughly 1,049 million, as against 670 million in 2022), in line with the 2030 target of 70%. The 55% increase in shared-value Ebitda, in absolute terms, over the five-year period also bears witness to a strong focus on developing projects capable of combining the company’s growth with sustainable development in the areas served.

### **Balanced growth in the multi-business portfolio and increased resilience**

The Business Plan expects growth to be equally distributed among the three main lines of business (networks, energy and waste management), maintaining their current balance. Continuity is also expected in the Group’s development model, which has ensured a high degree of resilience in results within all scenarios witnessed over the last twenty years, allowing for uninterrupted growth in both sustainability targets and operating-financial and service performances.

Furthermore, 40% of operational investments will contribute to additional improvement in the resilience of the Group’s plants and networks to external factors, including climate change. This involves upgrading infrastructures, implementing predictive processes, remote monitoring and management in order to protect the continuity of the services provided. The flooding that occurred during 2023 in some territories in which the Group provides services demonstrated the considerable level of strength already achieved.

### **Total investments at 4.4 billion euro, with additional projects funded by 400 million in grants coming from the NRRP and other institutions**

The investment plan amounts to 4.4 billion euro, 48% of which will go to development initiatives and M&As. 55% of investments will be earmarked for regulated businesses, while the remaining 45% will support growth in free-market businesses.

The over 870 million euro invested each year on average will accelerate the Group’s commitment to the ecological transition (with roughly 60% of the entire investment plan going to decarbonisation and the circular economy) and to generate sustainable development in the areas served. In this sense, more than 70% of the investment plan will be allocated to initiatives capable of creating shared-value Ebitda.

In light of the introduction of the new aspects related to the European Taxonomy, the Group estimates that operational investments coming to 2.5 billion euro (or 98% of eligible investments) will be aligned with the requirements of the European framework, and will therefore be able to gain full access to subsidised sustainable finance instruments, with benefits in terms of financial costs as well.

In a constantly evolving and highly dynamic context, Hera also plays an active role in the digital transformation of the communities it serves. More than 30% of the investments set out in the Plan will contribute to the digitisation and innovation of infrastructures, business activities and customer solutions.

The investment plan will be fully financed by the positive cashflow, which will also keep leverage below the prudential threshold of 3x, reaching a target of approximately 2.7x by 2027.

In addition to the investments financed by the Group over the period covered by the Plan, others are related to the social and economic value of additional works to be carried out in the areas served, thanks to the almost 400 million euro in grants received, equally subdivided between NRRP resources and other institutions.

### **Networks: digitisation, efficiency and sustainability to strengthen infrastructure resilience**

Ebitda for the network area is expected to increase by 112 million euro, going from 469 million in 2022 to 582 million in 2027.

The regulated networks business, which is the Group's main asset in terms of invested capital (approximately 60% in 2027), will benefit from a substantial investment plan. Amounting to roughly 2.1 billion euro, it is aimed at further enhancing the resilience and digitalisation of infrastructures and maintaining the Group's leadership in terms of the service quality provided. Of these resources, roughly 1.2 billion will be allocated to the integrated water cycle, while 0.9 billion will go to gas and electricity distribution.

Thanks to a regulatory framework that has recently been updated with a new definition of economic returns, recognising increases related to inflation and interest rates, Hera has developed a pipeline of long-term projects with positive effects on the areas served for the years following 2027 as well. These projects will make it possible to accompany the areas served along the ecological transition, in order to achieve the objectives set at national and European level.

As the nation's second-largest operator in the water cycle, the Group has developed a strategy that includes interventions in all localities to address critical issues related to supply in an increasingly drought-affected context and thus preserve the precious resource of water. This commitment has led the Group to achieve increasing levels of efficiency, safety and quality, and these results are responsible for the bonuses recognised by the Regulatory Authority for Energy, Networks and the Environment (ARERA). Various circular economy initiatives have thus been planned to save, recover and reuse water for agricultural and industrial purposes, both at our customers' facilities and in the Group's activities and sites. This includes an effective optimisation of purification sludge management and recycling materials from water-cycle waste with dedicated plant engineering and innovative tools.

In order to improve the operational efficiency of networks, to increase infrastructural resilience to external factors – especially climate change – and at the same time promote an increasingly efficient management of resources and decarbonise consumption, the Group has planned numerous digitisation and automation projects. The most important call for the use of predictive maintenance models, districtisation and functional modelling, which will make interventions on the systems managed faster and more efficient, benefitting service quality and continuity. The boost given to innovation in this sector will also come from the installation within 2025 of roughly 450,000 second-generation (2G) electricity meters, which will allow consumption to be measured more precisely, 310,000 NexMeter smart gas meters – patented by Hera in 2019, with advanced safety functions in the event of leaks or earthquakes and also usable for “green gas” blends – and 310,000 smart meters for the water cycle.

Evolution in the electricity distribution business will also be driven by new requirements concerning electrification of consumption and infrastructure resilience. Thanks to the support coming from digital technologies, the Group plans to increase the network's hosting capacity, the extension and robotization of primary and secondary substations, the use of predictive models, and greater support to customers to improve awareness of their consumption. Furthermore, in order to contribute to decarbonisation goals for end use in the gas sector, Hera will adapt and optimise its assets to encourage the introduction of renewable vectors, such as biomethane and hydrogen, into the grid. One example of its activities in this area are the tests already successfully launched in Castelfranco Emilia (Modena). In addition, the power-to-gas plant in Bologna, connected to one of the area's main water cycle purifiers, will make it possible to use purified water to produce first renewable hydrogen and later biomethane, using waste oxygen for purification processes.

Among the assets enabling the ecological transformation of the localities served, the Group has included a further development of district heating in its strategy. Hera will invest roughly 150 million euro to maximise the use of renewable sources and optimise existing systems, partially thanks to digital solutions capable of making management automated and efficient, with the goal of increasing the heat produced by waste-to-energy and geothermal sources by 30% within 2027. The projects in Bologna, Ferrara and Forlì are a concrete example



of the direction taken and, alone, will lead to a reduction in annual emissions coming to 35,000 tonnes of carbon dioxide.

In addition to the investments financed directly by the Group, further projects in the networks sector will be financed by the NRRP and other institutions, coming to over 300 million euro.

**Energy: partner for the energy transition of the communities served, with integrated services, innovative solutions and a target of 4.3 million customers by 2027**

Ebitda for the energy sector is expected to increase by 109 million euro, going from 463 million in 2022 to 571 million in 2027, thanks to an increased customer base and driven by factors including a rich portfolio of decarbonisation services that confirm the Hera Group as an enabler of its customers' energy transition.

The most recent market scenario, characterised by increased volatility in commodity prices combined with a growing sensitivity to the environmental footprint of consumption, has in fact led to a significant increase in demand for decarbonisation services.

After twenty years of uninterrupted growth in its customer base, the Group intends to continue to develop this business with a focus on service and innovation, managing one of the most comprehensive customer portfolios available, to increase its market penetration over the next five years.

The goals set out in the Plan include reaching 4.3 million energy customers by 2027, with a substantial growth in electricity customers (2.3 million), that will exceed gas customers (2 million), consolidating the Group's position as the third largest in Italy.

More specifically, a significant contribution to expansion in the customer base will come from participating in the tender for the gradual protection service, which has already seen the Hera Group provisionally awarded 7 lots, the maximum allowed, for over 1.1 million electricity customers as of 1 July 2024.

The development of new commercial offers and decarbonisation services will also be accompanied by digital solutions and innovative data strategy and artificial intelligence technologies, to optimise and streamline processes and to amplify and personalise customer experience.

The range of services enabling the energy transition of the ecosystem also include the technological and environmental sustainability proposals included in the Group's ESCOs: energy requalification initiatives for public administrations, industry and apartment blocks as well an integrated offer of "green" solutions, including energy services and efficiency, sustainable mobility, public lighting and smart cities.

Along a path that has seen many transactions signed with commercial companies in recent years, Hera will continue to pursue its M&A operations aimed at optimising its local presence and integrating its vertical structure in this sector.

Finally, as regards photovoltaic power generation, the Group's goal is to install approximately 300 MW over the period covered by the Plan, giving preference to works on plants that do not involve further land consumption. This includes agrivoltaic plants and the numerous projects being implemented on landfills or plants in the Group's water cycle facilities, as well as installations at customers' premises, including Renewable Energy Communities.

The two Hydrogen Valleys under construction in Modena and Trieste, which will produce approximately 800 tonnes per year of green hydrogen, will feature photovoltaic parks to power the electrolyzers, boosting the decarbonisation of the companies involved and, more generally, the areas concerned while at the same time contributing to the redevelopment of disused areas.

To support this strategy, which also aims to increase the value of customer relations and loyalty, a total of 1 billion euro in investments have been earmarked for the energy sector for the 2023-2027 five-year period.

**Waste management: reinforcing our leadership in the waste cycle, by developing plants and sustainable turnkey solutions with a view to the circular economy**

Ebitda for the waste management business is expected to grow by 126 million euro, with a total value increasing from 338 million in 2022 to 464 million in 2027, thanks to development driven by both internal and external growth.

As part of this plan, the Group aims to further consolidate its national leadership in the waste management area and foresees approximately 1.2 billion in investments, more than half to reinforce its set of plants.

The increasing attention paid by institutions towards environmental protection and resource regeneration is creating demand for waste treatment services and circular solutions, driving a greater demand for new-generation plant capacity that is particularly necessary in Italy. In line with this approach, Hera's Business Plan calls for significant growth in waste management activities, to further develop its set of plants, with the aim of increasing the quality and quantity of sorted waste collection (from 67.8% in 2022 to 77.7% in 2027), as well as guaranteeing service continuity and excellence. In addition, the Group plans to increase its market share by making the most of operational and commercial synergies with recently acquired companies, to expand the variety of waste treated and offer new services.

Thanks to over 100 state-of-the-art plants and the creation of new partnerships, the Group expects to reach a total of roughly 5.9 million tonnes marketed in 2027 (+23% compared to 4.8 million tonnes in 2022).

In particular, as regards to municipal waste treatment plants, the organic portion will continue to be valorised for the production of biogas and biomethane, in line with the path already initiated, to combine decarbonisation and circular economy. On the other hand, the modernisation of some plants, such as line 4 of the waste-to-energy plant in Padua, will ensure greater capacity for energy recovery from the residual fraction of non-recyclable waste, with benefits for the resilience of the local system, reliability, energy efficiency and greater sustainability in waste management.

In the special waste management sector, in which Hera is the Italian market leader and among the top 10 companies across Europe, the Group intends to expand and diversify its "global waste" offer, to better meet the needs of the primary customers served, with comprehensive proposals that include, for example, management of environmental declarations, laboratory analyses, logistics services and equipment. In addition, leveraging our leadership, experience, and the operational capacity of the newly acquired ACR, the Plan calls for development in the portfolio of "global services" dedicated to business customers, which will allow for a significant increase in the value of production, the development of new technologies for the management of remediation, deep soil and decommissioning services, thanks to a consolidation of partnerships already underway with major operators and participation in new tenders.

In the plastics recovery market, Group subsidiary Aliplast, one of Italy's leading operators in the flexible plastics segment, aims to increase its customer base, also at a European level, and to develop new technological and plant engineering solutions to expand the types of recycled products, sustain growth and diversify its reference markets. In particular, with investments coming to over 80 million euro, Aliplast will be able to increase both its plant capacity in the segments already covered (recycled PET for food use and recycled polymers for cosmetics and food) and expand its presence in new markets, also with the aim of promoting increasingly circular and short supply chains. In addition to the rigid plastics recovery plant in Modena, mainly dedicated to the consumer electronics industry, in the innovative plant under construction in Imola, near Bologna, carbon fibre composite materials will be regenerated, with positive spin-offs in terms of sustainability for the automotive, marine and aerospace sectors.

Lastly, our Group will continue to pursue M&As in the waste management sector as well, aimed at optimising our market presence and set of plants.

	2022	E2027	Change	Cagr %
<b>Operating-financial targets</b>				
Ebitda (mn€)	1,295	1,650	+355	+5%
Ebit (mn€)	628	855	+227	+6%
Earnings per share (c€)	22	31	+9	+7%
Dividend per share (c€)	12.5	16.0	+3.5	+5%
Net debt / Ebitda (x)	3.3x	2.7x	(0.6x)	(4%)
ROI (%)	7.9%	9.5%	+1.6 p.p.	

<b>Ebitda targeted by business (mn€)</b>	2022	E2027	Change	Cagr %
Networks	469	582	+112	+4%
Energy	463	571	+109	+4%
Waste	338	464	+126	+7%
Other services	25	32	+8	+5%

<b>Creating shared value targets</b>	2022	E2027	Change	Cagr %
CSV Ebitda (mn€)	670	1,049	+379	+9%
CSV Ebitda out of Group Ebitda (%)	52%	64%	+12 p.p.	

<b>Investment plan (bn€)</b>	Total 2023-2027
Total	4.4
of which:	
Maintenance	2.3
Development	1.8
M&A	0.3

<b>Sustainable investments (%)</b>	Total 2023-2027
CSV investments	73%
EU Taxonomy-aligned investments (out of eligible)	98%
Investments in resilience	40%
Investments in innovation and digitisation	>30%