

press release

Bologna, 23 January 2025

## **Hera Group presents Business Plan to 2028**

*Development, resilience and creating value shared with all stakeholders confirmed as the strategic pillars of the new business plan, which allocates more than 5 billion euro in investments to accelerate the achievement of ecological transition targets and further increase the resilience of networks and plants. The preliminary results for 2024, rising once again while maintaining financial leverage stable, indicate solid organic growth*

### **BUSINESS PLAN TO 2028, OPERATING AND FINANCIAL HIGHLIGHTS**

- Five-year gross investments at 5.1 billion euro
- Return on net invested capital at 9.5%
- Structural growth in Ebitda reaching 1.7 billion euro
- EPS to rise by approximately 6% CAGR
- Dividends up 21% (rising to 17 cents per share) and average annual yield at roughly 5%
- Average annual total shareholder return (TSR) at 11%.
- Net debt/Ebitda stably below 3x over the period covered by the plan and projected at 2.8x in 2028

### **BUSINESS AND SUSTAINABILITY HIGHLIGHTS**

- A portfolio balanced between regulated and free-market activities maintained, generating resilient results and capable of grasping emerging opportunities
- 2.6 billion euro in investments aligned with the European Taxonomy for Sustainable Investments (96% of eligible investments)
- Shared-value investments amounting to 77% over the entire five-year Plan
- 45% increase in shared-value (CSV) Ebitda over the period covered by the Plan, reaching 66% of total Ebitda in 2028
- Commitment to reduce total CO<sub>2</sub> emissions by 37% within 2030 and Net Zero by 2050 confirmed
- 25% of total investments will contribute to digitisation and innovation, 47% to increasing the resilience of infrastructures to climate change and 60% to the ecological transition
- 10.8 billion euro in economic value distributed over the 2024-2028 five-year period to stakeholders in the areas in which the Group operates

### **2024 PRELIMINARY RESULTS, HIGHLIGHTS**

- Ebitda exceeds 1.55 billion euro (+4% vs 2023)
- Net debt/Ebitda ratio below 2.6x (stable compared to 2023)
- Dividends forecast at 15 eurocents (+7.1% vs 2023), higher than expected in the previous Plan

The Hera Group's Board of Directors, chaired by Executive Chairman Cristian Fabbri, reviewed the preliminary results for 2024 results and approved the Business Plan to 2028.

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

*"A 5.1-billion-euro investment plan, rising by 46% compared to the previous five-year period and supporting sustainable industrial development that increases the resilience of our infrastructures, will allow us to target a 2028 Ebitda coming to 1.7 billion euro, supported by visible growth, both internal and external. This growth fully meets the objective of creating shared value for all stakeholders: profits will indeed increase by 30% (from 2023 to 2028), as will the contribution coming from sustainable activities to Group Ebitda, reaching 66%. The improvement in the objectives of the new Business Plan, along with the positive forecasted for 2024, allow us to revise our dividend policy upwards, proposing a 7% increase, compared to 2024, as early as 2025, reaching 21% by 2028. The economic value distributed over the 5 years covered by the Plan to stakeholders in the areas in which we operate also grows, to almost 11 billion euro."*

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

*"For 2024, we expect to close with Ebitda over 1.55 billion euro, a result supported by all businesses in our portfolio, especially structural activities. This is even more significant when compared to the already outstanding 2023, which was affected by several non-recurring revenue opportunities, above all in the energy sector. This performance allowed us to fund an increase in investments and to further improve our financial solidity, with a net debt/Ebitda ratio below 2.6x, stable compared to the previous year. These good results are perfectly consistent with the new Business Plan, which forecasts 5.1 billion euro in gross investments, of which roughly 3 billion euro will be dedicated to the green transition in the areas served. The significant financial commitment required to support the investment plan, benefitting industrial development, will in any case be financed by a strong cash generation, which will also make it possible to keep financial leverage below the prudential level of 3x through to 2028, confirming our financial solidity and creating further flexibility to seize future opportunities."*

**2024 PRELIMINARY RESULTS**

The year that just ended saw a positive performance of the industrial margins of all businesses in the portfolio, with Ebitda expected to exceed 1,550 million euro, as against 1,495 million euro in 2023. The "structural" growth observed in the preliminary results, mainly supported by factors involved in organic growth, is even more significant when compared to 2023 Ebitda adjusted for non-recurring contributions, totalling roughly 100 million euro, at 1,395 million euro.

A robust cash generation, also supported by efficient working capital management, allowed the net debt/Ebitda ratio to remain below 2.6x, in line with the 2023 result.

Considering these figures, the dividend policy was revised upwards: the Board of Directors is expected to propose a dividend payment of 15 eurocents per share, up 7.1% with respect to the 2023 coupon paid in 2024, to be compared with the 3.5% growth forecast in the previous Business Plan (14.5 eurocents).

**BUSINESS PLAN TO 2028**

The new Plan's strategic framework confirms creating sustainable value benefiting all stakeholders thanks to a balanced business portfolio as the Hera Group's goal, developing resilient industrial assets even in a scenario marked by continuous volatility and an increasing frequency of extreme weather events linked to climate change.

**Creating value: a target of 1.7 billion euro for 2028 Ebitda, with a 30% rise in profits**

The Group's strategy focuses on creating value through four main growth levers: an efficient allocation of capital to investment projects with the best sustainability-risk-return profiles, expansion of market shares, an enlarged scope of operations thanks to M&A transactions and efficiency gains in both operating and financial

costs. The plan aims to generate value benefiting all stakeholders, through financial, environmental and social sustainability objectives.

The plan envisages a structural growth of Ebitda by 475 million Euro to 2028 with a CAGR of +7% exactly reflecting the targets set out in the previous Business Plan. This structural growth will more than compensate the eventual shortfall during the period covered by the Plan of some temporary business opportunities of the amount of 170 million euro and drive in any case Group Ebitda to 1,700 million euro in 2028, up from the previous target of the Plan to 2027.

Organic growth, accounting for 375 million euro of the Ebitda generated over the period covered by the Plan, is the main lever and will be fuelled by the investment plan for development, expansion in volumes and customers in liberalised markets, and the efficiencies and tariff adjustments set by the Authority on all regulated activities.

The Plan also foresees a contribution from M&A transactions for about 100 million euro of Ebitda, in line with the Group's track record in the consolidation activity on the Italian highly fragmented markets, that has underpinned the Group expansion in core business exploiting significant synergies creating value. The framework agreement signed with Modena-based AIMAG, in which Hera has been a shareholder since 2009, with a 25% stake, strengthens the industrial partnership between the two parties and provides, as early as today, high visibility on M&A targets of the business plan to 2028. Indeed, the Business Plan drawn up by AIMAG expects to improve Ebitda to 77 million euro by 2028, without considering the synergies with Hera (for more details, see the recently published dedicated press release).

The business plan highlights the strategy to further strengthen all three of the Group's core businesses, maintaining their balance, applying the management policies that have guaranteed so far a strong resilience in results and uninterrupted growth within all scenarios experienced over the past two decades. This structure will see regulated activities remaining at over 60% of the invested capital in 2028 and liberalised activities accounting for the remaining 40% of the portfolio.

The growth targets defined lead to a return on invested capital (ROI) of 9.5% to 2028, in line with the previous Business Plan.

Earnings per share are expected to rise by an average of about 6% per year, thus supporting the increase in dividends, set to reach 17 eurocents by 2028 (+21% compared to the last dividend paid). At current Hera share prices, the dividend policy guarantees an average yield of approximately 5% and offers full visibility on the prospective dividends in each year of the Plan.

The total shareholders return, which takes into account both the trend in expected profits and the dividend yield, is therefore confirmed at an average annual rate of about 11%.

### **Focus on the sustainable development of the entire regional ecosystem, with steady growth in shared-value Ebitda, at over 1.1 billion euro in 2028 (66% of total Ebitda)**

The Hera Group has included initiatives in its Plan that have adequate profitability and are consistent with operating-financial balance, which at the same time guarantee that sustainable value creation is enhanced.

By maintaining a focus on decarbonisation, circular economy, resilience and innovation, "shared-value Ebitda" is expected to increase significantly, exceeding 1,100 million euro in 2028, as against 776 million euro in 2023, reaching 66% of the Group's total Ebitda and respecting the target of 70% in 2030. In the 2024-2028 five-year period, shared-value Ebitda will increase by 45%, reflecting the growing weight of initiatives that not only generate margins for the company, but are also in line with the goals on the UN Agenda.

On the path towards a "just transition", with a large number of initiatives aimed at the prosperity of its reference communities and a strong focus on social equity, Hera will continue to generate positive effects for all stakeholders, with an estimated economic value distributed over the five years covered by the Plan coming to 10.8 billion euro and investments dedicated to the green transition amounting to roughly 3 billion euro.

Ongoing interventions are aimed, on the one hand, at making the Group's assets and processes more resilient to increasingly frequent and intense exogenous phenomena and, on the other, at contributing to carbon neutrality and the energy transition. With regard to the Hera Group's commitment to work towards decarbonisation, in line with the 37% emission reduction targets by 2030 (compared to 2019) validated by the prestigious international network Science Based Targets initiative (SBTi), in its Climate Transition Plan the Group has set itself the goal of achieving Net Zero emissions by 2050.

As regards the regeneration of resources, the Hera Group confirms its adoption of circular business models, with the goals of increasing recoverable wastewater (up to 14.4% of total wastewater in 2028), reducing internal water consumption (-24% in 2028) and increasing recycled plastics by 165% in 2028 (compared to 2017, thus exceeding the previous target 2030 of +150%). Sorted waste collection is expected to increase in both quality and quantity, going from 72.2% in 2023 to 77.7% in 2028.

Lastly, the application of technologies and innovations to the Group's industrial activities also plays an essential role in the new strategic document: creating new business models and introducing pioneering solutions will, in fact, enable the Group to gain a competitive advantage and promote continuous improvement in efficiency and quality in its target sectors.

### **Gross investments at over 5 billion euro, with financial leverage remaining below 3x**

Over the 2024-2028 period, the Business Plan calls for total investments amounting to 5.1 billion euro. This financial commitment is 6% higher than the one included in the previous strategic document and 46% higher than the investments made over the last five years. Indeed, in addition to the 4.6 billion euro of investments directly financed by the Hera Group, almost 500 million in resources will come from the PNRR and other institutions.

Of these investments, 61% will be earmarked for regulated businesses, while the remaining 39% will go towards fuelling the growth of free-market businesses. More than half of the investments (2.5 billion euro, or 54%) will be dedicated to networks. Furthermore, approximately 8% of the resources will be used to seize external growth opportunities.

In line with the content of the European framework, the Group estimates that operating investments coming to 2.6 billion euro (or 96% of eligible investments) will be aligned with the European Taxonomy for sustainable projects, thus fully accessing subsidised sustainable finance instruments, with benefits also in terms of financial costs. 77% of the investment plan (or 4 billion euro) will go towards initiatives capable of creating "shared-value Ebitda".

These investments will be allocated as follows:

- 2 billion euro, or 39% of the planned investments, will help reduce the consumption of natural resources through the development and adoption of circular economy solutions and models;
- 1.1 billion, or 22% of the resources allocated in the Plan, will reduce or contain climate-changing emissions mainly through the development of renewable plants, energy efficiency initiatives and projects supporting the transition of our stakeholders;
- 2.4 billion euro, or 47% of total investments, will be dedicated to increasing the resilience of the assets under management and activities intended to face increasingly frequent and intense exogenous phenomena;
- 1.3 billion, or 25% of the investments, will go towards applying and developing pioneering technologies and introducing innovative solutions to achieve a competitive advantage in all industrial sectors covered, helping to seize market opportunities and ensure financial sustainability, efficiency and quality.

The major financial commitment required to support the investment plan, benefiting industrial development and expanding the scope of operations with external growth transactions, will in any case be fully financed by a significant cashflow, which will also allow financial leverage to be kept below the prudential level of 3x, with

a target of 2.8x by 2028, confirming the Group's financial solidity and creating further flexibility that can be used to seize additional growth opportunities on the Italian attractive reference markets.

**Energy: a partner for the energy transition of our customers; target of 4.5 million customers by 2028**

Ebitda for the energy area is expected to increase from 549 million euro in 2023 (calculated net of a non-recurring contribution amounting to 100 million euro, mainly due to the "super-ecobonus") to 576 million euro in 2028. This target is based on structural growth coming to 177 million euro, which is able to more than offset the hypothesis of decreased margins for "last resort markets" clients, envisage a further growth in Ebitda results even compared to the extraordinary values of 2023.

This result will be achieved thanks to the normalization of the "shaping costs" incurred in 2023, the expansion of the customer base, and an increase in renewable energy production, which confirms the Hera Group's role as a partner in the energy transition of the communities served.

To support the strategy in the energy sector, 1 billion euro in overall investments has been earmarked for the 2024-2028 five-year period, equivalent to 21% of the total investments included in the Plan.

The Group, which is now Italy's third largest operator by number of customers, intends to continue developing its customer base, starting from 3.8 million in 2023 and reaching 4.5 million by 2028, with a substantial growth in electricity customers, which will reach 2.4 million, surpassing the number of gas customers, partially thanks to the significant contribution coming from the 7 lots awarded in the Gradual protection service tender in 2024. In a market scenario that sees customers increasingly attentive to environmental sustainability and containing their energy costs, a more consistent demand for decarbonisation solutions has emerged for both retail customers and companies and public administrations, increasing development opportunities for the Group's ESCOs through integration and differentiation of the offer by segment, from energy requalification and efficiency interventions to services for sustainable mobility, public lighting and smart cities for public administrations, as well as integrated services for industrial customers and condominiums.

In order to achieve its ambitious decarbonisation targets, in the area of photovoltaic power generation, the Hera Group has confirmed its goal of installing over 300 MW by 2028, with preference going to plant solutions at consumption centres that do not involve further land consumption, such as agrivoltaic plants and the numerous projects being implemented on landfills or plants in the Group's water cycle, as well as installations at customers' premises, including Renewable Energy Communities.

The construction of the two Hydrogen Valleys in Modena and Trieste continues, aimed at producing about 800 tonnes per year of green hydrogen, contributing to the decarbonisation of companies and, more generally, the local areas in question, and at the same time redeveloping disused areas.

**Waste management: leadership strengthened by expanding market share through commercial development, infrastructure development and M&As**

Ebitda for the waste management area is expected to rise from 353 million euro in 2023 to 470 million euro in 2028, thanks to development fuelled by both organic and external growth.

The increase in profits will be driven by an expanded market share, supported by the development and diversification of the asset platform, partially thanks to an investment plan allocating approximately 1.1 billion euro to the waste management area. Thanks to more than 100 state-of-the-art plants (with 5 new facilities in the pipeline to 2028) and new partnerships, the multi-utility expects to reach a total of approximately 9.6 million tonnes disposed of and marketed by 2028, compared to 7.7 million tonnes in 2023 (+24% of waste treated).

In the urban waste sector, also as a result of the recently renewed long-term concessions, the Group's aim is to make this service to local areas more complete and efficient through innovation, new devices and infrastructures, and the involvement of citizens and stakeholders.

The validity of the Group's strategy in this area is confirmed by the fact that, at present, it has already achieved targets for the recycling rate and the portion of waste sent to landfills, well ahead of the EU deadlines, and will



continue to pursue these excellent results in the period covered by the Plan. More specifically, by 2028 municipal waste conferred to landfills will be less than 3%, as against the European target set at 10%, the recycling rate will come to 64%, compared to the EU target of 60% by 2030, and the packaging recycling rate will reach 68%, compared to the EU target of 70% by 2030.

In the area of waste treatment, in a country severely impacted by a shortage of plants, the Hera Group has managed over time to consolidate the largest and most modern set of plants in Italy, establishing itself as the main operator in this sector, with a market share of around 10% and ample room for further growth given the fragmented nature of the competition, which mainly consists of small, non-integrated operators. In this context, precisely by leveraging the competitive advantages it has built up over time, the Group's new Business Plan points towards a strengthened leadership and an expanded market share, accompanying the needs of an increasingly diversified and qualified customer base (first and foremost, large companies). To this end, the Plan foresees an expansion of the Group's set of plants, further development in its commercial offers and an expanded customer base, partially achieved by leveraging its activities abroad.

The set of plants, which already treats municipal waste and special waste from the Italian production network, will be expanded, for example, with the construction of the new line of the waste-to-energy plant in Padua, full operations of the F3 plant in Ravenna, and the expansion of liquid waste treatment capacity.

As regards commercial development, note the opportunities for important partnerships with leading operators in the national and international production sector, such as the recent newco CircularYard established with Fincantieri. Opportunities for collaboration will also drive development in the remediation field, in this case with entities in the petrochemical industry, in which the Hera Group has significantly strengthened its market leadership with the integration of the Modena-based ACR: this business segment shows a lively demand, supported by the PNRR and the country's need to remediate over 13 thousand sites.

Resource recovery and regeneration activities complement those involving treatment, and firstly concern plastics, in which the Group stands out for the high quality of its secondary raw material products. The increasing European legislation (SUP and PPWR) will determine a progressive growth in demand, for which the Plan calls for a doubling of the plants in Novara for the regeneration of PE and PET as well as innovative projects, such as the plant for carbon fibre recovery in Imola, which will be inaugurated soon, and the one for the regeneration of high-quality rigid plastics under construction in Modena.

### **Networks: primary role as infrastructure operator confirmed by a robust investment plan and excellent performances**

Ebitda for the network sector is expected to grow by 155 million euro, going from 466 million euro in 2023 to 621 million euro in 2028.

The regulated networks business, which represents the Hera Group's main asset in terms of invested capital, will benefit from a substantial investment plan amounting to approximately 2.5 billion euro (54% of total investments) by 2028, in order to further enhance the resilience and digitalisation of infrastructures, consolidate efficiency in operations and maintain leadership in terms of the quality of service provided. Of these resources, about 1.4 billion euro will be allocated to the integrated water cycle, while almost 1 billion euro will be invested in gas and electricity distribution.

The strategic initiatives of the Group, Italy's second-largest operator in the water cycle, include works to guarantee stability and security of supply, technological solutions to reduce losses and ensure more efficient distribution, the upgrading of sewage systems, and the promotion of reuse and regeneration of this resource to support the sector's ecological transition. This includes collection, storage and interconnection works, the project for the Trieste aqueduct, water management initiatives with the completion of the installation of smart meters to encourage more efficient and aware consumption, the districtisation and reclamation of the aqueduct network and the use of predictive maintenance to reduce losses, ongoing work on the Rimini Seawater Protection Plan (the largest sewage reclamation project ever carried out in Italy, with 270 million investments

in total from 2013 to 2028), and the new biodryers in the Cà Nordio plant in Padua for greater energy savings in sewage sludge treatment.

To enable the electrification of local areas, instead, the Group plans to upgrade the grid, thus ensuring reliability and flexibility of assets as well as service quality and continuity, including the support of digital technologies and innovative initiatives such as the deployment of 2G smart metering and new management technology models with a predictive capacity. The goal for 2028 is to increase the grid's hosting capacity by 30% compared to 2023, to reach over 400 MW in 2028, partially thanks to initiatives such as the development of primary and secondary substations. Projects for smart grids, such as the one serving the port and metropolitan area of Trieste, also move in this direction.

To promote the decarbonisation of the gas sector, Hera will focus on enabling networks to transport green molecules as well, as in the experimentation currently underway in the municipal distribution network of Castelfranco Emilia, near Modena. At the same time, the Group's attention will also go to innovative solutions. Among these, the Bologna power-to-gas plant, connected to one of the main water cycle purifiers, will make it possible to use purified water to produce first renewable hydrogen and then biomethane, using waste oxygen for purification processes. The drive towards innovation will also come from the installation by 2028 of around 523 thousand NexMeter gas smart meters, patented by Hera in 2019, with advanced safety functions in the event of leaks or earthquakes and which can also be used for blends with green gas. These will be accompanied by around 465 thousand second-generation (2G) electricity meters, which will enable more precise measurement of consumption, and over 640 thousand smart meters for the water cycle.

Lastly, among the assets enabling the energy transition of the areas served, the Group has included in its strategy additional development of district heating. The overall cumulative net investments in district heating amount to 124 million euro, accompanied by 49.5 million euro in PNRR/MASE contributions, for a total of approximately 174 million euro, to develop and adapt the distribution network and optimise management, making the systems more efficient and reducing the carbon footprint of the heat produced. These projects for developing district heating systems in Bologna, Ferrara and Forlì are a concrete example of the Group's commitment to decarbonising the areas served and will contribute to a reduction in annual emissions coming to 19,000 tonnes of carbon dioxide compared to 2023.

	2023	E2028	Change	CAGR %
<b>Operating-financial targets</b>				
Ebitda (mn€)	1,495	1,700	+205	+3%
Ebit (mn€)	741	911	+170	+4%
Earnings per share (c€)	26	34	+8	+6%
Dividend per share (c€)	14,0	17,0	+3	+4%
Net debt / Ebitda (x)	2.56x	2.79x	0.2x	+2%
ROI (%)	9.8%	9.5%	(0.3 p.p.)	

<b>Ebitda targeted by supply chain (mn€)</b>	2023	E2028	Change	CAGR %
Networks	466	621	+155	+6%
Energy*	549*	576	+27	+1%
Waste management	353	470	+117	+6%
Other services	27	34	+7	+5%
One off	100		(100)	
Total	1,495	1,700		

\*2023 figure net of 100-million-euro super-ecobonus effect

<b>Creating shared value targets</b>	2023	E2028	Change	CAGR %
CSV Ebitda (mn€)	776	1,124	+348	+8%
CSV Ebitda out of Group Ebitda (%)	52%	66%	+14 p.p.	

<b>Investment Plan (bn€)</b>	<b>Total 2024-2028</b>
Total	4.6
of which:	
Maintenance	2.2
Development	2.4
- of which M&A	0.3

<b>Sustainable investments (%)</b>	<b>Total 2024-2028</b>
CSV investments	77%
EU Taxonomy-aligned investments (out of eligible)	96%
Investments in resilience	47%
Investment in innovation and digitisation	25%