

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets ▼

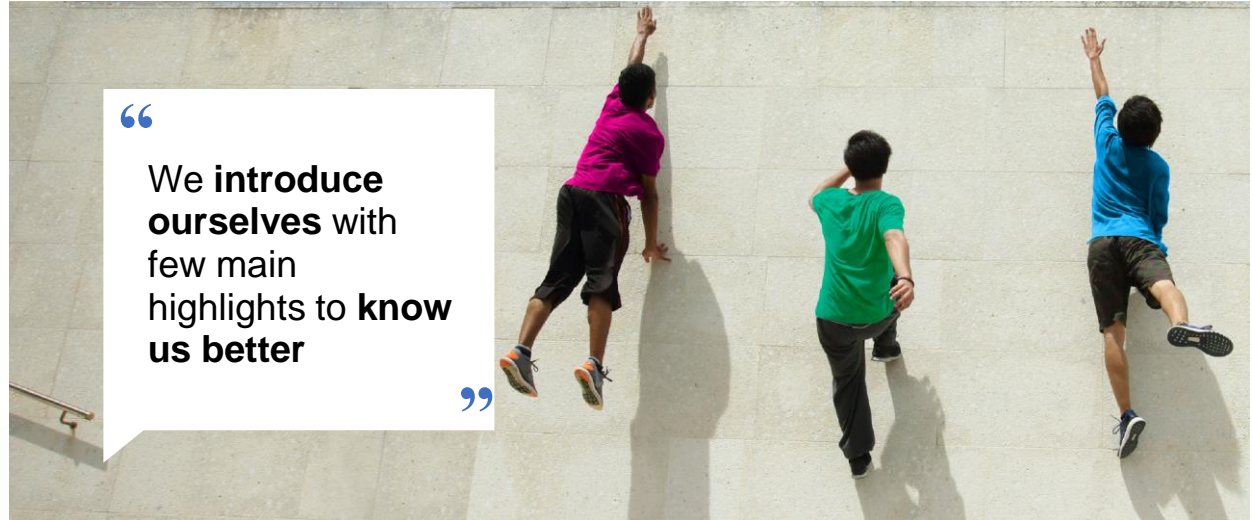
Business Plan to '26 ▼

Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

## HERA «in a snapshot»



“

We introduce  
ourselves with  
few main  
highlights to know  
us better

”

*Surf directly to the items  
of your interest*

## INVESTMENT CASE

What is key

x

### Multi-utility business

41% regulated business

59% liberalised business

Growth story

Reliable Dividend flow

Low risk exposure

Strong cash generation

Sound balance sheet

Outperform BP execution

Stable shareholding

Stable governance

Sustainability profile

Value creation

Valuation

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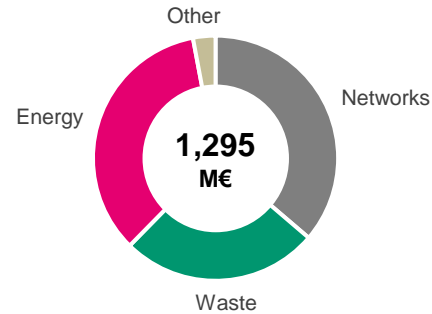
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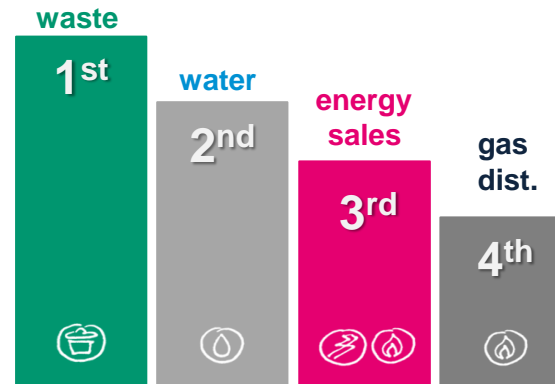
## MULTI-UTILITY BUSINESS

### Ebitda Y2022

(M€)



### National ranking



- In Italy **the services** of Water, Waste collection&treatment, gas distribution & supply and electricity distribution & supply **are often** managed at a local level by **“municipal” companies** (owned by local public entities).
- Italian **government** has **estimated** a number of local multi-utilities **above 1,500** units (Cottarelli report).
- In order to **overcome** the **fragmentation** of the market in small medium sized **inefficient** companies, the Government introduced in 2002 **incentives for consolidation**.
- **Hera** was established in 2002 with the **merger of 11 multi-utilities municipal companies** on the back of these incentives and has expanded since then organically and through further ~50 M&A.
- Even today, market fragmentation is high, offering **plenty of M&A opportunities**

**Large player in a fragmented industry**

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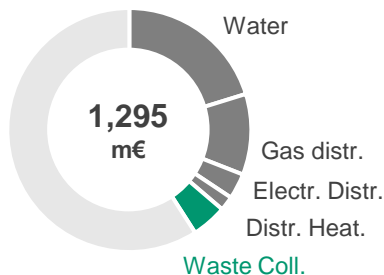
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## 41% REGULATED BUSINESS

**Ebitda Y2022**

(M€)



**Networks include:**

- Water
- Gas distribution
- Electricity distribution

**Waste collection:**

- Collection activities of residential waste ("urban waste") and street cleaning

Value drivers	Water	Gas distr.	Electr. distr.	Waste coll.
RAB (b€)	1.74	1.07	0.38	0.3
Return (real pre-tax)	4.8%	5.6%	5.2%	5.6%
Concession length	~2028	-	2030	~2028
Tenders	-	Ongoing	-	Ongoing
Independent Authority (national)	ARERA	ARERA	ARERA	ARERA

**60% of invested capital** relates to **regulated** activities

**Protected** returns from:



Inflation



Interest rates



Spread



Demand cyclicality

**Fully protected return**

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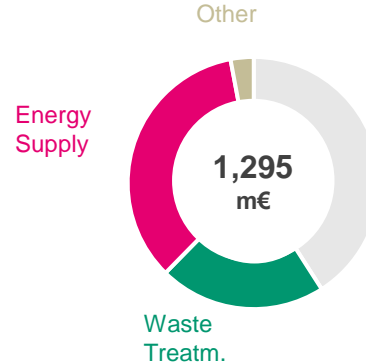
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## 59% LIBERALISED BUSINESS

**Ebitda Y2022**

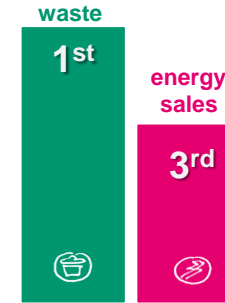
(M€)



### Waste treatment:

- **Largest asset base** in Italy, Hera is benefitting from the Italian infrastructural gap vs all main EU countries
- **Fast growing treatment prices** in last 5 years (still ongoing) due to a infrastructural gap

### National ranking



### Energy supply:

- **Customer base** of 3.5 mln clients
- **Fastest growing** customer base (last 5 years)
- **Lower churn rate** vs Italy (2021)
- No exposure to **energy price** fluctuation (negligible power generation, procurement and supply contracts **100% hedged**)

**Strong competitive advantages**

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- 59% liberalised business

### Growth story

- Reliable Dividend flow
- Low risk exposure
- Strong cash generation
- Sound balance sheet
- Outperform BP execution
- Stable shareholding
- Stable governance
- Sustainability profile
- Value creation
- Valuation

### History ▼

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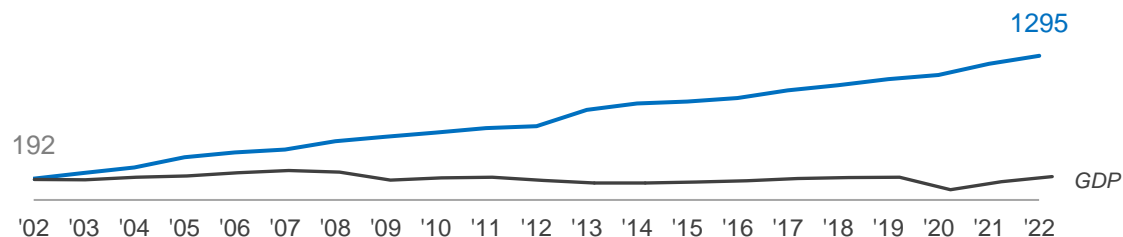
### Sustainability ▼

### Valuation & "ESG" Ratings ▼

## GROWTH STORY

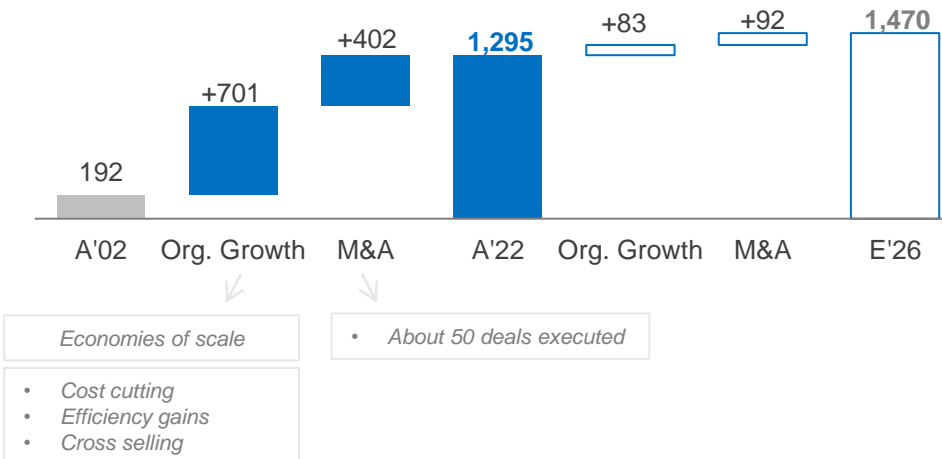
### Resilient and un-interrupted growth

(Ebitda M€, cumulated GDP growth rate %)



### Growth drivers

(M€)



**Further growth ahead**

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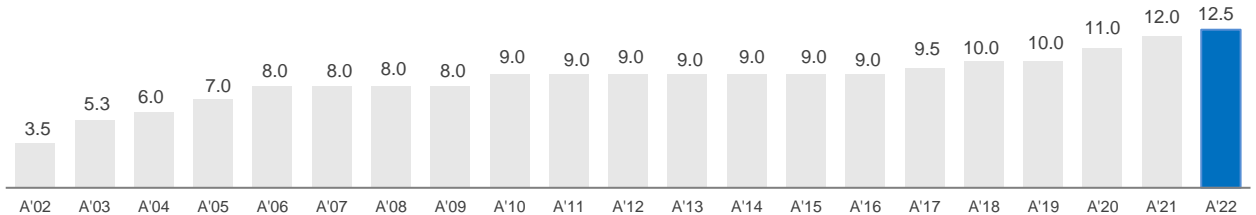
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## RELIABLE DIVIDEND FLOW

**DPS**  
(c€)



- One of the few European stocks that has **always paid a stable/growing** dividend
- As a consequence, Hera is included in the **SPDR S&P Euro Dividend Aristocrats Ucits Etf.**

Total Shareholder's Return since IPO

**+235%**

- **TSR signed a CAGR of +7% while EPS a CAGR of +9%** (since IPO)

**Pursuing a visible shareholders' remuneration & transferring earning growth to stock value**

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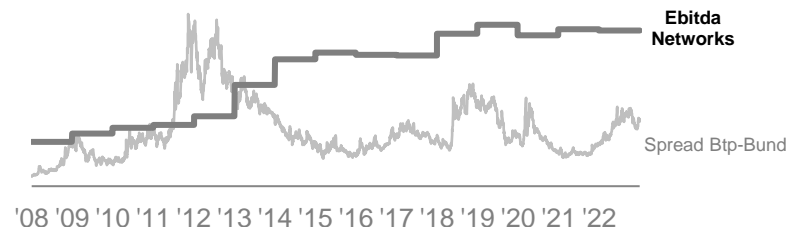
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## LOW RISK EXPOSURE

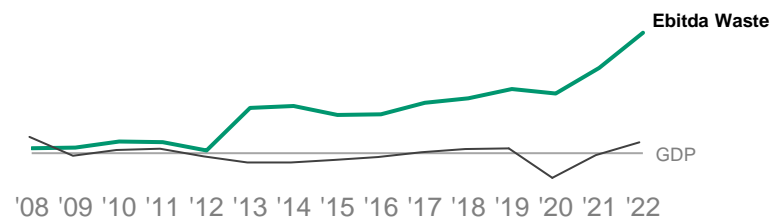
### Networks

- RAB inflated
- Neutral to spread
- Neutral to demand cyclical



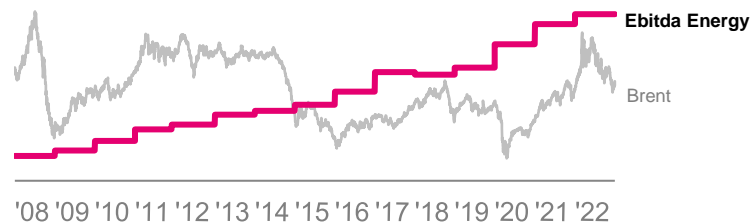
### Waste

- Low competition (treatment plant scarcity in Italy)
- GDP affects primarily waste exported and only subsequently the domestic treatments of waste



### Energy

- Negligible power generation
- Procurement / supply contracts are matched to fully hedge commodity prices fluctuation



**Negligible exposure to macro variables in all activities**

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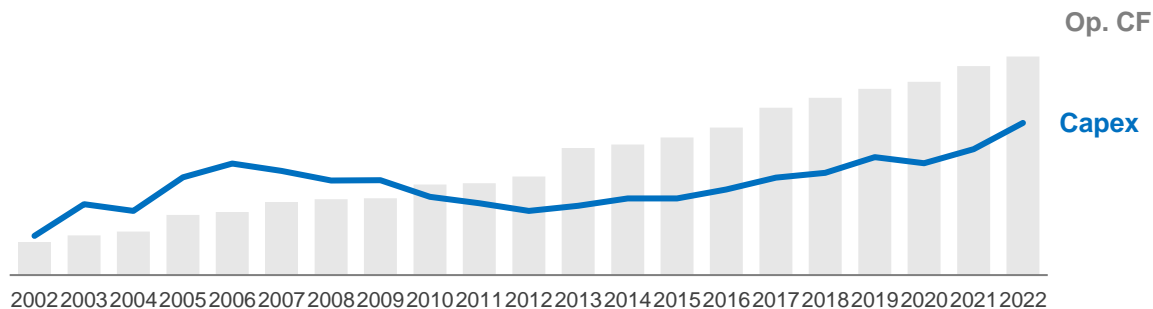
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## STRONG CASH GENERATION

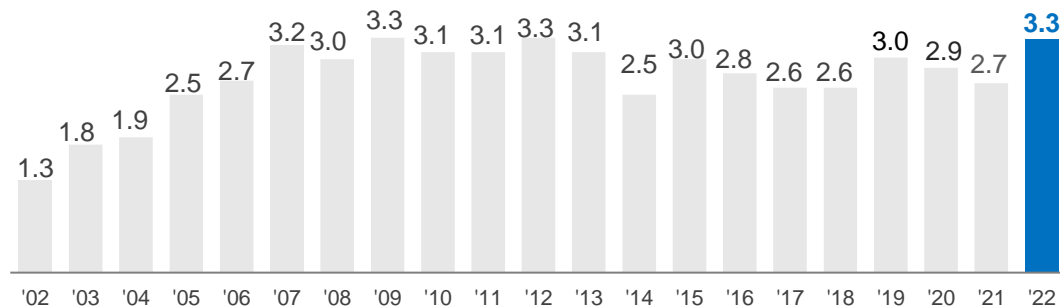
### Cash flows resilient and un-interrupted growth

(Net profit+Depreciations, Capex)



### Debt/Ebitda

(x)



**Growing cash flows & sound balance sheet**



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## SOUND BALANCE SHEET

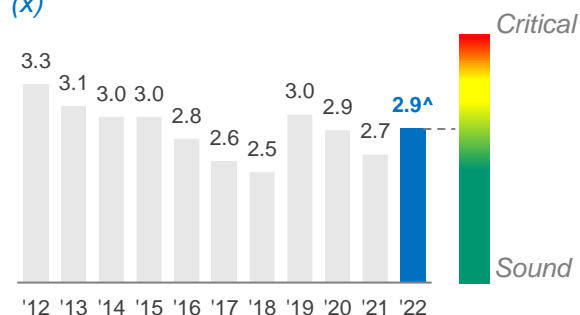
### Net Invested Capital

**60%**

in regulated asset base

### Leverage

(x)



### Financial Debt

Duration

**5.5 years**

Fixed rate

**73%**

Floated bond

**27%**

### Ratings

**STANDARD  
& POOR'S**

**BBB+/A-2**

Stable outlook

**MOODY'S**

**Baa2**

Negative outlook

**Better credit standing than Italy**

<sup>^</sup>Excluding gas storage

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## OUTPERFORM BP EXECUTION

### 5Y Business plan targets

#### Ebitda Target

BP 2013-2017: 950 m€

BP 2014-2018: 1,020 m€

BP 2015-2019: 1,030 m€

BP 2016-2020: 1,080 m€

BP 2017-2021: 1,135 m€

BP 2017-2021: 1,185 m€

#### Debt/Ebitda Target

BP 2013-2017: 2.9x

BP 2014-2018: 2.8x

BP 2015-2019: 2.9x

BP 2016-2020: 2.8x

BP 2017-2021: 2.9x

BP 2017-2021: 2.9x

### Achievements

#### Actual performance

**985 m€** *Outperform*

**1,031 m€** *Outperform*

**1,085 m€** *Outperform*

**1,123 m€** *Outperform*

**1,224 m€** *Outperform*

**1,295 m€** *Outperform*

#### Actual performance

**2.6x** *Outperform*

**2.5x** *Outperform*

**2.5x\*** *Outperform*

**2.4x\*** *Outperform*

**2.7x** *Outperform*

**2.9x^** *Outperform*

## Reliable plan execution

\*At homogeneous perimeter (before Ascopiave deal incurred at 2019 end.)

^Excluding gas storage

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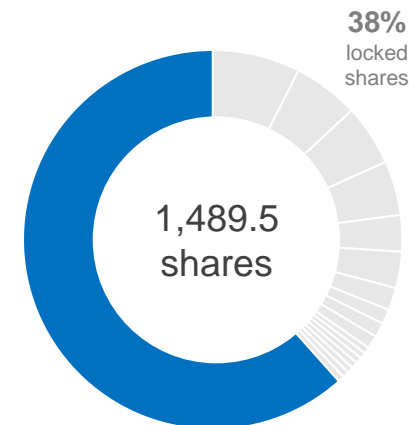
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## STABLE SHAREHOLDING

- **Largest shareholder** holds < than 10% stake
- **High diversification among public entities** (111 Municipalities have locked in a pact 38% of share capital)
- **Large presence of institutional shareholders** from EU, US, UK and Australia
- Enclosed into **FTSEMIB index** since 18<sup>th</sup> March 2019



**4.4 b€** Market Cap



**A public company shareholding**

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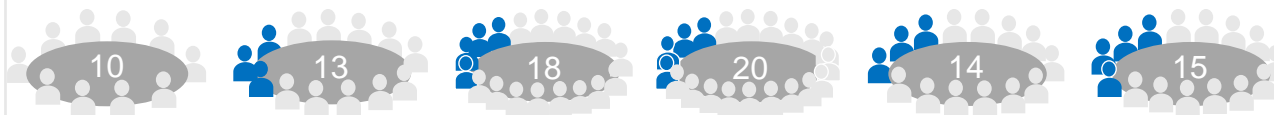
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## STABLE GOVERNANCE

### Board of Directors

(n° of BdD members)

 Elected by  
Public shareholders  
 Elected by  
Minority shareholders



**2002**  
*Hera's  
establishment*

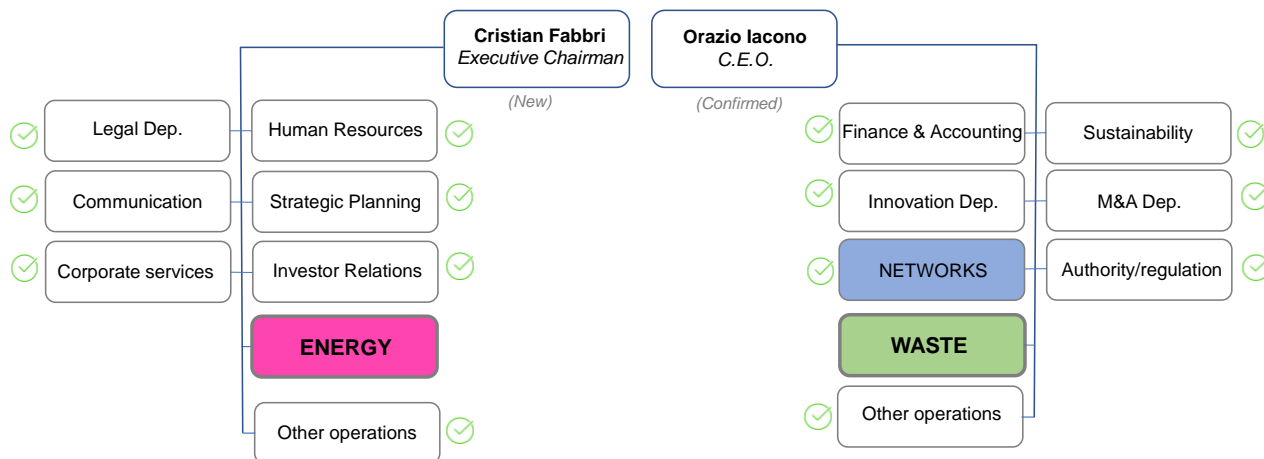
**2003**  
*Hera's  
listing*

**2004-2005**  
*Agea-Meta  
mergers*

**2013**  
*Acegas Aps  
merger*

**2014**  
*Amga Udine  
merger*

**Today**



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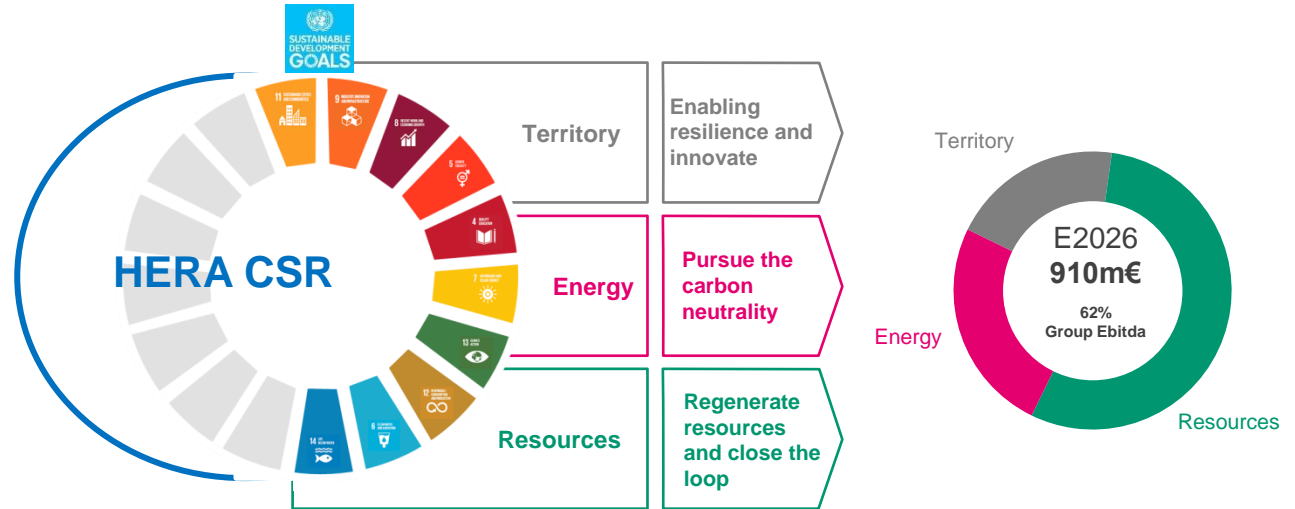
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## SUSTAINABILITY PROFILE



Member of  
**Dow Jones  
Sustainability Indices**  
Powered by the S&P Global CSA

**Best multi and water utility worldwide  
according to S&P Global**



**TOP 100 COMPANY 2019**  
Diversity and Inclusion Index



**62% of Ebitda by 2026 is CSV**

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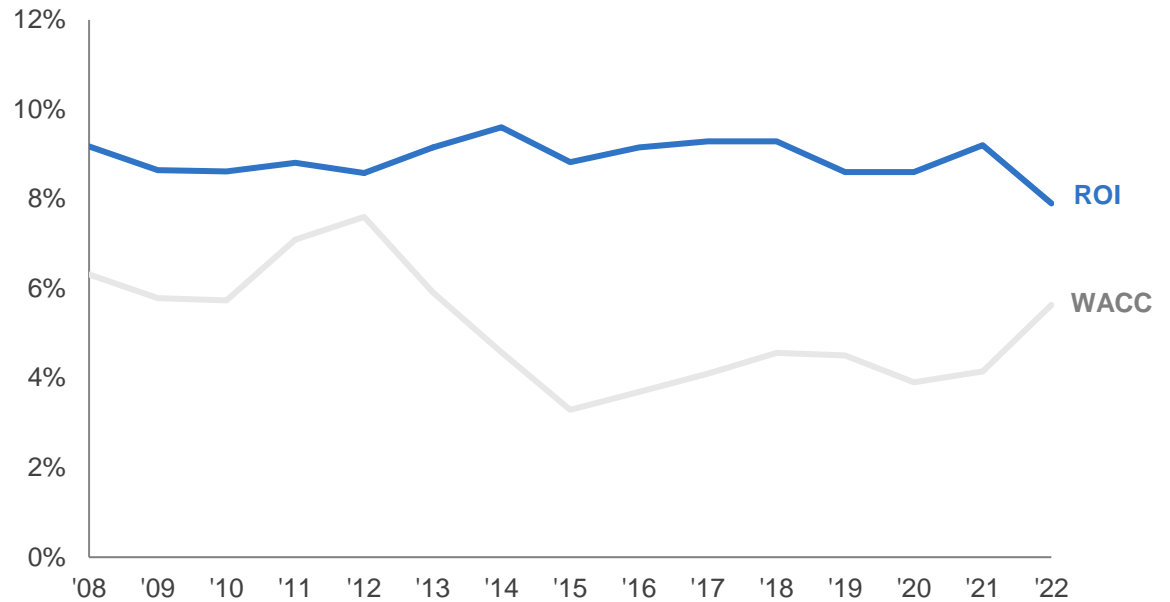
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## VALUE CREATION

### Value creation

(ROI% vs WACC%)



**Enhanced value creation**

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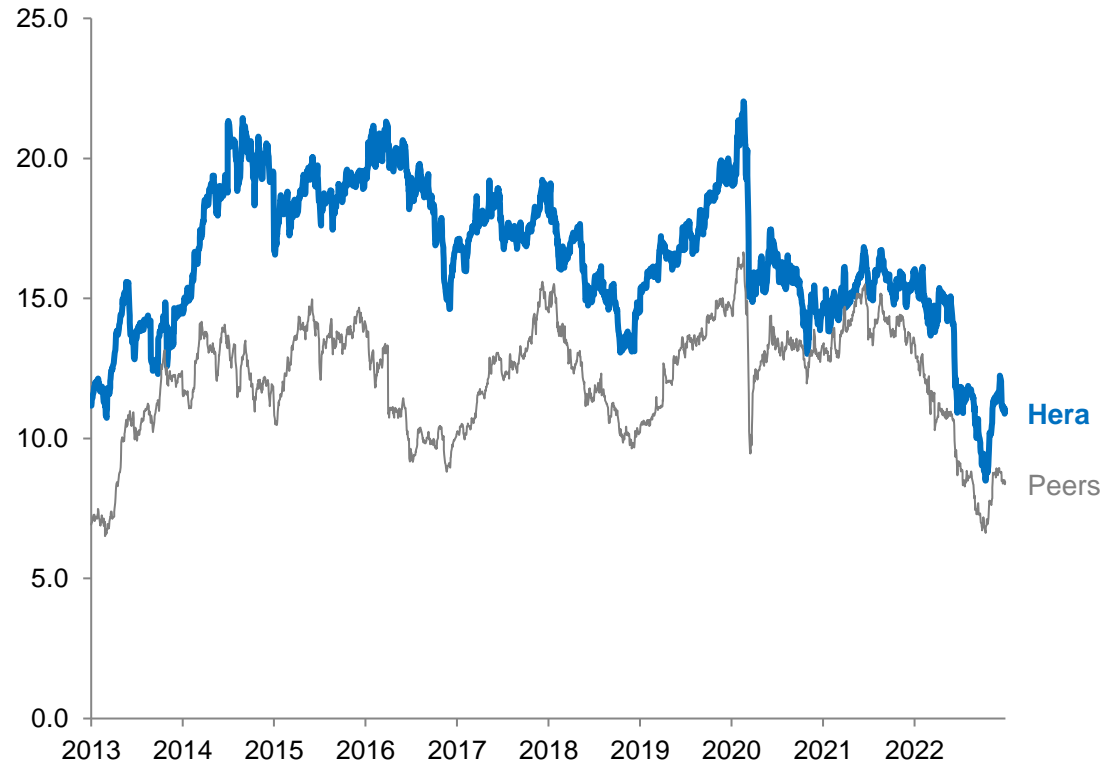
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## VALUATION

### Market P/E multiples

(x)



**Constant premium vs peers**

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Growth drivers

Organic growth

Cost cutting

Efficiency gains

Top line growth

Mergers

Acquisitions

M&A multiples

M&A potentials

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## HISTORY IN A NUTSHELL

- **Hera** is the outcome of the **largest merger** incurred in the **multi-utility sector** (merger of 11 companies in 2002).
- In 2003, **Hera floated** on the Stock Exchange, **promising** to investors that it would have **doubled its Ebitda in 5 years**, exploiting synergies and economies of scale from the merger.
- **First financial report** highlighted **+50%** increase of **Net profits**.
- On the back of these results, Hera has:
  - deployed the business model by **merging other 40** companies in the surrounding areas.
  - continued to **extract synergies**, cost cuttings and efficiency, **exploiting** the **economies of scale** and a clear orientation of management towards value creation principles.
- The **un-interrupted growth** ended up in an increased **Ebitda** and **Net Invested Capital** by **6.7x** and a cash generation that has deleveraged the company to 2.9x Debt/Ebitda, despite a constant and increasing dividend per share paid.
- Today the **Group** is **operating** in the **Northern-Eastern part of Italy** (wealthy area) and it is well positioned for a **further step change**, also thanks to **market challenges** of the **next 5 years** and the possibility to leverage its strong competitive advantages

**A linear growth expanding in a selected areas**



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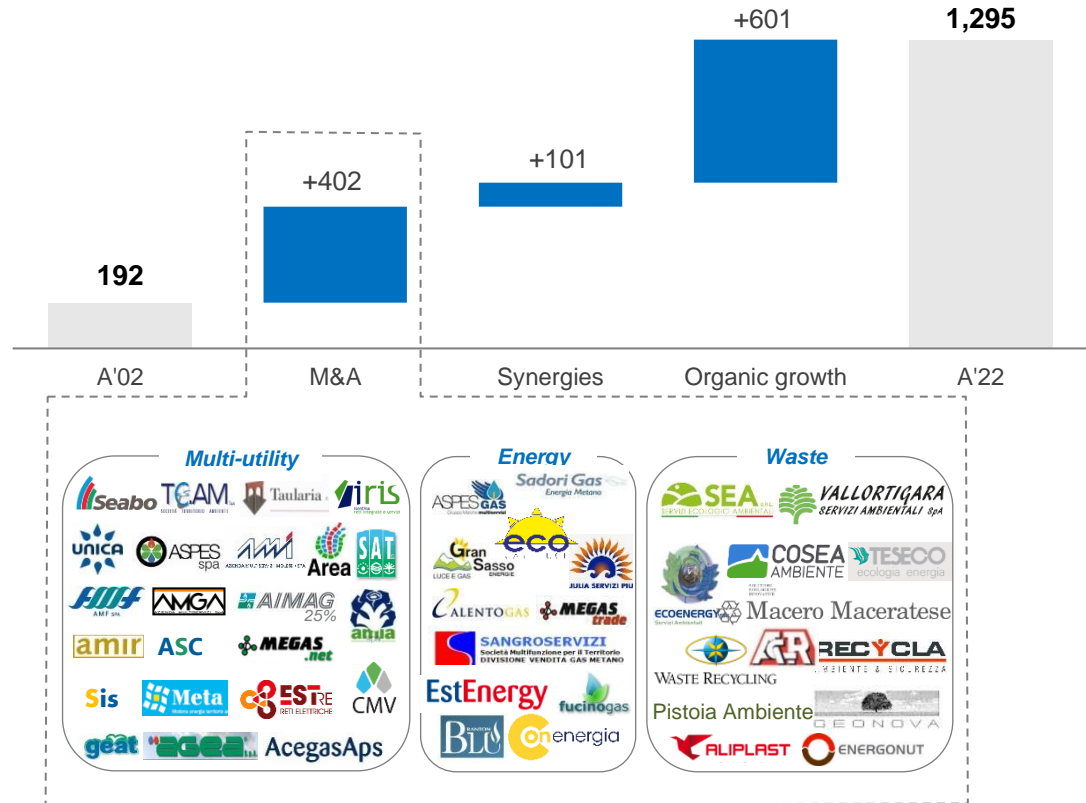
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## GROWTH DRIVERS

### Track record Ebitda by drivers

(B€)



**High fragmented market share offers a clear growth opportunity**

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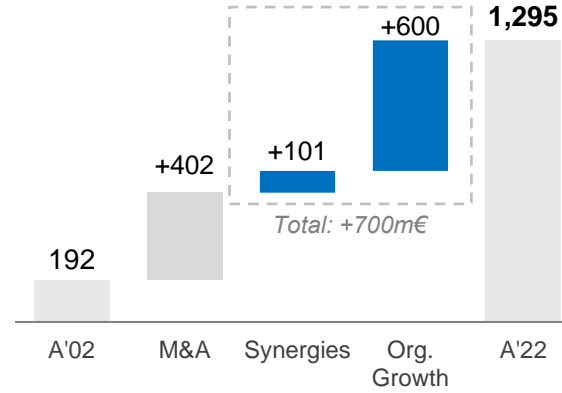
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## ORGANIC GROWTH & SYNERGIES

### Track record Ebitda by drivers

(M€)

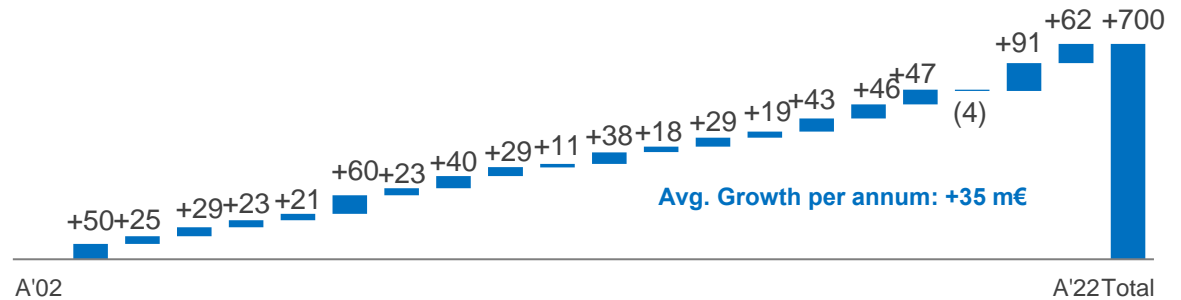


### Organic growth drivers

- Cost cutting
- Efficiency gains
- Top line growth
  - Cross selling
  - Increase tariffs/prices
  - Expand customer base

### Organic Growth & Synergies always positive

(B€)



**Organic Growth: a constant contributor to growth**

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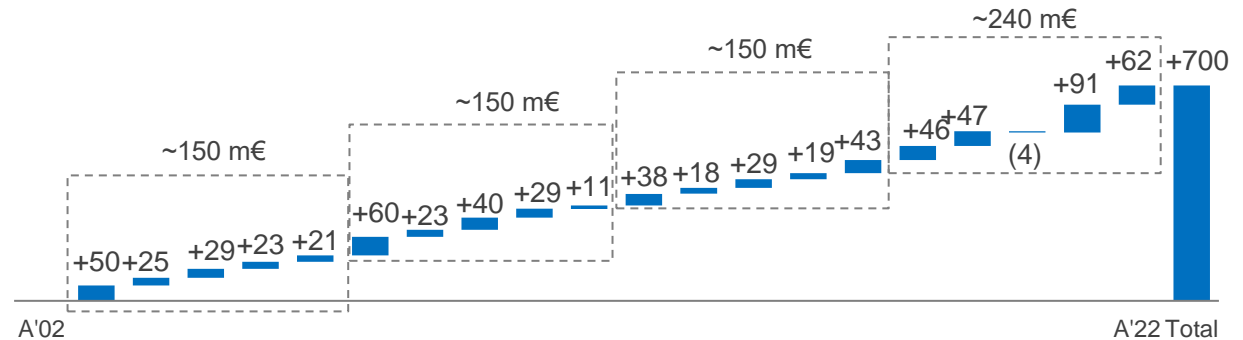
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## COST CUTTING

- Merging a large number of small-mid sized companies, the **economies of scale underpinned a tough cost cutting** (still ongoing)

### Organic Growth & Synergies always positive

(M€)



- ~40% of Organic Growth & Synergies has come from **cost cutting**:
  - procurement cost
  - overheads
  - control on personnel turnover
  - synergies among Group companies

**Cost cutting: the 'quick-win' name of the game**

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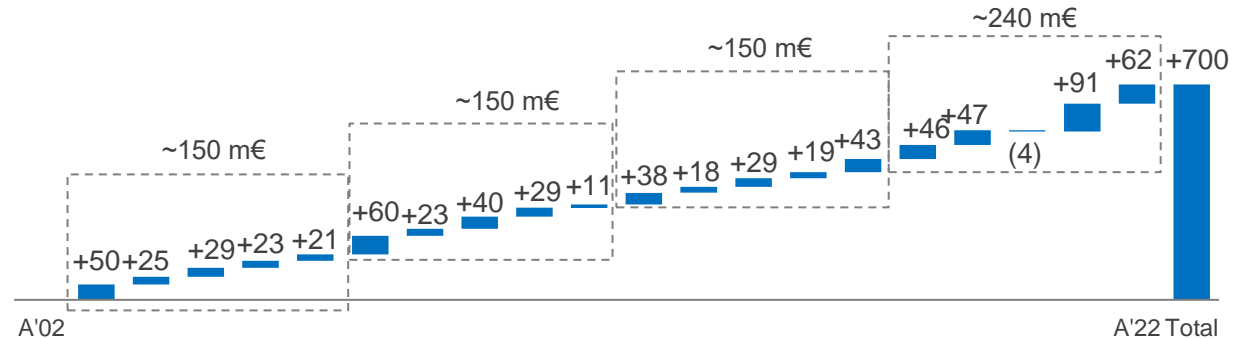
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## EFFICIENCY GAINS

- By moving towards an 'industrial approach' to business management, the culture of people has progressively changed to address gains in efficiency

### Organic growth & synergies always positive

(M€)



- ~40% of Organic growth & synergies has come from efficiency gains:
  - IT systems
  - unique remote control of Networks
  - internal benchmarking (among Group companies) to deploy Group best practices
  - innovation (digitalization, AI, etc)
  - continuous training of personnel
  - variable remuneration system linked to Group results

**Efficiency gains: a never ending process**

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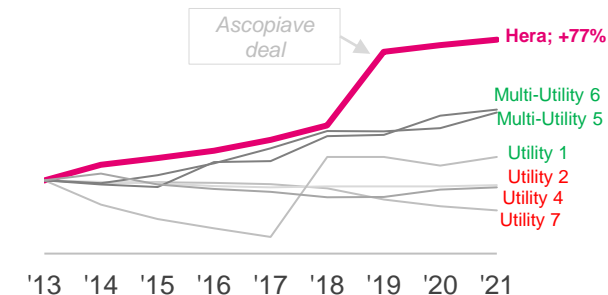
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## TOP LINE GROWTH

- **REGULATED ACTIVITIES** (50% of Ebitda) adjust tariffs by **inflation**, **interest rates** (spread) and by **development capex**.
- **WASTE TREATMENT** in Italy is 'short' causing the need to export waste abroad at higher costs (due to more expensive logistics that have a high incidence on the cost base). This market is shortening also in EU causing an **increase in treatment prices**. As a consequence, prices for waste treatment has been moving upward since the last 3 years.
- In **ELECTRICITY SUPPLY**, Hera has a strong track record in **expanding customer base**:

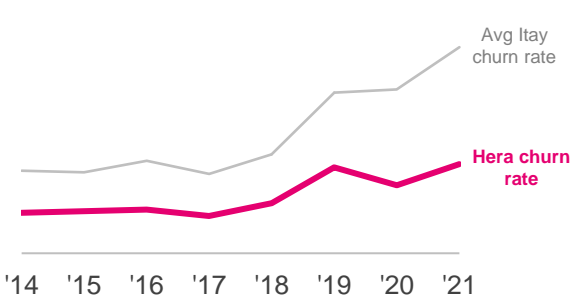
### Client expansion of Italian competitors (%)

(%)



### Churn rate (%)

(%)



- **Cross selling** is performed at **marginal costs** by **selling the all 4 services** managed to a wide customer base. Today still **only 40%** (from 10% in 2008) of gas, water and waste retail clients **are served with electricity supply services**
- **One unique bill** to each client for all 4 services allows to maintain **2<sup>nd</sup> best cost to serve in Italy** and a **high loyalty**.

**Extracting value from clients at marginal costs**

## INVESTMENT CASE

What is key ▼

History x

In a nutshell

Growth drivers

Organic growth

Cost cutting

Efficiency gains

Top line growth

**Mergers**

Acquisitions

M&A multiples

M&A potentials

Track record & Risk exposure ▼

Business & Markets ▼

Business Plan to '26 ▼

Governance ▼

Sustainability ▼

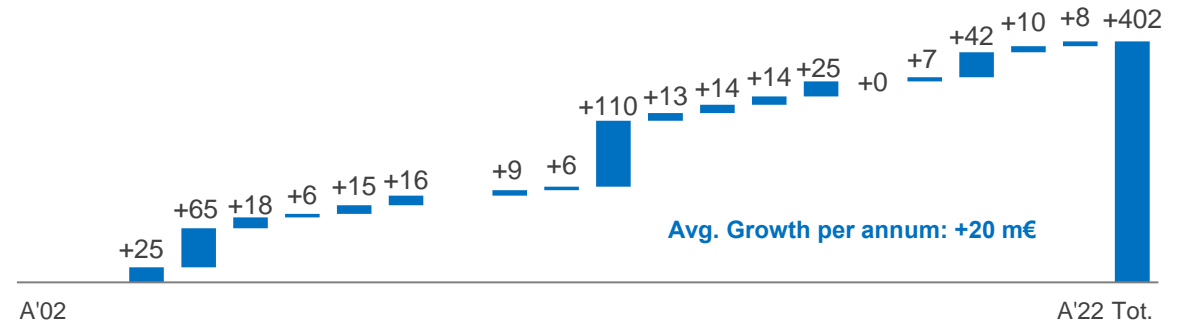
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## MERGERS

- **23 mergers** of multi-utilities and **27 acquisitions** of mono-business companies (waste, energy supply).

### Constant M&A contribution to Ebitda

(M€)



- Always targeted **only core businesses** (gas, water, waste, electricity)
- Targeted **multi-utilities** in **surrounding areas** (to maintain a geographical continuity of the served territory) to enhance synergy extraction from Networks (main activity of multi-utilities).
- Multi-utilities are merged and paid with new issued shares (**share swaps**).
- EV/Ebitda **multiples** have **never** been **dilutive** for Hera shareholders.
- **Synergy extraction** has been the value creation of mergers.
- Within 5Y from the mergers, Hera has extracted an average amount of **synergies** from mergers equal to **+25%** of the original **Ebitda** of the **target company**.

## Mergers in surrounding areas to maximize synergies

## INVESTMENT CASE

What is key ▼

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Top line growth

Mergers

### Acquisitions

M&A multiples

M&A potentials

Track record & Risk exposure ▼

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## ACQUISITIONS

- **27 Acquisitions executed** focused on core activities of **Waste treatment** and **Energy supply**, which are still highly fragmented sectors.
- **Market multiples** have been **applied**:
  - €/customer in **Energy supply**
  - EV/Ebitda in **waste treatment**
- Deals were **settled with cash** considerations (no share dilution)
- The **geographical scope** of “Acquisitions” is **national** (not only in the surroundings), since:
  - **Waste treatment** main synergies comes from plants **proximity to clients**
  - **Energy supply** main synergies are **not linked to geography**
- **Synergies extracted** from acquisitions varies case by case in dependence of the business and the **target company**

**Acquisition focused on “cherry picking”**

## INVESTMENT CASE

What is key ▼

History x

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Top line growth

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Acquisitions

**M&A multiples**

M&A potentials

Track record & Risk exposure ▼

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## M&A MULTIPLES

- **Never dilutive multiples** applied to M&A
- **Hera** has a clear **competitive advantage** in M&A, having a **market valuation** at '**premium**' vs peers
- **Multiples** always **exclude synergy potentials** (value creation for Hera's shareholders)

**Multiples never dilutive thanks  
also to Hera mkt premium**



## INVESTMENT CASE

What is key ▼

History x

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Top line growth

Mergers

Acquisitions

M&A multiples

**M&A potentials**

Track record & Risk exposure ▼

Business & Markets ▼

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## M&A POTENTIALS

### M&A potential by sector

Multi-utility	Counterpart	Consideration	Multiples	Potentials targets
	Municipalities	Shares/cash	Non dilutive	>500 Multi-utility
Energy	Counterpart	Consideration	Multiples	Potentials targets
	Entrepreneur	Cash	Mkt multiples	>500 companies
Waste	Counterpart	Consideration	Multiples	Potentials targets
	Entrepreneur	Cash	Mkt multiples	>100 companies

- Being one of the **largest multi-utility**, the **3<sup>rd</sup> largest player** in **Energy supply** and the **1<sup>st</sup> player** in **Waste treatment**, Hera is a natural consolidator of these fragmented sectors due to its
  - **adequate critical mass**
  - **low financial leverage**
  - **solid track record**

**Visible potentials to confirm our growth through M&A**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

### At a glance

Group Ebitda growth

Ebitda Networks

Ebitda Waste

Ebitda Energy

Ebitda/employee

EPS and share evolution

Capex

Cash flows

Dividend per share

Debt/Ebitda

S&P's and Moody's

Value creation

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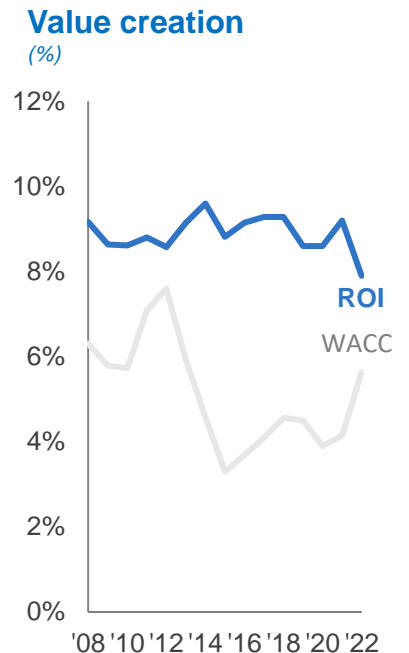
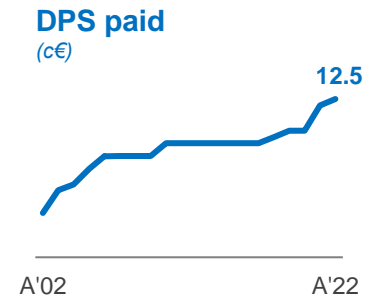
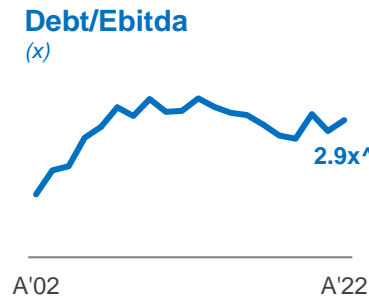
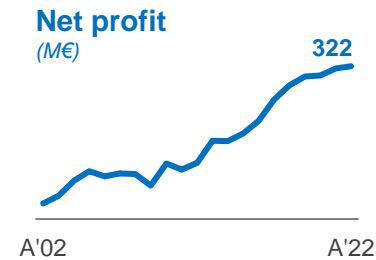
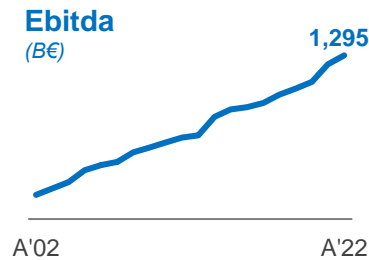
Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

## TRACK RECORD & RISK EXPOSURE AT A GLANCE

- **Since 2002, in a turbulent environment** (major events incurred, such as gas supply market liberalisation, Italian power generation overcapacity, weak GDP growth, climate change events, several waste management crisis, difficult authorization process to expand waste plants, change in regulations, sovereign debt crisis, Robin Hood tax) **Hera has performed an un-interrupted growth for 19 years in a row.**



**Creating value although the turbulent scenario**

<sup>A</sup>Excluding gas storage

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

At a glance

### Group Ebitda growth

Ebitda Networks

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Ebitda Energy

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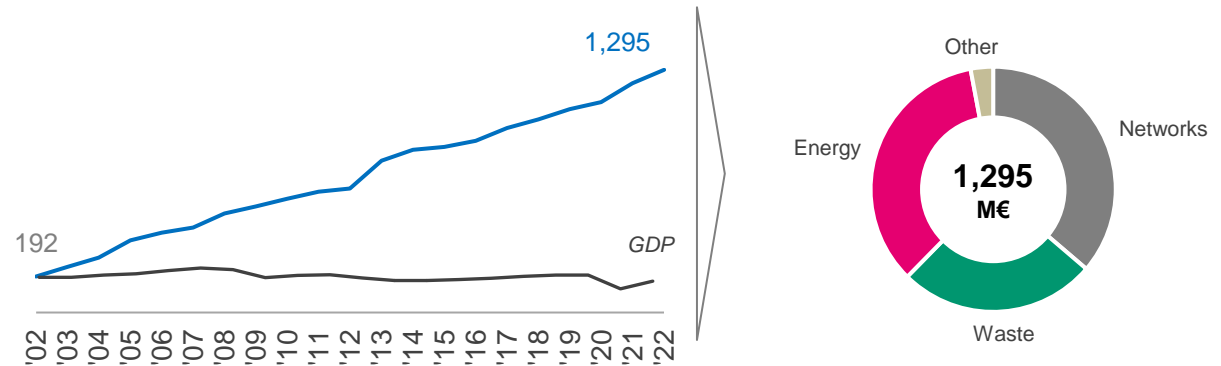
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Valuation & "ESG" Ratings ▼

## GROUP EBITDA GROWTH

### Resilient and un-interrupted growth since establishment

(Ebitda M€, cumulated GDP growth rate %)



- **REGULATED tariffs** of Networks (about 36% of Group Ebitda) are **protected by demand cyclicality, inflation and change in interest rates (spread)**.
- **Prices and demand of WASTE TREATMENT** services (about 26% of Group Ebitda) are **growing** due to the tough Italian infrastructural gap.
- **ENERGY SUPPLY** (about 35% of Group Ebitda) demand mainly depend on the climate and not on the economic cycle. Hera strategy has substantially neutralized margins from commodity prices fluctuation.

Resilient to macro variables

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

At a glance

Group Ebitda growth

**Ebitda Networks**

Ebitda Waste

Ebitda Energy

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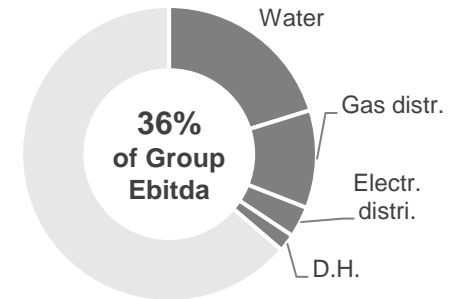
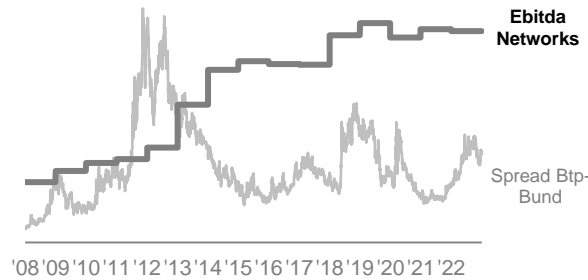
Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

## EBITDA NETWORKS

**Ebitda**  
(M€)



- Networks are **regulated** activities.
- Tariff systems (water, gas, electricity) are **protecting returns from:**



**Inflation**



**Interest rates**



**Spread**



**Demand cyclicality**

**Full protection on regulated Networks**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

At a glance

Group Ebitda growth

Ebitda Networks

**Ebitda Waste**

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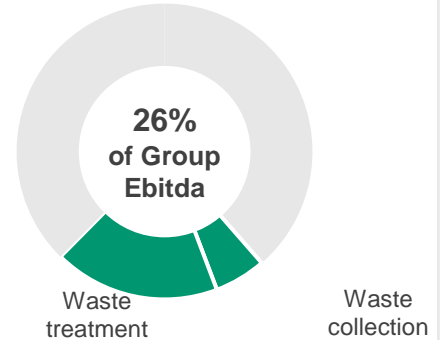
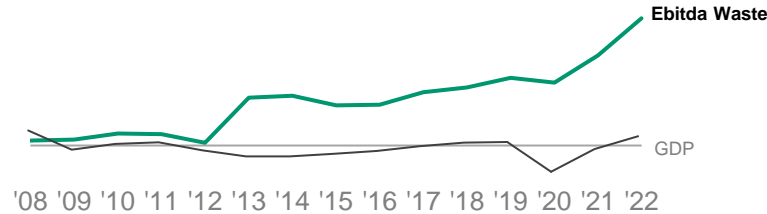
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Sustainability ▼

Valuation & "ESG" Ratings ▼

## EBITDA WASTE

**Ebitda**  
(M€)



- **Waste collection** activities are protected from inflation, interest rates and demand cyclicity
- **Waste treatment** capacity in Italy is short and has caused an increase in demand and prices over the last 5 years
- **Waste treatment** demand is sensitive to GDP: impacts affect primarily the exported waste (expensive but forced by national shortage) and only afterward the domestic waste treatments.

**Price and demand increase on the back of Italian shortage**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

At a glance

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**Ebitda Energy**

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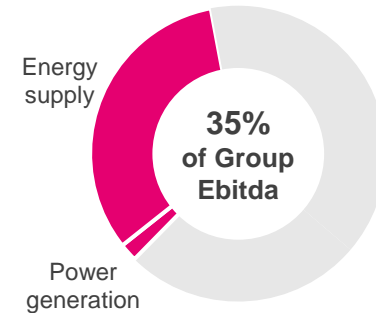
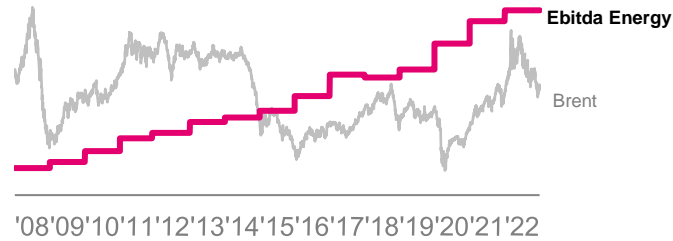
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## EBITDA ENERGY



- **Energy supply**

- These activities are managed **passing through commodity prices to customers** by hedging supply contracts (mainly retail customers) with procurement contract (short term contracts with diversified suppliers) so to neutralize results from commodity price fluctuation.
- Procurement on wholesale market of commodities (long and liquid market) is carried out with trading activities following a risk adverse strategy that sets the **maximum value at risk equal to 3.5 m€**.

- **Power generation**

- Hera has a **negligible** power generation: results are as a consequence negligibly affected by spark spreads or CO2 certificates price fluctuation.

**Risk adverse strategy to neutralize risk exposure**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

At a glance

Group Ebitda growth

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**Ebitda/employee**

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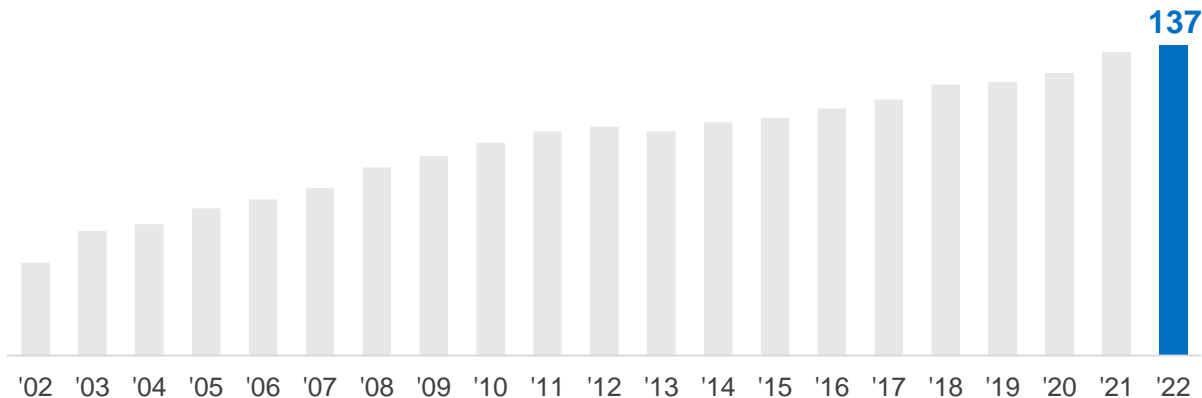
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## EBITDA/EMPLOYEE

### Ebitda per employee

(Ebitda per employee k€ per capita)



Economies of scale

- Cost cutting
- Efficiency gains
- Control of personnel turnover
- Cross selling
- Market expansion
- Price/tariffs increase



**+6.2%**  
Cagr  
Ebitda/employee

**Never ending efficiency improvements**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

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Ebitda/employee

**EPS and share evolution**

Capex

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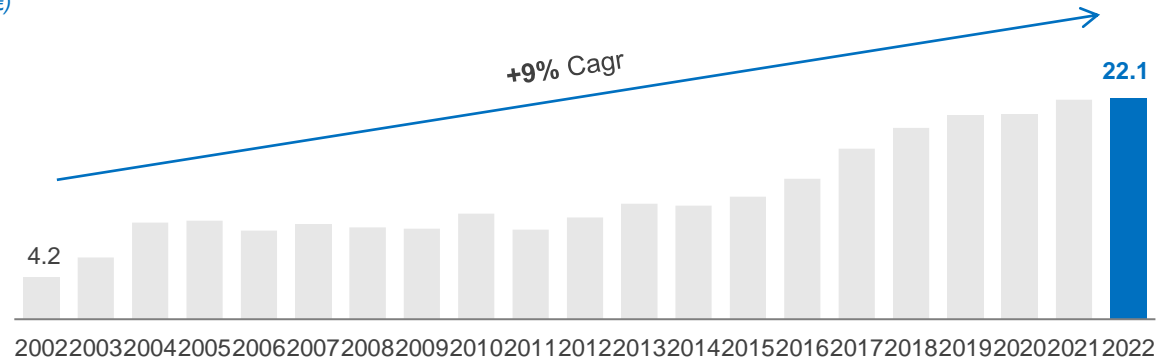
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## EPS AND SHARE EVOLUTION

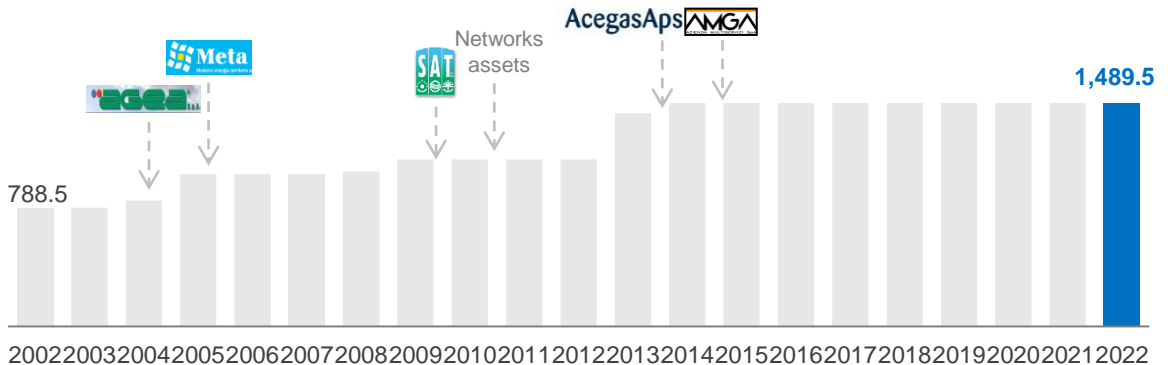
### EPS

(c€)



### Share capital increase due to mergers executed

(mln of shares)



## Visible value creation from M&A

\*Adjusted



## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

At a glance

Group Ebitda growth

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Ebitda/employee

EPS and share evolution

### Capex

Cash flows

Dividend per share

Debt/Ebitda

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Value creation

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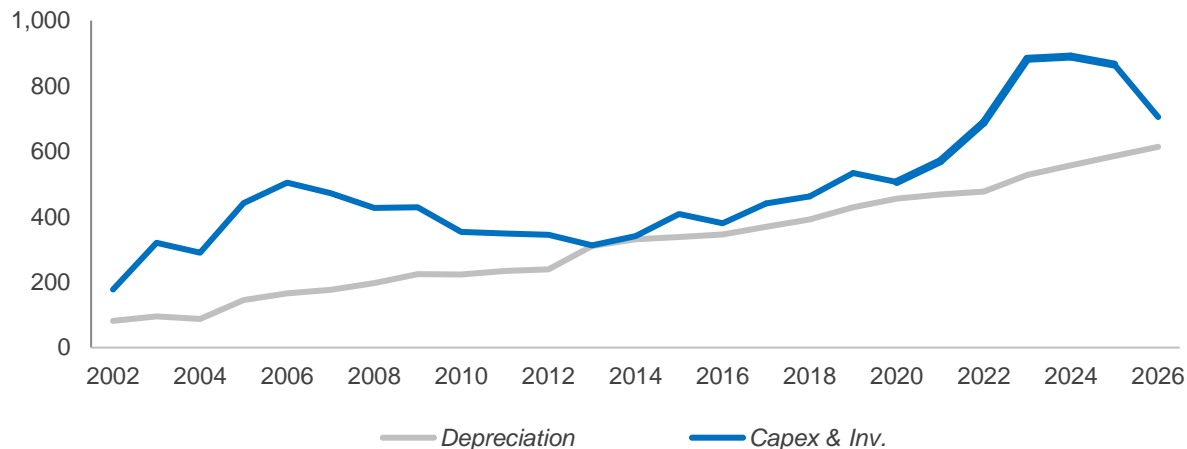
Sustainability ▼

Valuation & "ESG" Ratings ▼

## CAPEX

### Infrastructure developments

(M€)



- Strong efforts to **renew asset base** in 2002-2012
- **Negligible write offs** in 20 years
- **Achieved a solid asset platform** in all activities
- **Since 2017** a new wave of infrastructure **development**

**Strong asset platform underpin solid results**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

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Group Ebitda growth

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Capex

**Cash flows**

Dividend per share

Debt/Ebitda

S&P's and Moody's

Value creation

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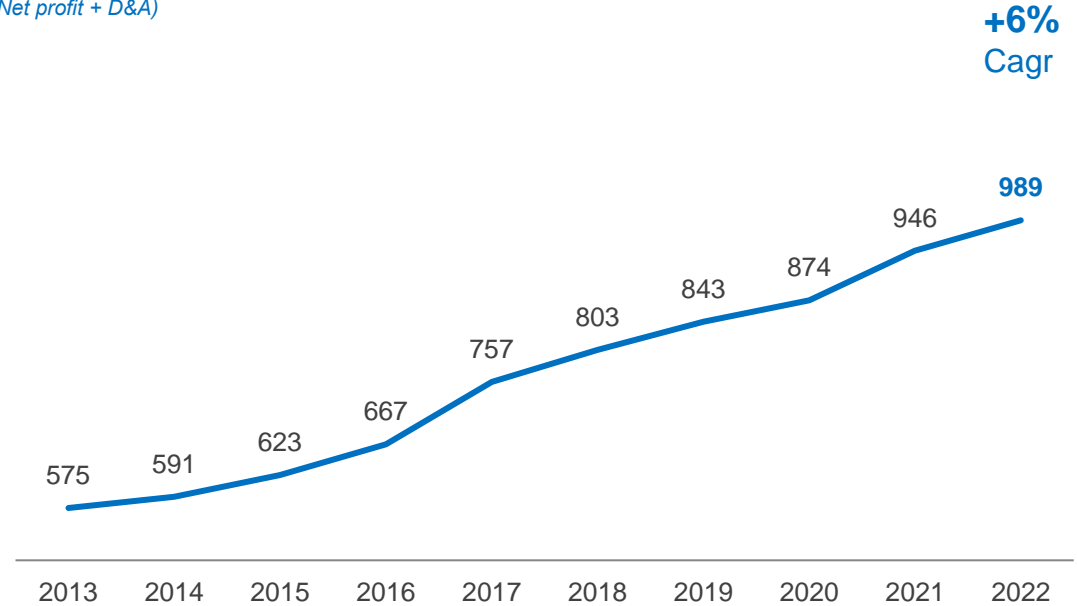
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Valuation & "ESG" Ratings ▼

## CASH FLOWS

### Operating cash flows

(M€, Net profit + D&A)



**Healthy and growing cash flows**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

At a glance

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Cash flows

**Dividend per share**

Debt/Ebitda

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Value creation

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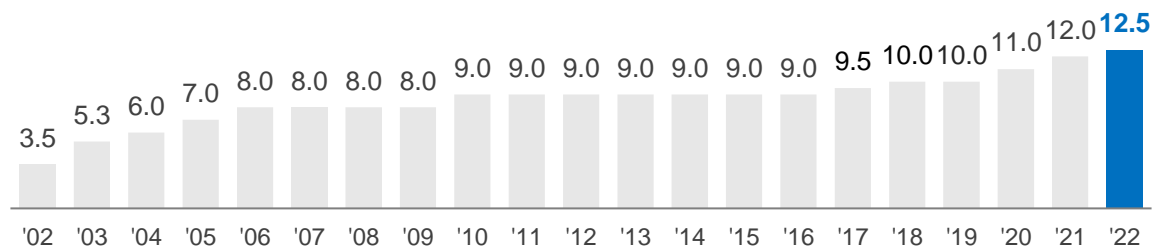
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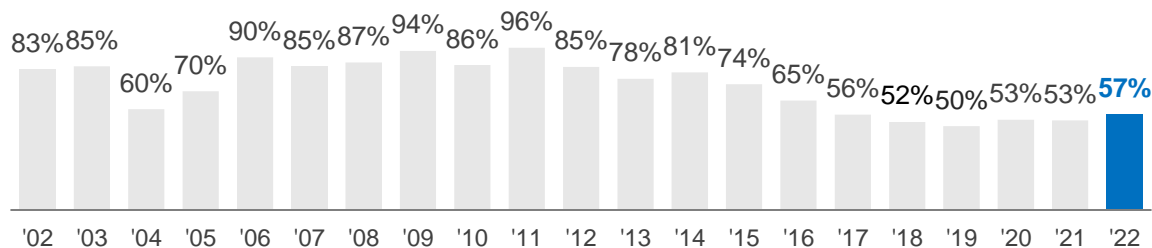
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## DIVIDEND PER SHARE

### Dividend per Share (c€)



### Payout (%)



- Always maintain promised DPS payments
- Sustainable payout ratios

**Un-interrupted dividend growth**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

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Dividend per share

**Debt/Ebitda**

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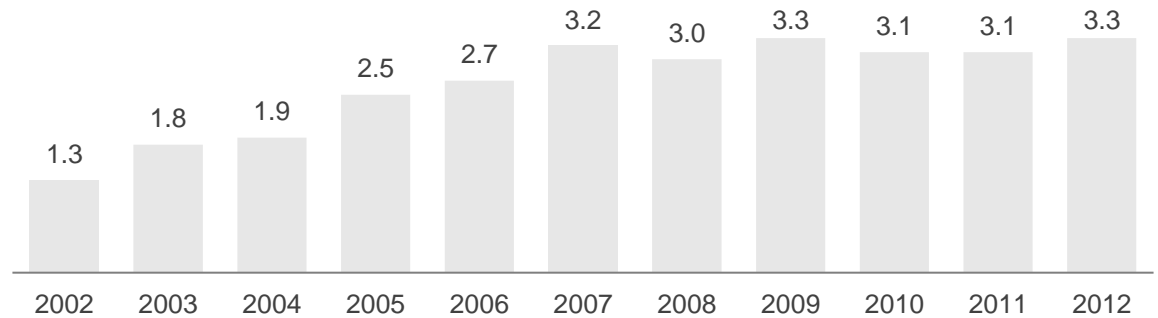
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## DEBT/EBITDA

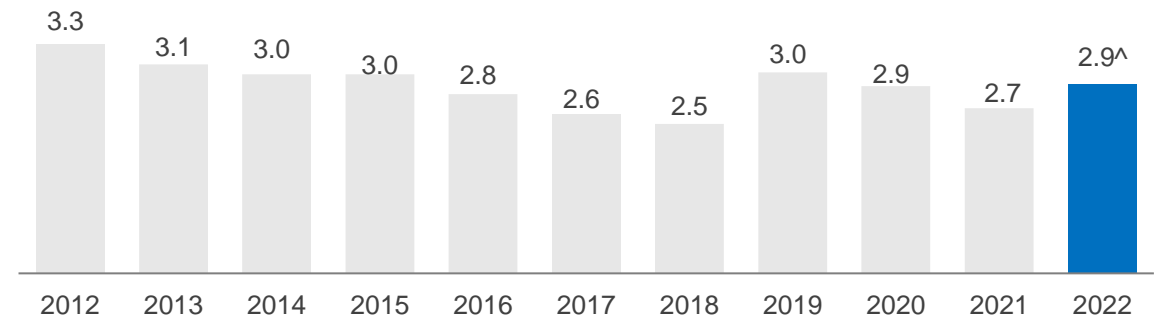
### 2002-2012: infrastructure renewal

(Debt/Ebitda)



### 2012-2022: solid infrastructures

(Debt/Ebitda)



**Gathered some financial flexibility for further growth**

^Excluding gas storage

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

At a glance

Group Ebitda growth

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Capex

Cash flows

Dividend per share

Debt/Ebitda

**S&P's and Moody's**

Value creation

Business & Markets ▼

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## S&P's AND MOODY'S

### Credit standing

**STANDARD  
& POOR'S**

**BBB+/A-2**

Stable outlook

**MOODY'S**

**Baa2**

Negative outlook

- **1 notch above Italian Republic** credit standing
- Debt with **no covenants** (only remain above investment grade)
- **No material refinancing needs** in next 5.5 years
- **1,230 m€** committed **credit lines** available
- **73%** Debt **fixed rate**
- **26%** Debt made of **floatated bonds**

**Better credit standing than Italy**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

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**Value creation**

Business & Markets ▼

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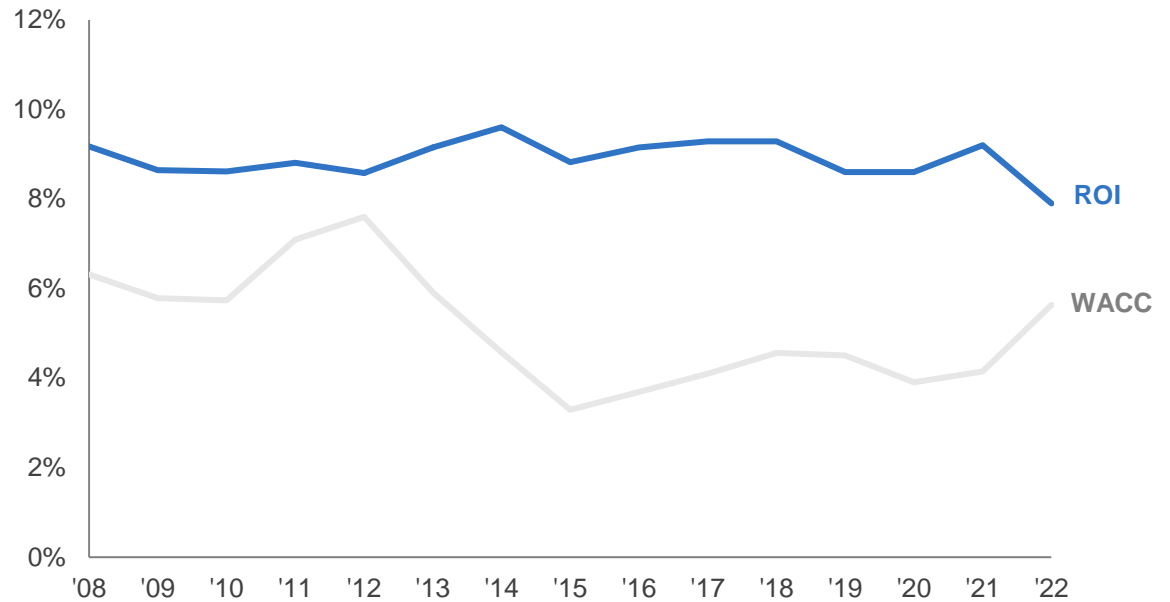
Governance ▼

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## VALUE CREATION

### ROI vs WACC (%)



**Grown to enhance value creation**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets x

### Business mix

Networks (1)

Networks (2)

Networks (3)

Waste collection (1)

Waste collection (2)

Waste treatment (1)

Waste treatment (2)

Waste treatment (3)

Energy supply (1)

Energy supply (2)

Business Plan to '26 ▼

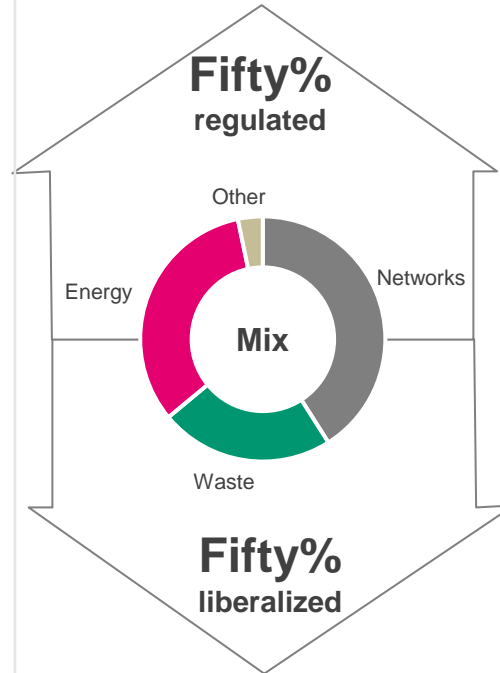
Governance ▼

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Valuation & "ESG" Ratings ▼

## BUSINESS MIX

### Visible cash flows



### Growth opportunities

- **Primary utility services** (waste, water, gas) in Italy have been historically managed by **municipal companies** (multi-utility) serving a small local area of citizens (often even in one town) on the basis of a local concession (monopoly)
- Still today, the **utility services market** is highly **fragmented** (more than 1,500 multi-utility, Cottarelli report) causing inefficiency to the system and the Government aims at promoting consolidation (e.g. Madia Law, gas tenders)
- **Hera** has become the **2<sup>nd</sup> largest multi-utility** of the country through **50 M&A deals** (main sector consolidator) and implementing effective actions to gain **efficiency**
- Serving **3.5 million citizens**, a **multi-utility approach** adds relevant advantages:
  - Maintain a low cost-to-serve
  - Cross selling services to existing clients at marginal costs
  - Increase customer loyalty (one single bill, call centre and shops for all utility services provided)
  - Enhance synergy potentials from mergers

**Valuable advantage in a Balanced multi-utility mix**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets x

Business mix

**Networks (1)**

Networks (2)

Networks (3)

Waste collection (1)

Waste collection (2)

Waste treatment (1)

Waste treatment (2)

Waste treatment (3)

Energy supply (1)

Energy supply (2)

Business Plan to '26 ▼

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## NETWORKS (1)

What

**Networks** include mainly:

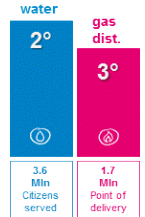
**Water**  
(\*22 Ebitda: 262m€)

**Gas distribution**  
(\*22 Ebitda: 139m€)

**Electricity distribution**  
(\*22 Ebitda: 44m€)

Size

In these **highly fragmented markets** (>1,000 water operators, >200 gas distributors), **Hera** highlight a **relevant size** compared to the national players:



Value drivers

The activities are based on **local concessions** (long term). The **tariff system** guarantees an allowed return real pre-tax and pre-interests (Ebit) on the Regulated Asset Base (RAB). At the end of the **regulatory period** (4-5 years) the national Authority **ARERA reviews** the tariff system in all regulated businesses giving visibility in the medium-long term.

Value drivers	Water	Gas distr.	Electr. distr.
RAB (b€)	1.74	1.07	0.38
Return (real pre-tax)	4.8%	5.6%	5.2%
Concession length	~2028	-	2030
Independent Authority (national)	ARERA	ARERA	ARERA

➔ **60%**  
of Group  
Net Invested  
Capital

**Hera benefits from sizable economies of scale and a reliable regulation**



## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

**Business & Markets** x

Business mix

Networks (1)

**Networks (2)**

Networks (3)

Waste collection (1)

Waste collection (2)

Waste treatment (1)

Waste treatment (2)

Waste treatment (3)

Energy supply (1)

Energy supply (2)

Business Plan to '26 ▼

Governance ▼

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Valuation & "ESG" Ratings ▼

## NETWORKS (2)



- Hera's **Water** local concessions last on average to 2028
- Water business includes:
  - Fresh water distribution
  - Metering
  - Sewerage management

- Hera Water activities has highlighted **KPIs among national best practices** (Mediobanca studies) also thanks to relevant capex (2.15 b€) sustained since 2002.
- **Water tariffs** in Italy are still one of the **lowest in EU** and for this reason water **infrastructures** highlight a **significant gap** compared to EU countries (about 60 b€ gap) causing every year a significant amount of penalties from authorities to Italian small – medium sized water operators (mainly).
- **Since 2012 the ARERA took over the regulation in Water** and designed a new tariff system that sustains and incentives capex. Since then Italian capex has tripled in Water activities, being returns fully protected by inflation, demand cyclical, interest rates and guaranteeing a premium/penalties in case of outperform/underperform on efficiency and service quality targets. Authority tariff "review" will incur at year end (end of regulatory period).

**Stable regulatory framework**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets x

Business mix

Networks (1)

Networks (2)

**Networks (3)**

Waste collection (1)

Waste collection (2)

Waste treatment (1)

Waste treatment (2)

Waste treatment (3)

Energy supply (1)

Energy supply (2)

Business Plan to '26 ▼

Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

## NETWORKS (3)



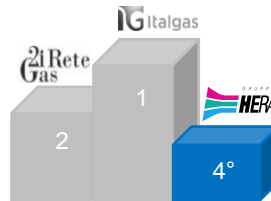
- **Gas distribution** local **concessions** has **expired** all over the country
- The 220 Italian operator will go through a **tender process** (now ongoing) to regain a new concession (of the length of 13 years).

### Tenders

- Rules for Gas tenders have been set identifying 177 concessions on provincial basis on areas called ATEMs (broader areas than before). Being the concession areas changed, in each ATEM there are currently more than 1 player. The tender will assign the concession to a unique winner that will need to pay for the assets owned by the losing players.
- Small-mid sized player will face difficulties in competing with large player. We expect that this tendering process will reduce the number of player from 220 down to about 20 players.

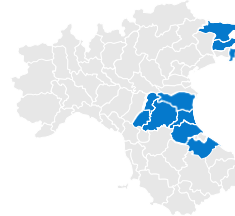
### Hera's advantages

#### Large player



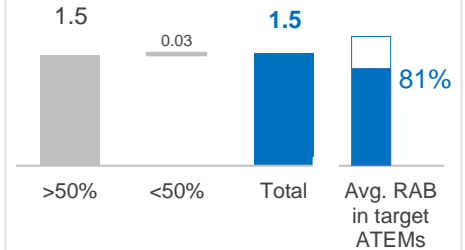
National ranking

#### Concentrated presence



Contiguity allows better efficiency

#### Deep penetration in ref. ATEMs



**Hera have expansion potentials in reference territories thanks to tenders**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

**Business & Markets** x

Business mix

Networks (1)

Networks (2)

Networks (3)

**Waste collection (1)**

Waste collection (2)

Waste treatment (1)

Waste treatment (2)

Waste treatment (3)

Energy supply (1)

Energy supply (2)

Business Plan to '26 ▼

Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

## WASTE COLLECTION (1)

What



Urban waste



Trucks for collection



Waste containers in the cities



Industrial waste

Waste collection  
2022 Ebitda:

**61 m€**

Value drivers

- This regulated activity refers to collection of urban waste and sweeping activities
- Tariff system today sets a **return** equal to **5.6%** (increased from the local rule of "inflation + Italian bond yield = ~3.5%). 100% of costs (logistic, management, sorting, recycling) are recognized
- **ARERA**, the new national authority has just approved a **new tariff system** that **aligns returns with the other regulated activities**.
- **Increasing the sorted "urban" waste** (EU law sets a limit of max 50% of urban waste disposed of directly in landfills) will **free capacity** in Hera's treatment plants that can then be used **to treat more "special" waste**
- Waste collection concessions are already expired in E-R region. In this region the tendering process is ongoing

**ARERA new tariff system increased returns**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

**Business & Markets** x

Business mix

Networks (1)

Networks (2)

Networks (3)

Waste collection (1)

**Waste collection (2)**

Waste treatment (1)

Waste treatment (2)

Waste treatment (3)

Energy supply (1)

Energy supply (2)

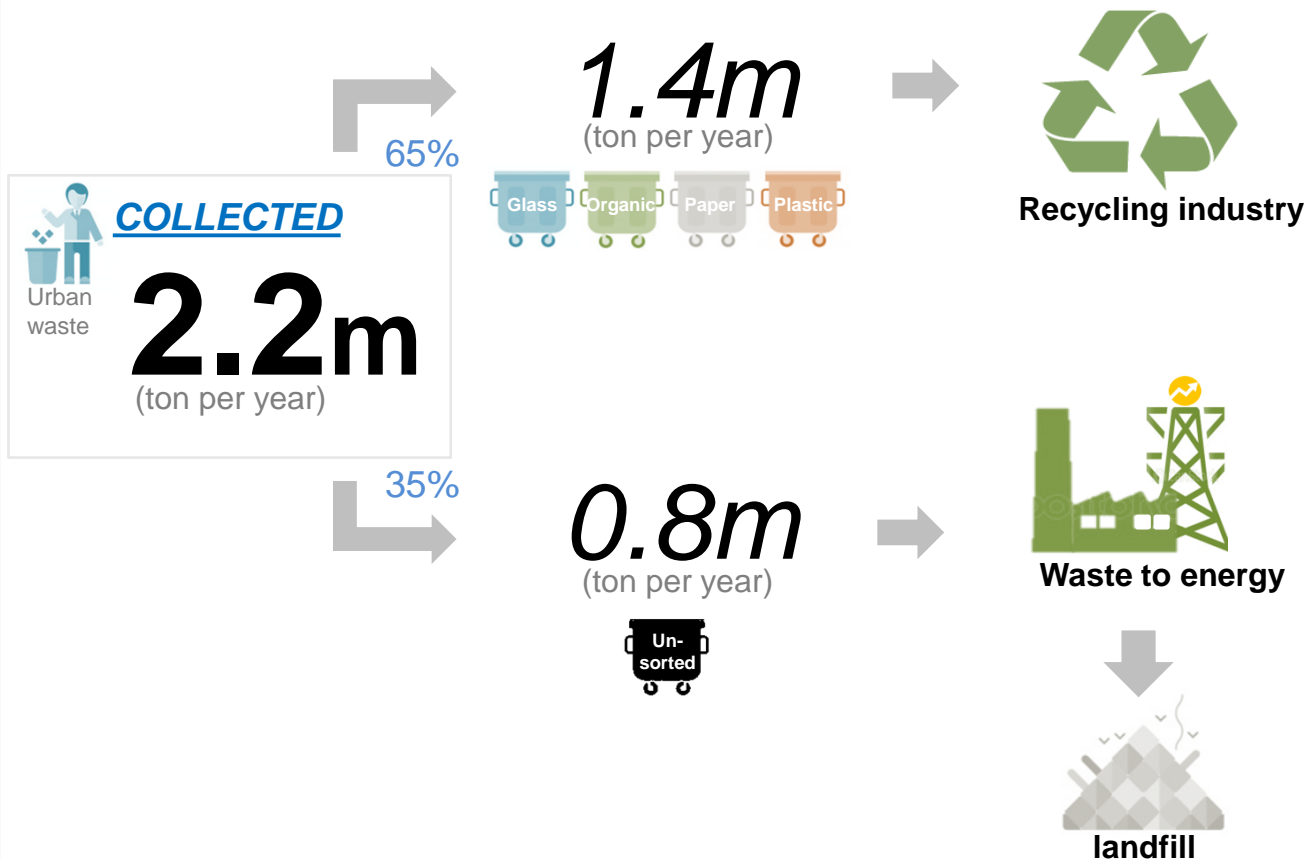
Business Plan to '26 ▼

Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

## WASTE COLLECTION (2)



**Waste collected is managed respecting the environment**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

**Business & Markets** x

Business mix

Networks (1)

Networks (2)

Networks (3)

Waste collection (1)

Waste collection (2)

**Waste treatment (1)**

Waste treatment (2)

Waste treatment (3)

Energy supply (1)

Energy supply (2)

Business Plan to '26 ▼

Governance ▼

Sustainability ▼

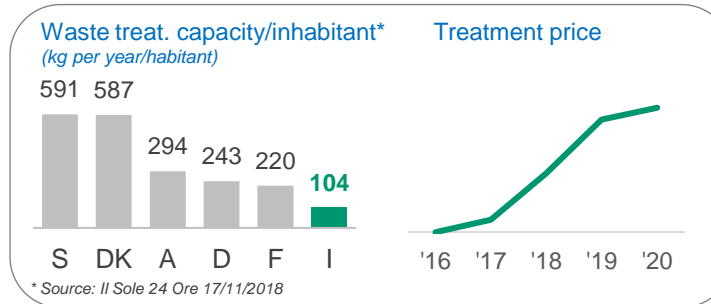
Valuation & "ESG" Ratings ▼

## WASTE TREATMENT (1)

- Hera is the **Italian leader** in waste treatment having about **95 plants** with a total capacity of 7 million ton/y.
- Thanks to the **market fragmentation** Hera has grown also through M&A in last 5 years:



- Due to the Italian tough shortage in capacity, **in last 5 years** special waste (industrial waste or urban waste produced outside Hera's reference territory) **treatment prices have increased double digit**



**Returns are benefiting from prices increase**

### Italian leader (n. plant by type)

- 10 WTEs
- 8 Landfills
- 19 Sorting plants
- 17 Chemical-physical plants
- 7 Composting plants
- 5 Bio-digesters
- 1 Bio-methane
- 3 Inertization plants
- 3 Sludge treatment plants
- 23 Other

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

**Business & Markets** x

Business mix

Networks (1)

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Waste treatment (3)

Energy supply (1)

Energy supply (2)

Business Plan to '26 ▼

Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

## WASTE TREATMENT (2)

- Prices go up due to the difficulty in obtaining the authorization (from local political authorities) to expand treatment plant capacity.
- As a consequence, a **significant part of waste** produced in Italy is **exported** abroad to other better infrastructured EU countries (**sustaining high logistic costs**).
- Urban waste showed to be un-elastic to GDP whereas Industrial waste is sensitive to GDP. Any change due to GDP will affect waste treatment volume starting from those exported (and later on the waste treated in Italy).

**The name of the game**

- **Increase plant capacity** (make or buy).
- **Enhance recycling/reuse/regenerate** activities on waste so to reduce use of treatment plants capacity available.
  - Enhance **sorting of Urban** waste of citizens
  - Increase **sorting of waste from industries** (special waste)
  - Expand **in-house sorting plants** capacity
- To recycle/reuse/regenerate waste is not only a matter of sustainability but permit also to enhance net profits maintaining same plant capacity.

**Domestic waste treatments are independent from GDP**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

**Business & Markets** x

Business mix

Networks (1)

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Waste collection (1)

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Waste treatment (1)

Waste treatment (2)

**Waste treatment (3)**

Energy supply (1)

Energy supply (2)

Business Plan to '26 ▼

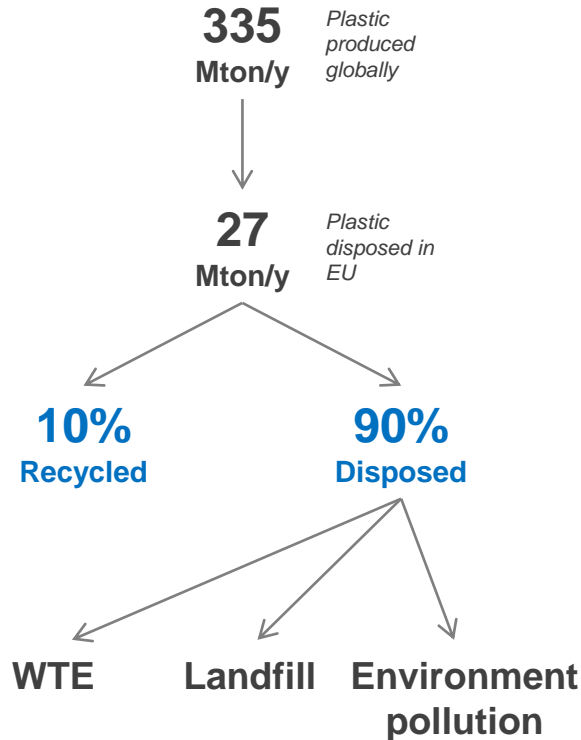
Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

## WASTE TREATMENT (3)

### Plastic cycle (today)



- Today **rules are evolving** to force more sustainable use of plastic
- **Customer sensitiveness increasing** on environmental issues
- **Corporates** are moving ahead stating their **aim to increase recycled plastic**
- Corporates will need to:
  - **change engineering of production process/products**
  - AND/OR**
  - **use more intensively Hera (Aliplast) available expertise**
- **Aliplast** serve several global corporations in Italy satisfying a demand that they **might significantly increase** on the back of above mentioned trends.
- Aliplast, **among largest EU player** in the industry, highlights an activity of only 0.1 m ton per year.

**Potential fast growth of demand due to high sensitiveness**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets x

Business mix

Networks (1)

Networks (2)

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Energy supply (1)

Energy supply (2)

Business Plan to '26 ▼

Governance ▼

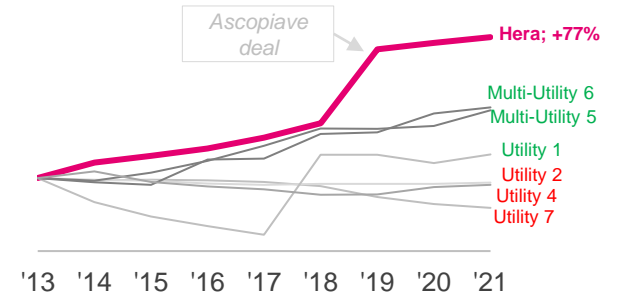
Sustainability ▼

Valuation & "ESG" Ratings ▼

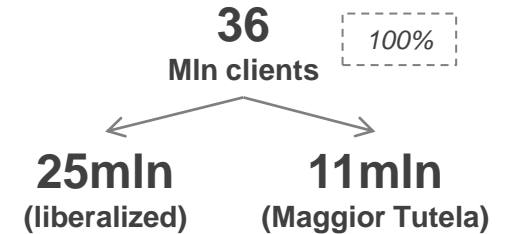
## ENERGY SUPPLY (1)

- Hera is the **3<sup>rd</sup> largest Italian player** in a highly fragmented market and it has shown to be the **fastest growing company** (in terms of client expansion) also thanks to several acquisitions of small players.
- Electricity supply **market** is **70%** held by the **Italian incumbent** holding a large part of 'Maggior Tutela' clients (clients managed with a "regulated" contract and that has still not moved to the liberalized market contract).
- **The law** forces the **full liberalization** of electricity supply market in **2024**.
- **Maggior Tutela clients** will mainly be **released by the Italian incumbent** in favour to the **other market players** (the incumbent will not be allowed to retain a market share above 50%)

### Client expansion (%)



### Total market today



**3<sup>rd</sup> and fastest growing market player**



## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

**Business & Markets x**

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Energy supply (1)

**Energy supply (2)**

Business Plan to '26 ▼

Governance ▼

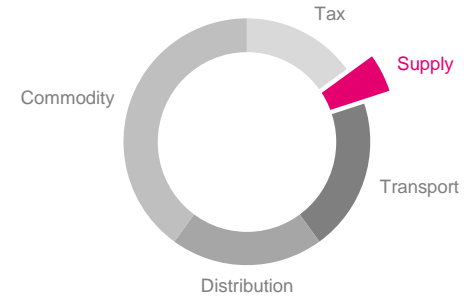
Sustainability ▼

Valuation & "ESG" Ratings ▼

## ENERGY SUPPLY (2)

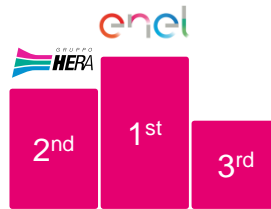
- Supply margins constitute the “thinnest part” of the bill and therefore competition is currently not ‘based’ on the price level.
- Hera has a negligible Power generation and procures electricity and gas on the wholesale market sterilizing price fluctuation risk, hedging, almost at 100%, procurement contracts with supply contracts.
- Expand customer base, maintain a low “cost to serve” and maintain their loyalty are the key growth drivers for Energy supply business

### Full bill breakdown by cost

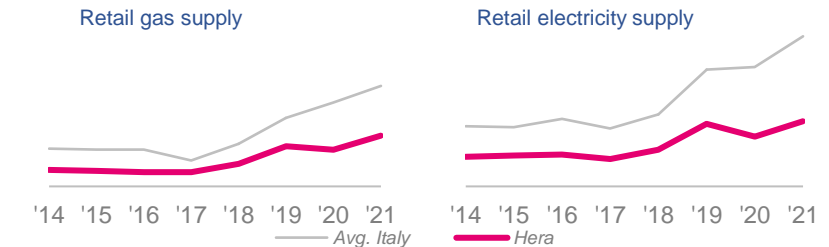


Hera competitive adv.

### Cost to serve (national ranking 2019)



### Low churn rates in Energy supply



**Solid competitive advantages to sustain further growth**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets ▼

Business Plan to '26 x

### Main targets

Dividend policy

Capex plan

Ebitda target

Risk exposure

M&A potentials

Gas tenders

Maggior tutela

Plastic strategy

Trends in treatment prices

Cash flows and other fin. targets

Networks Ebitda growth

Waste Ebitda growth

Energy Ebitda growth

Governance ▼

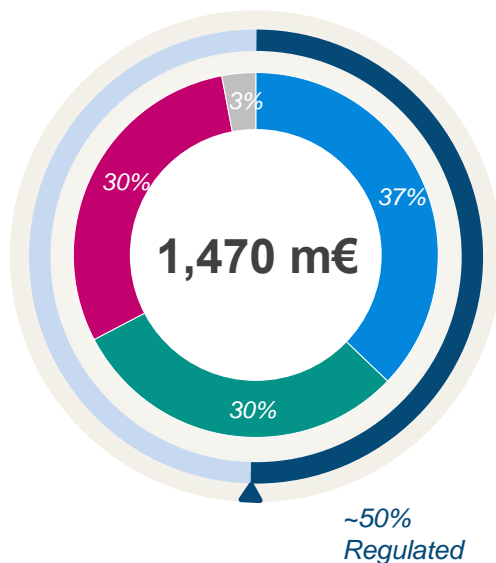
Sustainability ▼

Valuation & "ESG" Ratings ▼

## MAIN TARGETS TO 2026

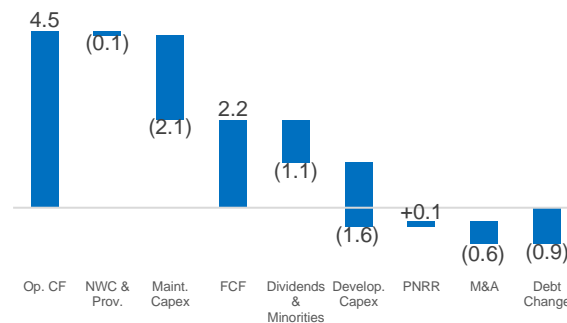
### Ebitda by activities

(M€)



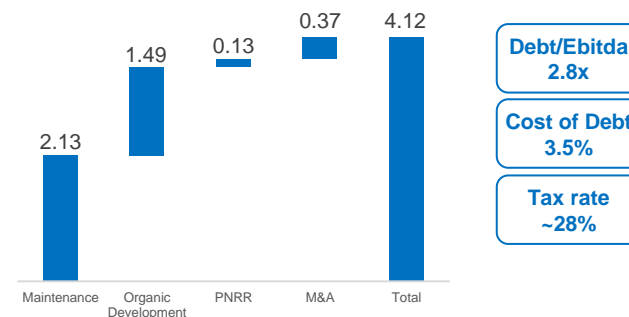
### Cum. cash flows '22-'26

(B€)



### Development capex & other targets

(B€)



**Increasing all targets vs Business plan to '25**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets ▼

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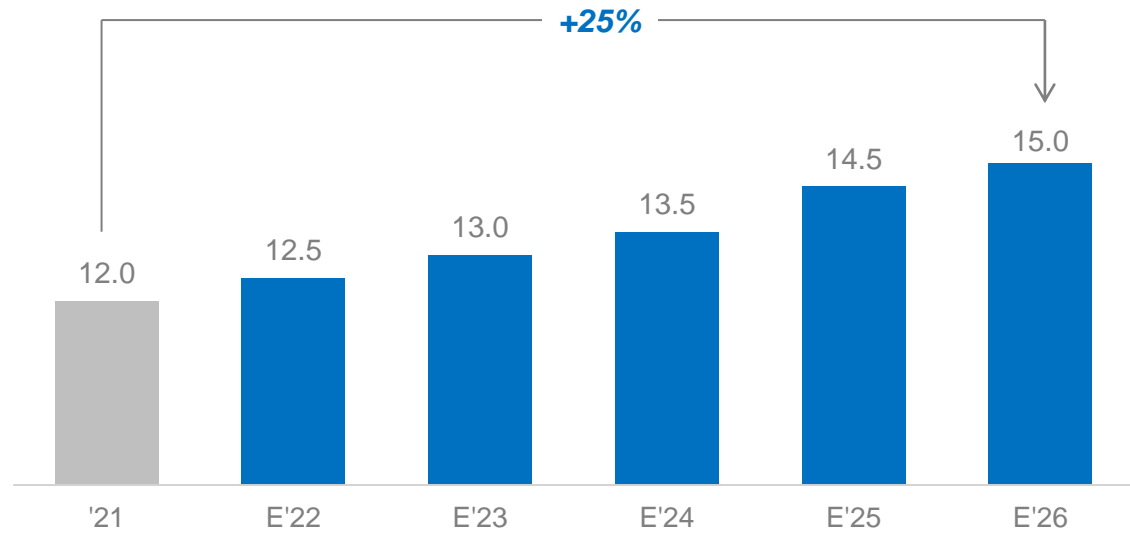
Governance ▼

Sustainability ▼

Valuation & “ESG” Ratings ▼

## DIVIDEND POLICY

### Dividend per Share (c€)



**Higher dividends from the “floor” set last year**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets ▼

**Business Plan to '26** x

Main targets

Dividend policy

### Capex plan

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Governance ▼

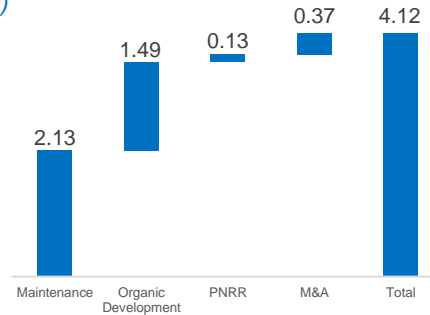
Sustainability ▼

Valuation & "ESG" Ratings ▼

## CAPEX PLAN

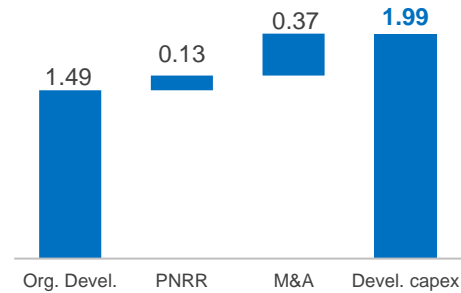
### Capex plan '22-'26

(B€)



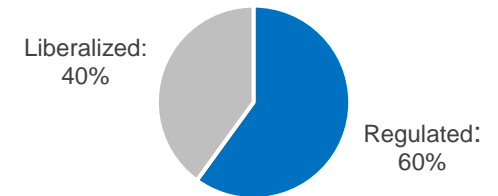
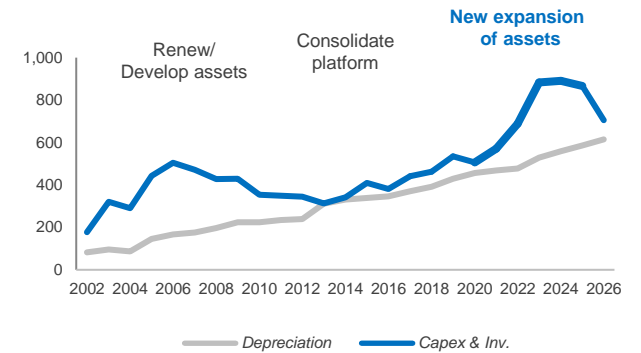
### Development projects

(M€)



### A new cycle of infrastructure development

(M€)



**Capex plan up by +59% vs avg last 5Y**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets ▼

**Business Plan to '26** x

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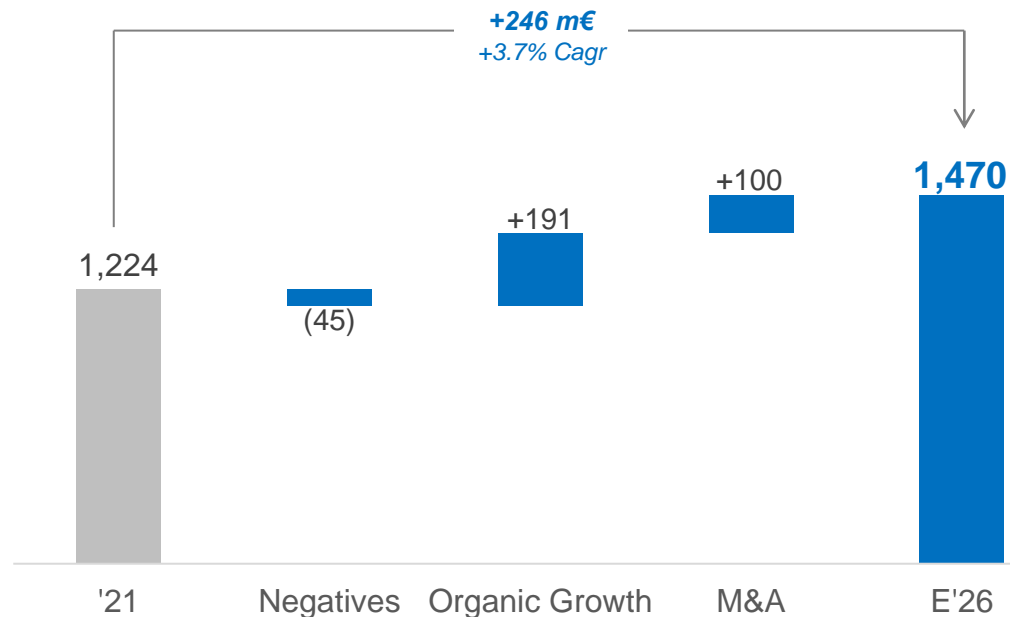
Sustainability ▼

Valuation & "ESG" Ratings ▼

## EBITDA TARGET

### Ebitda drivers

(M€)



**Growth enhanced despite Wacc cut on regulated**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets ▼

**Business Plan to '26** x

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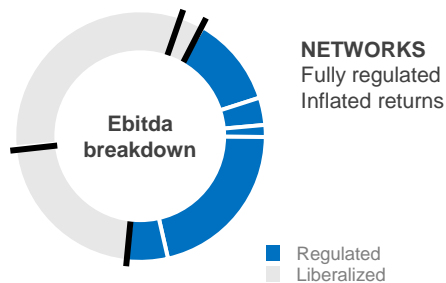
Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

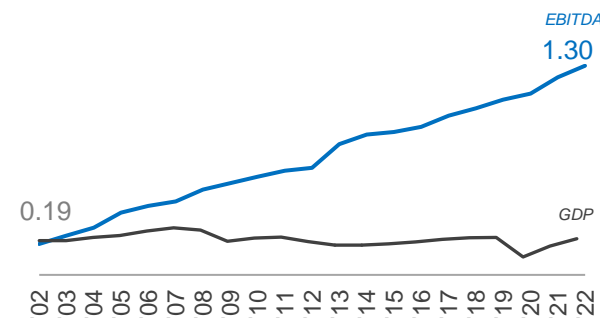
## RISK EXPOSURE

### The mix guarantees internal hedging



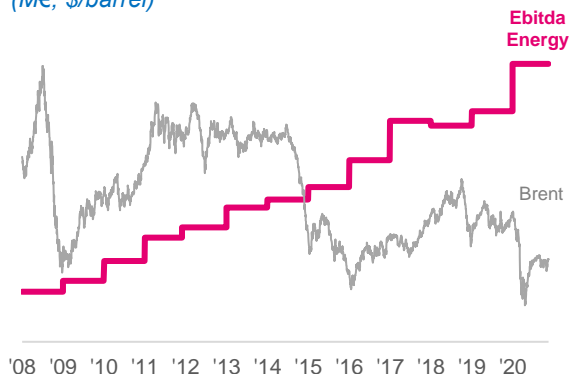
### GDP negligible impact

(Ebitda BE€, % change)



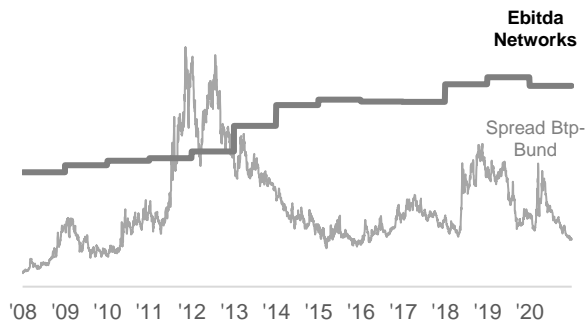
### Commodity price volatility: fully hedged

(M€, \$/barrel)



### Spread: full protection on regulated activities

(M€, bps)



**Low exposure to inflation, commodities and interest rates**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets ▼

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Governance ▼

Sustainability ▼

Valuation & “ESG” Ratings ▼

## M&A POTENTIALS

### Merger & Acquisition potentials

	Counterpart	Consideration	Multiples	Potentials targets
<b>Multiutility</b>	Municipalities	Shares/cash	Non dilutive	<b>500</b> Multi-utility
<b>Energy</b>	Entrepreneur	Cash	Mkt multiples	<b>&gt;500</b> companies
<b>Waste</b>	Entrepreneur	Cash	Mkt multiples	<b>400</b> companies

Focused on surrounding territories

Focused on Northern and Central Italy (Adriatic Coast)

Focused on Northern and Central Italy

### Hera's main competitive advantages

- Fragmented competition in reference territories
- Financial soundness
- Proven capacity to extract synergies (the deals' value creations)
- Track record

## Focusing on accretive deals in core businesses

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets ▼

**Business Plan to '26 x**

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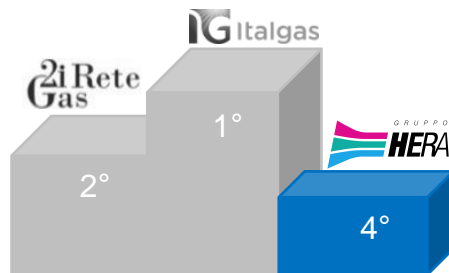
Governance ▼

Sustainability ▼

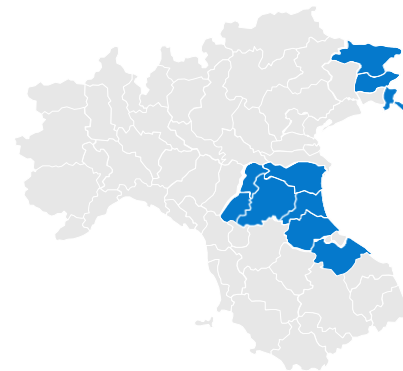
Valuation & "ESG" Ratings ▼

## GAS TENDERS

### Ranking of Italian gas distributors



### Geographic concentration



### Gas tenders schedule

(n° of ATEM)

- Within BP period
- Beyond BP period



**Won 100% of tenders incurred so far.**



## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets ▼

**Business Plan to '26 x**

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**Maggior tutela**

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Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

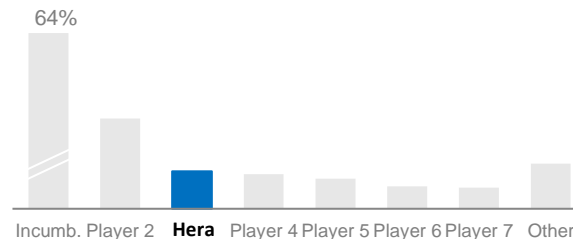
## MAGGIOR TUTELA MARKET LIBERALIZATION

### Electricity supply market



### Competition

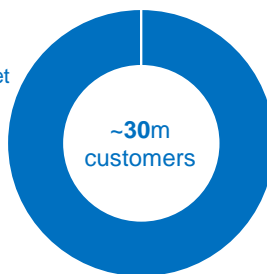
(% market shares)



In 2024 Full liberalization

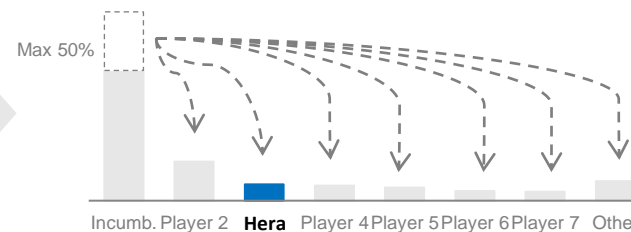
### Potential market evolution

100% Free Market



### Competition

(% market shares)



**Won 3 out of 9 tenders in MT segment auctioned in 2021**

## INVESTMENT CASE

What is key ▼

History ▼

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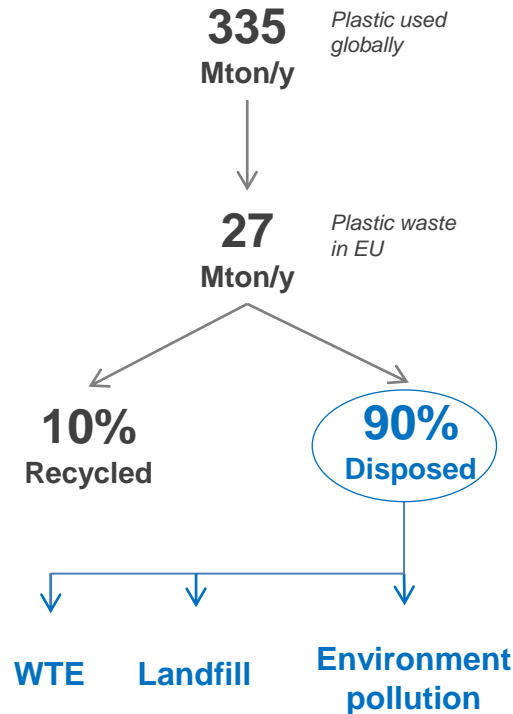
Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

## PLASTIC STRATEGY

### Today market



- Today **rules are evolving** to force more sustainable use of plastic
- **Customer sensitiveness increasing** on environmental issues
- **Corporates** are moving ahead stating their **aim to increase recycled plastic**
- Corporates will need to:
  - **change engineering of production process/products**
  - AND/OR**
  - **use more intensively Hera (Aliplast) available expertise**
- **Aliplast** serve several global corporations in Italy satisfying a demand that they **might significantly increase** on the back of above mentioned trends.
- Aliplast, **among largest EU player** in the industry (semi-finished products from recycled PE and PET), highlights an activity of only 0.1 m ton per year.

**Aliplast tripled Ebitda in last 5 years**

## INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets ▼

**Business Plan to '26 x**

Main targets

Dividend policy

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### Trends in treatment prices

Cash flows and other fin. targets

Networks Ebitda growth

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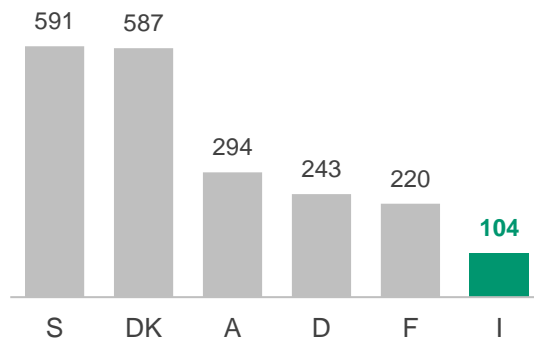
Valuation & “ESG” Ratings ▼

## TRENDS IN TREATMENT PRICES

### Waste market drivers

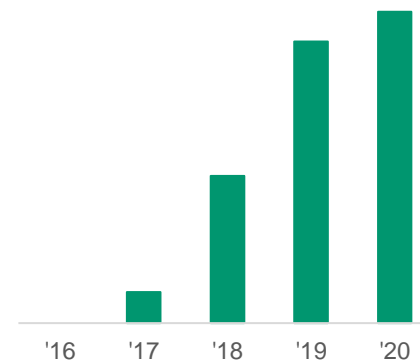
(kg, %)

Waste treatment capacity/inhabitant\*



\* Source: Il Sole 24 Ore 17/11/2018

Treatment price increase



Plant shortage “pushes” treatment prices up

**Demand for sustainable waste services is enhancing**

## INVESTMENT CASE

What is key ▼

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Track record & Risk exposure ▼

Business & Markets ▼

**Business Plan to '26 x**

Main targets

Dividend policy

Capex plan

Ebitda target

Risk exposure

M&A potentials

Gas tenders

Maggior tutela

Plastic strategy

Trends in treatment prices

**Cash flows & other fin. targets**

Networks Ebitda growth

Waste Ebitda growth

Energy Ebitda growth

Governance ▼

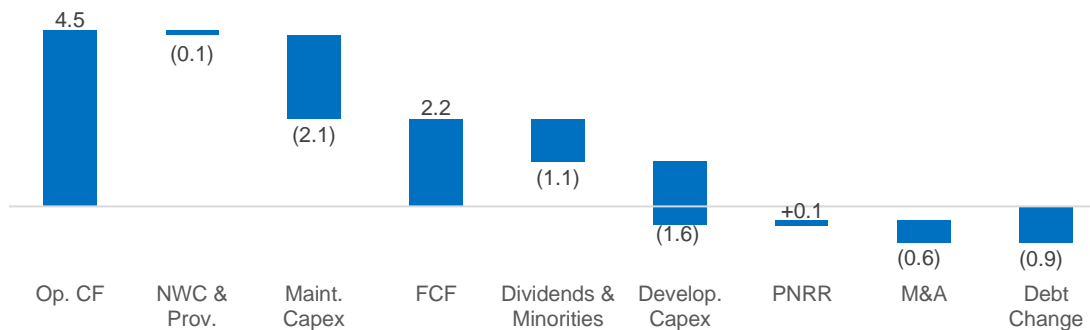
Sustainability ▼

Valuation & "ESG" Ratings ▼

## CASH FLOWS

### Expected cum. cash flows '22-'26

(B€)



### Financial targets to 2026

**Cost of Debt**

**3.5%**

(vs 2.3% of old plan)

**Debt/Ebitda**

**2.8x**

(vs 2.8x of old plan)

**Tax rate**

**28%**

(vs 27% of old plan)

**Room to fund "on top" growth options**

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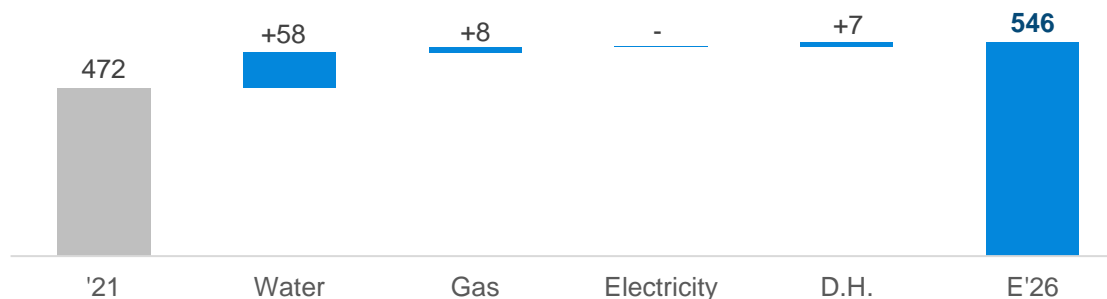
Sustainability ▼

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## NETWORKS EBITDA GROWTH

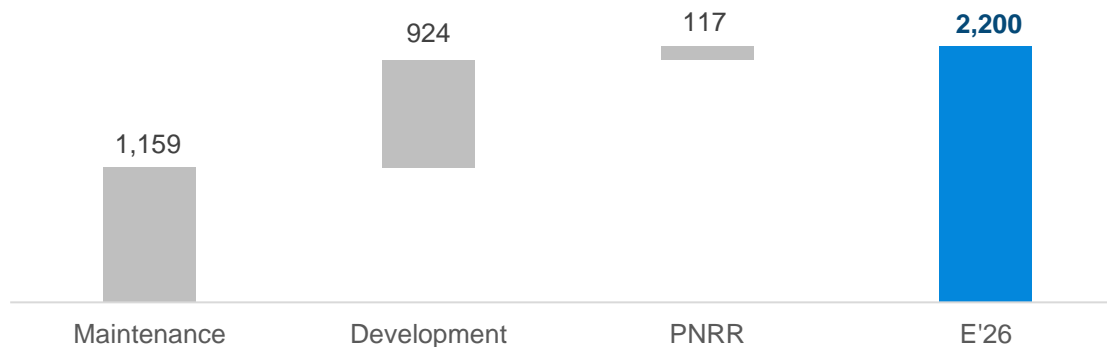
### Ebitda drivers to 2026

(M€)



### Capex 2022-2026

(M€)



**Growth underpinned by significant development capex**

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Main targets

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Capex plan

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Networks Ebitda growth

**Waste Ebitda growth**

Energy Ebitda growth

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## WASTE EBITDA GROWTH

### Ebitda drivers to 2026

(M€)



### Capex 2022-2026

(M€)



**Strong efforts to tackle with increasing demand**

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**Business Plan to '26 x**

Main targets

Dividend policy

Capex plan

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Networks Ebitda growth

Waste Ebitda growth

**Energy Ebitda growth**

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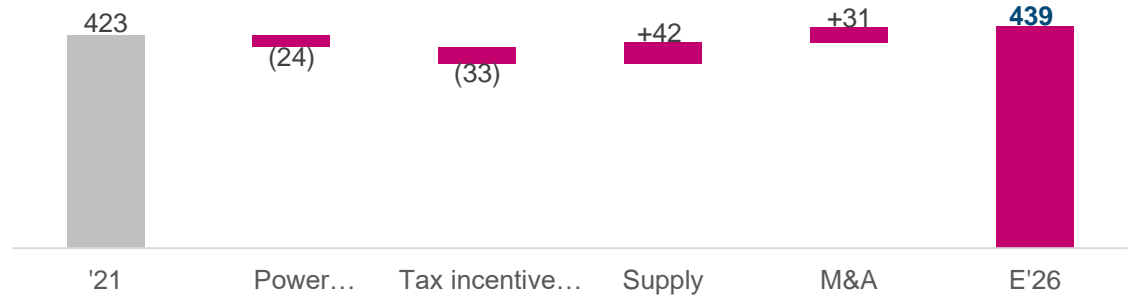
Sustainability ▼

Valuation & "ESG" Ratings ▼

## ENERGY EBITDA GROWTH

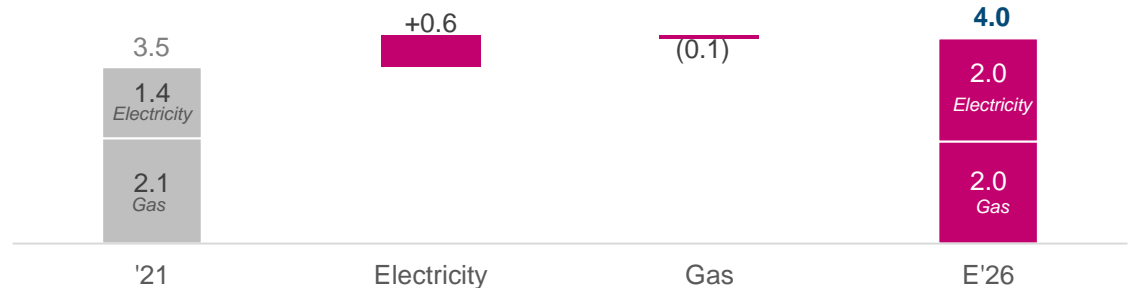
### Ebitda drivers to 2026

(M€)



### Customer base growth 2022-2026

(mln)



**Targeting to reach more than 4.0 million customers**

## INVESTMENT CASE

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**Governance x**

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Board of Directors evolution

Board of Directors KPIs

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Voting rights

Top management remuneration

s/t variable remuneration

l/t variable remuneration

Benchmark remuneration

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Shareholdings

Treasury shares

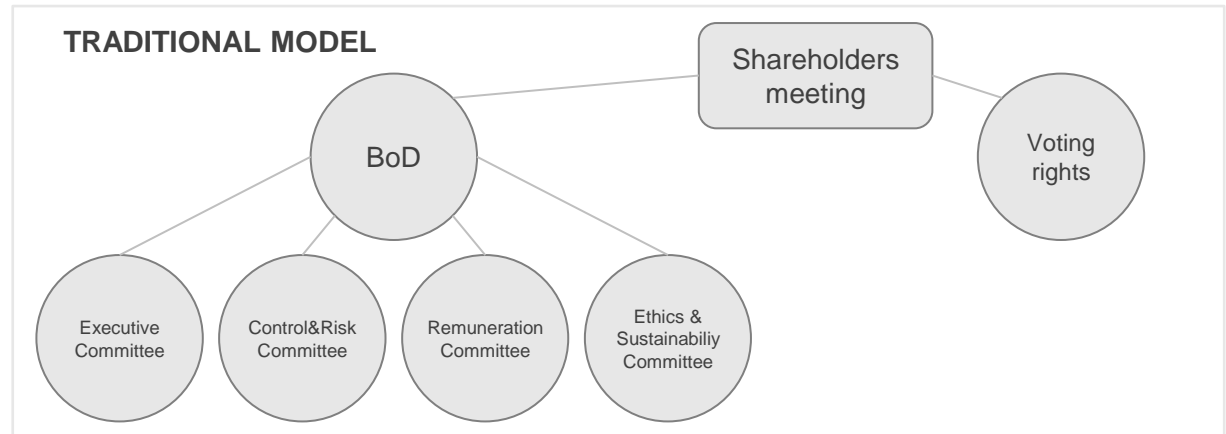
Total Shareholders' Return

Sustainability ▼

Valuation & "ESG" Ratings ▼

## GOVERNANCE AT A GLANCE

- Traditional governance based on Board of Directors



- Top executives remuneration

### BEST PRACTICE

- Shareholdings

### PUBLIC COMPANY

- Returns

**TSR (from IPO): +235%**

**“HERA is the only local utility that has never experienced governance problems”\***



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## BOARD OF DIRECTORS EVOLUTION

### Board of Directors

(n° of BdD members)

 Elected by Public shareholders  
 Elected by Minority shareholders



**2002**  
*Hera's establishment*

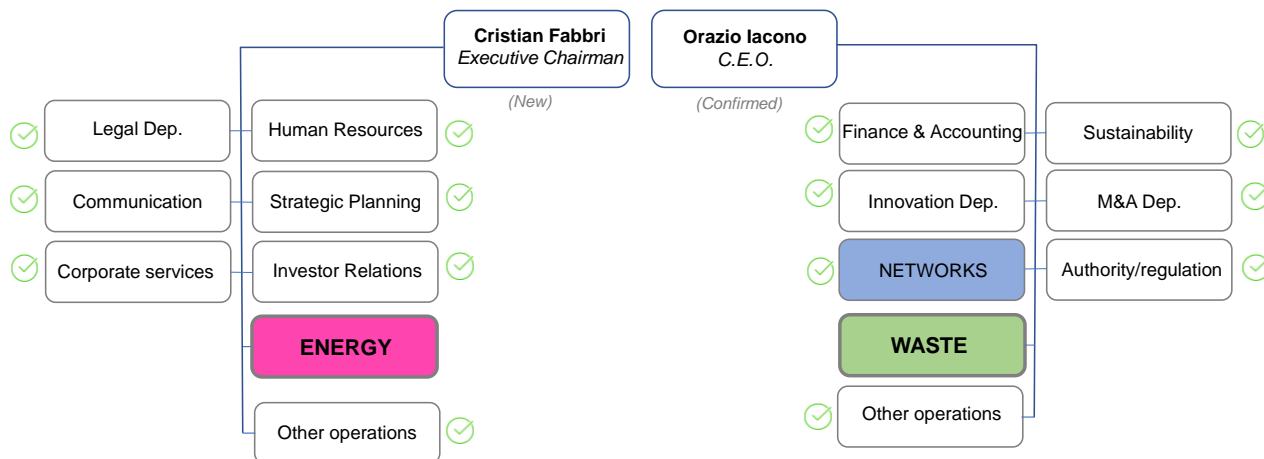
**2003**  
*Hera's listing*

**2004-2005**  
*Agea-Meta mergers*

**2013**  
*Acegas Aps merger*

**2014**  
*Amga Udine merger*

**Today**



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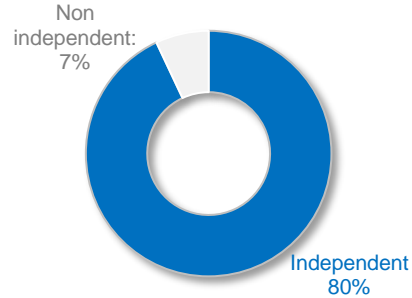
Total Shareholders' Return

Sustainability ▼

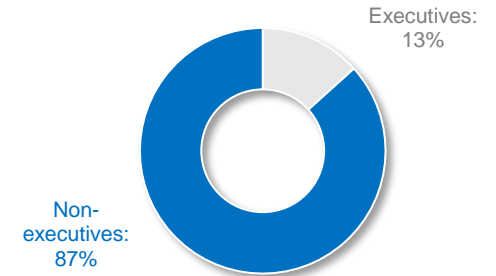
Valuation & "ESG" Ratings ▼

## BOARD OF DIRECTORS KPIs

### Percentage of independents



### Percentage of executives



### Gender balance



### Majority/minority members



**Aligned to best practice**

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## BOARD COMMITTEES

### Executive Committee

Name	Role in the committee	Expertise*	Age	Years in the Hera BoD	Independence from management	Independent interests
Cristian Fabbri	Chairman	I R	53	1	Executive	Independent
Gabriele Giacobazzi	Vice Chairman	R	74	4	Non-executive	Independent
Orazio Iacono	Member	I R	56	2	Executive	Independent
Marina Monassi	Member	S	69	1	Non-executive	Independent

### Control and Risk Committee

Name	Role in the committee	Expertise*	Age	Years in the Hera BoD	Independence from management	Independent interests
Gabriele Giacobazzi	Chairman	R	74	4	Non-executive	Independent
Alessandro Melcarne	Member	R	39	6	Non-executive	Independent
Lorenzo Minganti	Member	I	50	4	Non-executive	Independent
Paola Gina Schwizer	Member	S	58	4	Non-executive	Independent

A **Risks committee** is furthermore present, which is the main body for orienting, monitoring and providing information as to risk management strategies. It is made up of: the Executive Chairman, the Vice Chairman, the CEO, the Group Director of Administration, Finance and Control, the Group Director for Markets and the Enterprise Risk Manager. Furthermore, as regards specific issues pertaining to them, the following are called to participate: Group Legal and Corporate Director, Group Director for Corporate Services, Group Director for Innovation, General Director of Hera Trading.

### Remuneration Committee

Name	Role in the committee	Expertise*	Age	Years in the Hera BoD	Independence from management	Independent interests
Gabriele Giacobazzi	Chairman	R	74	4	Non-executive	Independent
Alessandro Melcarne	Member	R	39	6	Non-executive	Independent
Lorenzo Minganti	Member	I	50	4	Non-executive	Independent
Paola Gina Schwizer	Member	S	58	4	Non-executive	Independent

### Ethic and Sustainability Committee

Name	Role in the committee	Expertise*	Age	Years in the Hera BoD	Independence from management	Independent interests
Alice Vatta	Chairman	S	48	4	Non-executive	Independent
Nicoletta Tranquillo*	Member	ESG	n.a.	n.d.	n.a.	n.a.
Filippo Maria Bocchi**	Member	ESG	54	n.d.	n.a.	n.a.
Francesco Perrini	Member	S	58	1	Non-executive	Independent

## Sustainability has become a focus of a BoD committee

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## VOTING RIGHTS

### Increased voting rights

#### Main features of increased voting rights



the shares must be included in a **list**



and must remain part of this list for **2 years**



to obtain **double voting rights**

[Go to the section on increased voting rights on the website](#)

### Resolutions where double vote applies

#### Shareholders meeting votes to which increased voting rights are applied

BoD election	Board of Auditors election	Amendments to the Articles of Association	Approval of the yearly financial statements
Culpability actions against directors and auditors	Approval of share certificates	Approval of shareholders meeting regulations	Updating the articles of association to current laws
Distributing shares to employees	Transferring the central offices	Issuing convertible bonds	Appointing an auditing firm
Appointing the legal representative	Creating and discharging business branches	Mergers, demergers and transformations	Remuneration policies
Appointing, substituting and repealing liquidators, defining their powers	Approving capital increases	Mergers with owned companies	Other points established by the law

■ Votes to which increased voting rights are applied

■ Votes to which increased voting rights are not applied

**All shareholders may apply**

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## TOP MANAGEMENT REMUNERATION

### Remuneration and incentive schemes

Component	Executive Chairman	CEO	Non-executive directors
Fixed remuneration	✓	✓	✓
Short-term variable remuneration	✓	✓	
Long-term variable remuneration (retention)	✓	✓	
Non-monetary benefits	✓	✓	✓
Company welfare	✓	✓	

Total Shareholder's Return since IPO

**+235%**

**Effective rem. schemes even without stock options plans**

## INVESTMENT CASE

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## SHORT TERM VARIABLE REMUNERATION

- 19% (senior management), 25% (Directors), 50% (Top executives and General Manager) of fixed remuneration can be paid as yearly bonus reaching yearly targets

### Short term bonus system

Indicator	Weight	Targets passed	Targets reached	Minimum deviation	Medium deviation	High deviation
Ebitda	20%					
Net profits	20%					
Net Debt	20%					
CSV Ebitda	20%					
Residential ICS	20%					
<b>Bonus paid</b>		<b>115%*</b>	<b>100%*</b>	<b>80%*</b>	<b>60%*</b>	<b>40%*</b>

\* Each indicator is to be evaluated separately. The weighting percentage is to be defined by calculating the weighted average of the percentages deriving from the results of each single indicator.

**100% of white collars involved in s/t bonus scheme**

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## LONG TERM VARIABLE REMUNERATION

The Board of Directors, during the meeting held on 22 March 2016, approved the application of a retention plan for a low number of managers, taking into account the weight of their organisational position, an evaluation of the performances obtained during the development process and their age.

The Board of Directors also felt it appropriate to introduce an annually updated evaluation mechanism for gaining access to and renewing/not renewing the monetary plan. In this way, it becomes more of a challenge to obtain 100% of the bonus, in that it is obtained only if the targets are reached during each of the three years in question.

The incentive comes to maturity in 2022 – 2023 – 2024 and will be paid in 2025. The amount of the incentive comes to 50% or 100% of Gai in the three-year period, i.e. 17% or 33% of yearly Gai.

See the Report on remuneration for further details.

2022	2023	2024	2025
Vesting period: 2022-2024			Bonus paid

### Breakdown of remuneration

2022	2023	2024	2025
<p>2022 Component</p> <p>Product of <math>GAI_{2022}</math>, multiplied by the incentive factor (50% or 100% divided by 3), according to the level to which Group results are reached and the evaluation parameters of the development process</p>	2022 Component	2022 Component	Bonus value
	<p>2023 Component</p> <p>Product of <math>GAI_{2023}</math>, multiplied by the incentive factor (50% or 100% divided by 3), according to the level to which Group results are reached and the evaluation parameters of the development process.</p>	2023 Component	
		<p>2024 Component</p> <p>Product of <math>GAI_{2024}</math>, multiplied by the incentive factor (50% or 100% divided by 3), according to the level to which Group results are reached and the evaluation parameters of the development process.</p>	

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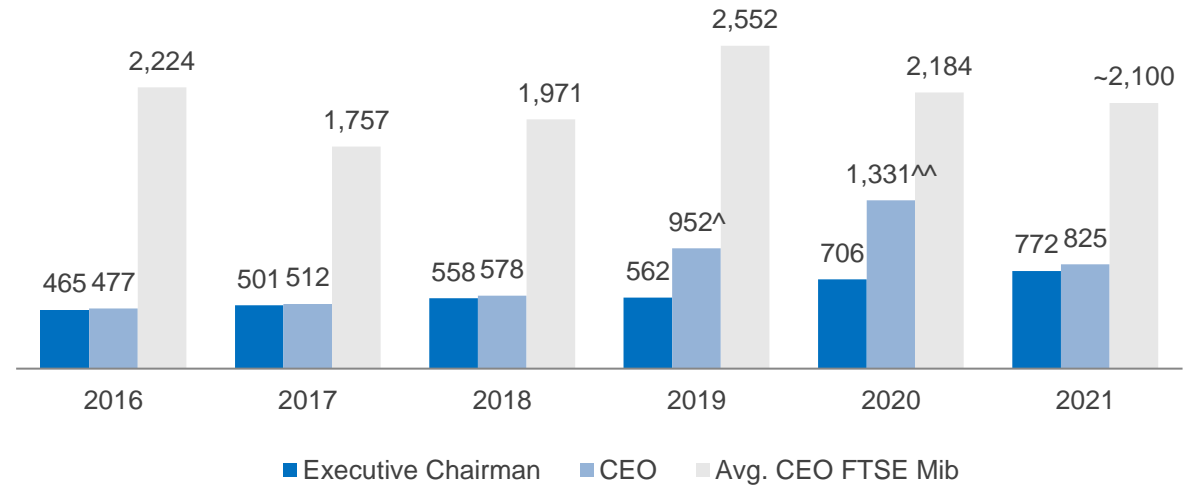
Total Shareholders' Return

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Valuation & "ESG" Ratings ▼

## BENCHMARK REMUNERATION

**Hera Executives total remuneration vs average FTSE Mib\***  
(<sup>'000</sup> €)



\* Excluding stock options which is not in place in Hera Group

<sup>^</sup> Includes 371 k€ of long term incentive (retention plan)

<sup>^^</sup> Includes 600 k€ of extraordinary bonus



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## SELF-REGULATORY CODE

### Art. 1 Role of the Board of Directors

Strategic role of the Board of Directors	✓	The BoD is given a mandate for the widest powers in ordinary and extraordinary management of the Company.
Report to the Board	✓	The delegated bodies report to the BoD and the Board of Auditors at least <b>every three months</b> on the activity carried out.
Orientation of the Board towards accumulated offices	✓	Limit of 1 office in listed companies for executive administrators. Limit of 2 offices in listed companies for non-executive administrators.
Self-evaluation of the Board	✓	Yearly evaluation with the support of an external and independent consulting firm.

### Art. 2 Breakdown of the Board of Directors

Role of the Chairman		The Board of Directors has conferred management mandates to the Chairman, owing to the organisational complexity of the Hera Group.
Formation of the Board (induction)	✓	Detailed reports on issues involving business, investments, organisation, market scenario, regulatory evolution.
Lead Independent Director	✓	Present till the AGM 2022. To be nominated in the recently appointed BoD.

### Art. 3 Independent Directors

Number of independent members	✓	Hera's Board of Administration is made up of 13 (out of 15) non-executive independent directors.
Periodic verification of independence	✓	The Board of Directors evaluates the independence of its directors and the Board of Auditors verifies the correct application of the criteria, in compliance with the Self-Regulatory Code.

### Art. 4 Creation and functioning of the Internal Committees

Remuneration Committee	✓	Made up of 4 non-executive independent members, 3 of which having experience in accounting and financial matters. <a href="#">Link</a>
Control and Risk Committee	✓	Made up of 4 non-executive independent members. Directors with experience in accounting, financial and risk issues are included. <a href="#">Link</a>
Ethics Committee	✓	Made up of 3 members, one of which is a non-executive independent director acting as Chairman and two experts in the subject. <a href="#">Link</a>

### Art. 5 Appointment of the directors

Appointment Committee		The functions of the Appointment Committee are reserved for the Board of Directors.
Succession plan		The BoD, considering that the executive directors reflect the main shareholders, has decided that it is not necessary to elaborate a succession plan.

### Art. 6 Remuneration of the directors

Limits to short-term variable remuneration	✓	Variable remuneration foreseen only for executive directors, with a limit of 40% upon reaching 100% of the objectives and up to a maximum of 46% in case of outperformance.
Deferred payment of long-term variable remuneration	✓	Deferred variable retribution related to reaching the Group's operating and financial objectives for 2016-17-18 introduced for the CEO. Payment foreseen for when the 2018 accounts are closed. The maximum long-term remuneration comes to 100% of GAI.

Resignations, layoffs or termination of employment	✓	A clause has been introduced for executive directors, establishing 18 months of indemnity.
--	---	--

Clawback clause	✓	Ex-post correction mechanisms foreseen of the remuneration system for executive directors.
-----------------	---	--

Remuneration plan and stock options		A remuneration plan based on assigning financial instruments is not foreseen.
-------------------------------------	--	---

### Art. 7 System of internal control and risk management

Strategic role of the internal control and risk management system	✓	Integrated system in the most general levels of organisation and supervised by the Executive Chairman and the CEO.
Internal Audit	✓	The person responsible for this function reports to the Vice Chairman and provides information as to his work every three months to the Executive Chairman, the CEO, the Control and risk committee and the Board of Auditors.

Whistleblowing	✓	The Ethics committee provides a direct and reserved channel for all stakeholders interested in drawing attention to possible behaviour that contravenes the ethics code and the values promoted by the Group.
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### Art. 8 Board of auditors

Breakdown and functioning of the Board of auditors	✓	Made up of three standing members and two alternate members. The members possess the requisites of eligibility, independence, honour and professionalism established by regulations.
--	---	--

### Art. 9 Investor relations

Person responsible charged with managing relations with shareholders	✓	The Company has provided itself with a section of management dedicated to investor relations, responsibility for which has been entrusted to Jens Klint Hansen (email: <a href="mailto:jens.hansen@gruppohera.it">jens.hansen@gruppohera.it</a> )
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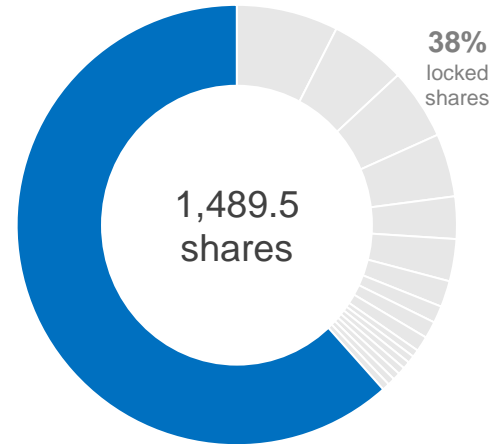
Treasury shares

Total Shareholders' Return

Sustainability ▼

Valuation & "ESG" Ratings ▼

## SHAREHOLDINGS



- **Largest shareholder** holds **less than 10%** stake
- **High diversification among public entities** (111 Municipalities have locked in a pact 38% of share capital)
- **Large presence of institutional shareholders** from EU, US, UK and Australia

**A public company shareholding**

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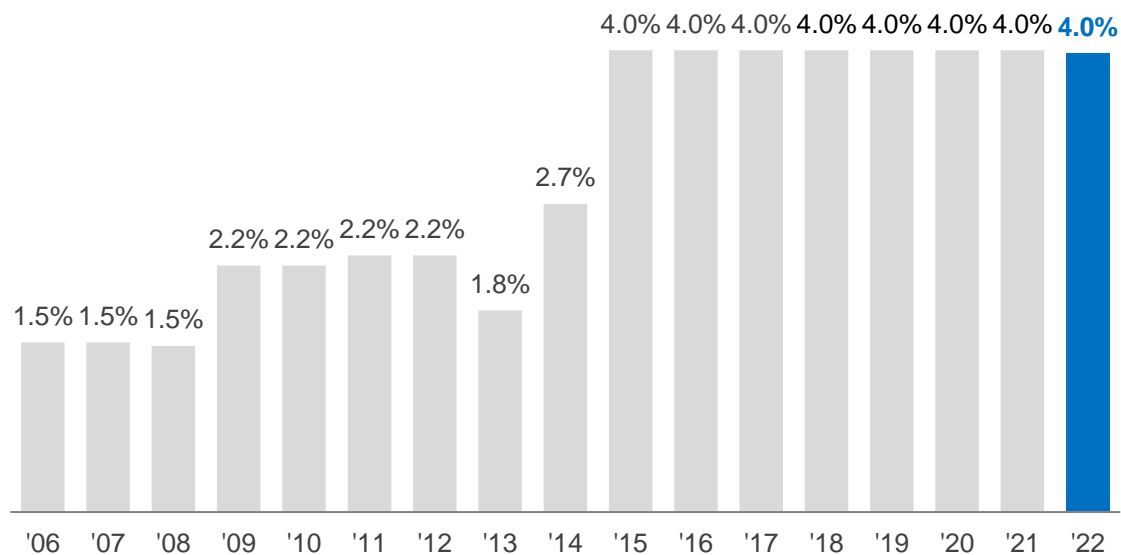
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## TREASURY SHARES

**Permitted percentage of the share capital repurchased through buyback (%)**



**Shares might be used to fund M&A deals**

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## TOTAL SHAREHOLDERS' RETURN

### Total shareholders' return since IPO

(€)

Year	Capital Gain (€)	Dividend (€)	Total return (€)	Return in % (vs IPO price)	Cumulated TSR since IPO
2003	(0.01)	+0.000	(0.01)	(0.7%)	(0.7%)
2004	+0.88	+0.053	+0.93	+74.6%	<b>+73.9%</b>
2005	+0.14	+0.057	+0.20	+15.8%	<b>+89.7%</b>
2006	+1.04	+0.070	+1.11	+88.6%	<b>+178.3%</b>
2007	(0.24)	+0.080	(0.16)	(12.8%)	<b>+165.5%</b>
2008	(1.57)	+0.080	(1.49)	(118.8%)	<b>+46.7%</b>
2009	+0.13	+0.080	+0.21	+17.0%	<b>+63.7%</b>
2010	(0.06)	+0.080	+0.02	+1.3%	<b>+65.0%</b>
2011	(0.46)	+0.090	(0.37)	(29.8%)	<b>+35.2%</b>
2012	+0.13	+0.090	+0.22	+17.4%	<b>+52.6%</b>
2013	+0.42	+0.090	+0.51	+41.1%	<b>+93.7%</b>
2014	+0.31	+0.090	+0.40	+31.6%	<b>+125.3%</b>
2015	+0.49	+0.090	+0.58	+46.5%	<b>+171.8%</b>
2016	(0.26)	+0.090	(0.17)	(13.3)	<b>+158.5%</b>
2017	+0.74	+0.090	+0.83	+66.5%	<b>+225.0%</b>
2018	(0.26)	+0.095	(0.16)	(12.9%)	<b>+212.1%</b>
2019	+1.23	+0.100	+1.33	106.8%	<b>+319.0%</b>
2020	(0.92)	+0.100	(0.82)	(65.6%)	<b>+253.4%</b>
2021	+0.68	+0.110	+0.79	63.2%	<b>+316.7%</b>
2022	(1.14)	+0.120	(1.02)	(81.7%)	<b>+234.9%</b>
<b>19 years</b>	<b>+1.28</b>	<b>+1.66</b>	<b>+2.94</b>	<b>+234.9%</b>	

**Total Shareholders' Return always positive since IPO**

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Waste circularity

Water circularity

Ongoing projects in water

Valuation & "ESG" Ratings ▼

## APPROACH TO BUSINESS EVOLUTION

- Since its establishment, Hera has constantly chased the engagement of the corporate stakeholders, in a relentless attempt to combine economic and social developments. The company is built to last, to help improve society and the environment for future generations, according to the following strategic priorities:



- Hera adheres to prominent programs adopted at global level



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Waste targets

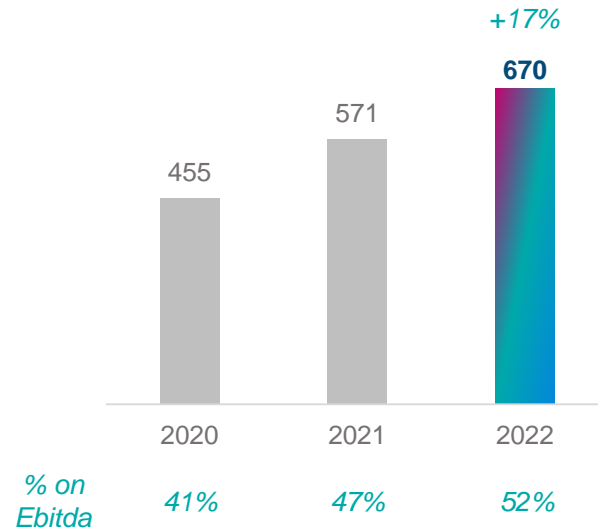
Valuation & "ESG" Ratings ▼

## CREATING SHARED VALUE

- Measurement goes beyond accountability, as it should determine with objective certainty not only what projects are worth carrying out according to the economic as well as social returns, but rather the impact made by the whole of the company in relation to the EBITDA generated. In the Sustainability Report 2021, Hera has made for the second time the exercise of evaluating the Shared Value generated by the company through a reclassification of EBITDA, according to the 3 Drivers and 9 Impact Areas identified: **52% of Hera's EBITDA has been generated through Shared Value activities and projects.**

**Ebitda CSV: 670 million Euro**  
(52% of Group 2022 Ebitda)

**Capex CSV: 510 million Euro**  
(about 62% of Group Capex)



**Aiming at increasing Ebitda CSV from 52% to 70% in '30**

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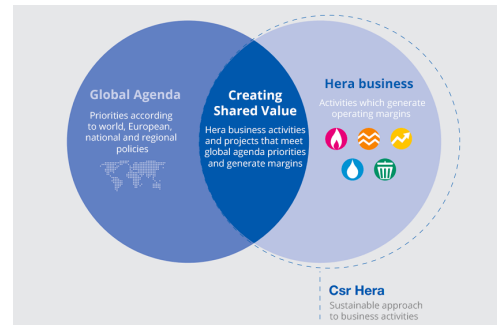
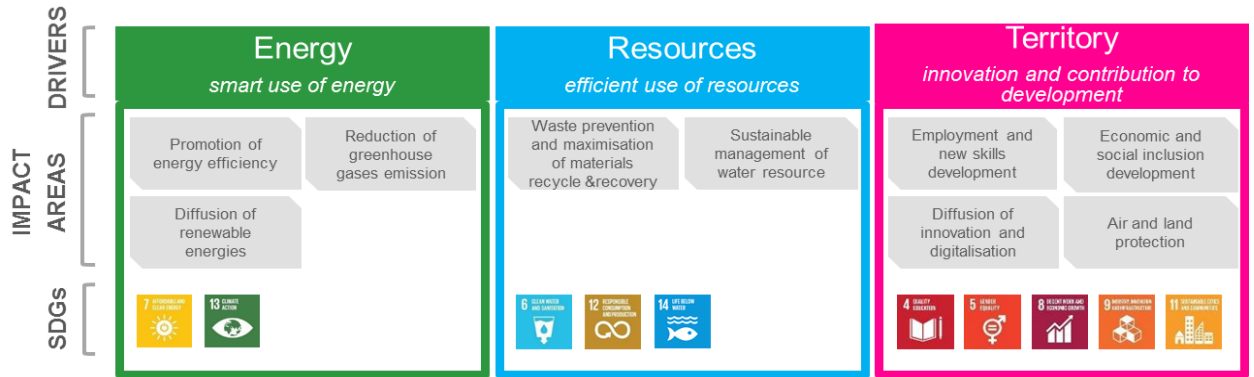
Water circularity

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## HOW WE MEASURE CSV

- In the last few years, the role of economic actors within the society has progressively changed from organizations pursuing mere economic returns and exclusively focused on customers to enterprises embedded in a social context through stakeholders relationships. Emergent social needs are acknowledged as a leverage to promote innovation and competitiveness. Meeting such needs is beneficial; it's no longer about mitigating the possible negative impacts with Corporate Social Responsibility activities, but rather to innovate business models, processes, products, and services while pursuing positive and measurable business results. **This approach represents the new frontier in Hera corporate commitment.** Hera is progressively adopting a business model according to the social needs detected by the policies issued at local, regional, national and global level by Institutions (e.g. Un and European Commission or Italian Government). The reason behind this choice depends on the power held by such policies to motivate all actors in taking a clear action and to influence the change.
- Hera has analysed 45 policies at global, national and regional level, more than 400 commitments deriving from the intervention areas identified by such policies, and more than 150 quantitative targets related to its business activities. **From this analysis, Hera has defined 9 impact areas (cross-policy pools that gather several commitments and targets) and it regrouped them into 3 Drivers or lines of strategic development, representing a "Call to Action".**



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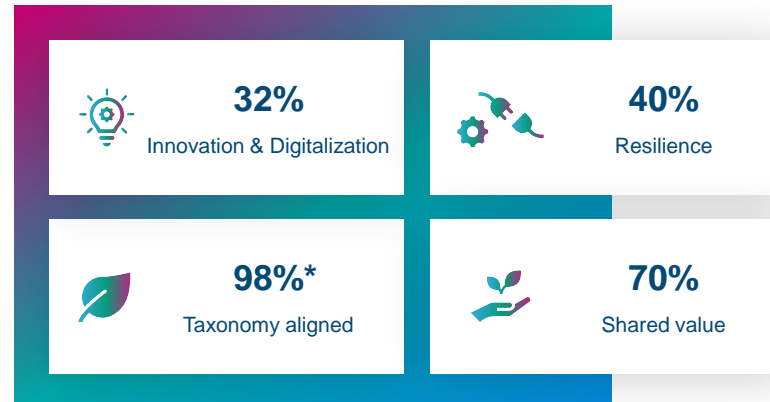
## OUR ACHIEVEMENTS & PLANS

### Achievements and targets (to 2026 and 2030)

Carbon neutrality	2022	2026	2030	Circular economy	2022	2026	2030
<i>SBTi emissions</i> <small>(Scope 1+2+3 vs 2019)</small>	<b>-11.7%</b>	-23%	-37%	<i>Plastic recycled</i> <small>(vs 2017)</small>	<b>+33%</b>	+102%	+150%
<i>Renewable electricity sold</i>	<b>41%</b>	44%	>50%	<i>Packaging recycled</i>	<b>68%</b>	73%	>80%
<i>Group energy consumpt.</i> <small>(vs 2013)</small>	<b>-6.9%</b>	-8.6%	-10%	<i>Water reuse</i>	<b>7.3%</b>	13%	18%
<i>Biomethane produced</i> <small>(mln m<sup>3</sup>)</small>	<b>7.7</b>	12	30	<i>Internal water consumption</i> <small>(vs 2017)</small>	<b>-20.5%</b>	-20%	-25%

### Capex '22-'26 sustainable nature (m€)

4.1 b€ Capex plan by nature



\* Capex, within Taxonomy scope



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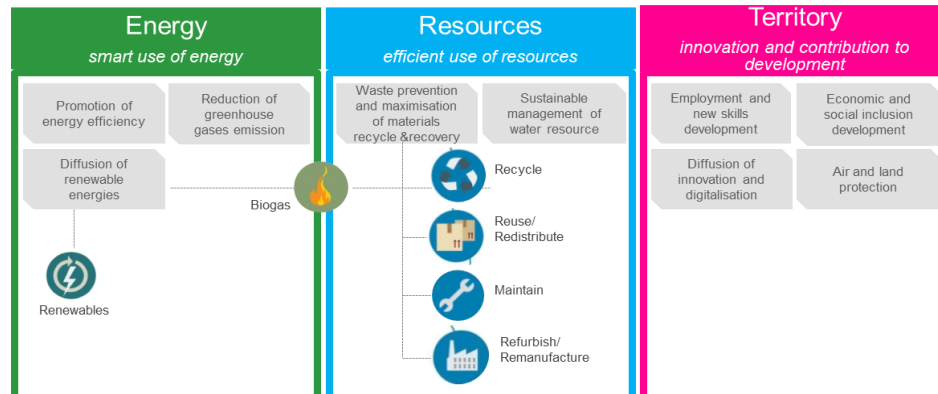
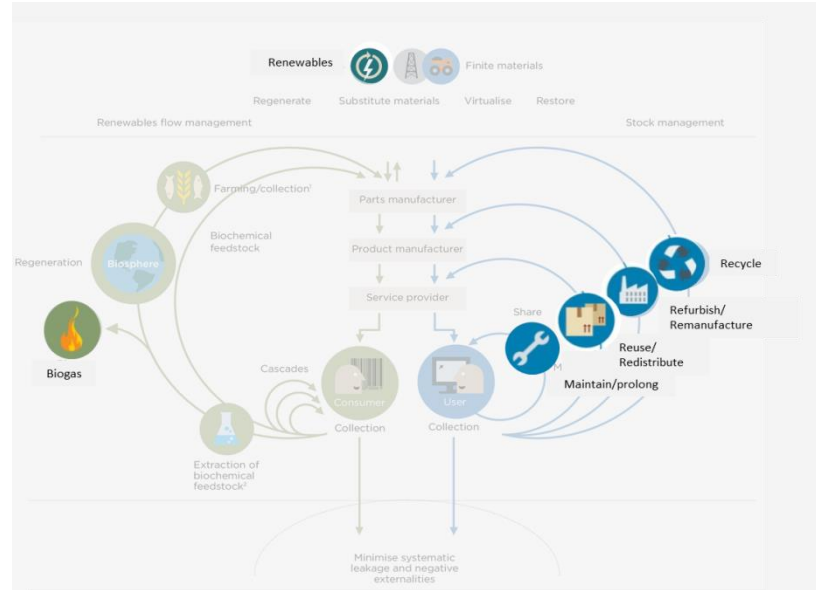
Waste circularity

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## HERA & CIRCULARITY



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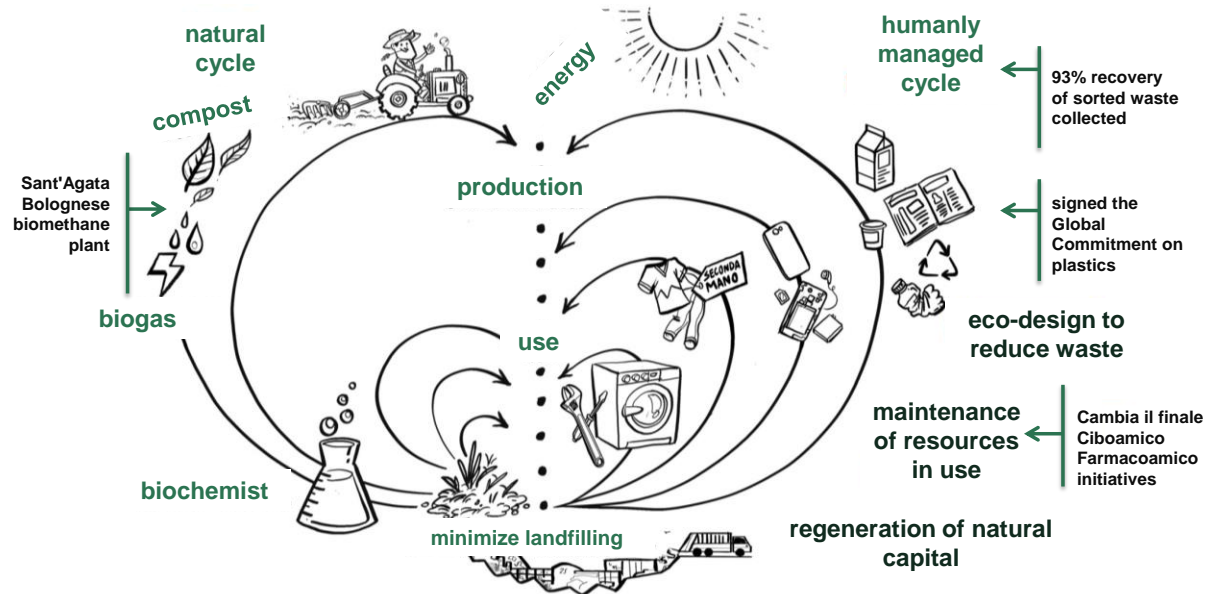
**Waste circularity**

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## WASTE CIRCULARITY



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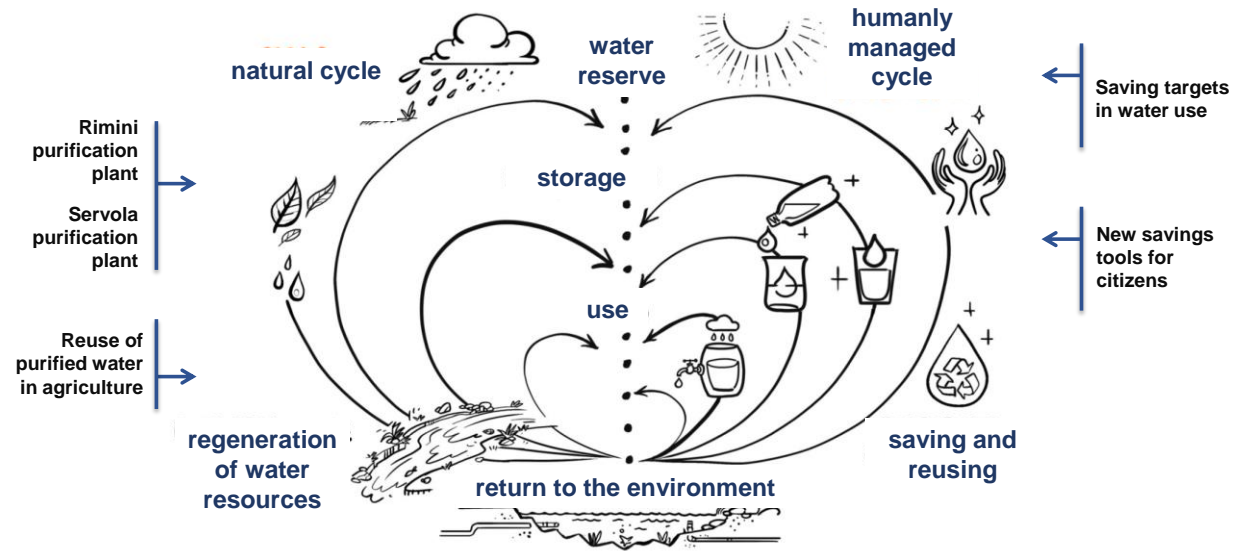
Waste circularity

**Water circularity**

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## WATER CIRCULARITY



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**Ongoing projects in water**

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## ONGOING PROJECTS IN WATER

### Water sources optimization

- Ongoing project aiming to increase Hera water system **resilience to climate change** 95% distributed volumes to be remote controlled by 2021
- Right matching between **technology** (i.e. Desalination, Water conservation) and **territory** Desalination testing in Romagna coast

### Leakages reduction

- **Satellite technology** used for leakage detection with successful results 82% discovered leakages in Ferrara
- Aim to apply technology with reference to a **3,000 km portion grid each year** (2017-2019) Target 40% satellite scanned grid

### Water re-utilization

- Project targeting a **circular approach** in water business management
- **Water** to be perceived and managed as a **durable good** (vs current consumable approach)



The CEO Water Mandate

Water manager introduction in Hera

### Energy saving projects

- Electricity consumption based on **real needs** of WWTP oxidation section -5% energy consumption by 2020 (vs 2013)
- Controller installation in **34 plants by 2021** -50% energy consumption in oxidation section

### Manpower optimization

- **Smart Water Grid** to control network and to manage remotely (operation center) ~400 remote controlled mapped districts by WinCC OA (PVSS)\*
- **100% automated plants** (no manpower need)

### Value extraction from sewage

- Best available technologies in **sewage sludge treatment** tested in 3 WWTP
- Extension of best solutions to **all WWTP of the Group**

WWTP tested:

- Modena
- IDAR (Bologna)
- S.Giustina (Rimini)

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Valuation & "ESG" ratings x

### Consensus Target Price

Multiples

Stock data

ESG analyst ratings

## CONSENSUS TARGET PRICE

### Consensus Target price\*

Analyst	Rating	Target price
 <b>MEDIOBANCA</b> <small>Gruppo di Banche e Assicurazioni</small>	Outperform	3.60
 <b>BANCA IMI</b>	Buy	3.40
 <b>Banca Akros</b>	Accumulate	3.40
 <b>Kepler Cheuvreux</b>	Buy	3.30
 <b>Intermonte</b>	Outperform	3.30
 <b>EXANE BNP PARIBAS</b>	Buy	3.30
 <b>EQUITA</b>	Hold	3.30
	<b>TP Medio</b>	<b>3.37</b>

\*Consensus as at 29/05/2023

### Analyst consensus

M€	'22	E'23	E'24	E'25
Ebitda	1,295	1,331	1,366	1,400
Ebit	628	642	675	701
Net Profit	322	311	336	356
Debt/Ebitda	3.3x	3.1x	3.0x	2.9x
DPS (c€)	12.5	13.0	13.5	14.5

\*Consensus as at 20/05/2023

## Growth expectations

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**Valuation & "ESG" ratings x**

Consensus Target Price

**Multiples**

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## MULTIPLES

### Market P/E multiples\*

(x)



### Market EV/Ebitda multiples\*

(x)



**Premium vs peers for 10 years in a row**

\*Based on the price recorded 31/12/2022

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**Valuation & "ESG" ratings** x

Consensus Target Price

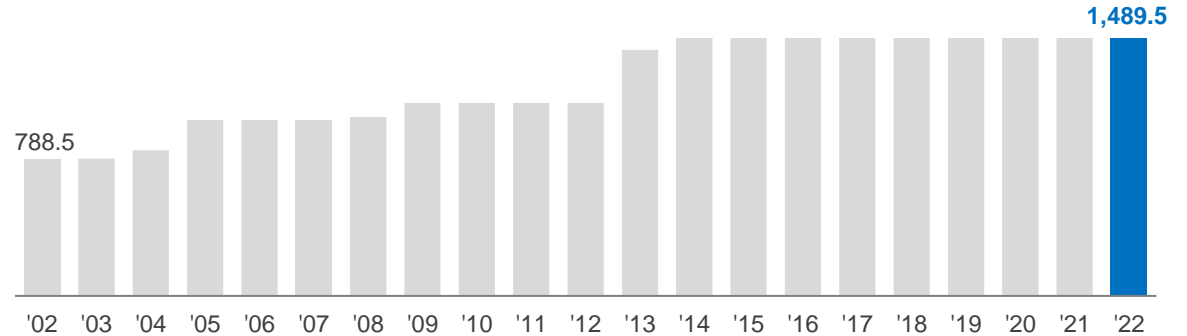
Multiples

**Stock data**

ESG analyst ratings

## STOCK DATA

### Share capital increase due to mergers executed *(million of shares)*



ISIN	IT0001250932
Bloomberg	HER IM
Reuters	HRA.MI
Beta	0.69
Yield Y'22*	5.0%
P/E E'22**	11.0x

\*Based on the price recorded 31/12/2022

\*\*Based on the price recorded 31/12/2022

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## ESG analyst ratings

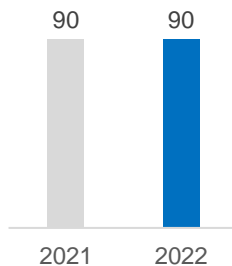
Hera **policy** on “**ESG analyst and Proxy advisors**” has **selected** few Analysts to which we provide **assistance** and contributions to their analysis by reviewing drafts, responding to questionnaires and discussing ESG matters **to improve the quality of researches and data.**

### Ratings and score of selected ESG analysts

#### S&P Dow Jones Indices

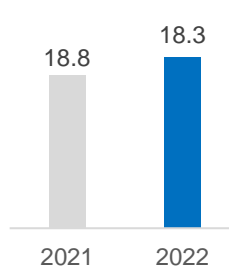
A Division of S&P Global

WORLD LEADER



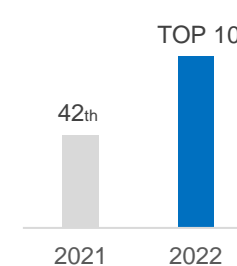
#### SUSTAINALYTICS

“Low risk”

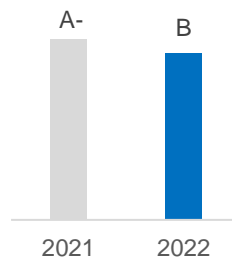


#### REFINITIV

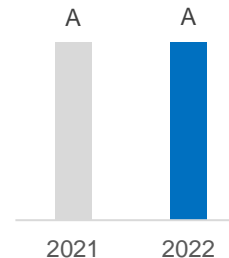
1<sup>st</sup> Multi-utility in the world



#### CDP



#### MSCI



#### INTEGRATED GOVERNANCE INDEX

1<sup>st</sup> for green financing

