

PRESS RELEASE

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Hera Group acquires Sostelia and becomes Italy's leading player in water treatment

With this integration, the multiutility further strengthens its positioning also in the industrial and civil water treatment sector, activating strong commercial synergies with its subsidiary Herambiente and focusing on research and development, innovation, and technical know-how as distinctive levers for medium- to long-term growth. The transaction, with a total value of €138 million, is expected, once fully operational, to contribute over €20 million to the consolidated EBITDA growth of the Hera Group.

Hera Group, one of Italy's largest multiutilities, further strengthens its leadership in the environmental sector, in particular in the treatment of civil and industrial water, thanks to the binding agreement signed today for the purchase of 100% of STA and the related stakes in the subsidiaries that are part of the Sostelia Group (NTW, CID, NPC, Trentino Acque, COMS, Acque della Concordia, Arcobaleno GC). Sostelia is an important Italian private player for technologies and the treatment of industrial and civil water, 65% controlled by Xenon Fidec, an impact private equity fund managed by Xenon AIFM, and with the remaining 35% held by entrepreneurs representing the companies within the group.

The transaction has an enterprise value of €138 million. The acquisition by Hera Group is subject to certain customary closing conditions (including notifications and approvals by the competent authorities) and is expected to be completed by the end of March 2026.

Once fully integrated, the transaction is estimated to contribute more than €20 million to the consolidated EBITDA growth of Hera Group, in addition to the value of the expected integration synergies.

The strategic lines of the transaction

The transaction creates a benchmark player in Italy with an integrated offering in the water treatment market - from design and construction (EPC) to operation and maintenance (O&M), up to the treatment and disposal of liquid waste and sludge related to purification processes. It also enables a strong system of synergies with Herambiente, the Hera-controlled subsidiary and Italy's foremost environmental operator, enhancing quality, efficiency, and service continuity for both public and private customers.

Synergies are, in fact, one of the main drivers of value creation. On the one hand, the integration of Sostelia's services could enable Herambiente to broaden its commercial offering by providing its customers with additional services such as revamping solutions and the design of new plants, or the operation and maintenance of existing private plants, ensuring technical-operational continuity that translates into greater reliability and lower operating costs. On the other hand, Sostelia's customer portfolio represents a significant opportunity for Herambiente to integrate its own service offering.

Among the key elements underpinning the industrial synergy of the acquisition, the know-how developed by Sostelia and Hera Group in the integrated water cycle - both civil and industrial - also stands out. Hera Group can already boast many years of experience deriving from the direct management of dozens of owned plants dedicated to civil wastewater treatment in the served territories and to the treatment of liquids from industrial waste. For its part, Sostelia also provides integrated services and cutting-edge technologies for the treatment of industrial wastewater and sludge, for water resource recovery, and to address the new challenges linked to the recent EU Directive 2024/3019, which introduces stricter obligations on the treatment of urban wastewater. An example is solutions for PFAS abatement, aimed at reducing the environmental impact of these pollutants. More generally, the combination of Sostelia's technical expertise, plant infrastructure, and commercial capability will enable Hera Group to expand its customer base, diversify revenues, and increase business resilience in a sector that requires speed of intervention, high quality of service, and continuous innovation.

The Sostelia Group in figures

The Sostelia Group has a base of over 1,200 plants under management, more than 1,200 active customers, around 350 employees, and its economic and financial profile confirms the industrial solidity of the transaction. About 70% of the activity is focused on industrial customers; in terms of business lines, about half of revenues comes from water treatment solutions - an essential gateway to long-term management and maintenance contracts - while the remaining part comes from ancillary services. Commercial diversification is broad, with a portfolio that combines large industrial players in the private market and significant public contracts in the municipal segment and, geographically, strong coverage of Northern Italy and an already established international presence that generates about 10% of revenues. The company also has a direct presence in waste treatment, thanks to an advanced liquid waste treatment plant in Casalmaggiore (Cremona) complementary to Herambiente's plant network.

“The acquisition of an industrial company such as Sostelia, a leader in water treatment with advanced technologies, research and development, and high-level know-how, strengthens Hera Group’s positioning in the two strategic sectors of water and waste. The reference scenario is marked by stricter regulations, such as EU Directive 2024/3019 on wastewater, and by an increasingly severe water deficit because it is expected that water demand will grow, due to industrial reconfiguration, while available resources will shrink, as a result of climate change. This context will drive investments in water treatment, saving, and reuse, fostering growth in demand for advanced civil and industrial water treatment solutions. We thus add another fundamental building block within our waste value chain and continue the path launched in recent years, which has already seen the entry into our corporate perimeter of players such as Aliplast and ACR Reggiani, with the aim of expanding and diversifying services for civil and industrial customers,” says Orazio Iacono, Chief Executive Officer of Hera Group.

“Setting aside the customary phrases typical of these occasions, I would only like to underline how in less than 3 years, with an industrial approach, we have been able to create a group that guarantees a much more solid operating perspective for all employees and customers, given that some of the acquired businesses had a classic generational handover issue to solve. The Xenon Fidec fund, launched in July 2023, has created and is developing five other groups in strategic sectors of the circular economy and the energy transition, and with this transaction it completes its second successful exit,” says Danilo Mangano, Chief Executive Officer of Xenon AIFM S.A.

In the transaction, Hera was assisted by PwC as strategic advisor and by the GA-Alliance firm for legal matters, while Xenon was assisted by Rothschild & Co. as financial advisor, by LCA for legal matters, and by Deloitte Financial Advisory and Fortlane Partners.

Hera Group is one of Italy's largest multiutilities and operates in the waste, energy, and water sectors, with over 10,500 employees. More than 7.5 million citizens receive at least one service provided by the Group. Listed since 2003, it is among the top 40 Italian companies by market capitalization (it is part of the FTSE MIB index) and has been included in the Dow Jones Sustainability Index since 2020. https://eng.gruppohera.it/group_eng/

Xenon FIDEC is one of the first Italian sustainable private equity funds, in compliance with Article 9 of the SFDR Regulation. It supports entrepreneurs and companies in creating Italian leaders active in the energy and ecological transition. The fund is managed by Xenon AIFM S.A., an alternative investment fund manager authorized by the Commission de Surveillance du Secteur Financier in Luxembourg. For thirty years, Xenon has partnered with family-owned businesses to carry out transformation projects aimed at driving growth, primarily through M&A or buy-and-build strategies.

The Sostelia Group was born from a strategy of aggregating companies that provide solutions for the design, construction, and maintenance of water treatment plants promoted by the Xenon FIDEC fund (majority shareholder with 65%) which began in 2023; the minority stake is owned by the entrepreneurs representing the various companies acquired during the build-up process. It is an important Italian private player in the sector, able to offer biological and physico-chemical plants, zero-discharge solutions, and technologies for the treatment of primary and process waters, and liquid waste.