

# BUSINESS PLAN TO 2025



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Sustainability Indices**

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**SCART** Progetto  
Artistico  
Gruppo Hera  
IL LATO BELLO E UTILE DEL RIFIUTO





**Tomaso Tommasi di Vignano**  
*Executive Chairman*

# DELIVERY FIRST

# 2021: KEEP ON GROWING



**1,220**  
EBITDA FORECAST 2021



**+97 m€**  
LARGEST ORG.  
GROWTH IN 2021

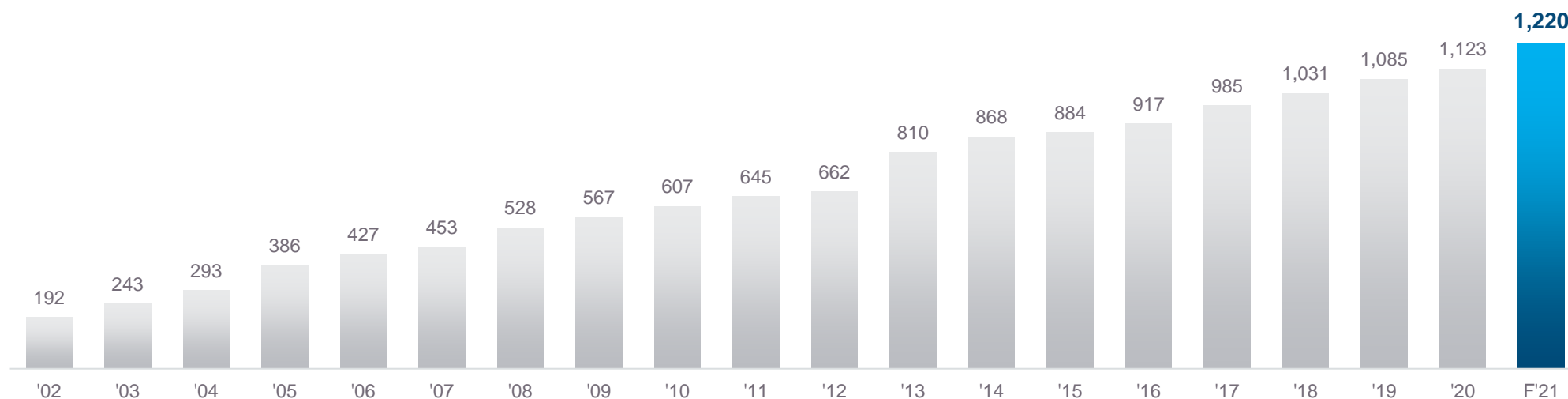


**+10%**  
HISTORICAL GROWTH  
CAGR



**~2.7x**  
DEBT/EBITDA

**Ebitda (m€)**



## Track record and financial soundness as a distinctive asset

# DELIVERY: TARGETS SISTEMATICALLY OUTPERFORMED



**+85 m€**

LARGEST  
OUTPERFORMANCE



**>4.0%**

AVERAGE  
OUTPERFORMANCE



**2 years**

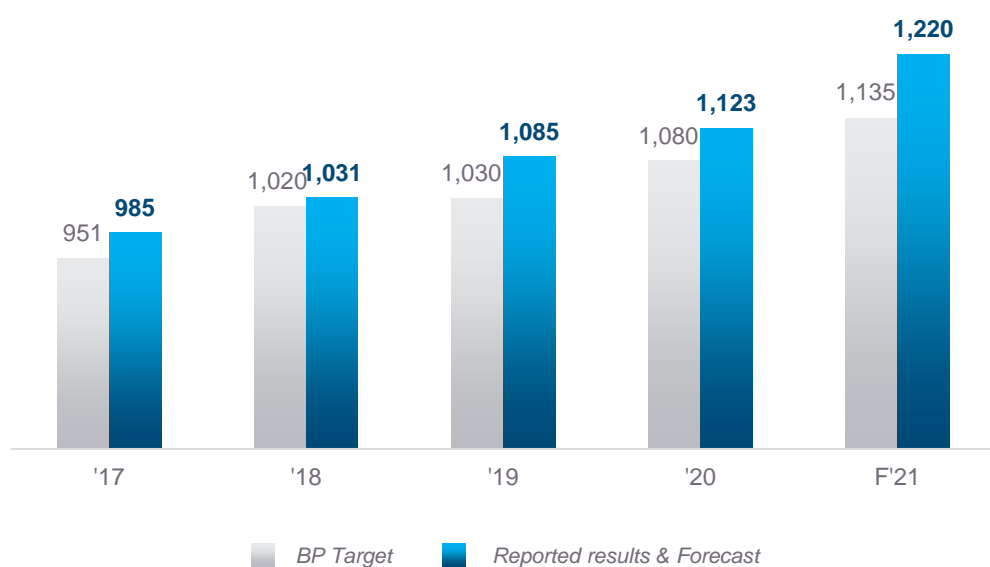
IN A ROW: DPS INCREASE



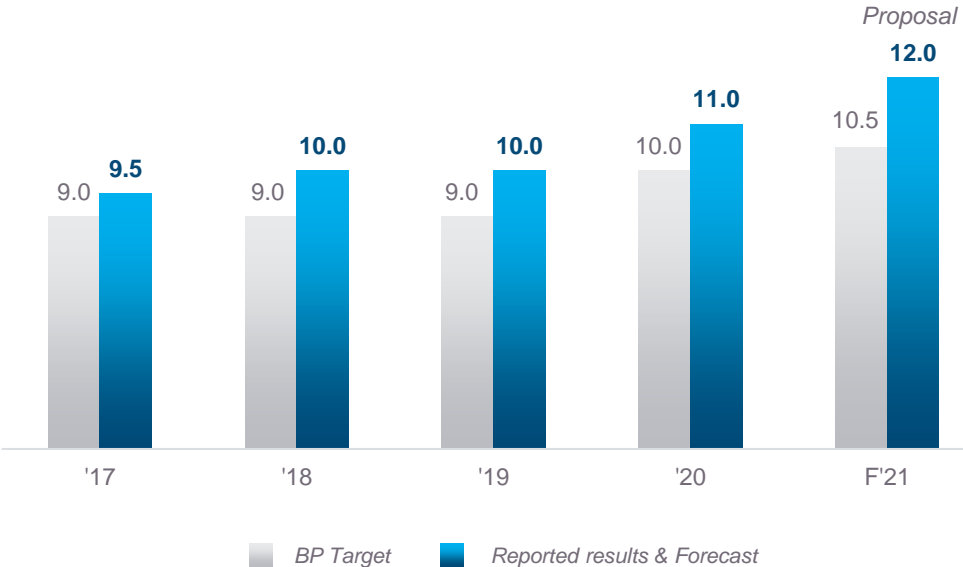
**12.0 c€**

DPS PROPOSAL

**BP targets vs reported Ebitda (m€)**



**BP targets vs DPS paid (c€)**



**Targets outperformed leading to higher remuneration**



# 2021

**1,220**

Ebitda F'21

**~2.7x**

Debt/Ebitda F'21

**12c€**

DPS proposal

**A solid first year of our 5Y Business Plan to '25**

















**Tomaso Tommasi di Vignano**  
*Executive Chairman*

# GROWTH DRIVERS TO 2025



# MARKET RESHUFFLING: KEY OPPORTUNITIES

	REGULATED BUSINESS TENDERS	ENERGY TENDERS	M&A
TRACK RECORD	<div><div></div><div>Water concession in Rimini awarded for the next 18 years and Ra/Ce extended to '28</div></div> <div><div></div><div>Waste concessions in Ravenna/Cesena, Modena, Bologna awarded for the next 15 years</div></div> <div><div></div><div>Gas distribution concession in Udine for the next 12 years</div></div>	<div><div></div><div>16 out of 27 areas nationally awarded in last two years in last resort markets (gas and electricity)</div></div> <div><div></div><div>60,000 out of 200,000 customers awarded in last Maggior Tutela small business tender</div></div>	<div><div></div><div>45 M&amp;A carried out since establishment (about +400 m€ Ebitda)</div></div> <div><div></div><div>4 Acquisitions completed in 2021 (about +20 m€ Ebitda at regime)</div></div>
POTENTIAL	<div><div></div><div>Last 2 tenders in waste to reconfirm all our reference territories</div></div> <div><div></div><div>+115,000 additional points of delivery in gas distribution (2 tenders in reference territories during BP period)</div></div>	<div><div></div><div>28 m€ Ebitda from last resort markets assumed in BP</div></div> <div><div></div><div>11 mln Maggior Tutela customers to be tendered in 2024</div></div>	<div><div></div><div>&gt;100 Waste treatment companies</div></div> <div><div></div><div>&gt;500 Companies in Energy Supply business</div></div> <div><div></div><div>&gt;500 "Municipal" multi-utility companies</div></div>

Hera track record underpins positive outcome

# CAPEX PLAN: STRONG INCREASE OF ORGANIC DEVELOPMENT



**3.8 b€**

5Y CAPEX PLAN



**+75%**

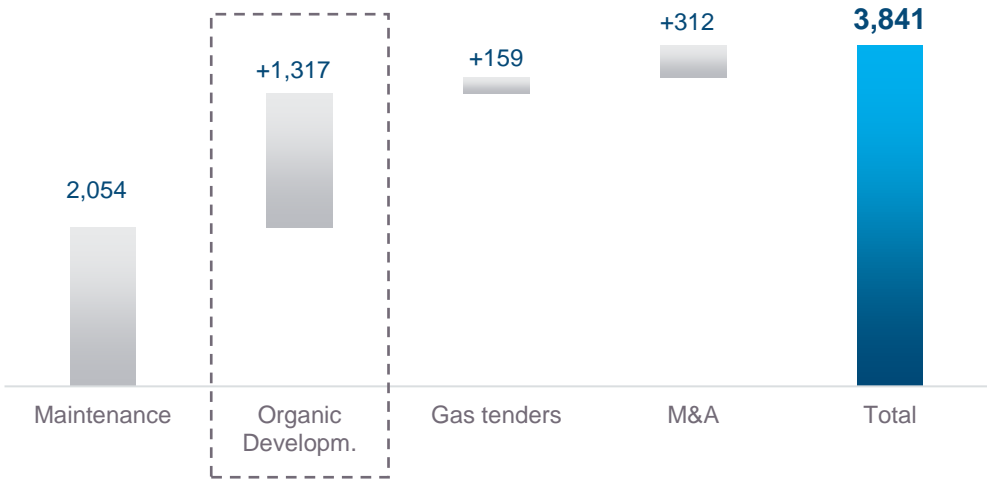
ORG. DEV. CAPEX  
vs OLD BP



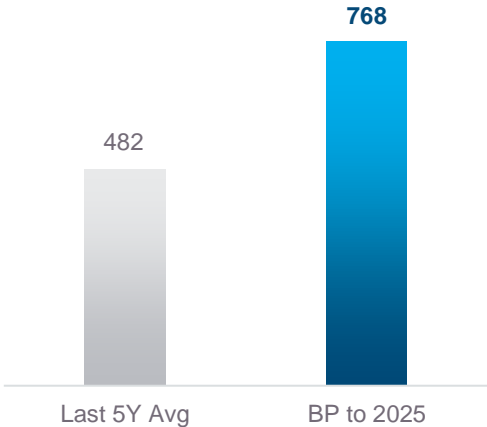
**+59%**

YEARLY CAPEX vs LAST 5Y

5Y Capex by driver (m€)



Yearly Capex (m€)



**Capital allocation focused on different growth drivers**



# ROAD TO 2025



**+277 m€**  
EBITDA GROWTH



**+4.5%**  
EBITDA CAGR

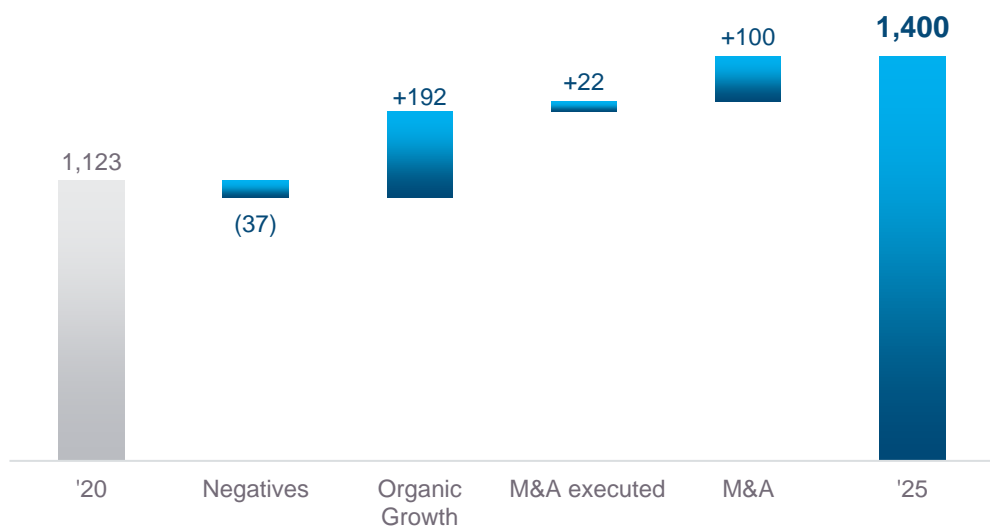


**+154 m€**  
EBIT GROWTH

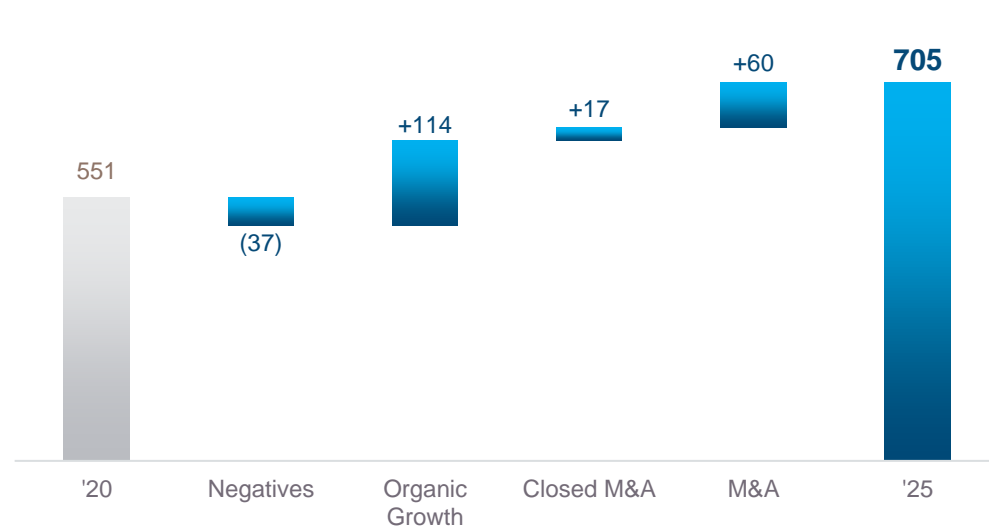


**+5.0%**  
EBIT CAGR

**Ebitda to 2025 (m€)**



**Ebit to 2025 (m€)**



**Higher growth and drop-through rising**

# ENHANCED EFFICIENCY PERFORMANCE



**+20 k€**

EBITDA / EMPLOYEE  
GROWTH



**+16.5%**

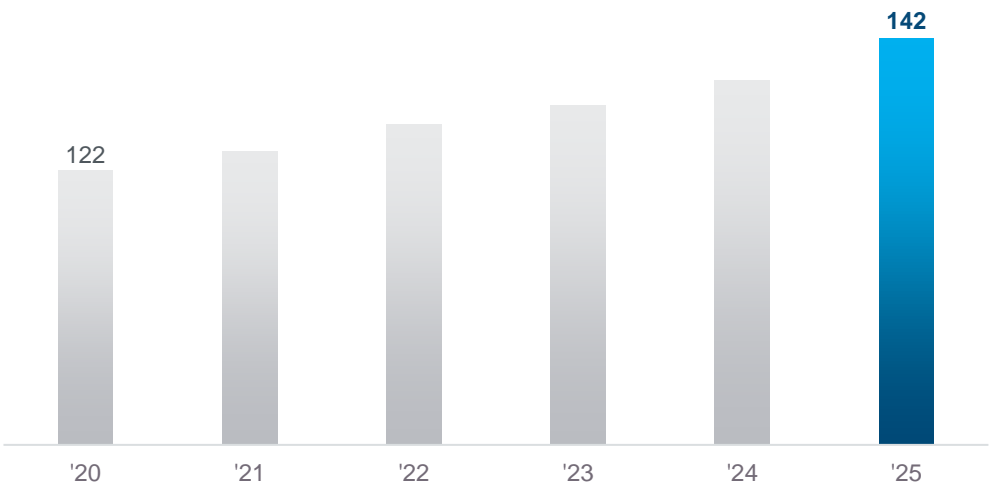
5Y GROWTH



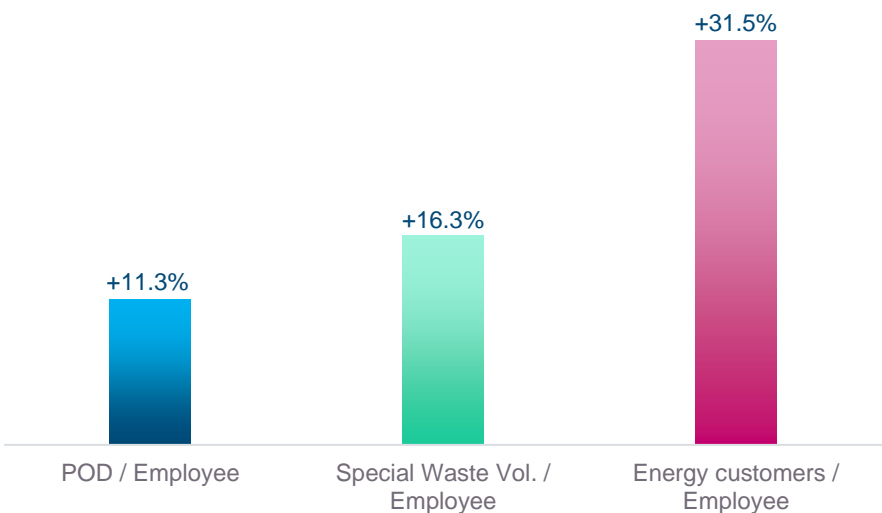
**100 m€**

EFFICIENCIES

**Ebitda / Employee** ('000 €)



**Operating efficiency KPIs** (%)



**Further efforts on efficiency gains**

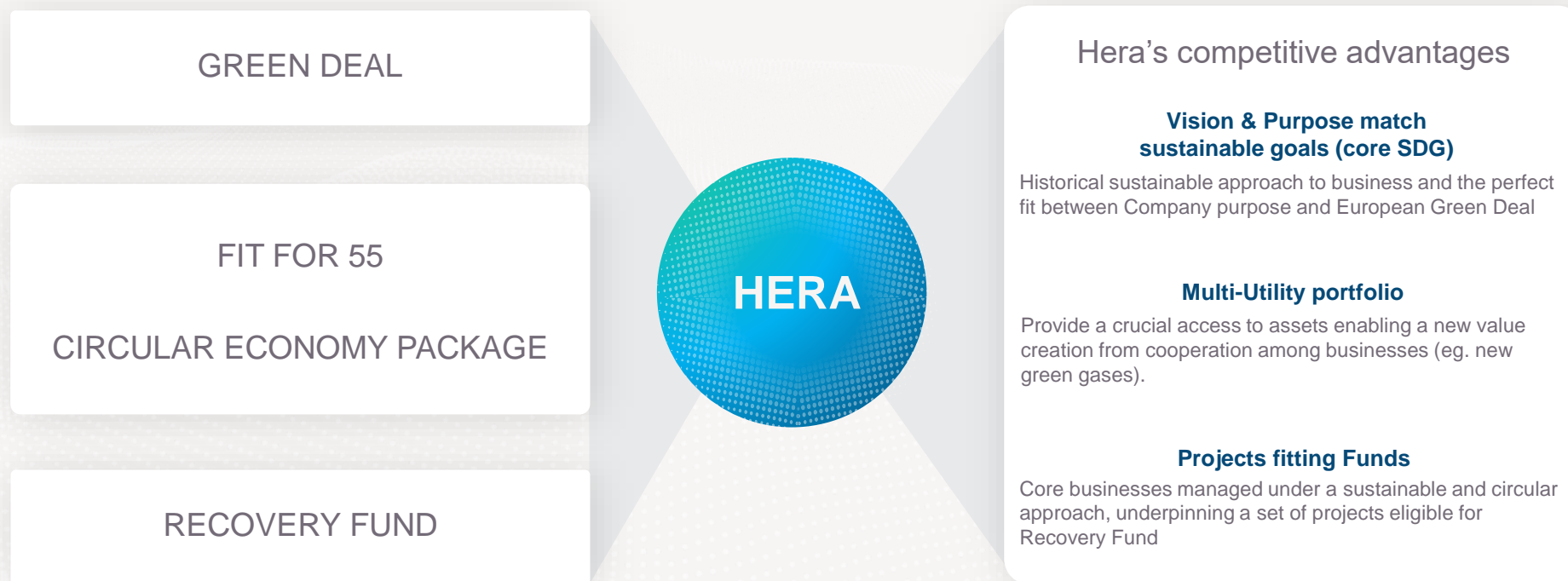




**Stefano Venier**  
*CEO*

# **BUSINESS STRATEGY AND GROWTH**

# MACRO TRENDS AND SECTOR DISCONTINUITIES



## Seizing opportunities from Hera's positioning



# CONFIRMED STRATEGIC FRAMEWORK



**Focus on delivering concrete sustainable value to 2025 and 2030**

# ROAD TO 2025 BY BUSINESS



**62%**  
REGULATED CAPEX



**38%**  
LIBERALIZED CAPEX

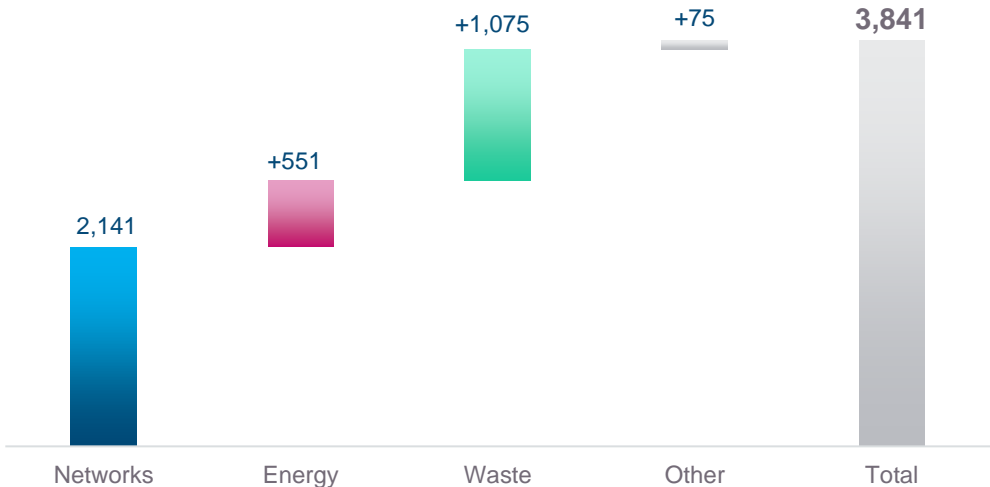


**43%**  
REGULATED EBITDA  
BY 2025

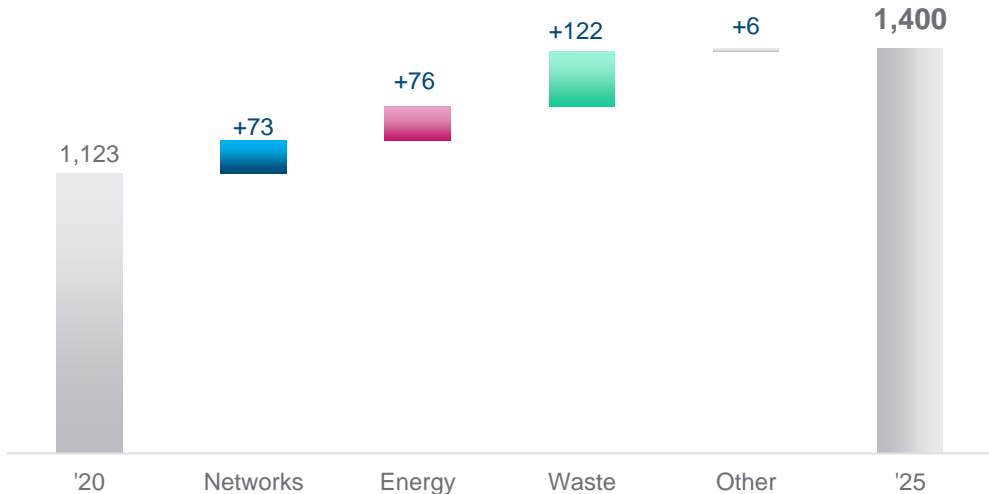


**57%**  
LIBERALIZED EBITDA  
BY 2025

Capex by business (m€)



Ebitda to 2025 by business (m€)



Accelerating growth with a balanced portfolio

# CAPEX PLAN: CAPEX ALIGNED TO MACRO TRENDS



**66%**

CAPEX CSV



**58%\***

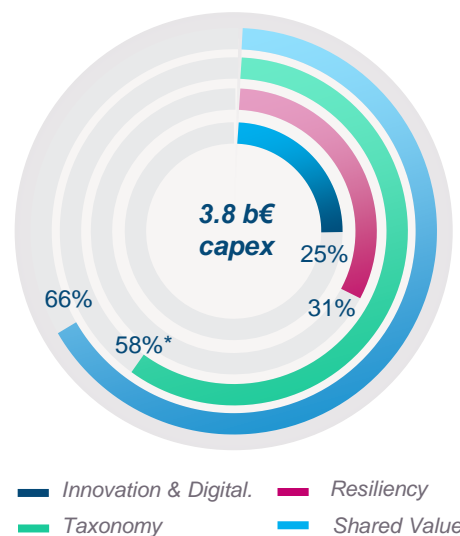
TAXONOMY ALIGNED



**+310 m€**

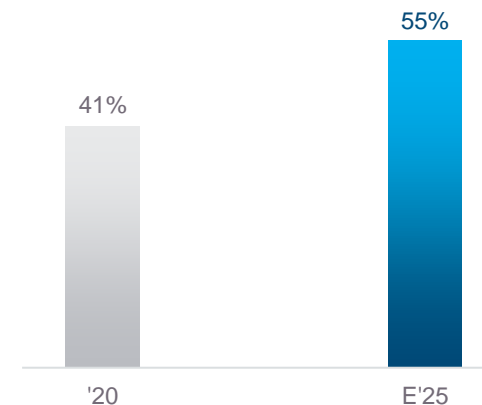
E'25 EBITDA CSV

Capex by nature (m€)



\* Calculated on 3.0 b€ of capex, excluding indirect capex and financial investments

Ebitda CSV (m€)



## Capital allocation focused on Creating Shared Value



# CSV AND 2030 TARGETS



**-37%**  
SCOPE 1+2+3  
EMISSIONS TO 2030



**+150%**  
PLASTIC RECYCLED  
BY 2030



**70%**  
EBITDA CSV  
BY 2030

## Carbon Neutrality

	2025	2030
SBTi emissions (Scope 1+2+3)	-26%	-37%
Renewable electricity sold	41%	>50%
Group energy consumptions vs 2013	-8%	-10% vs 2013
Biomethane produced mln m3	17	30

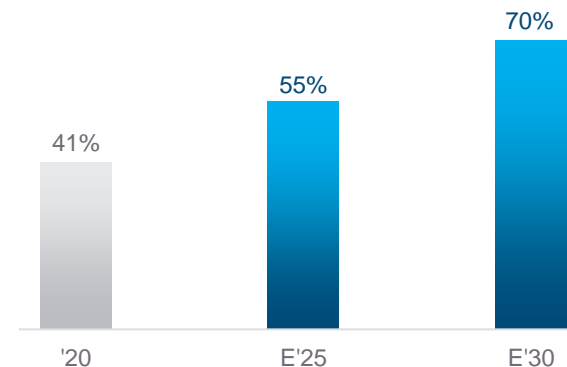


## Circular Economy

	2025	2030
Plastic recycled	+125%	+150%
Packaging recycled	76%	>80%
Non-invoiced water mc/km/day	10	9.4
Water reuse	8.5%	15%
Internal water consumption vs 2017	-20%	-25% vs 2017



## Sustainability - Ebitda CSV (%)



Targets aiming at achieving full sustainability

# WASTE: BUILDING END-to-END LEADERSHIP



## Enhancing “circularity” and expanding industrial client solutions

# WASTE TARGETS



**+122 m€**

EBITDA GROWTH



**+8.1%**

CAGR



**+87 m€**

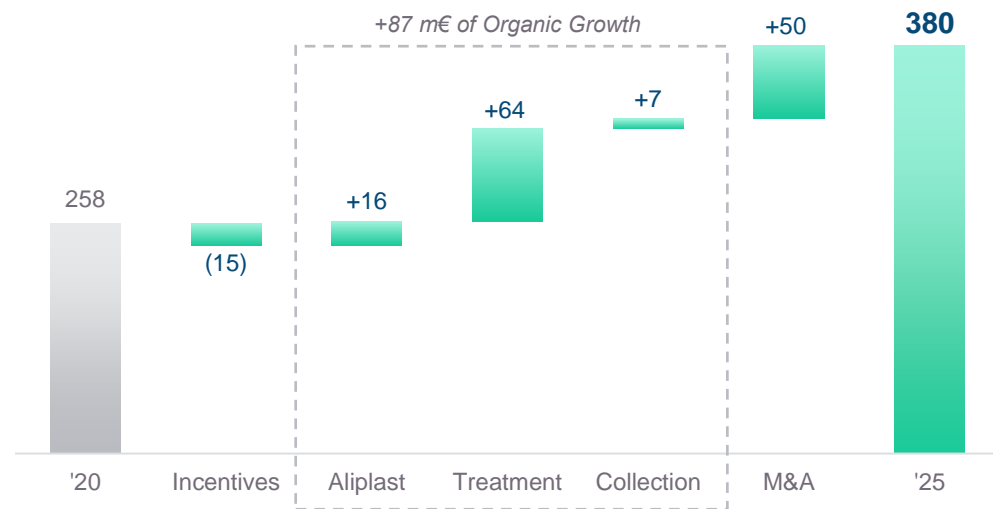
ORGANIC GROWTH



**1.1 b€**

CAPEX PLAN

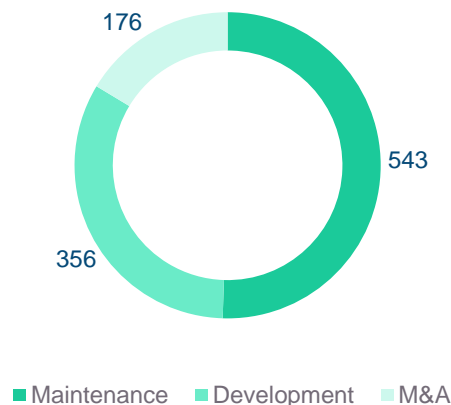
**Ebitda to 2025 (m€)**



**Organic growth (m€)**



**Capex plan (m€)**



**Surfing increasing demand**



# ENERGY SUPPLY: EFFECTIVE AND SCALABLE PLATFORM



**Create value by enabling our customers' energy transition**

# ENERGY SUPPLY TARGETS



**+76 m€**  
EBITDA GROWTH



**+3.8%**  
CAGR

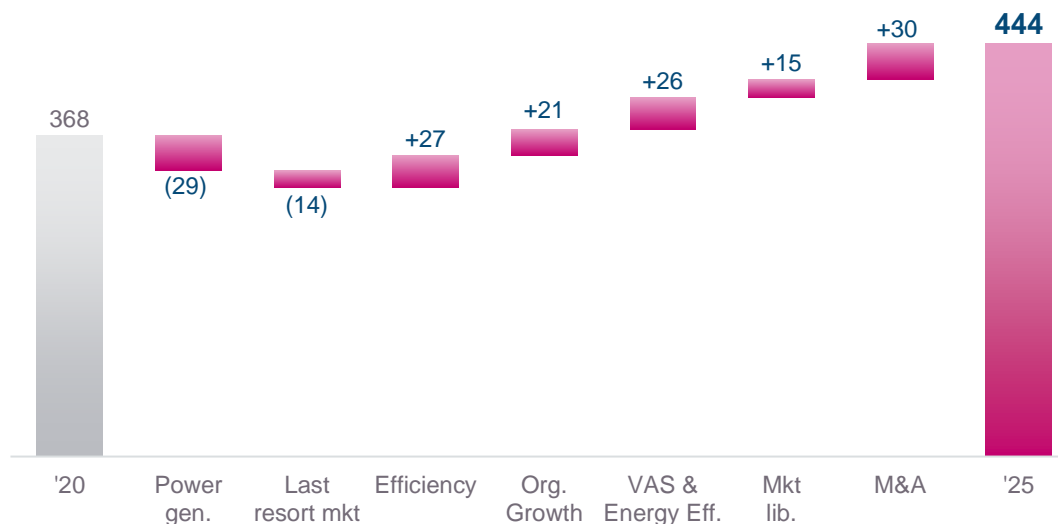


**0.6 b€**  
CAPEX PLAN

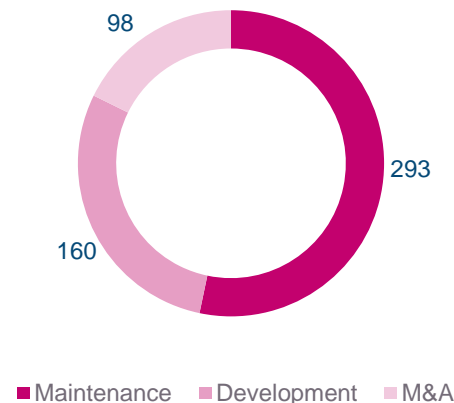


**4.5 mln**  
CUSTOMERS BY 2025

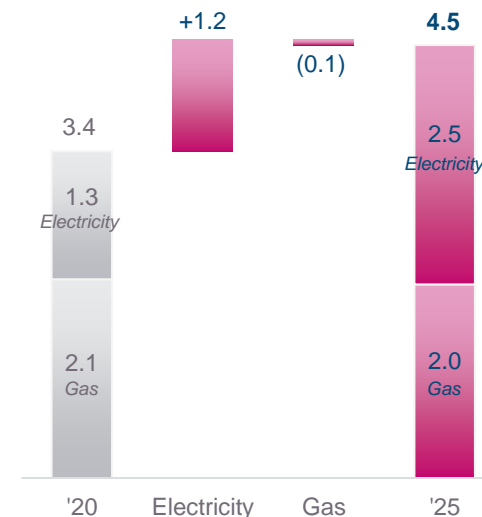
**Ebitda to 2025 (m€)**



**Capex plan (m€)**



**Customer base (mln)**



**Creating value with the customer base**

# NETWORKS: FOCUS ON INNOVATION AND ASSET MGMT



## Building cutting edge operating model



# NETWORKS TARGETS



**+73 m€**  
EBITDA GROWTH



**+3.0%**  
CAGR

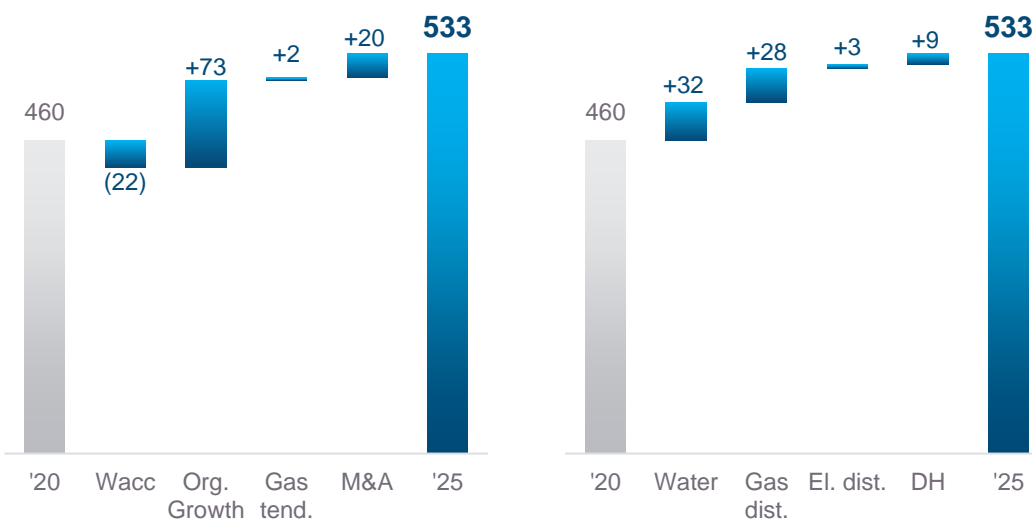


**4.0 b€**  
RAB BY 2025

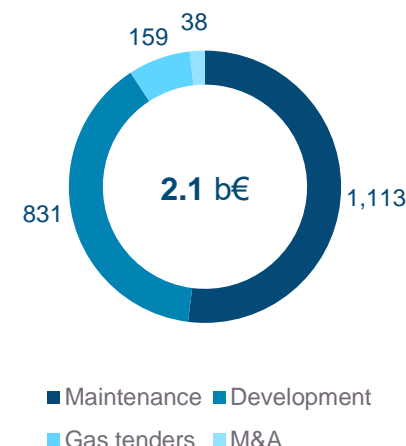


**40 m€**  
EFFICIENCIES

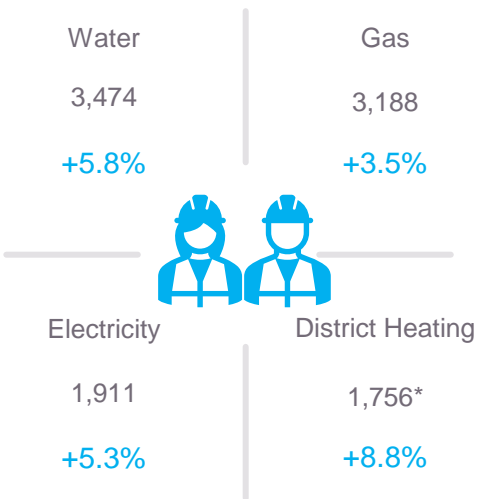
**Ebitda to 2025 (m€)**



**Capex plan (m€)**



**POD/employee in '25 (n.)**



\* Equivalent housing units

**Safe growth driven by capex and efficiencies**

# FINANCIAL RETURNS



**8.7%**  
ROI



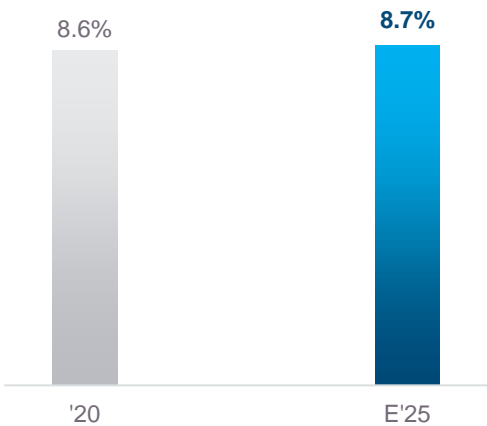
**27%**  
TAX RATE



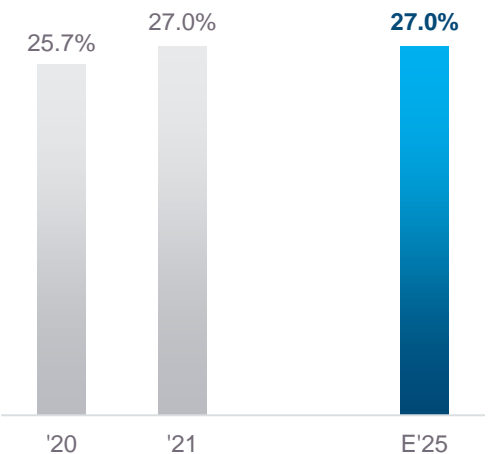
**10.6%**  
ROE

## ROI (%)

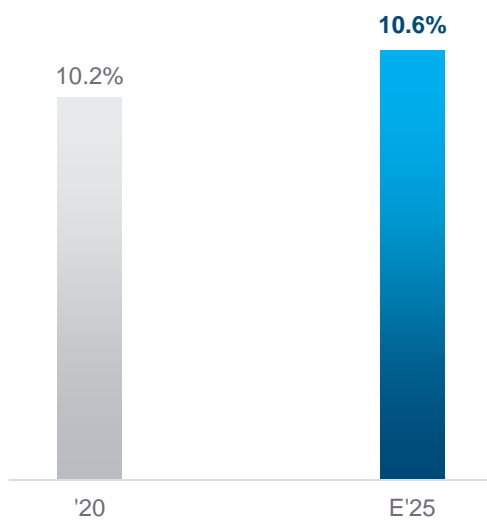
**+10 bps**  
*despite Wacc cut impact  
on 60% of Invested Capital*



## Tax rate (%)



## ROE (%)



**Operating, financial and fiscal management enhance returns**

# DEBT STRUCTURE



**<500 m€**

BONDS EXPIRATION  
DURING BP PERIOD



**>7 years**

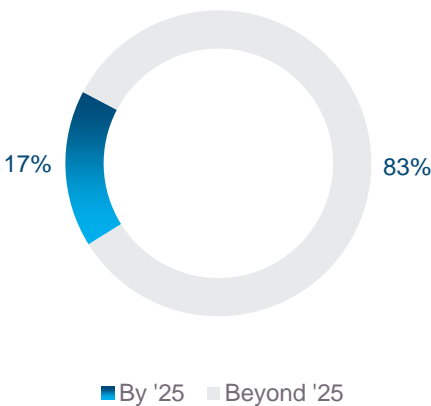
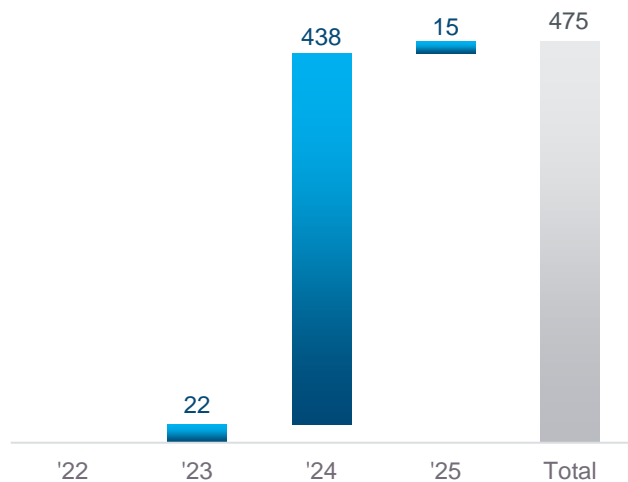
AVG DEBT DURATION



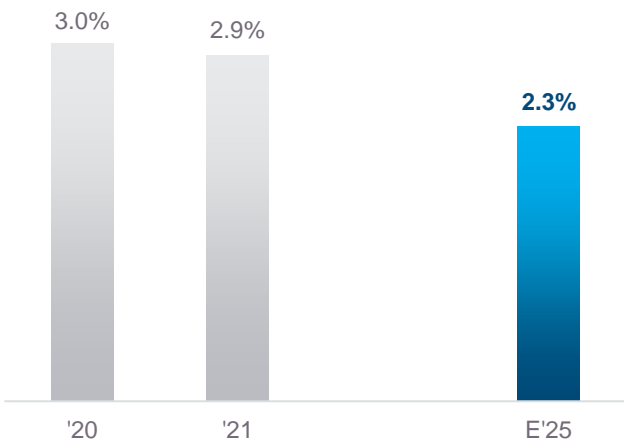
**2.3%**

COST OF DEBT

**Bonds maturity (m€, %)**



**Cost of debt (%)**



**Financial management improvement**



# CASH FLOW



**+29%**

FCF vs LAST BP



**>25%**

FFO/NET DEBT BY 2025



**28.5 c€**

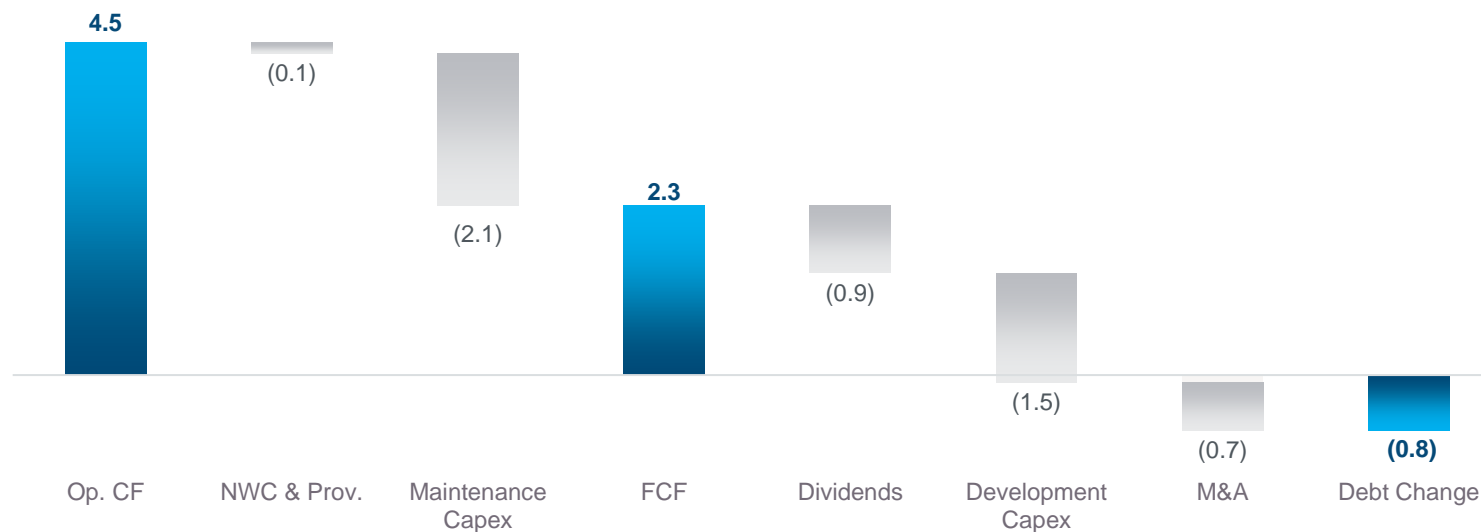
FCF/SHARE +3.9% CAGR



**Flexibility**

ADDITIONAL FIREPOWER

Cash flow (b€)



Debt/Ebitda (x)



**Growth underpins a solid cash generation**



**Tomaso Tommasi di Vignano**  
*Executive Chairman*

# CLOSING REMARKS

# SHAREHOLDERS' REMUNERATION



**+5.7%**  
EPS CAGR



**+5.7%**  
DPS CAGR

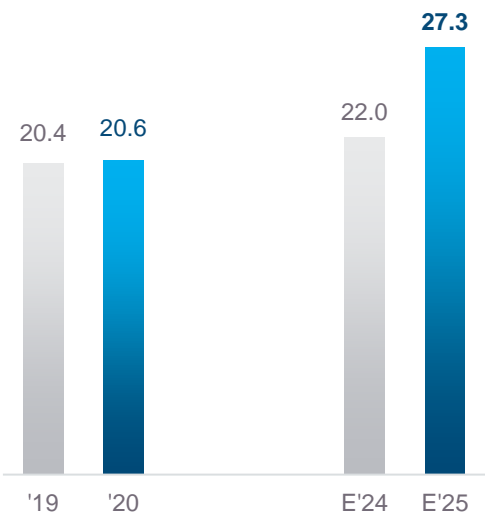


**+32%**  
5Y DPS INCREASE

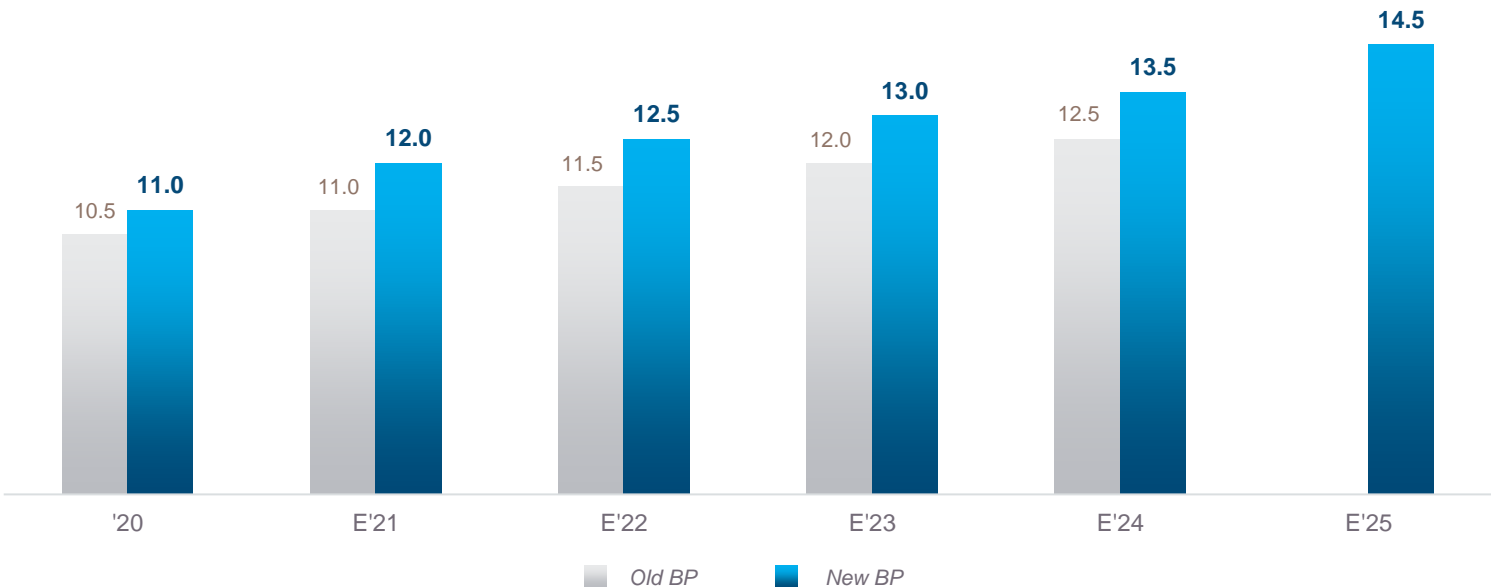


**60%**  
AVERAGE PAYOUT

EPS (c€)



Dividend policy (c€)



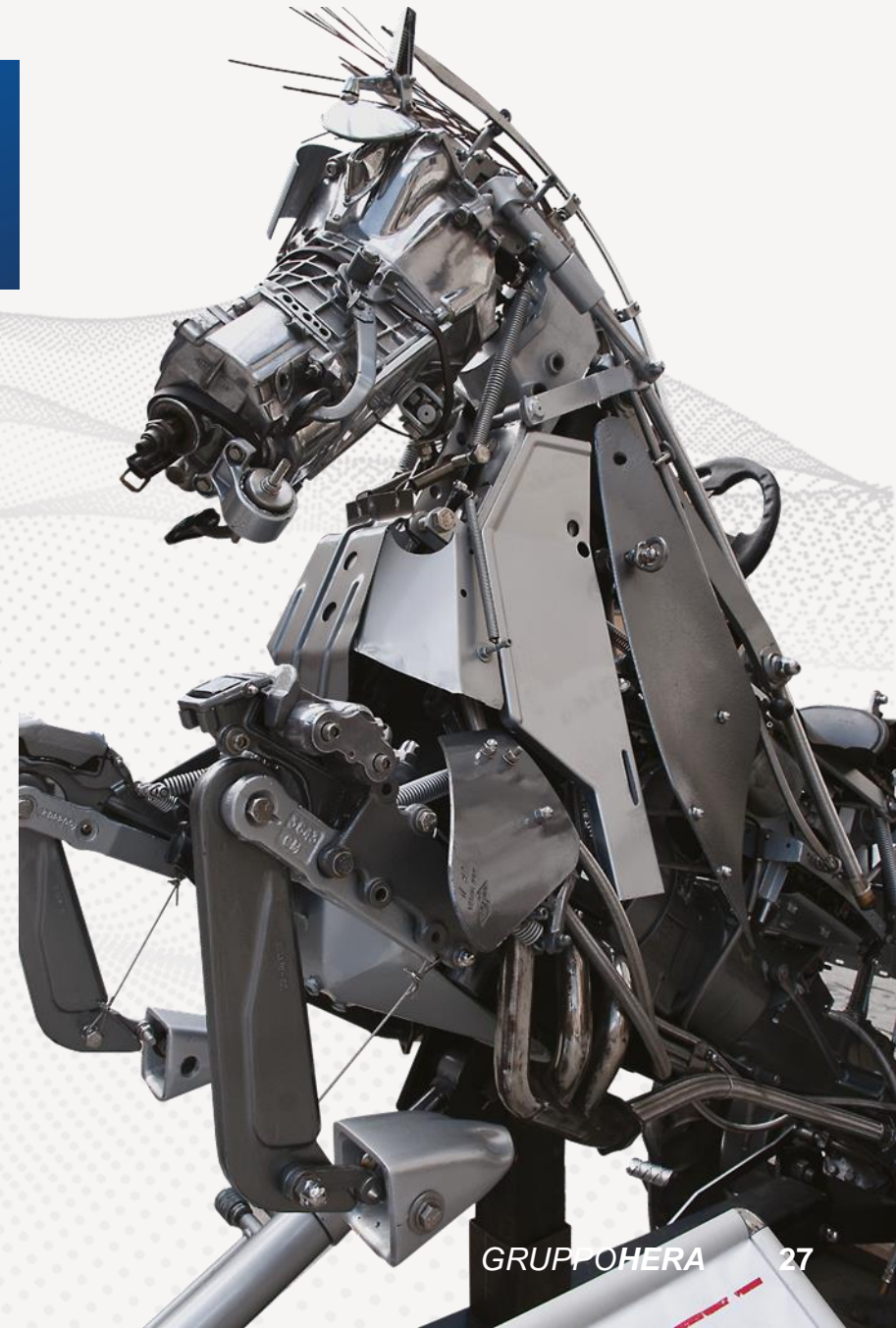
Outlook improved, floor enhanced



# ANNEX

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# BUSINESS PLAN MAIN ASSUMPTIONS

	A'19	A'20	E'25
<b>Brent</b> (Dollar/Barrel)	64.1	43.2	62.9
<b>Exchange rate</b> €/\$	1.12	1.14	1.20
<b>PUN</b> (€/MWh)	52.3	38.9	79.6
<b>Inflation</b> (%)	0.5%	(0.2%)	1.5%
<b>GRIN certificate (former Green Certificate)</b> (€/MWh)	92.1	99.1	77.5
<b>White certificates</b> (€/TEP)	255.1	270.3	253.5
<b>CO<sub>2</sub> certificates</b> (€/ton)	24.8	32.0	60.0
<b>Tax rate</b> (%)	28.3%	25.7%	27.0%
<b>Cost of Debt</b> (%)	3.5%	3.0%	2.3%

**High protection on macro scenario**



# GROUP STRATEGY IN PORTFOLIO ACTIVITIES



G R O W T H



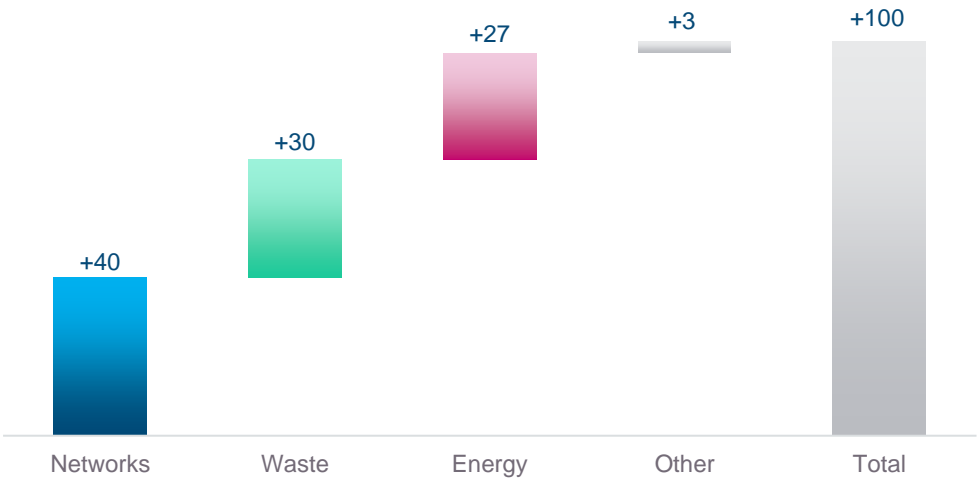
# EFFICIENCY: STRONG FOCUS ON ALL ACTIVITIES



100 m€

EFFICIENCIES

Efficiency (m€)



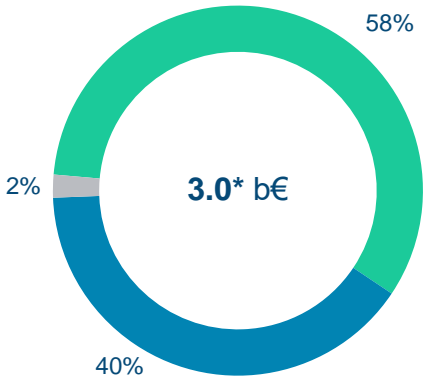
# CAPEX: TAXONOMY



98%

CAPEX COMPLAINT OR NEUTRAL  
WITH TAXONOMY

Capex plan\* (%)



■ Complaint ■ Neutral ■ Non complaint

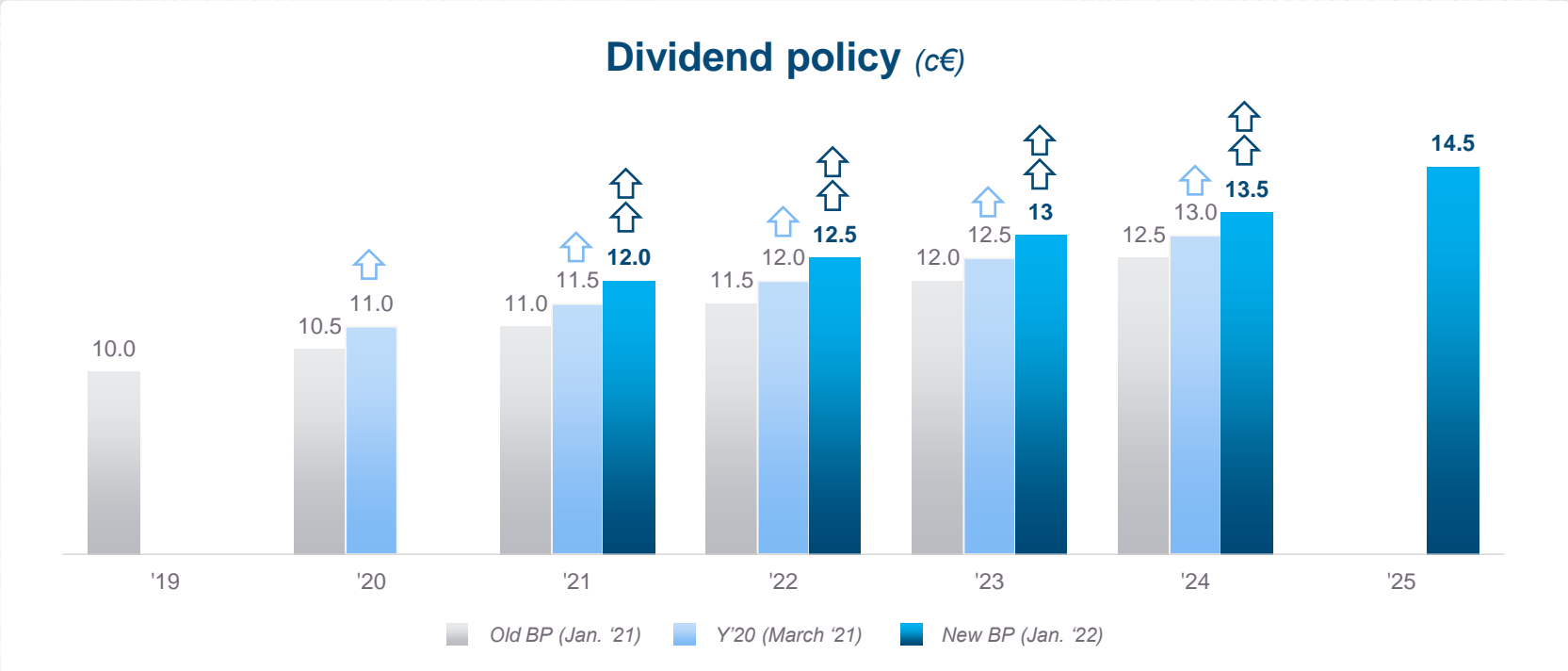
\* Capex plan excluding indirect capex and financial investments

# LAST 13 MONTHS DIVIDEND REVIEW



**+14%**

CUMULATED DPS  
VS OLD BP



**DPS increase above expectations**



# NEW PLAN VS OLD PLAN



**+4.5%**

EBITDA CAGR



**+5.0%**

EBIT CAGR



**+5.7%**

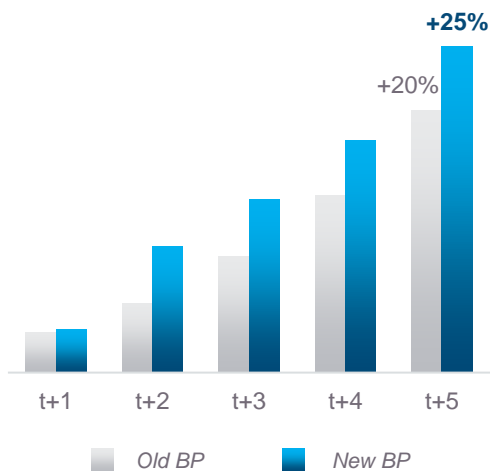
EPS CAGR



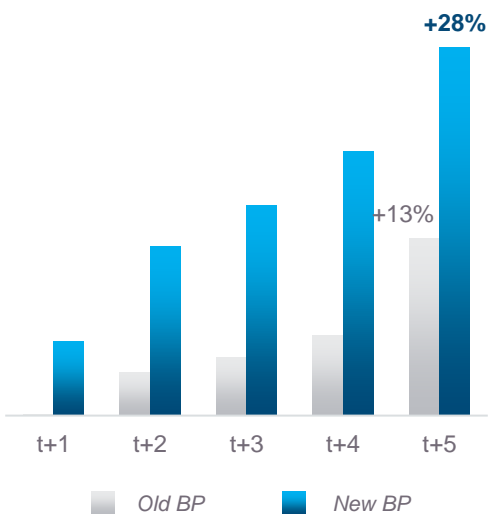
**+5.7%**

DPS CAGR

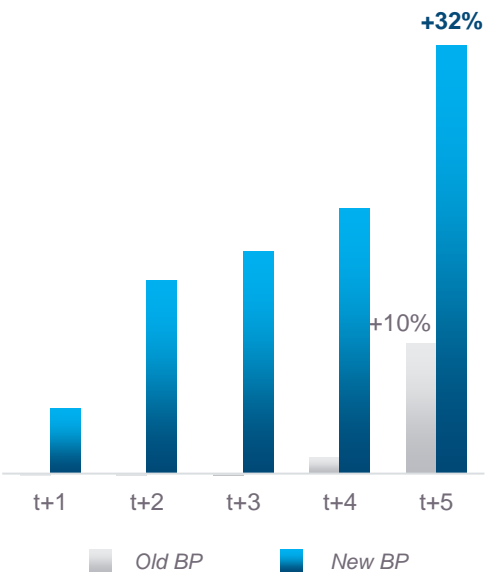
**Cum. Ebitda growth (%)**



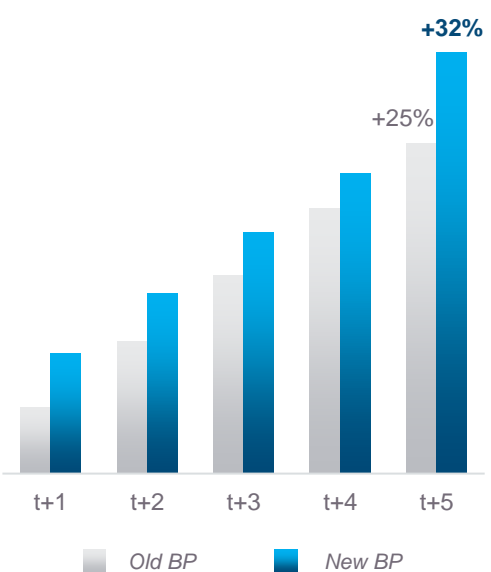
**Cum. Ebit growth (%)**



**Cum. Net profit growth (%)**



**Cum. DPS growth (%)**



# TENDERS WON



100%

TENDERS WON



100%

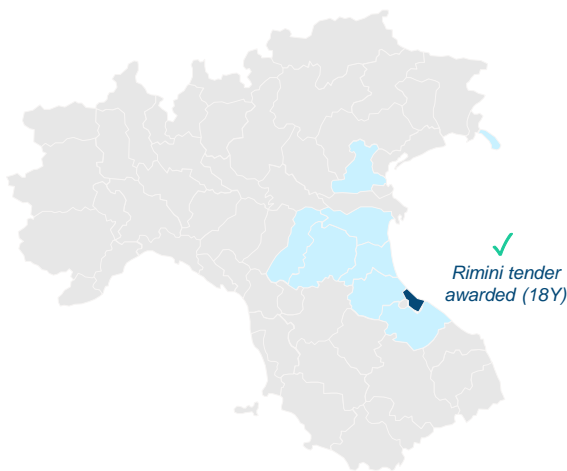
TENDERS WON



100%

TENDERS WON

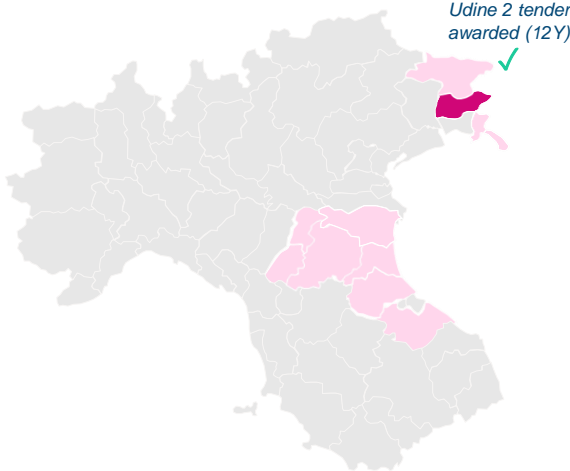
## Water concessions



Water concessions  
(avg maturity in 2028)

Concessions renewed

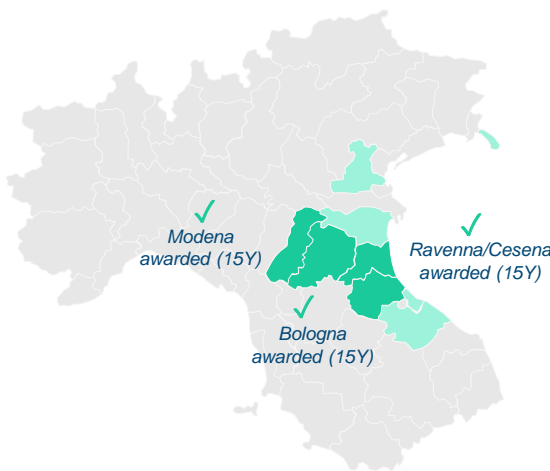
## Gas concessions



Gas concessions  
(expired, waiting tenders)

Concessions renewed

## Waste concessions



Waste concessions  
(avg maturity in 2032)

Concessions renewed

# 20 YEARS PERFORMANCE



60%

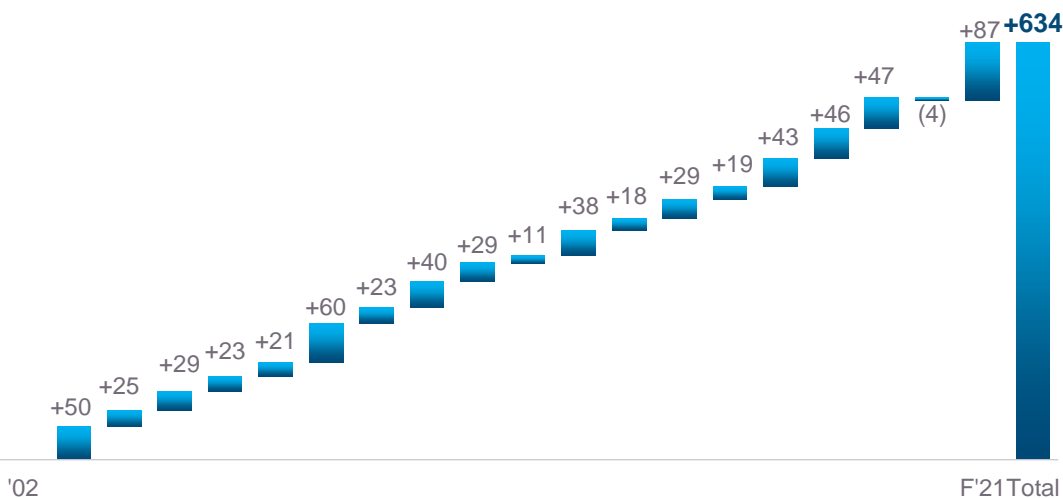
ORG. GROWTH CONTRIBUTION  
ON TOTAL GROWTH



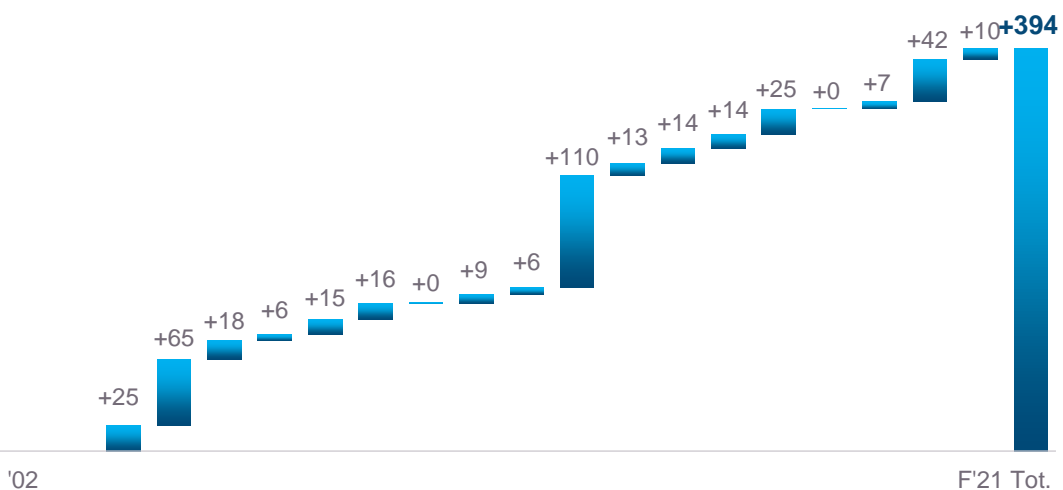
40%

M&A CONTRIBUTION  
ON TOTAL GROWTH

Track record Organic Growth (Ebitda m€)



Track record M&A (Ebitda m€)



Ebitda up by 6.4x in 20 years



# WATER BUSINESS



**+2.3%**  
EBITDA CAGR



**1.05 b€**  
CAPEX PLAN

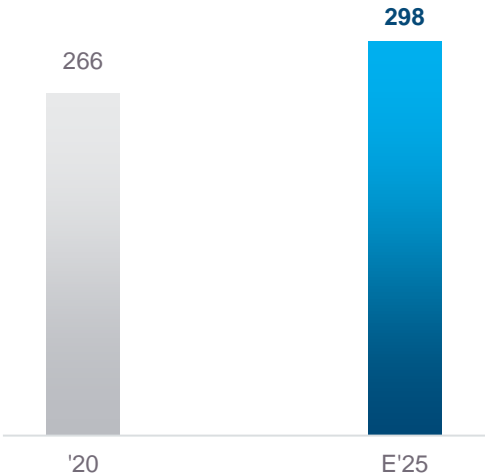


**+24%**  
RAB INCREASE

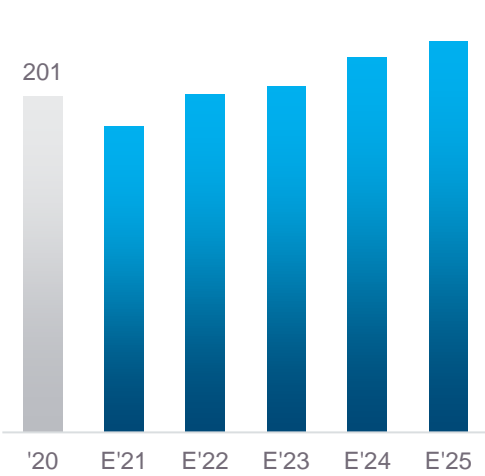


**35,000**  
ACQUEDUCT KMs

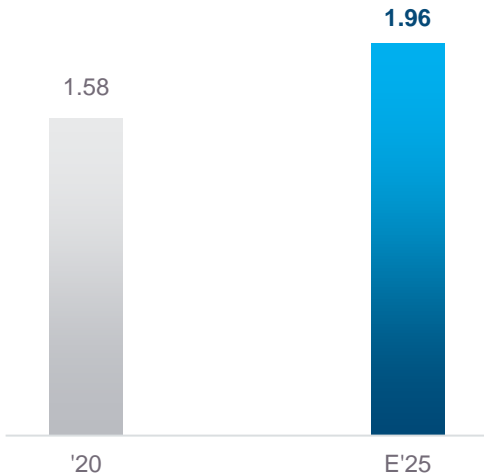
**Ebitda (m€)**



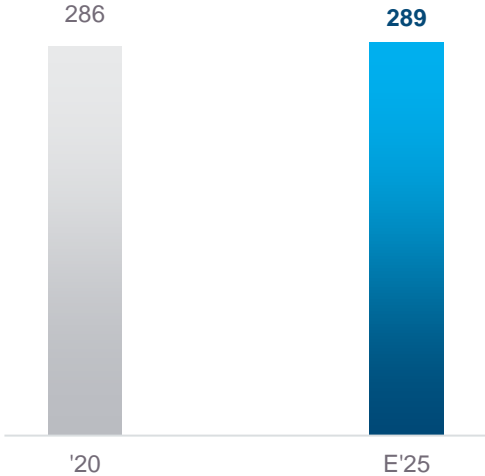
**Capex (m€)**



**RAB\* (b€)**



**Volumes sold\* (mln m³)**



\* Numbers exclude M&A

# WASTE BUSINESS



**+8.1%**  
EBITDA CAGR



**1.08 b€**  
CAPEX PLAN

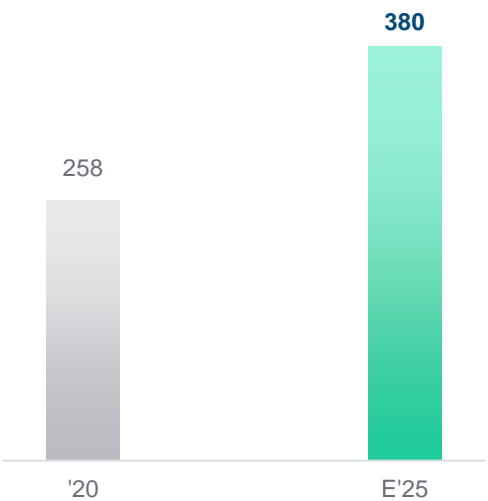


**+122 m€**  
EBITDA INCREASE

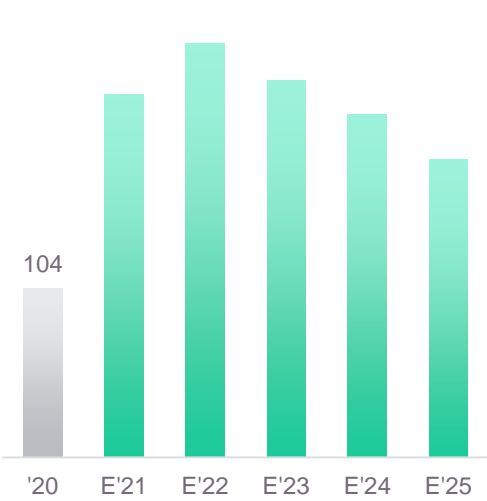


**+0.6 mtons**  
WASTE TREATED

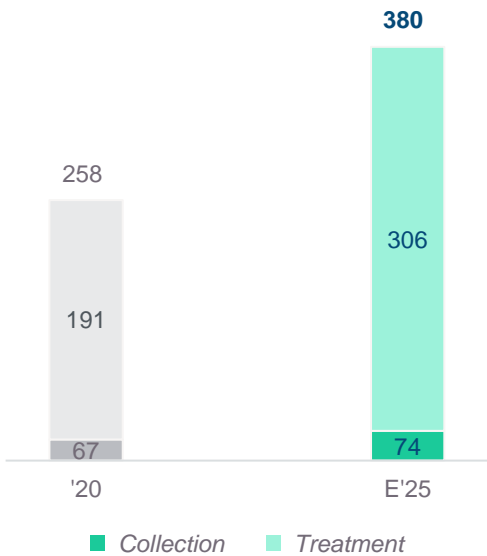
**Ebitda (m€)**



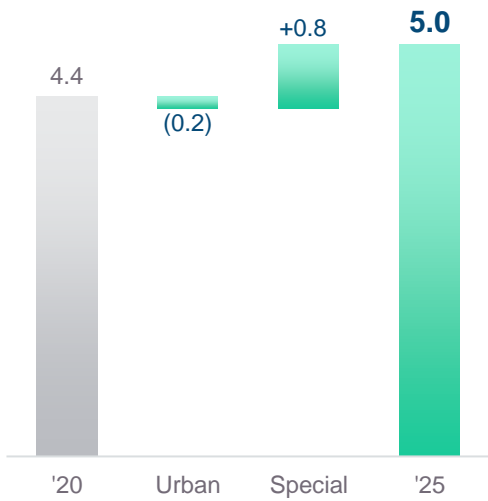
**Capex (m€)**



**Ebitda (m€)**



**Volumes\* (mtons)**



\* Numbers exclude M&A

# GAS BUSINESS



**+3.7%**  
EBITDA CAGR



**1.10 b€**  
CAPEX PLAN

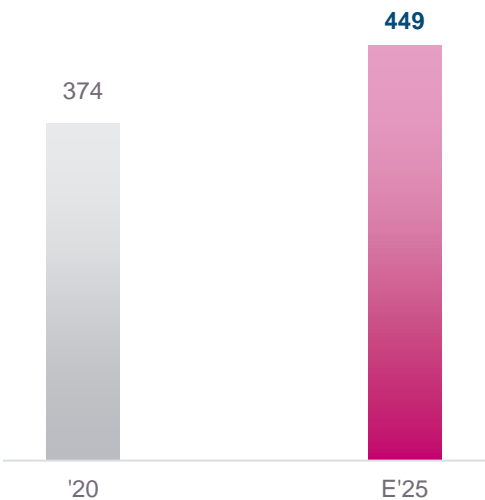


**+31%**  
RAB INCREASE

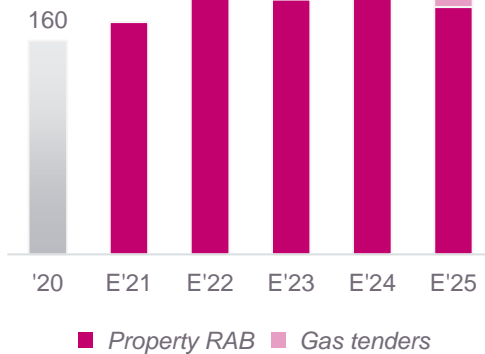


**+75 m€**  
EBITDA INCREASE

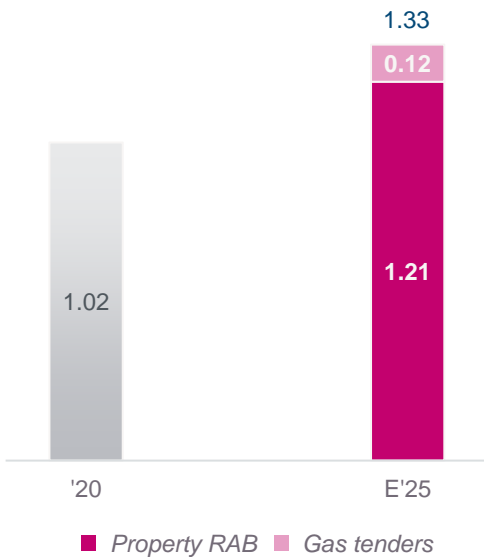
**Ebitda (m€)**



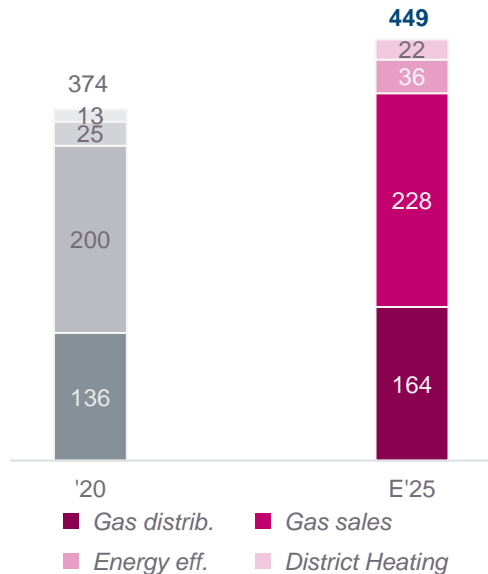
**Capex (m€)**



**RAB\* (b€)**



**Ebitda (m€)**



\* Numbers exclude M&A



# ELECTRICITY BUSINESS



**+4.1%**  
EBITDA CAGR



**0.5 b€**  
CAPEX PLAN

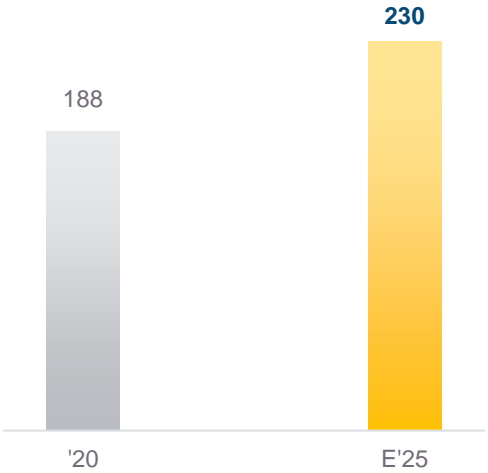


**+24%**  
RAB INCREASE

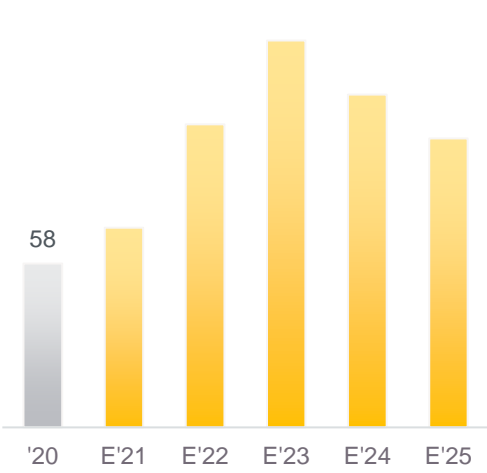


**+42 m€**  
EBITDA INCREASE

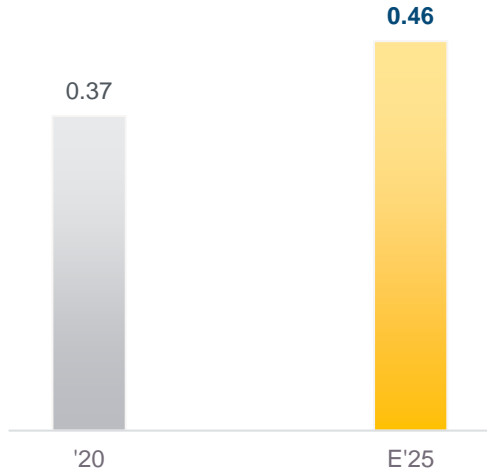
**Ebitda (m€)**



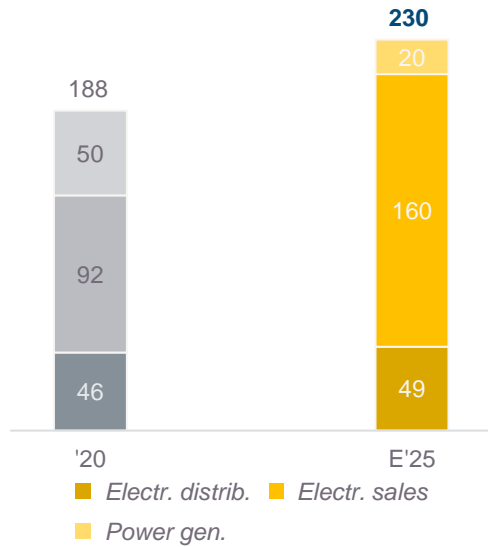
**Capex (m€)**



**RAB\* (b€)**



**Ebitda (m€)**



\* Numbers exclude M&A

# RAB\*



**+24%**  
WATER RAB INCREASE



**+31%**  
GAS RAB INCREASE

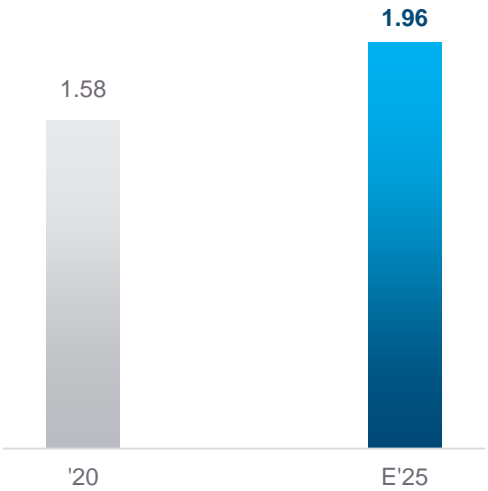


**+24%**  
ELECTRICITY  
RAB INCREASE

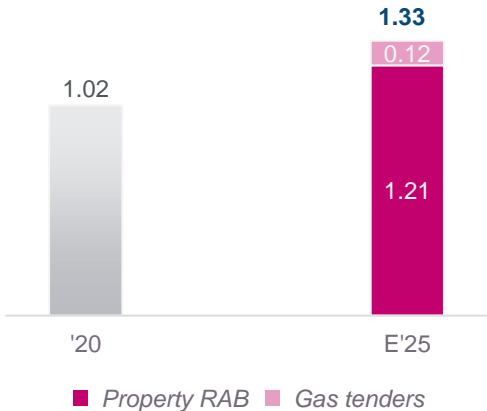


**+17%**  
DISTRICT HEATING  
NIC INCREASE

**RAB (b€)**



**RAB (b€)**



**RAB (b€)**



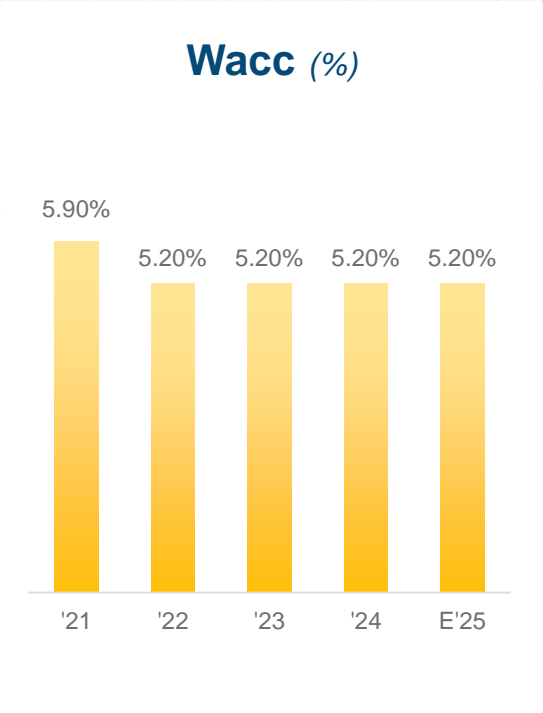
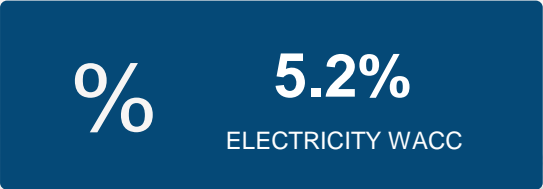
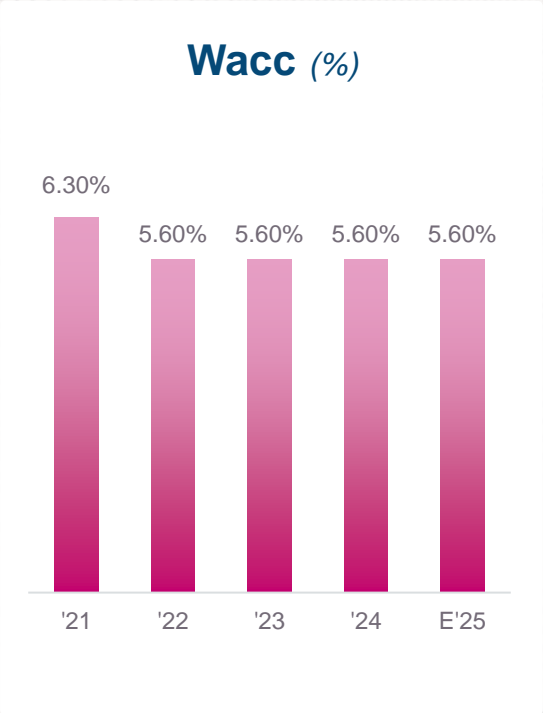
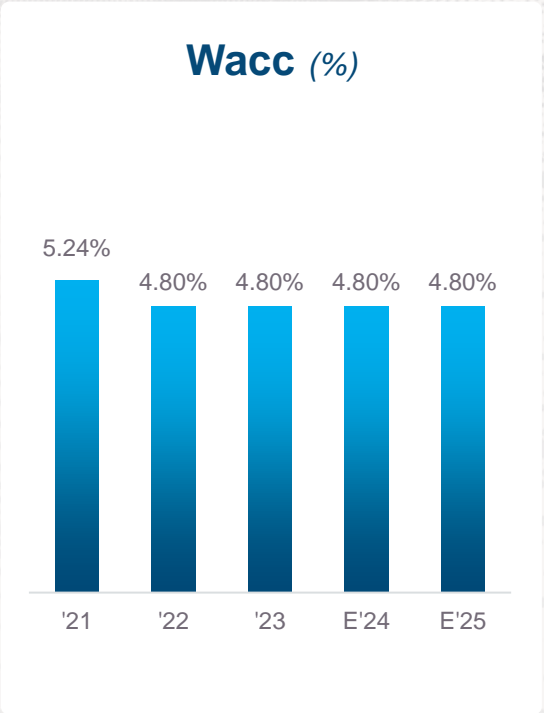
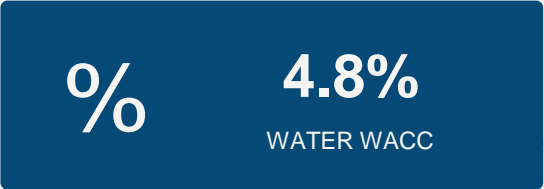
**NIC (b€)**



\* Numbers exclude M&A

**From 3.2 b€ to 4.0 b€ total RAB**

# REGULATED RETURNS (WACC)







# WASTE SUSTAINABLE TARGETS

Targets	2020C	2025	2030
<b>Reduce use of landfills for urban waste</b> (% of urban waste disposed of in landfill)	3.4%	<3%	<2%
<b>Increase packaging recycling</b> (% of packaging recycled)	73%	76%	>80%
<b>Increase WTE ashes recovery</b> (% of ashes recovered)	95%	98%	>98%
<b>Increase biomethane production</b> (mcm/year)	8	17	>30
<b>Increase recycling rate in urban waste</b> (% of recycled urban waste)	55%	63%	67%
<b>Increase plastic recycled by Aliplast</b> (% of plastic recycled)	+15% vs 2017	+125% vs 2017	+150% vs 2017


**EU target  
to 2035  
65%**

# ENERGY SUSTAINABLE TARGETS

Targets	2020C	 2025	 2030
<b>Reduce the Group's energy consumption</b> (% of energy savings from ISO 50001 interventions compared to 2013 consumption)	(5.7%) vs 2013	(8%) vs 2013	(10%) vs 2013
<b>Increase emission compensation for gas sold</b> (% on total gas sold)	4%	21%	27%
<b>Increase customers with electronic bills</b> (% of customers with electronic bills out of total customers)	34%	~50%	>65%
<b>Increase contracts with energy efficiency services</b> (% on total contracts)	19%	>30%	>45%
<b>Increase renewable electricity sold</b> (% on total electricity sold)	34%	41%	>50%

# NETWORKS SUSTAINABLE TARGETS

Targets	2020C	2025	2030
<b>Reduce water network losses</b> (linear loss reduction rate compared to 2018)	(3%)* vs 2018	(5%) vs 2018	(10%) vs 2018
<b>Reduce internal water consumption</b> (water consumption reduction rate compared to 2017)	(12%) vs 2017	(20%) vs 2017	(25%) vs 2017
<b>Minimize the disposal of sewage sludge in landfills</b> (% of sewage sludge disposed of in landfills out of total sludge)	12%**	3%**	1.5%
<b>Increase the reuse of wastewater</b> (% reusable wastewater or total wastewater)	5%	9%	15%
<b>Reduction of thermal energy produced from non-renewable sources</b> (%)	(2%) vs 2018	(20%) vs 2018	>(20%) vs 2018

\* Last update 2019

\*\* Hera Spa; excluding extraordinary muds of Forlì and Ravenna the 2020 value would be 4%



# DISCLAIMER

*This presentation contains forward-looking statements regarding future events (which impact the Hera Group's future results) that are based on current expectations, estimates and opinions of management.*

*These forward-looking statements are subject to risks, uncertainties and events that are unpredictable and depend on circumstances that might change in future.*

*As a result, any expectation on Group results and estimates set out in this presentation may differ significantly depending on changes in the unpredictable circumstances on which they are based.*

*Therefore, any forward-looking statement made by or on behalf of the Hera Group refer on the date they are made.*

*The Hera Group shall not undertake to update forward-looking statements to reflect any changes in the Group's expectations or in the events, conditions or circumstances on which any such statements are based.*

*Nevertheless, the Hera Group has a “profit warning policy”, in accordance with Italian laws, that shall notify the market (under “price-sensitive” communication rules) regarding any “sensible change” that might occur in Group expectations on future results.*