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Q3 2022 Hera SpA Earnings Call

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Ryan Estalilla

PRESENTATION

Operator

(Operator Instructions) Hello this is the operator. How can i help you...

Ryan Estalilla

Could you connect me to the HERA earnings call?

Operator

HERA Yes. Sure. Could you please spell your last and first name for me.

Ryan Estalilla

Yes. last name Estalilla E-S-T-AL-I-LLA. First name is it's Ryan. R-Y-A-N.

Operator

R-Y-A-N.. ... Okay, and from which company you're calling from.

Ryan Estalilla

It's S&P Global Market Intelligence

Operator

Thank you. Bye

Ryan Estalilla

. Thank you

Operator

Good afternoon. This is the conference Call operator. Welcome to the 9 Months 2023 Financial Results Presentation of the Hera Group. (Operator Instructions) Now I would like to give the floor to Mr. Tomaso Tommadi de Vignano, Hera's Group Executive Chairman. You have the floor, Mr. tommadi?

Tomaso Tommasi di Vignano ***Hera S.p.A. - Executive Chairman & Group President***

Good afternoon. Here we are. We have just come out of the Board Meeting. And here with me, we have some new faces. We have the new CEO and also the new CFO of the Hera Group, Mr. Vai, we have already met him in the past. The Mr. Hansen is with us as well. And we know him. We have known him for quite a few years now. So we are here to report to you the figures for the first turbulent 9 months of the year. And as you will see in a minute, we are quite happy with these results. You will find this data in the press release, which we have already received. And as you know, this period of time is type of complex and some of the events that have occurred are pretty new to us. So we know that raw materials went through the roof in terms of prices, and they also entailed some difficulties in terms of management.

And then on top of that, I would like to say it straightforward today, we were expecting some sort of clarity at the European level. But as you know, there has been no final agreement at U LEVEL. And this on and off situation, of course, may hamper than the good results, which we managed to secure in the first 9 months of the year. And the gas and energy prices went down. So we are, of course, have to monitor the European situation, and we do really hope that a final decision will soon be taken by the European government, and this is some sort of unity. So that's a real only question mark that we have on our radar and all the other items, of course, have already been correctly explored. And there's been uncertainty as regards gas price and electricity prices. We have experienced the highest peaks in the third quarter and have reached unprecedented levels. This level of volatility continues to be kind of sensitive and over the last few months, of course, we have a look at the trends in September, we have seen that the situation has improved. So this has to be said. But again, we would like, of course, to see a final agreement and not be waiting for Go do forever. And this prices have, of course, fueled inflation as it is often the case. And as a result of that, if you have a look at our slides, you will see that the inflation rate has reached levels which had not been met in the past for many years. So that's a pretty complex scenario.

And these uncertainty has, again, calmed down over the last month. And we would like, again, to provide some more information to point out again, the soundness of the company in fencing of the volatility of the first 9 months of the year. The overall context has, of course, had an influence on the count of our 9 months. If you go to Page 2 of our document, you will see that most of the negative impacts were offset. If you have a look at the profit and loss account. And this is an overview, the most important aspect to be taken into consideration points to the fact that we managed to defend off the negative impact. So our group has shown great resilience and has managed to meet the expectations given the current situation. If you have a look at the turnover, you will see that it has gone up by 123%, exceeding the threshold of EUR 14 billion. Of course, we're not (inaudible) about it because you know that behind all that, you have to take into consideration all the management activities that have been put in place. And you also need to take into consideration all of the commodity price dynamics. The EBITDA stood as at 30 September at EUR 875 million. So over a period of 9 months, this will mark a EUR 20 million increase, up 2%. So this is absolutely in line with the results of first 9 months of 2021 on a like-for-like basis. So also for the first 9 months, but also with the first quarter and with the first 6 months of 2021. As regards of the net profit up to minorities, if we compare it with the same figure, the same period last year, this shows a slight decrease.

And this was mainly affected by higher depreciation, EUR 150 million and amortization at that debt amounting to EUR 19 million. Those aspects are related to the current scenario worldwide. So both data depreciation amortization and bad debt are linked to the increase in commodity prices during the financial year. The solidity of customers' indicators remained more or less intact, thanks to a whole series of activities that we carried out. So we have reduced as much as possible, the negative influence of the current dynamics on our customers.

As a result of that, again, as I said, customers indicators remained more or less intact. So the level of compliance with payment times is still good. And as I said, we have really been doing our utmost in order to support our customers. We have introduced installments. So our data are absolutely satisfactory because they just mirror the very good habits of our customers, and we're very proud of that. If you go to Page 3, you will see how things evolved in terms of investments. Net operating investments went up to EUR 446 million, up 15% vis-a-vis the first 9 months of the year 2022 2021 sorry. And again as part of the results, you have to take into consideration the difficulties we incurred Intel.

Some of our suppliers, companies incurred into difficulties. And so it was not possible to fully execute our investment projects. But again, there's just a minor gap. And we also need to take into consideration that over this 9-month period, we had to carry out large maintenance operations on our 2 plants in [indiscernible]. And in Ravena, 1 of the 2 plants have already resumed operations after the refurbishment and the second plant is about to complete its renovation scheme and will soon be operating again. We then had some additional extraordinary investments, hovering around EUR 1 billion, involving the following aspects. First of all, we wanted to ensure the availability of gas for our customers and for our internal operations we first allocated our gas storage following activity, which started off, let's say, beginning of the last 6-month period. So we allocated approximately EUR 878 million occurs something to about 700 million cubic meters up and this is something I want to stress up 40% is compared with the 9 months of same 9 months of the year 2021 here again, you understand how quickly we reacted to the situation, and you understand how big the financial effort was.

And we would also like to point out but this gas storage (inaudible) activity will have a short payback time because Again, the current heating season is, of course, not very wintery, it doesn't look like winter. So it's not very cold yet. So our gas reserves have not been used very not just as yet. But again, the gas reserves are there. So the availability of gas is there once the winter starts, again, we will secure the supply of gas.

So that's going to guarantee for our customers. But at the same time, it is also the right stepping stone for us to optimize normal trading activities, which, as you know, is something we have always been focusing on as part of our activities. So that's a very significant investment. It's risk-free as an investment, and it has absolutely been fully hedged. There again, it has been fully hedged against the risk of price fluctuations. Again, we are protected against any price fluctuations. Second aspect I would like to flag out is the following. We also continued our M&A-driven growth. So we did not stop in terms of M&A. And here, there are 2 important aspects. We invested up to EUR 64 million. So these are minor M&A operations, which we carried out in different segmentary of the company. And I will come back to that and speak about it in greater detail in a minute.

And again, our 2-pronged approach for growth, of course, is always valid. And again, the M&A-driven growth is always part of our growth, such as one of the 2 main pillars for growth. So we are completely in line with our industrial plan and we are operating in a very clearent way from a strategic point of view. The debt-to-EBITDA ratio settled at 3.62x, which is a figure that is absolutely manageable and of course, we have to take into consideration that for us, 3x is the benchmark. And unless there are very extraordinary situations, we usually say under 3x. And if we just go over 3 times, this will not entail any financial risk because as I said earlier on, business is just a temporary situation until gas reserves are used up. And then this value will then go down at the 3x section. So if we considered or excluded a distorted cash, then this would result in a debt-to-EBITDA ratio of 2.9x, which is absolutely in line with the history of our group. I think this is very important because, again, we reacted to the situation. We proved to be able to react in a very flexible way to see emerging opportunities. So we're really very satisfied with that. But overall, I think that there is no risk exposure. And again, we've been providing data as transparently as possible as we usually do in a very specific unusual situation. If we now go to Page 4, you will see that this is about the EBITDA. And as I have already mentioned, the EBITDA is up EUR 20.4 million. And this is most commendable considering that it also offsets the negative effect of the review of the walk of Arera of the Italian authority, which had an impact of approximately minus EUR 16.5 million in the period we are currently analyzing today. So here again, we reacted to the situation, and we managed to secure a very good results. Of course, it's not the best result ever, but it's still a very positive result, and it is absolutely consistent with the trends and the results of the first quarters of the year 2022.

So our engine has been going up and has been complying with the strategic objectives we have set ourselves. So how does this result came about? First of all, we had the first contribution, as you can see in the graph, plus EUR 25.2 million emerging from circular economies models. And there again, we had several contributions First of all, we had some energy optimization schemes for condominiums. And this proved to be very successful in some of the territories where we have managed to deploy these activities very successfully. The fast borders contributed to that. And then we had the EUR 5.3 million relating to further growth of commercial offerings of value-added services in energy, in our energy business area. And then last but not least, we had an EUR 8.4 million contribution from our subsidiary, (inaudible) , which, as you know, is part and parcel of our waste business area. So that was the first contribution that allowed us to incur the EBITDA. And then we had a final contribution coming from organic growth. And this brought about EUR 5.7 million, of which EUR 5.7 million, we have had, again, a higher number of energy customers that went up to 51,000 units.

And we had a market raise increased by 16,000 tonnes. We had further cost savings and higher premiums in the water business area. Again, we were very satisfied with that because we've been working very hard from the management and investment point of view. And then we also had a positive effect of some new collections. So all this led to the final result of the 9-month period. And last but not least, as I have mentioned earlier on, we also decided to go for a small load and acquisition operation, which topped up growth with EUR 6 million contribution, both in the gas and in the energy business areas where we performed some additional M&A operations. So this leads me now to see illustration of the first business area, and our CEO will then shed some more light on that once I have introduced the waste treatment business at HERA. You will find some more detailed information on Page 5. In this business area, we had an EBITDA increase by 17.8%. And this is already quite a strong fact and this accounts for EUR 29.8 million in terms of value. So this result was achieved a result of the contribution of the 2 waste-to-energy plants, which are currently being revamped. And it's currently just one plant that still has to resume its operation. The first one has already resumed operations. And then as part of the EBITDA growth, you also need to consider the energy reduction within our treatment plant because this gave an net contribution amounting to EUR 23.2 million. We have already talked about Aliplast, let me just remind you of the fact that a very valuable contribution of Aliplast contributed with a positive result by about EUR 8.4 million.

And then to complete this picture, we have guided growth by EUR 4 million, considering the change in (inaudible) due to 2 M&A operations, we will come back to that in a minute. In the waste driven segment, we had an acquisition in the region of market, which increased EBITDA by EUR 2 million so this is what we've done. These are the results that we have managed to secure. So again, if you consider the overall situation, the overall context and scenario, then you will see that our financial results have proven that we are absolutely able to consistently deliver. Then I would also like to flag out that. We didn't stop in terms of M&A with some small operations. We went on as you have certainly read in the newspapers yesterday, we secured a very significant M&A operation, which will be included in the first quarter of strategically.

And this is a very important operation for us. It's a company operating in environmental remediation activities. And in our view, this operation was carefully funded and it will be concluded at the beginning of next year, so at the beginning of 2023, and it will certainly be a win-win situation because we will pull our energies. We will create synergies in terms of common experience because ACR is the first operator in item of experience and in terms of size when it comes to environmental remediation APR, the Roane Getin SPA is a (inaudible) company. They have very large customers' portfolio, especially when it comes to companies operating in the old segment. So APR was already a leader a leading company in its own segment. And our company has already been operating in segment for a few years with very important contracts. So as of January 1, we will be creating major synergies. And that, of course, will already be a new financial year. But I guess that this will bode very well for us and for the next year because we are, again, pulling energies with an operator on the market, which has a very large customer base and has very important energy industrial customers.

Now I would like to give the floor to HERA Chief Executive Officer, Mr. Orazio Iacono, who is going to shed some light on the trends in all the other business areas, please? Thank you. Good evening. everybody. And I will now continue with the analysis of the results by business area. I will now turn to energy, which you find on Page 6. The EBITDA has reached EUR 257 million, a slight decrease by about EUR 2 million compared to the first 9 months of 2021. You will see that this figure mirrors of the leveling off for the results obtained in the dispatching services provided to turn with a negative effect of about EUR 10.7 million on the EBITDA that we've already seen in the half yearly report. The results relating to commercial activities on the other hand, showed solid margins.

We only posted a slight loss by about EUR 1.6 million despite, let me point it out major market turbulences. The result, in fact, came about in a context of strong marketing balance especially in the third quarter, which caused higher modulation charges, fully commodity sales activities. However, the higher costs were almost fully offset by both the expansion in markets of last resort for gas and by the higher margins obtained with energy efficiency improvement and energy saving services, which are being increasingly appreciated by customers, given the current context. Then I would also like to flag out one more aspect. In the third quarter as well, Hera continued assisting customers by offering installment payments on bills in three installments. And it expects to collect most of the installments outstanding to date by the end of the year already. To face the near future, we can count on some favorable events and elements as our Chairman has already pointed out.

As explained, we have put together an important gas we serve, and we're really very proud of this because we can now ensure supply to our customers, and this represents an alternative to the so-called spot market for optimizing activities aimed at shaping customers' demand. Second aspect, energy prices show a decreasing trend as a result of a mild weather at the beginning of the heating season. And then we have the all that slow progress of negotiations for a European agreement on energy prices. Third aspect, HERA's customers continue to show high standards compared to the Italian market in terms of average payment times, levels of loyalty and thus of unpaid ratio as well. Before moving on, I would like to mention, as you can see in this graph that there is an accounting difference emerging from the evaluation of the gas inventory, which was also mentioned several times in the half yearly report.

This difference has increased, of course, as a result of the additional volumes of gas, which we had stored this past quarter. And I would like to remind you that this difference is temporary and will decrease with a gradual delivery of more than 40% of the gas to customers already by the end of the year and then the remainder by the end of the heating season in April 2023. Now I would like to move on with the network business areas. The EBITDA increased by 3.2% compared to the first 9 months of 2021, coming to about EUR 348 million. This is a particularly positive result. As previously mentioned, this offsets the cut in the walk, which has a negative influence by EUR 16.5 million.

As you can see, we have then received premiums contributing to EUR 24.1 million 22.8 million out of them are related to water assets hera has been investing up heavily in this segment for years. So this investment policy has paid off and has allowed us to have more innovation, more resilience, more operating performance levels. And this is helping us, and this is propping up premiums. So the technical quality of the gas distribution metrics also received a premium of EUR 1.3 million. An important growth driver is in this case savings and district heating.

This contributed to EUR 300 million. And again, those continuous assert for efficiencies and cost savings in all regulated activities, which we never stopped for steering. So this is really paying off. So regulated activities have fully recovered and offset the work cut and offset higher costs generated by installation, which settled at around 9%. The network business area, despite all the difficulties that we had to face in terms of supply chains managed due to cure as many as EUR 252.7 million investment, which was approximately an increase by 14% over the previous year. Investments on 2022 are an important strategic lever to ensure revenues ensure quality to provide continuity of service to increase efficiency, resilience and the flexibility of metrics.

So Hera is continuing with its process of digitization of its metrics of its creation processes by introducing artificial intelligence, digital algorithms in order to guarantee predictive maintenance. We have smart metering system, digital meters for accurate metering of consumption for the benefit of customers and continued network efficiency. And last but not least, we have just noted a experiment concerning the use of hydrogen in a plant in Gasoranco, Emilia. And (inaudible), again, was the first the one of a client here in Italy about the use of hydrogen in a gas distribution network. So this will help us to test the functionality of green gas. Now I would like to turn to Page 8 so we were faced with a very complex scenario, an unexpected scenario, which has plunged many operators enterprises.

And here, we have managed through constant teamwork to work out new solutions and solutions that are far away from the standards we were used to in the past. So we had to cater for new needs, and we have managed to keep the home straight. We have iron on financial, organizational and operational measures, which we deemed necessary to maintain an adequate set up now for the new context we are currently operating in. The result of the results, therefore, was secured once again in this quarterly report in each business area, relying on the hedging between business areas features to neutralize all the negative impacts of the unprecedented economic situation we are faced with and we thus confirmed the growth of all the projects, which we have put in our industrial plan and the networks which we are currently executed our proof of that. Energy's commercial activity, we confirmed the effective protection of margins from the risk of fluctuating energy prices.

The this area is substantially affected by the contraction of ancillary services compared to the exceptional performance of the same period last year. In the Energy business area, we can now count on a strategic gas reserve to continue and look into the future safely and soundly until the end of the heating season. And then we have the network business area, which have generated solid growth and the investments were continuously made in order to ensure the level of quality that propped up the results and that secured the premiums have mentioned. And then the waste management business area will continue to generate strong growth in volumes and margins, propping up its market leadership. And on some activities, it has been starting benefits from the dynamics of energy prices that have more than offset the higher cost and negative impacts suffered in other business areas. And then last but not least, the financial aspect was also carefully scrutinized last summer, we really did a very intense work, but we are really very happy with that. We've been working very hard in this. Again, we have managed to have a conservative risk profile as usual, while also preserving good financial flexibility for the future now I would now like to give the floor to Mr. Massimo Vai. Thank you.

Good afternoon to everyone from my side as well. Here, you see the cash flow generation of the first month of this financial year. We will start with the operating cash flow. There's been an increase of EUR 73 million. So this managed (inaudible) to increase the good results. as the Executive Chairman and as the CEO, have already pointed out, there are, again, 2 very important aspects contributing to this.

And if we consider the values which we reported in June, this is a marked increase, and this also explains the increase in the debt level vis-a-vis the value which we introduced in June. So the net working capital, I will be focusing on it in a minute, will be absorbing the cash flow of EUR 300 million and the gas storage activities had a cash absorption of EUR 820 million, which is an increase vis-a-vis the value which we pointed out in June. Investments also went up our Executive Chairman and as our CEO has already pointed out. So we carried out additional M&A operations, excluding the ACR M&A operation, which will be posted in the 2023 financial year. So the cash outlay in this case accounts to EUR 190 million. Dividends have already been paid out.

So again, values have been confirmed. All this generates a net financial position, which is hovering around EUR 400 billion, which is a marked increase vis-a-vis the value in June. If we now have a look at the next slide, you will see some more details concerning the net working capital. So if you isolate and exclude gas storage aspects, you will see the effect of electricity prices, which went through the roof in June and in July. As you can see on the graph on the left-hand side, the season variation is playing a role in the first quarter and necessary in the second quarter. And then the energy price increase played out as well. So this is why the value at the end of September was slightly higher in the fourth quarter of the year, we should see a favorable trend, which in our forecast will translate into downsizing of the net working capital.

On the right-hand side, you see reference made to the installment, we said that payment performance of our customers is good. And based on our predictive payment scheme, we don't foresee any significant negative impact in terms of debt collection performance levels. This applies to payments and this applies to the percentage of possible losses, which is something that we use in order to consider in calculating the unpaid loss ratio. Installments, as you can see on the right-hand side, have reached quite high level as in 2020, when we did something similar in order to provide our customers with the opportunity to (inaudible) the payment over a longer period of time, thus bolstering the loyalty of our customers who decided to remain with us as their suppliers. And in terms of the net working capital, again, you see the effects of the gas storage, which, as you know, was a strategic move, and this is just a temporary situation.

And the net working capital, which is unfavorable right now due to the high energy electricity prices, which we experienced over the last few months. And now I'd like to turn the floor back to our Executive Chairman for some concluding remarks. Thank you. Well, I think that you have already understood how difficult it was to come to the current situation. And I hope that you have understood how sound the situation is that we have generated. So we have managed to come up with a very successful reactions to a very challenging scenario. So we have been providing continuity even in the most difficult situation. So we have pride to do our best in order to prop up our stakeholders.

We wanted our workforce to be supported. We wanted the segment of tenders to again provide us with the right answers in spite of the very uncertain situations. And again, we're really very happy with the results. Now we have, of course, to keep the helm steady, so we have managed to counter this very heavy situation. So this is proof of our resilience, but we should not now underestimate the risks that could come our way even if all these risks looked to be paying right now. I'm referring first to the consolidation of regulations and standards, of course, it's not easy. It's live together with changing regulations because our company is, of course, leading up to all its commitments.

And at the same time, we are also doing our utmost to be able to come up with a new industrial plan at the beginning of February for the next 5 financial years. So we're taking up the challenge and again, it's like a (inaudible) to some extent for us because we're really very sure about what we are doing. And of course, we need we need to make sure that the overall picture becomes clearer and clearer month after month, so that we don't have to go to (inaudible) in any decisions. So I think that, that's the best confirmation that we can provide so again, in February, our industrial our major industrial plan will be launched. We are sure about that. And the best proof of that is that the first 9 months of this year have already confirmed that this year is in an extraordinary year is out of the coming. And over the last 20 years, we have never witnessed very many difficulties. And of course, all this happened after the COVID-19 pandemic. And so there again, you can rest assured that we have reacted very strongly and we have proven our recilience for the entire hera's Group and that we have undertaken great efforts to counter all the possible negative effects

QUESTIONS AND ANSWERS

Operator

This is the Conference call operator. The Q&A session will start now. (Operator Instructions) The first question is by Javier Suarez Mediobanca.

Javier Suarez Hernandez ***Mediobanca - Banca di credito finanziario S.p.A., Research Division - Co-Head of European Equity Research***

Yes. Good evening, everybody. And thank you for this presentation. I have a few questions. The first one is not about risks, but more about opportunity. Given the current gas market situation, so the gas supply market currently, do you think that there could be opportunities for Hera being a very important operator? And if this is the case, when could this opportunity materialize? Second question concerning the supply business side, it is very interesting to see the integrated margin EBITDA resilience. How has the ejective crisis change? How have things evolved? And if anything has changed, what do we need to expect in terms of commercial policies? Have you performed any adjustments in this regard? Third question risks and gas situation. So you have increased your gas reserves significantly. So I just wanted to understand that there are no risks in terms of the purchase of natural gas. And then we have the underlying working capital. It has already been pointed out that this covers around EUR 300 million. So how much of this EUR 300 million will be reabsorbed by year end? And then one last question. Can we say that the debt level should hover around 3.2x to 3.5x and this slight increase that you have pointed to is due to the beneficial effects of the post-minority results. So can this be seen as, again, a change... Thank you...

Tomaso Tommasi di Vignano ***Hera S.p.A. - Executive Chairman & Group President***

Thank you. First of all, Javier. We will start with the first question. This refers to the last resort market. Last resort markets are complex market. But these complexities if correctly handled can generate interesting margins. The Hera Group has a very good track record and it has consolidated experience in this market. So incremental costs as we happen to have secured that can represent an opportunity for economic growth. But for sure, you need to be flexible from a financial point of view, and it has to go hand-in-hand with a very good management operation of credit. You have to improve the end-to-end process of customers management. And we have already taken this direction. So we are already taking care of both aspects. As regards your second question, in terms of commercial activities you have certainly had a look at the figures. And especially when it comes to electricity, at least when it comes to sale of electric energy, there's been an impact and change vis-a-vis last year. So a negative impact and this can be attributed to modulation cost uneven situations. So we had high volatility in terms of prices. And this was due to the fact there was a change in our customers' usage profiles. And this is why we had an imbalanced situation. We had, therefore, to carry out some operations in a very difficult situation. And in the electricity segment, supply is not only happening on a daily basis, but also on a hourly basis. And all this was luckily enough offset by the gas business area where, on the other hand, we had a positive contribution. We had a great resilience when it comes to our traditional customer space. As I said, we had an enlargement of our hope for free for services for the 2-year period into 2023. And again, margins for gas the negative impact on the margin for gas were lower because here, again, we operate on a daily basis and not on an hourly basis. We're really growing very well when it comes to value-added services, plus EUR 5 million. This involves boilers, for instance, AC systems, photovoltaic panels. This is a business that is thriving, and we will be focusing more and more on this new needs that are arising that have been arising for a while now. In terms of gas storage in terms of the strategic cash reserve, Well, that's fully hedged. We can only confirm that because, again, we have fully hedged that in full compliance with risk management policy, and this is all recoverable within the period within which our gas reserves will go down. And then as regards to the net working capital, there again, let me provide a rotoperspective, which also shows some light on the future for our net financial position. energy, gas price trends as we have witnessed them in the last weeks. Going hand-in-hand with a good payment collection terms and the progressive consumption of our gas reserves during the winter period. Well, given all this, we can say that the net financial position is currently reaching a peak, and the peak will then go down over the next few months. The weather conditions will have an impact on that and the energy prices will have an impact on that. And also the reduction of volumes on the luxury part market will have an impact. We know how to deal with that. We have a successful track record in this regard. Let me say once again that the objective is to go back as quickly as possible to what we have always considered our safe haven, which is 3x in terms of net financial position and EBITDA so that we can preserve our financial flexibility, which we have always used in the past to perform M&A operations. And as our Executive Chairman was pointing out Yes, that's correct. So 50% of the stored gas will can be used. So our reserves will go down by about 50%. So this will decrease the net working capital, not just because of all that I have already pointed out, but because, again, gas reserves will also go down. So we're looking into the future with a very sound and... Thank you...

Operator

Thank you very much. The next question is Emanuele Oggioni of Capital Cheuvrex.

Emanuele Oggioni ***Kepler Cheuvreux, Research Division - Equity Research Analyst***

thank you very much. I have a couple of questions. The first question concerns this 40% reduction, which you mentioned earlier on. And if I have correctly understood this refers to the EUR 820 million impact on gas storage. So this has due to the price effect, which is now going down in the fourth quarter, and this is also due to the beginning and last of the heating season because in October, again, gas sales went down vis-a-vis the past November and December, well, there, we should see a pickup of gas consumption because temperatures will go down as it is usually the case in the last 2 months of the year. So this 40% refers to the EUR 870 million. If that is the case, what do we need to expect in terms of partial reabsorption of the EUR 152 million difference between the EBITDA reported reported EBITDA and the adjusted EBITDA from now down to year-end because of the gas accounting difference and because of the gas price trend. And then I have another question concerning the acquisition of ACR, there Janie Destino you have already told us that is EUR 17 million in 2021. Can you give us a rough idea of about industrial synergies? How much do you think the contribution will be in 2023 since have heard that consolidation will take place as of January 1, 2023. And another question, if you could just tell us something more about the multiples at which this acquisition took place since you have acquired 60% and not 100% of the company. Then one last question concerning the net level. If you could just provide us with some additional information about the cost of debt in the first 9 months of 2.6% at the end of first quarter and for all companies, be the utility companies or not, the cost of debt marginal, and it will be, again, much higher for new financing schemes. So if you could just give us a rough idea what the marginal cost of debt for new financing operations and any difference between the past and the future so that we have some reference in terms of costs for the year 2022.

Tomaso Tommasi di Vignano ***Hera S.p.A. - Executive Chairman & Group President***

Yes. Thank you. As regards to the first item, yes. In December, we often we often use up to 40% of the gas reserves. Maybe this year will be a bit more than 40%. We have already started using our gas reserves. We've just started as we speak. And this EUR 152 million that you mentioned concerning the gas storage. This is the peak value as at September 30, and it went up because of the higher volumes stored. So by year-end, it will go down because, as I said, our gas reserves will go down by 40-45%. And as regards that, then our Chairman will take the floor concerning the ACR. We can confirm that the cost of debt right now is pending at 2.6%. So we're absolutely in line with the values as of June 30. It will certainly go up because of, again, the operations that are being carried out and because of the net debt. But again, we will keep an eye on it as we have always done in the past. And as we have already done in the first part of this year. Now I would like to give the floor to our Executive Chairman.

Orazio Iacono ***Hera S.p.A. - CEO***

Yes, Well, the news broke out yesterday. And again, it will be concluded in January. So the decision went through the Board of Directors meeting. And again, it was approved and again, the information was given today so after the closure of the operation, we will own 60% of the company. And this 60% has been evaluated at EUR 60 million. So the value hovers around EUR 60 million. This is what we can tell for the time being. And of course, we will come back to that in greater detail once we illustrate the results of the first quarter of 2023 because, again, this will come into play after the first quarter of 2023. We're very happy about this M&A operation, which was announced at Ecomondo yesterday, and it was warmly welcomed a lot of interest, a lot of attention was raised for 2 good reasons. First of all, the customers that we have acquired through our waste management channels, in particular, in the oil segment, our part and parcel of the customers' portfolio of ACR. So basically, we are creating the energies and these companies, of course, are, of course, been providing very sound results in the past. And again, pulling energies will certainly get synergies, we are more than sure about that so at the end of January, once we come out to our new industrial plan, then we will be able to provide a fully flagged scenario about future results. Thank you very much.

Operator

(Operator Instructions)