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PRESENTATION

Operator

Good afternoon. This is the Chorus Call operator. Welcome to the presentation of the annual results of Hera Gruppo to December 31, 2022.

(Operator Instructions)

And now I'd like to give the floor to Mr. Tomaso di Vignano, Hera Group's Executive Chairman.

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

Thank you, and good afternoon, everybody. We have gone back to our physical meetings with our Board members after the pandemic, and we had to deal with a year which was complicated, and that's an understatement. But despite that, as you'll be hearing, we were able to stand our ground in a significant way despite the external scenario, which was becoming increasingly complex over the months. The pandemic was dwindling, but a number of other events, including war happened. We had to deal with it all basically.

And as you can imagine, given the events we had to face, we will be depicting our achievements, not so much in an enthusiastic way because, of course, we always have to keep our feet firmly pledged on the ground. But we're proud to say that we were able to deal with the situation. And as we communicated to our stakeholders, we were also able to be consistent with achieving all of our targets, both the ones included in the previous business plan and the new business plan that we have activated only a few months ago. That's something that we did not want to compromise on, we had a clear idea as to the road ahead. And I'm sure you'll be seeing the outcome of our work in all of our descriptions today. Joining me today is our CEO, Mr. Iacono and with Mr. Vai, who was recently appointed CFO. And joining us is also Mr. Jens Hansen, who has been with us for a very long time.

In a nutshell, in the graph, we are sharing with you, you'll see that our turnover was up 90% compared to 2021. We stand at over EUR 20 billion. Of course, this was also supported by the increase in the energy prices, which is one of the external variables that we had to deal with for quite some time. And luckily, even this morning's news comforted us from this point of view. EBITDA stands at EUR 1.295 billion with a 6% growth. Furthermore, this plus 6% has to be compared with a similar figure in 2021, in which we stood at EUR 1.219 billion.

Moving on to EBIT. We now stand at EUR 628 million with a 3% growth following a correction to the 2021 figures, which included an item equal to EUR 13 million or EUR 14 million which resulted in -- from 2021, which were in nonrecurring revenues, which couldn't be reused. And therefore, we have EUR 628 million in 2022 with a 3% growth this year. Finally, even our net profit post minorities stands at EUR 322 million with a plus 1%. If we compare that to the previous year in a homogeneous way, despite there being an increase in financial burdens, which were influenced by the market dynamics and by the financial effects related to the increase in turnover.

So we have grown all the way down to the bottom line, as Mr. Hansen would say, that wasn't our target because, of course, we wanted all of this to happen. But with results in terms of profits, which would have wanted to be more similar to our track record. Although, of course, we can't complain given the general scenario and given the things which happened over the past year and therefore, -- even as far as the net profit is concerned, we posted a growth plus EUR 4.5 million, which I think is nothing we should be ashamed of. Plus, given the very difficult external situation over the past year, we simply doubted that we would be able to achieve these positive numbers, and I

think that really sums up what we went through over the past year.

On this page, we decided to summarize all of the economic and social shocks and impacts, which tested Europe and the entire world. These are all topics that you are more than familiar with. Therefore, I won't be going into any details. But as I've already said, and this is something I feel very strongly about, we never doubted the effectiveness of our model. And none of the policies we illustrated to you, and given the fact that the company is so risk-adverse, we were able to continue on our path that we were able to generate resilient results despite the fact that the figures are lower compared to what we could have forecasted 2 years ago -- more than 1 year ago, which are once again marked by growth. This is a guarantee that I think is worthy of being mentioned, something that we've underlined when we illustrated our business plan, which I will reiterate today. It has always been a part of our corporate policy of our corporate culture. And therefore, let me assure you that thanks to our approach, thanks to our policies, we were able to illustrate the results we posted today.

And if we look at our investments, our CapEx, given how consistent we are with the things we mentioned to the market, our CapEx was up by 21%, which year-on-year means plus EUR 689 million, which is our record for the 21-year history of our company. Therefore, we made every effort we could to support our company but of course, we also had to deal with some items that could have significantly influenced our decisions as far as CapEx are concerned because, of course, we did have some difficulties in procurement. We had to deal with the issue of inflation, which we dealt with and solved with all of our suppliers. Then, of course, we also had to focus on all of our development projects, including the revamping of 2 large waste energy plants, one based in Trieste, one in Ravenna, both of which had to be revamped, given the fact that they had been operating for a few years now. We also continue to invest as per our plan with EUR 131 million or over EUR 131 million on M&A.

And as you can see on Page 3 of the presentation, besides investing externally through M&A, as I mentioned, we were also able to kickstart a program of ours, which envisaged roughly EUR 100 million, which were allocated to M&A, as you may remember from the business plan. Within that, some -- only a small amount of that was accounted for 2022 because, in fact, most of that amount which the market is aware of refers to a transaction, which was concluded after year-end 2022. In fact, we had 2 significant transactions. One refers to the waste sector. Thanks to the deal we signed with the Reggiani Brothers, so that we could become the majority stakeholders in their company. The A.C.R company covers the land remediation sector.

Then a few days ago, that, of course, means that it was also after year-end 2022, we finalized a second transaction in the telecommunications sector. In this case, this is a minority stake we have in a company with the idea to integrate our company with Ascopiave and our respected TLC companies. These 2 factors, plus 2 other smaller transactions in the energy sector prove that even this year, we will be continuing on enhancing our company through M&A, which has been a constant trade for us. And this happened even in 2022. The only thing we have to keep in mind is that these transactions I mentioned weren't concluded. They weren't finalized before year-end 2022. They were finalized in Q1 2023. And we're quite satisfied with M&A because that is an important part of our business plan. And therefore, being able to show that we were completed -- we were able to complete a number of M&A transactions which are already included in our business plan is comforting to us.

Moving on to the more complex topic we had to deal with to guarantee our gas supply to our customers. And in order to do that, we had to spend EUR 878 million in 2022 as a way of buying gas for our storage units. This wasn't easy of course and this wasn't due to anything the company wasn't responsible for. But of course, we couldn't abandon our customers. And the Italian government back then had strongly suggested that we would invest in our gas storage. And therefore, we had to use this slightly different approach to gas procurement. And therefore, EUR 878 million as the figure you can see on Page 3, covering the period to March 31, 2022, that refers to gas storage. In fact, as we speak, the burden referring to the money that should be invested in gas storage has been on the decline. First of all, because due to the weather, we had a lower need for gas and therefore, we didn't have to deal with more than normal consumption levels. But along with that, given the fact that we had obtained some good conditions for our gas storage, we were also able to defend our market position and our customers, both in the final part of 2021. But especially as far as 2022 is concerned, so that all of the debts we had acquired, given the difference we had in our gas procurement strategy, due to all of this, we had to reach a net debt-to-EBITDA ratio, leverage, which was well above of the standards we had always given ourselves.

For some other companies, this may have been a very good standard, but to us, this was the very first time we went above the 3x threshold we'll give it ourselves. It was a bit of a shock for us. But over time, once the effects of our gas storage started to unfold, and as

we started to take advantage of the stored gas, we were able to decrease the net debt-to-EBITDA ratio which stood at 3.62x at Q3 2022, which went down to 3.28x at year-end 2022 which again goes to show that despite the horrible year behind us, and as we described when presenting our business plan, we'll be able to reduce progressively back down to a more normalized situation, down to below 3x net debt-to-EBITDA.

Now what else could we add regarding the EBITDA drivers, we had a plus EUR 76 million growth with a 6.2% increase, which is also something that allows us to offset the WACC review, which had been decided by ARERA at year-end 2021 with effects in 2022 with a sizable impact equal to some EUR 22 million for the period we're discussing. Now the very first contribution you can see on Page 4, allowed us to achieve a further EUR 44 million, stemming from our circular economy activities. More specifically, that refers to EUR 19 million in further EBITDA and energy efficiency and facade bonuses for condominiums then we had EUR 8 million referring to an increase in our commercial offerings which was something that we decided to offer with value-added services in the energy sector, which adds to the energy efficiency services we already offered, this refers to the hardest month of the crisis last year.

Then we have a plus -- further EUR 17 million from our Aliplast company. Again, a EUR 17 million growth, due to a further increase in the price of recycled plastic. That, of course, refers to the waste sector that our Aliplast company operates in. We were also able to drive growth with 2 other elements, which are worthy of being mentioned. EUR 45 million, which came about with a further 68,000 customers in energy, and with a further 220,000 tons in industrial waste equal to plus 9.4% compared to the previous year, which were also able to benefit from the increase in prices which luckily did not decrease in the waste sector. To that, of course, so we also have to keep in mind an increase in cost efficiency and the contribution to growth stemming from the investments I mentioned earlier. And keep in mind that most of these investments was made after March 31st. And therefore, they are included in our accounts, if not figuratively. As far as our organic growth is concerned, we only had EUR 8 million from mergers and acquisitions. These EUR 8 million refer to a significant transaction in the waste sector and to smaller acquisitions we made for customers in the energy sector. The latter 2 happened in Q1, whereas the other ones, the transaction and site remediation and the TLC transactions took place after March 31 -- December 31st.

Moving on to the waste sector now, over the past 2 to 3 years, the waste sector has been extremely positive for our company. We've had an increase in EBITDA, plus 25% with a EUR 55 million growth, as you can see on Page 5. This result was achieved despite the fact that we were revamping the Ravenna and Trieste waste energy plants. And one of these plants, the revamping activities have been concluded, whereas the other one is about to be completed. This is a potential which was at compress in the period we're considering, but which will be taking advantage of in the upcoming months. And the Aliplast company, with a figure, as I mentioned earlier, was very important for the growth we achieved. And given the results it posted over the past year, the Aliplast company potential is quite significant and we can see that on Page 5. Already in 2021, we stood at EUR 36.5 million EBITDA compared to the EBITDA the company had when we bought it. Whereas in 2022, the Aliplast company EBITDA stood at 3x what we paid for initially. And I think these figures speak for themselves, which go to show how excellent the Aliplast acquisition was. And of course, even as far as tariffs are concerned, we had a very good progression as far as prices are concerned, at least for the past 3-year period.

I'll leave it at that for the time being. I wouldn't want to bore you and therefore, at this point, let me give the floor to our CEO, Mr. Iacono, who will be going on to the other businesses. Mr. Iacono has been with us for a few months now and therefore, he is more than ready to deal with all of your comments and questions, of course. And speaking of questions, I'll be joining you again for the Q&A section. But let me just reiterate the fact that the difficulties we faced last year had nothing to do with any specific company-related issues. The difficulties were due to external factors. We were able to reassure our customer base, also shown by our unpaid ratio and by our churn rate, and I'm sure that Mr. Iacono will be able to underscore the quality of our customer portfolio. Over to you, Mr. Iacono.

Orazio Iacono Hera S.p.A. - CEO

Thank you. Thank you, Mr. Chairman. Good afternoon. Let me begin with the analysis of the energy sector. As the Chairman was mentioning, over the past 12 months, we had to face an extremely volatile scenario. We had to react swiftly and effectively. And that's what we did, in fact, on Page 6, you'll see the figures pertaining to the energy sector with an EBITDA equal to EUR 449 million, which is up EUR 31 million compared to 2021, equal to plus 7% compared to 2021. Of course, that has to take into account the normalization of the dispatchment services of supply to Terna which, as we had seen in previous quarter reports and the results pertaining to our supply activities, posted a significant growth, which is something we had already mentioned on February 8 when we presented the business plan. And even then, we showed that we were seeing a growth even in the energy sector despite the very volatile scenario. As far as

energy efficiency is concerned, we have a growth equal to EUR 18 million. As far as supply and trading is concerned, even here, we have a EUR 20 million growth compared to 2021. We're supported by 2 things specifically. First of all, our good performance on unit margins. And secondly, the expansion -- our commercial expansion with a further 70,000 new customers. And therefore, the further volumes sold, thanks to these new customers, allowed us to offset the effects of the mild winter, which led to a lower consumption. The modulation costs were -- shaping cost were managed very well by our trading activity. Also thanks to the temporary investment we made, as Chairman was saying, referring to our gas storages which allowed us to manage price fluctuation in a more flexible way. And take into -- please take into account that we've already sold all of that gas.

Value-added services also supported us with a further EUR 8 million growth, which was supported by strong demand from the customer side. With the energy crisis, customers have become increasingly aware in terms of reducing their bills. And we are supporting our customers through the energy transition with all of these value-added services, which includes boilers, photovoltaic panels and so on. Plus, we also have to take into account the accounting delta for our storage which was reduced by EUR 94 million compared to EUR 152 million in Q3, given the delivery we made for the thermal season -- for the current thermal season. At December 31st, we stood at 40% of the stored gas. We continued in our gas supply in January and February, which means that this EUR 94 million continues to decrease. We are already working to prepare for the upcoming thermal season, and we certainly hope that this year will be better compared to what we thought it would be 6 months ago.

Moving on to networks and Page 7. With an EBITDA, which is in line with our 2021 figures, we stand at EUR 470 million. And this is an especially positive results also because we had to offset the WACC cut as the Chairman was saying, which had an impact equal to EUR 22 million. In the network sector, we were able to overcome the difficulties on the supply chain. We also had to deal with higher inflation, and we achieved a record year as far as investments are concerned with over EUR 360 million invested on networks alone, plus 13% compared to the previous year. And we all know that investments are an important lever when it comes to supporting the organic growth of the networks which also allows us to support the efficiency and effectiveness of our activities. So we can actually tap into the quality premiums which allowed us to offset the WACC cut. RAB stands at EUR 3.4 billion, up by 4% and EUR 133 million and as the Chairman was saying earlier, in 2022, we had an increase in interest rates, which did not allow us to activate the trigger foreseen for distribution networks. Although this interest rate -- the interest rates will continue to increase, and therefore, the trigger should be activated by end of September 2023 which will allow us to increase WACC by over 50 basis points. We actually hope for something more than that in 2024 and please keep in mind that we haven't embedded this in our business plan, which is very good.

Moving on to the following page, Page 8, which as we mentioned earlier, our focus is on our business portfolio, a portfolio which sees an increased balance between our various business areas. We have our networks, which are related. We have waste treatment, which, as Mr. Chairman was saying, is increasing its leadership and then we have the energy sector in which we are always amongst the very best. We are now above the 3.5 million customers, we rank #3 right after NL and E&I, the 2 national players, which goes to show how loyal our customer base is compared to the national average. And this, of course, is due to the company's very strong presence on the territory. Now this -- the rebalancing of the portfolio was led by the major growth we posted in the waste sector last year which was supported by both European and Italian legislation. But as Chairman was saying, also because of the growth in our circular economy services, which gives us major visibility regarding the growth targets we have in the business plan as far as the waste business is concerned.

In the energy sector, we had to deal with a very complex scenario in which we had to deal with a number of problems and difficulties. Despite that, we were able to grow by EUR 31 million, which brings us closer to the growth target we have for the business plan. Then we have the networks, which we're able to overcome. The WACC cut very well. And we were able to confirm the figures we had for 2021, then of course, we are looking to the future with a very positive attitude, given the fact that we have a very strong upside potential vis-a-vis the business plan, which is the WACC review, which we had it factored into the business plan.

Allow me to add a few comments regarding Page 9. Our Board approved the figures pertaining to sustainability, which confirm the quality of the results we recently commented. The shared value EBITDA was achieved, thanks to power of our activities, which generate EBITDA, but which also answer to the target set by the UN 2030 agenda with the major growth, which leads us to EUR 670 million compared to the figures last year, which equaled EUR 571 million, which go to show that we are becoming increasingly sustainable.

As you can see on the graph, we have this plus 17% delta compared to the CSV EBITDA last year. We are continuing to develop our

sustainability targets, and our results show all of the results we have achieved, which are in line with our business plan targets, we've even been able to overperform our targets for 2026 such as water savings, for instance, which is an extremely relevant topic. We saw the difficulties we faced last summer, and we expect more of the same for next summer. As far as the availability of water is concerned, then, of course, as far as European taxonomy is concerned, both for EBITDA and for investments, we are eligible or 90% of what we do, which is a very important result, as we were mentioning earlier, it was a record year for us in terms of investments to be carbon neutral, to support the circular economy, to be resilient and to innovate. And some of our initiatives are focused on reaching these targets.

As far as renewables are concerned, in 2022, we increased our biomethane production capacity by 50% with the creation of a second plant. And the news is that as of this year, our Hera Group gas networks are in line with European taxonomy and we are able to integrate hydrogen and other low carbon emission gases into our gas networks, which is compliant with the Ministry of Decree of 3rd June 2022, which refers to including a hydrogen plant and its compliance with Taxonomy was also confirmed in experimental way with the test we made in our Castelfranco Emilia gas network last November. This was certified by ARERA, which is an institutional certification body. And we're proud to say that this was the very first test in Italy in terms of this new approach to gas distribution which was promoted by the Hera Group. We coordinated the activities conducted by all of the major companies and the research institutes in the gas sector, so that we could certify this results. And this is something that we were able to become leaders in, which is in line, of course, with the tradition. We are leading the way in terms of the use of green gases. And therefore, our networks, which are worth over EUR 1 billion of RAB is becoming ready to start inserting the green gas of the future in our existing networks.

And let me give floor to Massimo Vai at this point.

Massimo Vai Hera S.p.A. - Group Manager of Administration, Finance & Control

Good afternoon, everybody. Let me just share a couple of charts with you as we are summarizing the things we saw below the EBIT line and to give you a recap of cash flow and net financial profit. Beginning on the left-hand side, you can see the evolution of the cost of debt. Compared to 2021, the cost of the debt has further reduced, which will benefit the bond buyback, which is what we did last year, which allowed us to reap benefits on the average cost beginning in 2022. And then through the emission of a green bond this year, before the interest rates started to increase, with the value go to 2.6%, which is in line with the average cost and with the optimal management of the short-term cash needs with a very low bank interest rate. This was a very positive effect, which offset the effects bought about by the cash needs needed to deal with our gas storage issues.

Moving on to tax rate, even here, we haven't seen any significant change compared to figures in 2020, 2021, although we can see a certain optimization trend. And differently from other players, we didn't have any impact stemming from windfall taxes and we go to further optimize things as far as taxes are concerned, to the benefit of our bottom line. Then we have the 2 graphs on the right-hand side which also have to be interpreted taking into account a different context compared to last year. We have to deal with inflation, which in terms of OpEx have already been inserted in the figures for 2022 which, despite all that have allowed us to reach an earnings per share which continues to stand at EUR 22.1, and return on equity, which stands at 10%, double-digit figures, which are proof of the fact that we were able to achieve positive results all the way down to our net profit.

Moving on to Page 11 and cash flow. Now you are accustomed to interpreting this chart because you see it every year. The main difference here is what you can see in the outlined area that we've already discussed at length. But let's begin with the left-hand side with the operating cash flow, which stands at EUR 975 million for 2022, with a EUR 100 million growth compared to the same figure in 2021 which allowed us to support our growth in investments, which is what the Chairman and the CEO already underlined are CapEx was equal to EUR 689 million, which is a further EUR 100 million compared to what we had for the previous year. We then had a part of our cash, which was focused on M&A, EUR 131 million, which is slightly above what we had for 2021. And then we have the major difference, which refers to networking capital and gas stock. Last year, that was equal to plus EUR 170 million, whereas now we have a negative compared to EUR 882 million, and that accounts for the difference in net financial profit, which, as you can see on the graph.

Now if we move to the right-hand side graph, you'll see that our net debt-to-EBITDA ratio at year-end 2022 stood at 3.62x or -- excuse me, 3.28x, which is well below the peak we achieved at the end of Q3 last year, which was 3.62x. We had said back then that, that was the absolute peak that we would have started descending from. This is linked to 2 effects that we are already seeing. The first is the use of the gas we had in our storage units, which is something that we saw every year, although this year, the economic impact of that

activity was much higher than ever. The second item was linked to the price and energy commodities, which reduced over the months. And in recent days, we've seen some very good prices compared to what we were seeing a few months ago. Therefore, even here, if we subtract this extraordinary amount from our traditional ratio, you'll see that adjusted, we never went above 3x. And therefore, besides this extraordinary use of our cash, Hera stands very well financially.

Very well then. Having said that, I'll give the floor back to our Chairman for some final comments.

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

Comments which aren't difficult to make. Everything is very transparent and very straightforward. We also have to remember that at our next shareholders' meeting, we will be suggesting a dividend per share equal to EUR 0.125, up by 4%, which is fully in line with the promises and the targets included in the business plan. Take into account that this way of being transparent and offering -- this way of offering visibility is something the market has always appreciated. We always offer a 5-year visibility regarding our dividend policy, and that's something that we commit to. It isn't something that is a dream as far as we're concerned. It's an absolutely fundamental pillar of ours, which we set as an achievable target. And therefore, even this year, with a 4% growth in our dividend per share, I think we are in line with our commitments and our work which is something that, of course, you can appreciate from the graph on Page 12 regarding our track record in our dividend policy. There could be no doubt whatsoever as to how committed we are.

As we mentioned earlier, in 2022, we had our second largest EBITDA growth ever, which wasn't something we were taking for granted in such a difficult year. Despite the negatives we mentioned earlier, including the WACC cut, which means that the year-end results for 2022 are more than satisfactory. If you take into account the general context for these numbers came about in, there were some good things and bad things we had to deal with in achieving these numbers. But we always have to take into account that in my final year as Chairman of Hera and over the past 20 years, 2022 was the most difficult year we had to deal with. And I was very happy to be able to experience this difficult year with all of you, with all of my colleagues. Thank you very much. And of course, I am available for any questions that we have together with my colleagues.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question is from the Italian conference call, Javier Suarez, Mediobanca.

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

Good afternoon. Let me begin by congratulating Mr. Tomaso, the Chairman, and I wish him all the best for the future. I have 2 or 3 questions. The first is on the generation business on Page 6. I noticed the supply and trading performance with a plus 20%. Can you give us some further details regarding the company's commercial policy for 2022 and for 2023? Despite the difficult circumstances, were you able to keep your supply levels and what did the company change for 2022? And what could the implications be for 2023? I'd like to understand how you expect the supply business to be in 2023 and even 2024. The second question is on the networks business. The WACC cut was offset by organic growth.

Could you give us some details as to what organic growth includes quality premiums and what else it includes? The third question refers to Slide 11, where you showed the networking capital and the gas stock equal to EUR 504 million, which should be fully reabsorbed by the end of Q1 2023. What is your strategy for networking capital? EUR 378 million by the end of 2023. And my final question refers to the company's refinancing needs. If you can give us some details as to what you will need to refinance in 2023 and 2024.

Orazio Iacono Hera S.p.A. - CEO

Can you repeat your final question, please?

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

The last question refers to the company's refinancing needs for 2023 and 2024, your refinancing needs as far as the debt is concerned.

Orazio Iacono Hera S.p.A. - CEO

Let me begin. This is Mr. Iacono speaking. Your first question regarding supply. In Q4, and you're right, Javier, we were able to recover as far as electricity is concerned, which is where we suffered most, we have implemented a number of actions to bring the losses down to zero and to recover with commercial and operational actions, adjustments we made, which allowed us to reduce the shaping costs. We had a difference in the customer base equal to 51,000 units, and we are currently updating some information. And you may remember that last year, we were stopped by the government and by the antitrust body, but we never stopped. We never made any unilateral changes to contracts. We simply amended the expiration date for the commercial offers, which allowed us to and will continue to allow us to be more resilient.

For the last quarter 2022 and for 2023 and 2024, we'll be able to deal with a price fluctuation and shaping costs. As far as gas is concerned, we are extremely satisfied because, of course, we did show a lower amount of volumes, both in retail and in business, especially in the final part of 2022 due to the weather and due to the climate conditions and due to customer behavior. But we were able to maintain our margin levels by offsetting through commercial activities. Our team worked very well. As we mentioned earlier, we are very present on the territory. We also increased our volumes sold due to a further 20,000 customers, and also due to the energy efficiency and our trading activities. So even here, we renewed some of our contracts, and we are also able to benefit from the premiums linked to our storage, which is worth some EUR 30 million, plus we were able to benefit from the last instance market -- the last resort market. In gas, we were awarded the competition 2 years ago. We have become a system operator. We are well familiar with how that market has to be managed. And therefore, we can obtain benefits, especially given the price scenario we've been seeing over the more recent period.

Moving on to your second question on the WACC cut, on the networks, we had a very, very good performance, a brilliant performance because we were able to fully offset the WACC cut because as a group, as a company, we are -- we have one of the -- some of the very best performances in the sector. That is due to our company's history. The fact that we invested in our network so much means that we are able to achieve excellent performances, we're able to be efficient and effective, and we can obtain premiums. Even for the next few years is concerned, we will be obtaining some [EUR 70 million] per year as far as our technical premiums are concerned, if I remember correctly. Hera's investments in the water sector, for instance, is equal to EUR 58 per capita, whereas the sector average is EUR 46 per capita, which says it all regarding our track record, our history, which has allowed us to achieve results even when it comes to water leakages, which is an extremely important topic.

As far as Hera is concerned, our leakages are equal to 9.5 cubic meters per kilometer per day, whereas the national average is equal to 17 cubic meters per kilometer per day, which again says it all as far as our network's performance is concerned. And I'll leave the floor to Massimo for the third question before moving back to your fourth question.

Massimo Vai Hera S.p.A. - Group Manager of Administration, Finance & Control

As far as our gas storage is concerned, we are continuing as planned in supplying the gas, which means that at the end of the thermal season, we should stand at a very marginal amount compared to what we had stored at the start of the thermal season last year. As far as our forecast for 2023, that's a fairly complicated question to answer. Obviously, as far as we're concerned, the storage activity is a strategic one. So in fact, that we had a very relevant investments we made last year given the price of course if prices will stay at these levels, and if we will have further options to start the storage campaign ahead of schedule, we will be able to deal with the storage with very different numbers compared to what we had to deal with last year. Therefore, my focus is that at the end of the year, the investments we'll have to make for gas storage will be lower, significantly lower compared to what we had to do last year.

As far as our refinancing needs are concerned, before I give the floor back to the CEO, well, currently, we don't have any short-term needs. We have a good liquidity -- good cash liquidity, also given the progressive freeing up of the gas storage and the reduction in prices. As far as 2024 is concerned, we have a bond, which will have to be refinanced for some EUR 500 million. And even if we take into

account the specific financial market needs this year compared to last year, we are looking around so that we can deal with our needs which are more linked to 2024 as far as refinancing needs are concerned.

Orazio Iacono Hera S.p.A. - CEO

Thank you. And I just wanted to make a more general remark regarding our future outlook. And going back to Javier's question, I'd like to go back to what brought about the prices. First of all, we had lower consumptions by our customers given the milder weather. In 2022, the country consumed 10% less in gas compared to the previous year which means that we need to add less gas to the national system as a whole, which means that we have more gas stored in Edison storage or IGS storage units which means that as a country in -- by the end of March, we will still have a certain degree of availability of the gas storage units equal to some 4 billion cubic meters compared to the 0.5 billion cubic meters we had in the same period last year, which means that, as a country, given these conditions, the scenario is much better compared to what we were expecting 6 months ago.

Operator

The next question is by Emanuele Oggioni, Kepler Cheuvreux.

Emanuele Oggioni Kepler Cheuvreux, Research Division - Equity Research Analyst

I also have a few questions for you. The first question refers to your outlook for 2023, which seems to be positive for a number of your divisions, especially as far as waste is concerned. You also mentioned that a part of your M&A transactions have been -- haven't been fully consolidated since some of those transactions were finalized after the year in 2022. And therefore, could you please remind us of the year-on-year impact, a delta between 2023 and 2022 linked to these transactions into these acquisitions? And then also as far as the waste sector is concerned, we will be -- we should be expecting a decrease in the profitability of waste energy plants. And so we have price cap at EUR 180 per megawatt per hour. Therefore, can you quantify -- can you give us an estimate of this lower EBITDA in 2023 compared to 2022 as far as your waste energy plants are concerned?

Moving on to Energy Efficiency Services, the one linked to the share per bonus, which contributed for some EUR 20 million EBITDA in 2022. What is your outlook for 2023 and 2024? Also considering that this bonus has not been stopped, and there is a certain degree of bureaucracy, which has to be taken into account and therefore, all in all, I like to know if you are confident regarding your 2023 EBITDA, I know you don't offer any guidance, but the consensus stands at EUR 130 million EBITDA in 2023. Are you confident with this consensus that equals to some EUR 290 million in terms of net profit?

My second question is on the stored gas on the net working capital and how you can reabsorb this adjustment in EBITDA and then the effects on networking capital and net financial profit. You were saying that currently, Italy has a higher stored gas year-on-year. But the gas storage belongs to you, not of those operators who haven't sold because of lower consumption because of the mild weather. You are saying that everything will be reabsorbed in Q1 2023, but how does that go -- how can that be reconciled with the fact that the Italian figures compared to storage and consumption?

Sure, there were a number of reasons linked to lower consumption, higher bills, the warmer weather, the climate, et cetera. You would make it difficult to imagine that you would be able to completely reabsorb this phenomenon by the end of the thermal year, which is only 10 days from now. That's it as far as I have a concern for questions. Let me take this opportunity to thank the Chairman, Mr. Tomaso for his professionalism and for his kindness.

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

Well, I want to thank you. I want to thank all of you for having joined us in our conference calls every year. Thank you for helping us grow over the years. I think that is the right way ahead. And I think that is the way forward, which has to stay transparent. It has to reassure the market, which sometimes makes mistakes, including the mistake made yesterday, which is entirely unjustified. It wasn't anything against our company, but it's truly surprising to see these peaks on the market, which should disappear after half an hour. Thank you. Thank you very much.

Orazio Iacono Hera S.p.A. - CEO

This is Mr. Iacono speaking. As far as your first question is concerned, and our outlook for 2023, we have a better outlook compared to what we -- what it was 6 months ago, given the lower prices in commodities, which has an impact on our needs as far as cash is concerned, which also have an impact on the valuation of credits and on the financial burden. Of course, that has an impact on the need to refinance cash in the networking capital which allows us to be pretty confident as far as the future is concerned, and I'll leave the answer on the waste sector to Jens later. As far as energy efficiency is concerned, we have no impact for 2023, whereas when it comes to 2024, we have a few solutions in mind that we'll be sharing with you in the near future. And as far as EBITDA is concerned, you know that it is a price-sensitive issue, and we can't give you any answer on the topic.

But what I said earlier is true. That is that this scenario is going back to normal, slowly but surely compared to what we saw 6 months ago and along with some of the actions we have in mind, will lead us to think that the future will be better compared to what I thought it would be 6 months ago. Finally, as far as the gas storage is concerned, as we've already said, but let me be even clearer. Our stored gas is already entirely sold. We are continuing to supply that gas, of course. Another advantage we have is after we are also present on the last resort markets, which absorbed plenty of the stored gas. As we mentioned earlier, this was an investment we made, which allowed us to guarantee the supply of gas to our customers. This goes back to what our Chairman said earlier, our customers are very loyal, they are also excellent payers. In 2022, our unpaid ratio was equal to 0.95. In fact, it was better compared to what we saw in 2021 which I think says it all as far as Hera's conditions are concerned. And with our stored gas, we are able to deal with the flexibility linked to the fluctuation in prices. And we're continuing to supply gas and we are already making our assessments and we're already optimizing in view of the upcoming thermal season.

Let me give the floor to Jens now for the waste question.

Jens Klint Hansen Hera S.p.A. - Manager of IR

Thank you, Emanuele. Let me just remind you of the fact that in the waste business, we have to take into account a number of components for further opportunities for organic growth. The Chairman was mentioning the fact that we have 2 waste energy plants, which didn't contribute to the results for 2022, which are now back on track. They were both revamped, which means that they have been enhanced with further capacity, which means that we will be looking at further EUR 7 million or EUR 8 million compared to the figures for 2022. As far as the price cap you were referring to for the energy sold which is produced with waste energy plants, of course, that will have a slightly negative impact. But keep in mind that, as the Chairman was saying earlier, the waste treatment sector for a number of years now, has been going through an increase in the price for waste treatment which is, of course, linked to the shortcomings in the availability of waste treatment plants. And therefore, this will continue supporting the results for the sector.

Plus, the performance of Aliplast was stellar. And that's due to the fact that they are offering highly -- or circular economy services, which are highly in demand. They've been working on full capacity this year. There will also be good prices for these commodity prices because given the loss of supply and demand, we'll be seeing support in the waste segment. But of course, we have A.C.R., the most recent acquisition we made, which will certainly contribute, and it will lead to synergies we expected when we finalize this transaction. We have synergies in terms of revenues, of course, because the A.C.R. company as a major customer base -- a top-level customer base. Since Hera isn't only focused on several mediation and for that factor, plenty of other types of waste treatment, we'll be able to focus on cross-selling, leading to excellent results. And of course, the A.C.R. company where we would count on all of our asset base with over 100 different types of waste treatment plants. And that will allow us to treat the waste in-house, which is something A.C.R. wasn't able to do earlier.

And therefore, I think the growth outlook for 2023 is visible and as you were mentioning, it will also have some excellent results. Our growth target for the business plan years was for EUR 150 million. We've achieved EUR 50 million in the first year alone, which means we still have to reach EUR 100 million in the waste treatment sector. We've been working very hard, then of course, it will take more than the pricing of electricity to stop us. Over to you for any other comments?

Operator

The next question is by Davide Candela, Intesa Sanpaolo.

Davide Candela Intesa Sanpaolo Equity Research - Research Analyst

I also wish to congratulate the Chairman, and I also wish to thank him for his professionalism which I was able to personally appreciate when we've met. I have 3 questions for you. The first refers to gas storage once again. And it's more linked to the outlook for 2023. Now last year, the impact prethermal season was equal to some EUR 900 million with an average TTF scenario, which is EUR 150. Taking into account that we set at 1/3 of that price, what do you think the effects of this will be? Will this new and lower price have an impact on debt for 2023 and with reference to gas, you said that consumption was lower. What will be the gas demand for 2023, therefore?

And a second question regarding the electricity supply sector. In 2022, the trend was quite negative year-on-year, probably because of the mismatch between procurement and the sales price. Since you don't have any in-house sources, what are you doing in terms of your hedging policies so that you can sell that electricity? And then I have a final question on M&A. Can you give us an update on any opportunities you're interested in? Any sectors you're interested in specifically any opportunities of the waste sector. And as far as energy supply is concerned last year, we said that a few companies were stressed, given the prices. Is that still so? And are there other opportunities in that sector? Or given the fact that prices have dropped, is that crisis now over?

Unidentified Company Representative

Well, as far as M&A is concerned, we are always on the look for opportunities. The only thing we consider is anything which is truly attractive in terms of multiples. Then of course, we also take a look at the business, these opportunities operate in because, of course, we have the renewable sector, which everybody looks into, and we made some choices in the more recent period, which focused on liberalized sectors because as we explained a number of times already and which we did today as well, it's difficult to find opportunities in the regulated sector. We were hoping for the government to be somewhat more convincing and more effective in convincing in-house companies to look into these opportunities. This would have been attractive for the entire sector, not just for our company, but unfortunately, even the final attempt made by the Draghi government, I can't remember what that decree was called, but the concrete decree, the competition decree. That, too, didn't have any major effect in terms of leading to consolidation. There were endless discussions in the parliament and the ultimate outcome was the fact that nothing was truly done. Therefore, in the medium term, we'll be continuing to focus on the waste sector because, of course, entire regions of the country have huge shortcomings as far as waste treatment is concerned. And then, of course, we'll be looking at the supply business. Although as far as the energy sector is concerned, we'll have to look at things on a case-by-case basis because there may be some companies which have suffered more than what it would appear to be. So these are the 2 more traditional M&A sectors.

And then of course, we have the more -- the newer sectors, and we're always ready. We're still continuing to work on the project to the national recovery in Brazilian plant, and we got some very positive responses compared to the projects we have submitted and if the government stops focusing on other things such as the bridge in Sicily or any other needs, which lead to the national recovery is being overlooked. I think we need to decide what our priorities are, which projects and which sectors have to be our priorities and those have to be tackled in a tangible way without having endless discussions as to what our priorities have to be. Some sectors have to be supported which were affected most by the events last year and which have to be supported and invested in. Now the topic of those in-house companies was a trick, which led to a major amount of entropy in the sector. And that has led to a reduction in growth opportunities. And I think this rigidity in-house companies should be overcome. Thank you.

Unidentified Company Representative

Let me go back to your first 2 questions. As far as the question on gas storage is concerned. Yes, you're right. With the same volumes, of course, our commitment would be less than 50% compared to what we did in the summer in the fall in 2022. That's something we'll be seeing in the next few weeks. Whereas in 2022, large wholesale players like E&I and Edison and others did not offer bilateral contracts. What we hope is that this year, there will be a few more bilateral contracts given the (inaudible). And therefore, as far as storage is concerned, we will be making our assessments and we will be optimizing for the upcoming season. And as far as the question on the electricity supply is concerned, as I was mentioning earlier, over the last quarter, we were able to offset and even recover compared to the previous losses because we activated 2 types of actions.

The first was something that we always implemented. And over the past 3 years, we increased our customer base. We did that this year as well. Only in electricity, we increased our customer base by a further 50,000. And secondly, another fundamental thing we did was the renewal of contracts, some of which are being updated. Some have already been signed. This is something we have planned despite

the stop and go brought about by the antitrust body because again, we never introduced any unilateral amendments to contracts. And that will allow us to be more resilient even when it comes to modernization and shaping costs, when we buy the commodity vis-a-vis any possible future price fluctuations.

Operator

(Operator Instructions)

Unidentified Company Representative

And if I may, as a senior member, let me thank you very much for all of your congratulations and best wishes which allows me to conclude my experience here because my contract will expire at the end of next month, which means I have a few more weeks to work with you. Thank you very much.

Operator

Excuse me, we have a follow-up by Javier Suarez, Mediobanca.

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

Yes, apologies. I have a question on the depreciation and amortization. Can you give us a breakdown on which of the -- which figures you expect for provisions in 2023?

Unidentified Company Representative

Javier, which slide are you referring to?

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

I was referring to EBIT and EBITDA, depreciation and amortization and depreciation and provisions. Can you give us a detail regarding the provisions included in that figure? Can you give us your outlook for 2023?

Unidentified Company Representative

I don't have the breakdown with me, but Jens will send it over soon. As far as the macro phenomenon is concerned, we have had an increase in 2022 compared to 2021 linked to the increase in the last resort markets, the provisions fund. That is linked to 2 phenomena, quantity on the one hand, the price on the other. It continues to be fairly stable in terms of quantity, although the price effect is reducing significantly came with the decrease in commodity prices. But of course, these last instance market, as you know, will be auctioned off in September this year, which means that the funnel part of 2023 will depend from the outcome of those tenders. Currently, the volumes compared to the peaks we saw in early October, are reducing progressively, although they are much higher compared to the volumes we were seeing, we were awarded the tender in 2021. But in this case, the price makes a huge difference. So this is scenario we expect. And in the next few months, we'll see a reduction in the provisions linked to these markets with the same conditions.

Operator

Mr. Tomaso di Vignano, gentlemen, for the time being, there are no further questions.

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

Thank you very much, and I hope to see you again soon. Goodbye.

[Statements in English on this transcript were spoken by an interpreter present on the live call.]

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