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Q2 2023 Hera SpA Earnings Call

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PRESENTATION

Operator

Good afternoon. This is the Chorus Call operator. Welcome to the conference call presenting Hera Group results for the first half of the financial year 2023. (Operator Instructions) I will now turn the conference over to Mr. Cristian Fabbri, Hera Group's Executive Chairman. Mr. Fabbri, you have the floor.

Cristian Fabbri Hera S.p.A. - Executive Chairman & Ad Interim Group Market Manager

Good afternoon, everyone. Here I am, along with our CEO, Mr. Orazio Iacono; our CFO, Mr. Massimo Vai; and our well known Head of IR, Mr. Jens Hansen whom you know very well, to comment on the half year results that you could read in the press release. Just about an hour ago, we finished our Board of Directors meeting. I'm sure that you have already had the opportunity to read our press release. This half year provided very good results -- very good financial results. There's still a very good increase in financial results, an increase in investments and M&A activity, and we paid out dividends in June, with a very good cash generation (inaudible) euros. So that's a very positive situation overall. If we now have a look at individual results one by one, we will see that the turnover amounted to EUR 8.6 billion.

This figure is down by 6%, which in my view, is positive news. And it went down by 6% compared to the first half of last year, and this is due to the downward trend in energy prices, which nevertheless still ascend the price level of the first half of 2021. On the other hand, the turnover was (inaudible) by an intense (inaudible) forcing of all activities in the past 12 months. So energy, to some extent, with a sound commercial expansion, decarbonization activities and when waste management, which also went very well. So all of this led to the decrease in the turnover, which is only linked to a downward trend in energy prices. The EBITDA stood at EUR 718 million, marking less than plus 14% growth over the first half (inaudible) to comparable figure.

So basically, in a very complicated year, which was last year in the mix of the energy crisis, we managed to post the growth. And this year, again, a very remarkable growth was posted. If we now have a look at the EBIT, we will see that the 50% of the growth is basically preferred to the EBIT. So this is true for the very sound management of the investments that we have made. But at the same time, we also saw an increase in volumes. All this allowed us to convert a balanced increase in financial costs. So our net results, if you have a look at it, you will see that the net profit after (inaudible) close to EUR 188 million, [4%] when compared to the comparable figure of the previous year.

If we now have a look at Page 2, we will see the financial detail of our half yearly report. So we are continuously investing. Growth has acquired the momentum. And the M&A activity was continued in terms of operating investments accounted for about 10%. And the M&A activity in its own right, almost doubled in terms of investments as compared to last year. So basically, our growth path is continuing, both in terms of organic growth and in terms of M&A activities. Last year, we basically had the (inaudible) in June, we basically paid down the dividend of EUR 0.05, which is in line with our business plan, and it also is the 4% growth over the previous year is EUR 0.10 per share.

As you have seen as regards to the EBITDA growth, again things did very well. And we are following our golden rule that is a 3x multiple. So we are happy with that. And we will have a very positive cash generation hovering around EUR 10 million. Let me just focus on the

main aspects that have been underpinning our growth. About EUR 50 million come from organic growth, about EUR 30 million comes from the increase in decarbonization services, which was a very strong pillar for growth, and EUR 10 million came from the M&A segment. So overall, growth is very nice, and it has allowed us to achieve all our sustainable goals and objectives.

So basically, when it comes to M&A activities, we are all very focused on sustainability, our ACR Reggiani being one of the companies which we recently acquired. We illustrated the takeover just a couple of times in the past, and this is already generating a lot of value. And then by the end of the first [6] months, we also concluded 2 very important operations when it comes to the energy segment. We're talking about sort of an institution company on the one hand and another company that is operating with the (inaudible) segment, thermal portable type company and an agrible type company. And then we are in the process of acquiring 36% of ASCO TLC. So this will allow us to further boost our digitization processes.

And these companies will pull synergies with our company that is already in charge of enrollment of the optic fiber network, which is (inaudible). As you can see, we went very strong throughout all our 3 business areas. If we now have a look at the organic growth, you will see that organic growth has been underpinned by the energy market and by the waste management market as well 250,000 new customers for the energy market. So that means we also have more waste to handle. 130,000, again, new customers in this segment. In a year where the networks business suffered and struggled because of regulations, because of WACC. At the same time, we have the liberalized and the free markets where, again, we are enjoying a very nice growth.

Let me now add some color concerning all the different business lines we are operating in. And before I give the floor to our CEO, I would like to tell you more about what happened in the Energy segment. The Energy segment as the main character, if you want, of our growth. In general, energy recorded EBITDA margin to EUR 293 million, up EUR 68 million. EUR 28 million of this EUR 68 million is related to decarbonization services, that is to say activities that are aimed at helping our customers to reduce carbon emissions. So a nice growth around a EUR 30 million at close of going hand in hand with the plus EUR 40 million coming from sales and trading activities, so traditional activities.

Sales and trading activities did very well. We acquired new customers on the free market as of April 1. We also introducing services for the gradual protection market. And then we tendered the (inaudible) market, both for the energy and the gas markets. And then for the last resort market this year, we managed to be awarded several contracts as part of tendering procedures, and this in turn increased our volumes. So all this goes hand in hand with lost-resort market for gas, which we already had in the past. So basically, from a sales and trading activities viewpoint, we did very well. And this grid commercial expansion is more than compensated for the impact of the mild winter weather on gas consumption, because there was a decrease, of course.

Many customers, smaller customers have decreased their consumption levels, because they wanted to increase their energy efficiency. And so -- but as I said, this decrease in consumption levels has been more than offset by all our sales and trading activities in the traditional segment as well as the added-value services segment. If you have a look at the graph on the right-hand side, you will see that we have 3.7 million customers right now. So this has been a marathon for us. So this growth path has been uninterrupted for years. And this applies to the (inaudible) as well as to the free market. About 75,000 customers, which were required belong to the gradual protection services market. And again, if you consider that a good chunk of them belong to the Free Markets, you will understand how good and how nice this growth has been.

Given the nice increase in decarbonization services, you will understand that there's still a lot of room for (inaudible), a lot of potential for further expansion because, we are now providing more services, so the opportunity to sell more services to our already existing customers increase. Now I will go the floor to our CEO, Orazio, to speak on waste and the network business lines.

Orazio Iacono Hera S.p.A. - CEO & Renewable Energies ad interim

Thank you very much, Cristian. Good to have the (inaudible) as well. Now I will illustrated waste management segment. We are enjoying a very nice growth. So our growth cost has been continuing. Our EBITDA hovers around EUR 163 million, which marked a plus 8% increase with an increase by approximately EUR 12 million. Waste collection, as we mentioned last time as well is still suffering a little bit because of the new concession period. Concessions have a lifetime of [about 60] years. And there's some good news here, because the slight decrease, which we posted in the first quarter of the year is now being up again. And that's because we are increasing our

efficiency. We are premodulating, integrating services and (inaudible) services.

So basically, we are, on the one hand, satisfying our customers, making them happy locally. And at the same time, we are also driving up margins. I will now concentrate on waste treatment. The growth path is continued. So we are enjoying very nice growth. We had almost EUR 17 million in terms of growth. In terms of plants, we're doing very well. The performance levels of our plants are very good, and this testifies to the soundness of the investments that we made. I'm thinking about waste to energy plant in Trieste, which is now fully operational and many other plants are now fully operational. They have given very good results.

So again, we are really very happy here. We also see an increase in terms of waste volumes being treated, despite the macroeconomic situation, which is a bit [compensated,] not just in Italy but in Europe as well. But we are still, again, enjoying this upward price trends. And I'm sure that there will be more stability in the next three months. But still, for the time being, the trend is very positive for us in terms of prices. So very good performance as regards to plants. In general, waste [filings] are going up, and this has positive results, of course, for our plants at large. So we have increasing results as compared with the year 2022. And we derived some benefit from lower costs, purchasing costs for our commodities.

All this managed to offset be increase in prices due to the high inflation rate. The waste segment enjoyed this growth, also thanks to another M&A operation, which we recently concluded. We acquired a company ACR Reggiani, which already recorded very good results in the first half of the year. And this allowed us to -- so it basically allowed us to put in the last piece of the puzzle, if you wish. Now we are in a position to provide turnkey solutions from (inaudible) to our customers. So we're really very happy here. We have returned very nice growth, and we have been consolidating a really very good results, which we illustrated for the first quarter of the financial year.

Now let me turn to Networks. This year is the year of stability for our networks. We don't have, again, the same inflation rate that we have, of course, in other segments. We managed, again, to enjoy nice growth. And as we already mentioned during our presentation over the first quarter results, there we had some minus signs here and there. And here, in the first half of the year, we have a growth.

The Networks segment grew by EUR 3 million, and this is mainly linked to three factors: (inaudible) development investments and water networks sorted by the (inaudible), and then the inflation of regulated revenues for the 2023 financial year as a result of the inflation rates of the year 2021 and 2022.

And we also have some nice efficiency being achieved, thanks to our cost reduction activities. So all this offsets the price increases due to the high inflation rate. So we had a very cautious investment management, business lines were managed cautiously and this allowed us to enjoy full efficiency.

So it's a year of stability. While we are waiting for Arera to review the regulatory work for energy networks, as the defined observation period is (inaudible) higher around the end of September, and we expect Arera to increase the regulated return by about 80 basis points for the year 2024.

In the water networks segment, there is no specific procedure, as you would expect for energy. So we will have, again, to wait for Arera decisions concerning the regulatory WACC for energy network. So (inaudible), we all certainly have a clearer picture.

This brings me to Page 7, where I will fill in with other information. And the entire business portfolio shows that all the three main business areas are growing nicely. So we have a very nicely balanced portfolio, concerning all the three main business activities.

The Energy segment playing the lion's share for the time being, followed by Networks. And of course, we are enjoying a very nice growth in the Waste segment. The Waste segment growth is perfectly aligned with our ambitious growth targets as per our business plan. And we are now in the process of achieving most of the goals of our business plan well ahead of time, well ahead of the schedule that we had set out.

I'll take this opportunity to give you some more information concerning our networks, because this is where we see the highest potential for growth due to the WACC on the one hand, and due to the inflation rate for water, which is only applied to even years and not to odd

years.

So if we consider the nice potential we have in Networks, the very good results in the Waste segment and in the Energy segment, then we have, again, a very nice situation with growth throughout all our business lines. All our business lines have been growing uninterrupted through the years.

And -- although we have been faced with very difficult situations, high inflation rates, rate -- interest rates have hikes and spikes and energy cost level that are not fully normalized. I'll stop here, and I will now put the floor to Massimo, who would lead further details of the economic and financial results. Massimo, over to you.

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

Good afternoon from me, too. Let us now have a look at some graphs explaining what is happening with regards to our EBITDA.

On Page 8, you will see some graphs. On the left-hand side, you will see how our cost of debt in the long and medium run went up in the first half of 2022 as compared with 2023. So this is a slight change basically, and this testifies to the fact that our cost of debt structure is basically, very resilient, no matter what interest rates do in the medium and long run.

So basically, if there is a significant increase in interest rates, our cost of debt basically, remained stable. And basically, our guidance looking towards at the end of the financial year. As far back as in May, we also mentioned that we performed two different optimization activities. We issued a sustainability-linked bond of around EUR 600 million and for Rangrid, and EUR 450 million sustainable credit revolving facility was obtained from banks. We haven't tapped into this revolving facility for the time being, but we have some nice flexibility.

This is a piece of news that came in, in June, and then it was only made official in July. And as you will have read in the news, Hera received EUR 460 million loan from the European Investment Bank to fund the whole series of infrastructural projects, which we illustrated and which we will be developing throughout our business plan.

This loan was not used for the time being. We have a 16-year period to use this loan. So this is the another option that we have in terms of funding. And basically, this protects us in the short run from interest rate spikes and hikes. And as you know, interest rates will go up foreseeably for the next 1 or 2 years.

On the right-hand side, you see the return on investment and return on equity. The ROE settles around 8%, and this is consistent with what we published with the Q1, and the ROE jumped forward, and it settled at 10.1%. So this testifies two (inaudible) of the (inaudible) we're carrying out, making sure that the BDA can then translate into positive benefits for the net results.

If we now go to Page 9, you will see our operating cash flow, which fully covered the increase in operating investments. We managed to fully fund, again, our activities. The working capital management to release cash. So basically, this is perfectly in line of what the amount of the money that we invested in the Q1 of the year.

EUR 67 million were used to fund M&A operations. And we managed to pay dividends for our SBA and for our (inaudible) for an overall amount of around EUR [200] million, and net financial position is EUR 4 million, which is basically something that allows us to confirm leverage level of 3x, which is in line with the previous year.

This was (inaudible) of the financial situation and the cash flow situation.

And now I will give the floor back to our Executive Chairman for some conclusions.

Cristian Fabbri Hera S.p.A. - Executive Chairman & Ad Interim Group Market Manager

Here we are. We have basically come to the last part of our presentation, so that you have time to ask questions.

So basically, you have seen that we have been doing very well in terms of sales activities. Cash generation was also very nice. So we are now in a position to fully underpin a very consistent growth. And our growth path was actually quite fast, and it is basically moving at a faster pace if compared with the schedule of our business plan, which goes down to the year 2026.

So most of the cases, we have already achieved 60%, 65% of the targets that we had set ourselves in only 30% of the time. So only 18 months that have gone by, out of the overall 60 months of the half year business plan. So basically, we're now in a position where we can see the best opportunities on the market when it comes to the free market or regulated market.

And over the years, we managed to have a very strong and consistent growth, because we have always been balancing our portfolio. I must to say that if I have to say what the best result is most probably the fact that we managed to increase our financial results. We continued investing and at the same time, our cash flow generation is nice. So this was in a nutshell, the end of my presentation.

Now I'll open the floor for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Roberto Letizia from Equita will ask now the first question.

Roberto Letizia *Equita SIM S.p.A., Research Division - Analyst*

I would like to have some further details as regards the growth of Networks. I would like to understand, how is this growth linked to repricing activities, unit margins increases, is due to the reduction of prices in commodities? And do you think that this can be sustainable, that this trend will continue looking at the normalization of commodity prices going forward?

Second question, the contribution of ACR Reggiani in the first half, how high was this contribution? Was -- how will this contribution play out then in the second half of the year and then from 2024 going forward? And I think that you're already looking at some more synergies.

And then if you could just provide us with a snapshot for the growth drivers for the second half of the year. So if you could just tell us more about possible variability elements going forward.

Orazio Iacono *Hera S.p.A. - CEO & Renewable Energies ad interim*

Thank you very much. I'm Orazio Iacono, and I will immediately reply to your second question concerning ACR Reggiani.

ACR Reggiani is doing very well, as you said. So that's very nice M&A operations. And again, this is very resilient when it comes to site remediation. ACR recoded an EUR 8.8 million of growth in terms of EBIT, and that's a very good result in the first 6 months of the year. And this business is very linked to season.

During the second half of the year, we do expect, due to the seasonality of the business, to have a bit more than the double of this amount, just to reply to your first question.

Then to reply to your first question, well, historically, when you go on the integration path, we generally managed to extract value hovering around 25%. So when we acquire a new company, basically, we do expect, again, an extracted value around 25%. This is what we expect for the year 2024.

Anyway, this M&A operation was just great, and we're really very satisfied with it. And the companies have been integrating very well. And today -- just today, we were awarded a tender contract for site remediation operations. So I must say we're doing very great. We're doing very strong. So we're very happy.

Cristian, over to you.

Cristian Fabbri Hera S.p.A. - Executive Chairman & Ad Interim Group Market Manager

I don't know if you could hear maybe, because I just realized that my microphone was off. So in terms of energy, the contribution that we are currently experiencing should be read in two different ways or interpreted in different ways.

On the one hand, we have a reduction of gas consumption for Q1, which will not take place to the same extent in the years to come, of course. It's not something that will happen again, I think. And at the same time, we have the Energy segment, which more than offset this decrease in consumption.

So if I now have to consider all these elements altogether, then I would say that about 50% of that growth is linked to traditional market, which will continue to grow. And the remaining 50% is linked to last resort market, safeguarded market, and again, last resort market for gas in a nutshell.

As regards to the main growth drivers for the second half of the year, well, Massimo said it all earlier on when he was speaking. This first half brought about a very consistent and considerable growth in terms of EBITDA. And the net profit growth was a bit lower, and that's because we now have higher cost in terms of financial growth.

In the second half of the year, we will, thus, try and make sure that the net profit goes up again. And we will, of course, continue increasing all our postal, our items in the income statement. There were some one-off elements as well. And in the Waste Management segment, we had some very good sales activities. So all these elements, of course, will be well-taken care off going forward in order to continue enjoying very nice growth. Thank you very much.

Unidentified Company Representative

I will now provide you with a further comment. All this applies if the situation is normal because now we're all thinking about our next winter. We know that we have about 80% of gas stocks already in-house. We know that the gas accounts from Russia accounts for 6% of the gas that we are using here in Italy. Regasified units and plants are now operational in Italy and in other parts of Europe. So we are in a situation where prices are actually low, because consumption levels are also low basically.

(inaudible) prices already higher if compared with higher spot prices. So in winter, we do expect prices to go up, but we will also have to wait and see how the situation plays out. Last winter was plain sailing. Let's see what happens this winter. It also depend on temperature -- average temperature levels.

Operator

The next question is from Emanuele Oggioni from Kepler Cheuvreux.

Emanuele Oggioni Kepler Cheuvreux, Research Division - Equity Research Analyst

I also have a couple of questions. First of all, congratulations for the operating results, more specifically, will be Energy segment. You mentioned of the debt-EBITDA ratio by year-end, which could be more or less in line with our golden rule, which is 3x.

So I would like to hear if you foresee any changes for H2? And is the working capital going to change due to different prices in terms of commodities? Or if there are any other elements that could be against the buoyancy of energy services that you're currently experiencing and that are partially linked to this called super bonus, which was considered to be a one-off situation, which would then balance out in the following years? First question.

Then second question, concerning energy services again. The 2023, the financial year is considered as a peak year, especially for those companies that are strictly related to the super bonus activities. So I would like to hear from you how 2024 will play out. And if you could just add some color concerning your backlog.

Then one last question concerning the cost of debt. So how shall we expect the cost of debt to roll from now down to the end of the year?

Unidentified Company Representative

Well, I will reply to the first and last question. As regards of the evolution of the net financial position and EBITDA ratio, our target is to stay at 3x. So that's our golden rule. Then, if possible, we would like to be even lower than 3x. But that's our benchmark for the time being.

Then commodity prices, well, they would call the shots. And that will, of course, create some uncertainty. And the same goes for the last resort market [tenders] that will take place at the end of September. Then we also have to see how the cash absorption of energy services plays out. For the time being, our goal for the end of the year is 3x in terms of debt leverage.

Cost of debt, the value that we have mentioned for the first half will also be a reference for the remaining half of the year. It's not just of the net financial position value in its own (inaudible) play a role, but also other elements will play a role, and we'll have to see if the short-term loans are going to be used or not. So the costs vary according to the amount of the loan that you're using. So the debt position and financial costs are now more stable if you compare the current situation with the last 12 months.

But if you compare the current 6 months of the year with the first half of 2022, of course, the comparison is not particularly favorable for us, because in the first half of the year 2022, the situation is considerably different.

Now we have (inaudible) a large portion of this variation. We have, again, ensured nice margins for flexibility, and we now have loans that are available and that we can decide to use if need be.

Unidentified Company Representative

Well, for sure, the 2023 year was or is the nicest here, basically because of the super bonus contracts, because of all the contracts dating back to the 2022, which had not been completed in 2022, back-to-back prudent activities. Then all these options provided us with this very nice situation. So there's plenty of customers on the market looking for suppliers.

So what you said is absolutely correct. So that's a top-notch financial year. And as for 2024, there will be possibly a drop, a decrease. But that's the reason why we are focusing on many other different services. We don't just rely on the service end of year, we are also working and focusing on the concept, the (inaudible) administration tenders (inaudible). So we are very much (inaudible) to public administration, and we're taking care of industrial customers. We are very much focused on renewable energies as well. So we are carrying out some new activities, which I cannot mention for the time being.

And we are also working very intensively on other activities in the retail segment and industrial segment. I was mentioning M&A operations, I mean (inaudible). Well, the purpose here is to provide more services to medium to high profit companies.

Why? Because from a commercial viewpoint, we are very strong, and this allows us to be very strong from an operating viewpoint. We can provide a turnkey solution, and we can also provide innovation and high-quality services to our customers.

This is precisely what we want. This is our objective. We would like, again, to provide turnkey services to our customers and thus, fully offsetting the reduction in business in other segments.

Having said that, whenever we have the opportunity to receive, again, all the possibilities that come our way on the market.

Operator

The next question comes from Davide Candela from Intesa Sanpaolo.

Davide Candela *Intesa Sanpaolo Equity Research - Research Analyst*

I have a couple of questions. First question, net working capital and debt situation. What is your gut feeling? What is your take on the gas spot market? Last year, of course, we had more than EUR 1 billion working capital effect due to the high stock levels for the winter.

So what is your take for the next -- wouldn't have -- what would worst-case scenarios be basically, although prices right now are quite low? And again, inventory levels are quite high.

Second question concerning energy efficiency services and concerning energy communities. I imagine that you're working on energy communities. Have you, again, experienced any changes? Are you changing your organization in this regard? So is there -- are there any plans in the pipeline concerning energy communities? And then one last question is whether you could give us an idea of possible emerging costs as part or following the floods in Italy?

Unidentified Company Representative

Davide, I will try and reply to your three questions. In terms of gas storage, the reply is pretty straightforward. Last year, we had to perform an extraordinary investment. There were no options and -- so there was a high risk of not finding the necessary volumes of gas, had we waited.

So it was like taking out on insurance. And all this played into our hands and was very good for us. This year, our stock levels will be lower by about 50% in terms of volumes. And more importantly, the purchase prices will be considerably lower. So we're talking about 20%, 25%, of, I think, we used in the past.

So in terms of energy communities, well, we're working very hard. We've been working for 2 years, very hard in this. The real problem is that some pieces of the (inaudible) are still missing, who are not in the right position -- well, and we don't want to spill the beans, of course, or news being prematurely put in the press release.

How the consumer (inaudible) will be collective self-consumption was already introduced, the suppliers to some apartment buildings. So that could be a first step in this direction. And we also are in a position to use original funds to develop energy communities with dimension going as high as 1 megawatt.

And we are also trying to use (inaudible) areas, for instance, that are no longer used. So basically, when it comes to plans, we are requiring all the necessary authorization. And as soon as all the pieces of the puzzle fall into their right places, then, of course, we will continue with the building part of the project for energy communities. So we first need to get to the right necessary authorization. So there's a clear demand for energy communities. So we are really intensively working on this.

And now that we have a bit more time, and we are a bit more relaxed, we can work in a way that it is heavier than in the past. And we are not just taking care of commercial activities. We're also working in cooperation with municipalities, concerning (inaudible), for instance or heat management, energy efficiency measures for the buildings of public administration institutions. So we are really trying to evolve energy communities in all this as part of a very large portfolio.

Yes. I actually forgot to reply to your third question, the floods. I'll give the floor to Orazio.

Orazio Iacono Hera S.p.A. - CEO & Renewable Energies ad interim

All right. As regards the floods, I would say that we managed to swiftly react, so our infrastructures did very well. So the economic impact on the flood is basically close to 0.

Yes, we do have operating expenses up until the end of June, but we do expect the operating expense increases to be completely offset. We filed all the necessary claims, of course, with our insurance companies. We did a full identification of damages. A committee has been appointed by the government to take care of flood-related authorization issues. Again, insurance subsidiaries have already been started. So we ask that no additional costs will have to be or have to be borne in general by our group.

Then we also suspended the payment of bills up until the 31st of August. And then for 12 months, families, households can have the possibility to pay their bill in arrears, installments. So this will have a marginal impact down to year-end.

Even if everybody accepts -- if all the households accept to have a payment installments over a period of 12 months. So we don't see any

issues here in terms of financial assets.

And then as to the CapEx, it will follow suit.

Operator

The next question comes from Javier Suarez from Mediobanca.

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

I have one question concerning Hera's performance in the first half of the year. And based on that, what can we expect for the second half of the year? So you noticed a very strong growth in the first half of the year, about EUR 50 million -- EUR 90 million actually, concerning the EBITDA. So that's very nice. And in the second half of the year 2023, what do you expect?

Is there any reason why we should expect a second half of the year without growth or with a negative growth? Second question, which is related to the first one, you illustrated the business plan for the period down to 2026. And you started off very well.

And now the situation seems to have calmed down a little bit. Is it correct to say that this company is strictly achieving all the business plan goals and that you could, basically, achieve all the targets of the business plan, possibly 1 year ahead of time?

Third question, concerning the capital structure of the company. You mentioned several times, 3x being the golden rule for EBITDA. And do you think that this leverage, 3x, is still to be considered as basically the golden standard as your benchmark for the future?

Unidentified Company Representative

Good afternoon, Javier. Well, your first question puts me in an embarrassing situation. We don't expect to have a negative growth in the second half of the year. We, certainly, achieved our best results in the first half of the year. So for the time being, we don't really have any reason to think that we will have flat growth or negative growth in the second half of the year.

What you may have wanted to ask, whether, again, we will have the same growth in the second half of the year as we did in the first half year? So our objective, of course, is to further boost our growth and our profitability in terms of the bottom line. So we would like to seek better results when it comes to the net profit. So that's the target that we have settled out.

And then in terms of the business plan, yes. Well, we are well ahead of time. That's because, again, all the planets were aligned. So we fully seized the opportunities that came our way.

If I can just mention one case in point. We did the best out of a very bad situation due to the prices. And when prices went down, then, of course, this boosted our growth massively. Last year, because we don't produce basically energy, we just sell energy, and last year, again, the situation was very positive for us.

This year, in the first half, we had somewhat regulation costs, incremental modulation costs, especially when it comes to the gas market. But the situation is going back to normalcy gradually. And all this has a very visible effect on our growth.

So yes, we are ahead of our schedule, and we managed to achieve 65% of our growth targets in just 1/3 of the overall time span of the business plan. So basically, if you did all the right calculations, then you would say that we are possibly going to achieve our targets even before the first year of the plan. So we have certainly gone down the (inaudible).

I'm sorry, but I think I forgot your last question. Yes. The 3x golden rule? Yes, yes. That's our benchmark. Why? Because it gives us the necessary flexibility to seize possible opportunities coming our way. Last year, we had the gas storage stock levels. This year, there might be other issues. So this 3x golden rule gives us the necessary flexibility to seize opportunities. And at the same time, this allows us to grow in terms of investment.

So basically, we can self-fund our activities, we increase investments, and we preserve our 3x golden rule. So to make sure the EBITDA can then increase and allows us to self-fund most of our activities. So that's the balance that we are trying to strike for the time being. And this has always been historically the case with our group.

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

Concerning the net income for the year 2023, do you think that there will be a single-digit decrease of the net income if compared with the year 2022? Do you have any visibility concerning, again, the situation in the first half of the year 2024? And what difficulty mainly be (inaudible)?

Cristian Fabbri Hera S.p.A. - Executive Chairman & Ad Interim Group Market Manager

I'm asking Jens to give us some context.

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

That's a bit tricky. And the same goes for EBITDA. So we have come to a very positive situation, and we don't see any negative trends for the second half of the year. So there are no reasons to think that it will be a negative figure. Well, we don't currently see issues moving on the horizon. But there again, there can always be disrupting events on the energy market.

So if the situation goes on, we don't see -- just like it's doing right now. We don't see a good (inaudible).

Operator

The next question is from Roberto Letizia of Equita.

Roberto Letizia Equita SIM S.p.A., Research Division - Analyst

I'll be very quick. The European standards concerning the reuse have been recently modified at last. Are you satisfied with the changes in the European regulations? Or do you think that Italian position will still be very strong when it comes to the reuse instead of the recycling?

Unidentified Company Representative

Sorry, when Emanuele asked his question, I forgot to say something, which I'm going to tell you right now.

Decarbonization services are playing the lion's share, as you know. So our IR team has been provided many details in this regard, and you can find them in the press release. So this is just to complete my reply to the previous question.

Now to your question, Roberto, we reuse instead of recycling or purchase recycling. As you know, in Italy, we are very much focused on recycling. And then we will have to understand what this will mean from an operating viewpoint.

Can we reuse packaging activities several times? If packaging is being reused, of course, this cycle -- it's not a never-ending cycle, because packaging, of course, will wear out. It will pair. They will not be used or able to be reused forever.

In this segment, of course, we are doing very well with Aliplast. This is a market segment where we provide high-quality products and with, again, all in all, a low market share. So even if we have a reduction in terms of plastic waste volumes, then this impact will be more than offset.

And then (inaudible) collection is also increasing. And this means that undifferentiated waste will decrease. And at the same time, it also means that the quantity of the plastic parts that can be recycled will increase. So that's not something we are really worried about.

Operator

(Operator Instructions) Mr. Fabbri, for the time being, we don't have any further questions in our booking list.

Cristian Fabbri Hera S.p.A. - Executive Chairman & Ad Interim Group Market Manager

All right. Then, thank you very much for your attention and for your time, and we will see you in 3 months' time or possibly even before that for some of you. Thank you. Bye-bye.

Operator

This is the Chorus Call operator. The conference call has now come to an end. You may disconnect your telephones. Thank you.

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

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