Q1 2024 Earnings Call

Company Participants

- Cristian Fabbri, Executive Chairman
- Massimo Vai, Chief Financial Officer
- Orazio Iacono, Chief Executive Officer
- Unidentified Speaker, Unknown

Other Participants

- Davide Candela, Analyst, Banca Intesa Sanpaolo
- Emanuele Oggioni, Analyst, Kepler Cheuvreux
- Francesco Sala, Analyst, Banca Akros
- Javier Suarez, Analyst, Mediobanca

Presentation

Cristian Fabbri {BIO 20821433 <GO>}

Good afternoon, everybody. Welcome. We are here to present the Q1 results approved by our board of directors this morning. We are here with our CEO, our CFO and our investor relations director.

We concluded Q1 in 2024 with results which, as you may have read in the press release are on the rise. And they confirm the positive trends we mentioned in the business plan with a specific focus on value creation. As we mentioned in the business plan, and as we'll be seeing over the next few slides, this is already happening quite sizably in Q1. If we look at the P&L, we have a normalization of the energy scenario. Reduce intermediation costs given the lowered volatility of the sector led to a reduction in turnover, we're now back to a 3.3 billion level, which is up 30% compared to what we had in 2021, which was before the energy crisis, with price levels for energy which are slightly above what they used to be.

If we move to EBITDA, you'll see that our results have grown following the reduction in energy prices. And after the major performance we had last year, you may remember that in 2023 we had the biggest growth in EBITDA worth 200 million, which is the highest growth ever. And in Q1 2024, we are continuing with that growth, which is equal to 2%. And we'll be giving you more details later on.

Moving down to the EBIT, you'll notice that this growth is even more in absolute terms than in percentage points. And in this case, we're also benefiting from the good collection results we had, which, along with lower provisions for the unpaid ratio plus with the normalization of the energy prices we're seeing the more normalized situation. We'll be seeing this later when we look at amortization.

Moving on to earnings per share. In this case, the growth is even more noticeable. We're up 12% compared to the same period in 2023. And this growth benefits even further from another optimization, which is that of the financial charges. You may remember that last year for 2024, we had given a prediction equal to a contraction of the financial charges in Q1. This is equal to an overall reduction of 25% compared to what we had included in our year end results last year.

And this is the outcome of all of the optimization activities we've conducted on our financial structure, also made possible by the lowered prices. So this reduction in the overall scenario brings out a value which we had generated in previous years and which had partly been used to offset the financial charges and the provisions.

Moving on to some details, we'll see that the EBITDA growth is supported by an organic growth which, when it comes to both the regulated and liberalized markets, that is equal to roughly 37 million euro in Q1. All of our business areas, from waste to networks to energy, contribute to our organic growth. Now, this 37 million euro growth allows us to more than offset the reduction of one of those opportunities we had taken in previous years to speed up our growth process. This was the tax eco bonus contribution which gave us a 30 million euro contribution last year. And this year it was more than offset.

So, basically what we're doing, which is what we had said in the business plan, is replacing those one off opportunities that had allowed us to grow with more structural growth potentials on the market. The regulated regulated market is growing due to the regulatory tariff dynamics and the liberalized market is growing both in terms of energy and in terms of waste. And all of this allows us to have a sizable contribution. And later we'll be seeing how this growth is driven.

If we move to EBIT, we'd like to focus on both provisions and amortization. As you can see, the increased investments we've made allowing us to grow our RAB because as you know, most of our investment goes into the regulated sectors, but also in the liberalized businesses, which means that we have incremental amortizations worth 10 million. But then we also have provisions which are the effect of the good policies we've been implementing regarding credit collection and also due to the lower turnover and lower costs linked to the unpaid ratio brings us to 13 million euro in lower provisions. Again, this allows us to more than offset the effects of the eco bonus with a net growth equal to 10 million, which translates to 4%.

Now let's look at how we create value and how we measure that. In the company's indicators, ROI is up at 90 basis points compared to Q1 2023. And besides this being a major growth in absolute terms, it is also supported by the fact that we have replaced one off opportunities with structural growth, which will continue to contribute to our company's growth throughout the business spend years, which is in line with what we said during the business then presentation.

The ROI growth is also worth 90 basis point growth in terms of ROE, in terms of the profitability of the equity. And you'll see that this growth and profitability continues.

If we then move on to profit, the earnings per share over the period is up 12%, which is the EPS growth in Q1. Despite the fact that during the quarter our tax rate was slightly higher compared to Q1 2023, given the fact that certain tax benefits expired over the period. Now to that 12% growth, we also have to consider -- we also have to add the dividend we'll be paying next June, which, as you may remember, is worth fourteen cents per share. And it too is up 12% compared to the same dividend last year.

Let me move ahead swiftly so I can leave you some time for questions. I know how busy you are today.

And let's move to the various businesses, beginning with energy. Now, you'll notice that the overall result this year shows a 10 million euro decrease in terms of EBITDA, although the organic growth, which is worth 20 million, almost fully offsets the expired eco bonus as far as the EBITDA is concerned, which is what we had last year.

Now, this 20 million euro organic growth is supported by two effects for the most part. On the one hand, we had a growth in our customer base. Our customers have grown further compared to the figure we had achieved at year end 2023, which was at 3.8 million, whereas we currently stand at 3.9 million euros, which means that compared to the same period last year, we have added a further 300,000 customers for the most part in electricity. Along with the growth of our market share and along with the growth of our customer base, we're also seeing the effects linked to the reduction of the impact on margins due to shaping costs. In this case, we worked on two axes as we had already mentioned in previous meetings.

First of all, we improved operationally to reduce the shaping costs. The other thing we did was to make these shaping costs more transparent so that we could then move these costs to end customers so that the overall contribution stemming from these two different actions is worth 20 million euros. If we look at the effect on EBITDA brought about by the reduction or the disappearance of the eco bonus, plus the growth of organic growth, that would sum up to minus 10 million. But if we see the reduction in provisions which is equal to 13 million, we'll see that we have a positive result even as far as energy supply is concerned.

So that was just a very quick overview as far as energy is concerned. Let me hand the floor over to the CEO for the following slides.

Orazio Iacono {BIO 22805001 <GO>}

Good afternoon, everyone. Waste never stop scrolling. As you can see from the graph on the left hand side of the screen on the right hand side, you'll see that our volumes continue to increase in Q1 this year, especially volumes in terms of special waste, which are up 4%, which means that we are growing despite the fact that the general context is less expansive than what it used to be. Our main drivers are the ones that we've already mentioned in the past and that we wish to confirm. As you know, Italy is short on treatment capacity and our company is the market leader given the number of assets we have and given the integrated services we offer, meaning that we can continue to work in different market segments.

For example, we are the only ones, along with a select number of competitors, we can offer global service. And that is a way of enhancing our leadership, meaning that our prices are withstanding general context. So much so, in fact, that our prices are stable compared to the same period in 2023 and also compared to the final part of the year 2023. Our assets are performing well. We are continuing to invest in full execution of the five-year plan that we illustrated at the beginning of this year.

Let me just mention that this year the Spilamberto biodegister will be up and running for the entire year. It was started last year. The site remediation activities with the ACR company that we illustrated a number of times already when we made that acquisition is continuing to perform very well. We were able to integrate that merger with the rest of the group's activities. Whenever we regenerate and remedy sites, we generate waste, which is then shipped to our plants.

So, things have really improved compared to Q1 2023 and we've been able to post a good growth. As you can see from the graph in the central part of the screen, we've also had a small contribution from collection. Also thanks to the increase in regulated return as approved by ARERA, and also the recognition of inflation.

The normalization of the energy crisis has had a slight impact on the margins stemming from the energy produced by the waste energy plants which we sell. As you know, we have a hedging policy for our volumes. We can't do everything due to operational reasons. And that has also led to a savings on energy costs for the functioning of the plants.

So roughly half of the minus 4 million you can see on the graph is also due to the shutting down of two plants, which we won't have in the upcoming months. And then we'll also have a fixing policy over the next few months that will allow us to recover over the next few months. So our growth in waste is based on structural drivers. That is a solid growth. Also, thanks to the national leadership that we have.

Moving on to networks. We were waiting impatiently for this moment. Last year wasn't the very best year for networks, whereas this year the situation has changed very much in a positive way and we're starting to post a positive growth. Networks this year have become the highest contributor to the group's growth, given the fact that they benefited from the regulated return in all businesses which supported the growth of EBITDA with a double digit rate equal to 10.4%. As you can see from the graph on the right hand side of the screen, all of the networks contributed to the results, especially with the water business, followed by gas and electricity, each of which are worth plus 3.5 in terms of EBITDA growth.

The only sector which has suffered slightly is district hearing, but that was brought about by the changes in the regulatory framework, which is only temporary though, as decided by ARERA. There is an ongoing discussion, not just with us, but with all district hearing operators. And before the beginning of the summer, we certainly expect a consultation document for the upcoming regulatory framework, which will begin hopefully in January 2025. Now, these growth drivers on networks also include the inflation of RAB costs, which saw a sizable price dynamic in recent years, and the impact of the regulated businesses on the remaining businesses in the portfolio will be rebalancing our portfolio, thus improving the group's risk profile as well. Obviously, we aren't stopping here. We aren't satisfied with the results we've obtained so far and our intention is to continue to improve.

And having said that, I'll give the floor to Massimo Vai now.

Massimo Vai {BIO 19010369 <GO>}

Good afternoon, everybody. Allow me to comment the usual two slides, which, on the one hand, focus on the cash flow during the period and our debt components. Q1 was very much in line with our expectations. As far as our cash flow is concerned, you'll see that the operating cash flow in Q1 is above 300 million. And if you compare that to the same period last year, Q1 2023, we've had a 20% increase worth over 50 million, which is a way of confirming the company's good performance.

As far as the change in network and capital is concerned, we had a cash absorption which was slightly below 300 million. This change is due to the typical elements of seasonalities we see at the end of thermal season with the absorption of cash, and also due to the fact that we had paid all suppliers in the energy service, which we concluded the payment of in Q1 this year, and we will be seeing no further impacts for the rest of the year.

The third component I wanted to comment on is capex, our investments, and even here we wish to confirm the pace we set last year, worth 150 million euros per quarter. These are all operational investments with no shifts in parameters in this figure, and which are a way of confirming the guidelines that we shared with you in January when we illustrated our business plan to 2027. In a nutshell, therefore, the cash flow changes in Q1 as an increase worth 4% of our net financial position, which continues to stand below 4 billion.

And moving on to the right hand graph, we have a net debt to EBITDA ratio which is very much in line with a very positive one that we had in December last year, which means we are still well below the levels we have set in 2021. We're able to exceed our expectations. We are very sound from the financial standpoint, allowing us to continue on our industrial journey with the possibility of taking advantage of any opportunity which may come up in the coming months.

Moving on to the next slide, even here, let me just comment very briefly on the cost of our debt. As the chairman was saying earlier at the beginning of the conference call, we began in Q2 last year with a rationalization process as far as the deaths we had to deal with the cash needs we had also given the price scenario back then. You may remember the extraordinary gas supply we had invested on in 2022. So, following this rationalization process, our cost of debt is now back to levels which are very similar in Q1 2022, despite the fact that the interest rates on the market are very different. That's due to the fact that, as you can see in the pie chart in the middle of the screen, our medium to long term debt is fixed for 96%, whereas 4% is at a variable rate.

And as I was already mentioning in January, we currently don't expect any new emissions from here to year end, which means that the scenario is stable for the time being. And this is also confirmed by the figures on the right hand side of the screen. As you know, the two rating agencies which rate us show that we are on the same level as 100% regulated companies in our countries. Whereas, as you know, our business mix, there's balance between both regulated and liberalized businesses, which goes to show that even our rationalization, our financial rationalization, is a way of keeping our situation under control financially. And it's also what a company our size needs so that we can obtain those economic and operational results which we saw both last year and in Q1 this year.

And now I'd like to hand the floor back to our executive chairman.

Cristian Fabbri {BIO 20821433 <GO>}

Thank you, Massimo.

Let me just summarize the results we've seen this afternoon. We had a year, 2023, which is marked by growth. We are continuing to grow in Q1 this year, and we are continuing to grow on structural growth drivers. As you can see, our organic growth has more than offset the expired super eco bonus. This is also capable due to a growth in the regulated businesses which over the year will be more balanced compared to the liberalized businesses with a significant growth.

We have plenty of financial flexibility which will also allow us to continue to look at possible future opportunities. And it will also allow us to continue working during the year on development and on the growth we saw on the liberalized activities and on any opportunities on the market while continuing to invest in the regulated sectors. As you saw, our growth continues to increase progressively all the way down to the bottom line with our EPS growth, which is worth 12%. And let me just reiterate the concept that we wish to confirm what we had said during the business plan four months ago, which is being executed in line with the group's typical way of going about doing its business.

Very well. At this point, I'll open the floor for any questions you may have. Thank you.

Questions And Answers

Operator

Our first question is by Javier Suarez, Mediobanca. Over to you, Javier.

Q - Javier Suarez {BIO 1700016 <GO>}

Good afternoon and thank you for your presentation. My first question refers to the figures for 2024. The beginning of the year seems to be very positive, especially in terms of EPS. The question for you is, do you feel confident when it comes to the consensus for 2024 above 400 million for net income, a debt at 4 billion? Are you comfortable with these figures following the Q1 presentation? What is your outlook for the 2024 figures?

And then from the operational standpoint, can you give us some further information on the supply sector? Q1 was good. Can the chairman give us his vision regarding the evolution of margins for the rest of the year compared to Q1? And what contribution do you expect in the second half of the year, especially when it comes to the customers you were awarded in the recent tenders?

Then I have a third question on capex. I was expecting a stronger growth of capex in Q1. Can you say why it is that your capex levels were more flat during Q1? And do you expect an acceleration in the next quarters of the year?

A - Cristian Fabbri {BIO 20821433 <GO>}

Thank you for the questions. Let me begin with the first question, which is the more complicated one. Not because we don't have a clear idea as to where we're going, but simply because we don't give guidance. So let me just give you some answers that can be useful to try to answer your question. Well, take Bloomberg's consensus. It's based on what we stated during our business plan presentation.

You may remember that in the business plan we had a figure referring to our net result, which was on the rise every year for the entire length of the business plan. So basically, the consensus builds upon the business plan. That's what we're working on. So, I think it's safe to say that we are in line with what we had expected to achieve with the business plan. We are confident that we will be able to achieve that kind of growth for the year. When it comes to profit, we're committed to creating value.

As far as the supply business is concerned, as I mentioned earlier, we had a good contribution to growth stemming from our commercial activities, which is linked to the growth of our customer base, and a good chunk of the growth which is linked to our ability to recover shaping costs. If you look back to 2023 in Q1 last year, we were seeing great levels of volatility and a decrease in energy prices. We began in 2022 with very high prices. And then in May with a full storage of gas with lower cost, this required major shaping costs.

And the figure you saw for Q1 is a figure which includes a reduction in the margins for the last instance markets which were very positive last year, which means that we will continue to grow, we will continue to develop our organic growth, and we expect to continue to post growth in the upcoming quarters as well.

Moving on to the contribution of the customers and the growth we'll be seeing as of July 1. Despite the fact that we asked for an update on the number of customers, we still haven't received any further information. We'll be giving you more detailed and more specific numbers for the H1 results. Because for the time being, we have nothing else to add compared to the figures we included in the business plan in terms of the general contribution of the customers.

As far as capex is concerned, it is true that we don't see a major change compared to last year. But consider that in Q1 last year we had a 12 million euro contribution, which we had to pay following the fact that we were awarded the Udine ATEM tender. You may remember that were awarded a tender which covers a good part of the Udine province and we had to spend 12 million to buy assets which did not belong to us.

So, if you consider the 12 million euros last year, you'll see that the operational investments we made this year are up by almost 8%, which is proof of can't really be seen when you look at the numbers. We could have included that operation as M&A, but we included it in capex because we had to buy the assets when were awarded that tender for that specific geographical territory.

I hope that answers your question, Javier.

Q - Javier Suarez {BIO 1700016 <GO>}

Thank you.

Operator

The next question is by Francesco Sala, Banca Akros.

Q - Francesco Sala {BIO 20247816 <GO>}

Good afternoon and thank you for the presentation. I also have two or three questions for you. First of all, the 300,000 customers in electricity, how were you able to achieve that growth, which is very good also for the upcoming quarters? My second question refers to the ongoing debate on the 110% bonus. Does that have an impact on you and on your networking capital specifically?

And my third and final question is, given the fact that there are all these newcomers on the retail market, is there any pressure on your margins? And do you think the margins you have are sustainable in the short to medium term? Thank you.

A - Unidentified Speaker

Thank you for the questions. The 300,000 new customers. That growth is slightly above what we typically achieved over the past few years. And if you look at M&A, we still have a net positive growth each year. And that growth is due to two activities which impact one another.

The first is our good capacity to make commercial acquisitions. And the second reason is the fact that our churn rate is 50% lower than the market, which means that thanks to our low churn weight, we can work on customer loyalty and we can have a positive result between the customers that we are able to conquer and the ones we lose on the territories. And our good churn rate, and this brings me to your last question is also due to a good balance between our price levels and the services we offer on the territory.

Now, in recent years, we've seen an increased competition on the market. Our market share has never decreased. In fact, it has grown. And the size of our growth in Q1, as far as organic growth is concerned. Even in terms of the higher margins we have, always translates into lower costs we have, which means that this isn't a cost that we transferred to the end customer in their bills.

In fact, compared to previous years, the bills for our customers have decreased as our turnover has decreased. So, the fact that the bills are lower means that the customer's choice isn't driven by an extra 10 euros somewhere along the line. So we're pretty confident that we can deal with the competition. We've always had competition.

And when it comes to the energy market, given how complex the market is, competition has always been on adding services, on improving quality, and on making tailor made offers. Keep in mind that over one third of our customer base also buys added value services from us. Now, I didn't mention the topic during the presentation, but if we consider all of our activities in all segments, including the industrial segments, despite the expired eco bonus, we still continue to grow. So the services we offer, the energy efficiency that allow customers to reduce their bills, allows us to maintain customer loyalty and reduce costs and keep good margins.

As far as the super eco bonus is concerned, I think it's a matter of much ado about nothing. We're simply seeing some minor effects on 2024 which don't really have an impact on us. There is no impact on our numbers. They are not even negligible. They're simply not there because if you think about spreading the cost over a 10-year period, that only refers to the turnover in 2024 and in the following years. It has nothing to do with 2023.

So we are quite confident when it comes to that specific topic. Thank you.

Operator

The next question is by Emanuele Oggioni, Kepler Cheuvreux.

Q - Emanuele Oggioni {BIO 20133627 <GO>}

Yes, good afternoon. I have a couple of questions myself. The first refers to energy supply, the 1.1 million customers or potential customers that you were awarded following the liberalization of the market. Did you already start your commercial activities or will you only be starting come July 1? And what kind of commercial offers are you thinking of?

Are you thinking of fixed price contracts with value added services on top as a way of convincing the more price sensitive customers, the ones who are more focused on margins? Is that how you expect to move them to the liberalized market? And then I have a second question on tax credits. Can you give us an update or a recap on what you expect to cash in the reduction of the networking capital? I think it's worth 200 euros million per year for four years. Can you confirm those figures for us? Thank you.

A - Unidentified Speaker

Thank you for your questions, Emanuele. As far as the new customers are concerned, we started working immediately after were awarded the tender. We celebrated for a grand total of 30 minutes and then we got to work to fine tune the machine so that we could be ready by the 1 July.

It is true that two thirds of those customers are present on territories where we already have all of our operational structures, both in terms of CRM and sales. But we are enhancing our structures even more, especially where we have an intense presence of these new customers compared to the already existing customer base. So we're working to make sure that our commercial structures will be ready once we receive the data of these customers. So we can already start giving them the best possible commercial offers, which will be happening in mid-July.

Even in the new geographical areas, we are working on creating the right local territorial structures with physical shops. As you know, we have some 200 different shops throughout the country, especially in those areas where we have a large number of customers. And when it comes to retail energy, our market share will be roughly 20%. So we'll be very present, we'll be very visible. We've already started with our communication campaign in those territories. We've started opening our shops and we're giving a structure to our network, both our physical network and our phone lines, our call centers.

And once we welcome those new customers, we'll start offering new solutions to them. For instance, we already have the Hera ti Tutela offer, which is a fixed price offer with a lower fixed price compared to what we sell to our customers who don't come from the Maggior Tutela market with some extra medical insurance offers. And we're also considering some veterinary expenses because many of these customers have that need as well. So this is an offer which is focused on caution when it comes to these customers. It is true that they are very focused on price, although that didn't really have an impact when they used to be in the Maggior Tutela market, because Maggior Tutela customers paid a lot more compared to fixed price customers.

So this is a promotion that we've already launched. For the very first time, we had a communication campaign on the national media as a way of allowing our company to be very visible and very recognizable. And we're also working very much on the local level to increase our visibility into various local territories. So, we're basically training very much like what soccer teams do during the summer so that we can be good to go when the season starts. So we're working both operationally and in our commercial offers.

As far as our tax credits are concerned, the figures you mentioned are in line with our expectations.

Q - Emanuele Oggioni {BIO 20133627 <GO>}

Thank you.

Operator

The next question is by Davide Candela, Banca Intesa Sanpaolo.

Q - Davide Candela {BIO 21058067 <GO>}

Good afternoon and thank you for your presentation. I have three questions for you. The first is on energy supply. What is your view on the topic of consumption? Seems to me that in Q1, both in electricity and in gas consumption was down also given the mild winter.

Do you think that is also due to the fact that customers are trying to save money? Is it because you specifically chose to reduce consumptions? What is your outlook?

The second question is on waste. And again, it's a question more on the outlook regarding the prices for the treatment of the waste. But I also have a question on authorization process and does that relate to your organic growth plans? And finally, is there any M&A opportunity that you're looking at? How attractive is the market both in terms of assets and in terms of multiples? Can you give us an update on the m and a opportunities you're seeing?

A - Unidentified Speaker

Energy over the past two years, we've seen a reduction in average consumption in the distribution sector worth 20% in gas specifically. Of course, that is due to the mild weather, but it's also due to the prices, which led to more efficient behavior. And it also led to initiatives to reduce consumption. A good initiative that you can already see the results of in the figures we described is linked to trying to understand how the lower prices will lead to a rebound in consumption.

It's difficult to say, but in the gas sector, I think that we're seeing a general reduction, especially in the retail market, our margins have a fixed component which is larger compared to the variable component, and that gives us the confidence we need, despite the lower margins we're seeing, which may be linked to the reduced volumes. And we ourselves are working to make sure that our customers can decarbonize.

Our goal is to reduce both our emissions and our customer's emissions to cover all three scopes. We have 11 million euros in terms of emissions, our reduction goal is 37%, and 90% of the emissions are our customers emissions. So, that's the journey we have embarked on. Our target to 2027 is 29% compared to the 37% target for 2030. And we're about halfway done, because last year we were up to 14%. And even in terms of sustainability, that's the direction we're headed in.

And I'll give the floor to Orazio for an answer regarding your question on waste.

A - Orazio Iacono {BIO 22805001 <GO>}

Yes, thank you. As far as waste is concerned, our leadership, given the asset base we have, but also given the global waste management approach and all the integrated services that we are capable offering, we can work in different market segments. Let me just mention the oil and gas sector, which is anti-cyclical sector. And in Q1 in that sector, were able to post some good returns.

Also, in the land remediation sector, we did well. So, when it comes to a price outlook, keep in mind that the country is short on treatment capacity. And despite the fact that the context is less expansive, we're still seeing high prices, much like they were a few months ago. In fact, we've seen some slight increases in prices for certain types of waste we treat. Plus we're also capable offering a broad array of services.

So, the prices for the treatment of special waste continue to be stable. And it's a level which has grown significantly over the past five or six years as we've said, a number of times already.

Moving on to your question on authorizations and investments. As we mentioned during the business plan presentation, all of our investments already have the authorizations they require, so we aren't expecting any surprises at all. We are continuing to work on several investments for several different assets. We're working on the line number four and the Padua Waste Energy Plant. We started working on the high density plastic plant in Modena that will allow us to broaden the range of recycled plastic as a way of always being on the cutting edge when it comes to plastic and when it comes to the new obligations for the amounts of recycled plastic and packaging.

And as far as PET is concerned, for instance, that will already start happening in 2025. So, there are no criticalities whatsoever. In fact, we are very much on track compared to what we had mentioned in the business plan.

A - Unidentified Speaker

I gave the floor to Orazio very quickly. I talked about the reduction in consumption, but maybe I forgot to mention something important on gas, or rather I focused on gas, whereas on electricity we haven't been seeing a major reduction in consumption, whereas in the retail market we've seen a significant growth in consumption given the major electrification of many activities.

And as we saw earlier when we covered supply, we're reaching a perfect balance between electricity and gas. And that will allow us to offset the reduction in gas consumption with an increase in electricity consumption. Many of our customers have dual fuel contracts. Plus, come July 1, we will have a new balance altogether for the first time in our history. You may remember that when we began 20 years ago, we only had 30,000 electricity customers and 700,000 gas customers.

Whereas on July 1, after 22 years, our electricity customers will be more than our gas customers. Something that we've been working on for years now. And that will allow us to look at future extra opportunities in the electricity market. So we'll be offsetting the two businesses.

As far as M&A is concerned, we talk about opportunities whenever we see them, whenever we have something tangible to share. But keep in mind that we're always active and we're always careful when it comes to creating value. So, we want to make sure that our M&A is never dilutive. We want to make sure that the multiples are consistent with value creation. So it's not M&A for M&A's sake. It needs to be consistent with our business profile.

It needs to allow us to create synergies so that we can create value for all of our shareholders. And that continues to be our golden rule. But we're always focused on M&A. We're always looking for possible opportunities. Some we stimulate, some opportunities are there, although they aren't often in line with the rules given ourselves, which is the fact that we have to create value.

Well, I was just mentioning the fact that in Q1 this year we signed a preliminary agreement for the acquisition of 70% of nuclear GRS ecology based in Piacenza. It focuses on industrial waste and it is close to Milan, it's in southern Lombardy, allowing us to cover a territory that we are still missing in our commercial development. So, it is a transaction that the results of which we'll start seeing in the second half of the year. So it's a smaller operation, but it's a good one.

And as Christian [ph] was saying, it will also allow us to integrate that acquisition with the rest of our presence. We'll be cross selling, we'll be upselling, we'll be integrating so that we can continue to grow in the industrial waste sector in a context which is a little less expansive compared to the past. And we hope to turn things around also given the expectations we're seeing in the industrial sector, especially in the steel sector. Thank you.

Q - Davide Candela {BIO 21058067 <GO>}

Thank you.

Operator

Mr. Fabbri, there are no further questions.

A - Cristian Fabbri {BIO 20821433 <GO>}

Wonderful. We are on time. It's 4:26.

Thank you very much indeed for your kind attention. And we'll see you for the H1 results in late July. Thank you very much. All the best.