

DISCLOSURE OF CONSOLIDATED **FINANCIAL RESULTS** **AS OF 30.09.2025**

HERA SPA EARNINGS CALL

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CORPORATE PARTECIPANTS

- Cristian Fabbri Hera SpA - Executive Chairman of the Hera Group
- Orazio Iacono Hera SpA - Chief Executive Officer, Executive Director
- Massimo Vai Hera SpA - Central Director of Administration, Finance and Control of the Hera Group
- Jens Klint Hansen Hera SpA - Investor Relations Manager of the Hera Group

CONFERENCE CALL PARTECIPANTS

- *Operator*
- *Javier Suarez*, Mediobanca - Analyst
- *Emanuele Oggioni*, Kepler Cheuvreux - Analyst
- *Roberto Lerizia*, Equita SIM - Sell Side Research
- *Davide Candela*, Intesa SanPaolo Equity Research - Analyst

PRESENTATION

Jens Klint Hansen Hera SpA - Investor Relations Manager of the Hera Group

Good afternoon everybody. We just completed our board meeting, which approved our quarter of results, and I'm here with the executive chairman, Cristian Fabbri, our CEO, Orazio Iacono, and our CFO, Massimo Vai. Let me hand it over to the Chairman.

Cristian Fabbri Hera SpA - Executive Chairman of the Hera Group

Good afternoon, everybody. Indeed, we approved the results of the first nine months during our board meeting with positive results, with a €295 million net profit over the period, up 4% compared to 2024. But keep in mind that 2024 had a growth up 20% compared to 2023, which means we're continuing to grow in terms of profit.

In 2024, profit was up compared to 2023, also thanks to our temporary opportunities, temporary opportunities which are reducing, but despite that, we continue to grow. This is the 11th quarter in a row in which our profit has grown compared to the previous period. So we're doing quite well in terms of our numbers. We're also doing quite well, financially speaking, despite the fact that we have been significantly increasing our investments, especially from the operational standpoint, approximately up 20% compared to the previous year. The net debt compared to EBITDA is down.

We're down from 2.7 times to 2.6 times for the period.

Things are going quite well, even from this point of view. These are the first two elements which show that we are continuing in our path marked by solid growth and solid performances leading to value creation.

Now moving on to the elements in our P&L. Just to have a quick overview to guarantee transparency. Our EBITDA is pretty much in line with last year, but we'll be seeing that in a few slides. Let's see how from EBITDA, we moved to profits.

Now, provisions have increased because we are investing already in 2024. We had an increase in investments, and even in 2025, in fact, we are seeing an increase in investments with an overall increase in investments worth some €17 million, which are offset by the normalization of provisions.

We're reducing the last instance markets and provisions are becoming more normalized. This contribution almost entirely offsets the growth of amortization, which means that we have an Ebitda which is substantially in line with last year's just €3 million lower, which are then recovered through the reduction of financial burdens.

As you can see on the right-hand side of the slide, you'll see how on a quarter-by-quarter basis, we have reduced financial expenses.

In the first quarter, we had a sizable reduction, which would not have had a repetition in the following quarters, and we would have had a reduction, as you can see.

We are completing the first nine months with €63 million in terms of financial expenses, with a €26 million positive number compared to last year. Taxes are going up also because of the financial situation, which is slightly better compared to the previous period with a net profit which is equal to 295 million euros as we saw earlier.

Now, let's see what the industrial levers are leading to these figures. All of our three main areas of business have been growing structurally. As you can see, all in all, we had an 84 million euro growth plus 9%. You may remember that in the business plan, we were targeting a structural average of growth of roughly 7%, which means we're doing slightly better compared to what we had expected over the period compared to the planned average. Energy is at +23, waste is at +23, networks are at +38. This €84 million growth allows us to almost entirely offset the expiry of the temporary opportunities worth €85 million. Then we'll be seeing where those are included in the various business areas, which means that we are transforming an EBITDA which had grown substantially with some temporary opportunities that we had exploited. We're turning that into a structural EBITDA growth, which is in line with the goals we had set in all areas of business.

All of this leads us to more investments, to a constant EBITDA, and we are also improving profitability, which goes to show that the investments we're making to support growth are investments bringing value. So much so that as far as ROI, we are at 9.9%, which is more compared to previous years with a constant growth rate, as you can see from the chart.

As far as ROE is concerned, we are stably above 11%, which goes to show that we are growing and improving the profitability of our invested capital.

Moving on to the business by business breakdown. As usual, we'll try to keep things short to make sure that we can then focus on our industrial performance, leaving you time for some Q&A on any matters you'd like to raise.

Beginning with energy. We are continuing in our growth. Structurally speaking, we have €23 million in terms of growth in our traditional markets, €23 million, which also include the negative effect of the SDG for the first six months of this year. You may remember that SDG began on the first of July, 2024, which means that in the first six months, and this year, we had negative numbers compared to 2024, which we offset through organic growth. Plus, the temporary opportunities were reduced. Last instance markets, for the most part, and the tail of the Super Ecobonus, we're down 65 million compared to 2024, which means that we have a structural growth that will continue in the sector despite the major competition, and we stand at 8%.

Let me give the floor to our CEO now for an explanation regarding the waste and networks businesses.

Orazio Iacono Hera SpA - Chief Executive Officer, Executive Director

Thank you, Cristian. In the waste business, we are continuing with our growth story. Hera's waste is an exciting story. That's something we'd like to underline.

This 9% structural growth has even more value in a complex macroeconomic scenario that we're all familiar with, which goes to show how resilient our waste sector is. We are conquering market shares. We have a broad and diversified customer portfolio linked in different ways to the economic cycle.

We also have a positive contribution from all of our various businesses in the waste sector, as you can see from the slide, from urban collection, the waste treatment to soil remediation, which have more than offset the reduction in extraordinary energy profit, which you can see on the graph, and which we obtained in the past during the energy crisis, which has now, for the most part, become normalized. This allowed us to create a certain treasure, allowing us to be flexible to feed growth through organic investments and external investments combined.

Let me just give you a quick comment regarding each individual business. Treatment is up 10 million. We have our waste energy plants, which have performed well, better than last year. We also have the contribution from the delta perimeter from Ambiente Energia, Circular Yard, and TRS, which is a platform we had described last time.

We also have good performances in the other more traditional companies. But we also have to mention the global waste services. This is an asset we have which allows us to increase our customer loyalty. We also have the recycling business, which is also growing compared to June. We have, in fact, doubled volumes compared to June. In this specific sector, we are the leaders with a market positioning in the raw material segment, which is top of the rank. We had intercepted this growth trend for quite some time. We had also mentioned what we were doing during the business plan presentation.

In fact, we are investing. We're doubling our plant offer so we can intercept more demand in the business.

Let me conclude the overview of the waste sector by talking about soil remediation. Even here, we are market leaders, thanks to the legendary ACR company, which is continuing to do very positively with contracts with very large companies also in the oil and gas sector. Theirs is a wonderful story, which in two years has allowed us to double margins. Things are going well. All of these drivers refer to structural growth, solid growth, and our leadership is becoming increasingly consolidated on the specific market, which, as you know, is highly fragmented.

Moving on to networks. This is a business which, as you know, is regulated by a reliable authority. It is protected from interest rates, fluctuation, and demand, as Cristian was saying earlier. We're continuing to grow structurally by 10%. This is a growth which for the most part, it refers to the water and gas businesses. If we look to the sector breakdown in water, we have a growth linked to investments on research and development.

We also have to take into account inflation, of course. As we had mentioned the last time, in this quarter, we received premiums for all of our territories, which means that from this point of view, we have received premiums in all the territories we operate in.

As far as gas is concerned, even here, our growth is in line with the previous quarter.

It is in line with the first six months. Besides the contribution from the RAB, we also have Deliberation 87 on operating cost coverage, allowing us to then update the tariffs for the '26 and '27 period, making it more in line with our corporate costs with an X factor, which is more limited compared to the previous one, which means we will have higher revenues and higher margins, even with the same costs as a way of looking to the beneficial effects of the ROS once we get them in 2028.

In electricity, we also have a contribution linked to RAB and also linked to the inflation, which refers to Deliberation 130. We are in line with the other quarters and we are in progress as far as the tariff is concerned. We're waiting for the final regulatory framework, which we will be receiving shortly.

Let me conclude by saying that with these results, along with the normalization of energy commodities, our portfolio is rebalancing between regulated and market businesses.

In other words, it is a portfolio which guarantees an optimal risk profile, allowing us to continue working on a resilient growth, which, as Cristian was saying, is also fed by the investments we're making and with a dominating position on the liberalized markets, thanks to the leadership we have, both in energy and in waste.

Let me hand it over to Massimo, who will be giving us an overview, even regarding the increase in investments which allow us to make our networks more efficient and more resilient, and also allowing us to invest on the waste basis so that we can deal with the increase in demand.

*Massimo Vai Hera SpA - Central Director of Administration,
Finance and Control of the Hera Group*

Thank you. Good afternoon, everybody. As usual, let me just guide you through the chart which summarizes the cash flow that our company has worked on over the past nine months. There are no surprises compared to our expectations.

The numbers are very much in line with our projections.

Let me just comment on the various items, beginning with the overall cash flow, which as of September 30th, was equal to 903 million, as you can see on the left-hand part of the graph, which adds €230 million to the number we had shared with you for the first six months. If we compare the same period last year, we generated approximately €130 million more compared to the third quarter last year.

This cash was absorbed with €131 million by the net working capital. You may remember that in June, the working capital was worth €40 million. In this case, we have the main component, which refers to the almost full completion of our summer gas procurement, allowing us to deal with all of our needs during the thermal season so we can manage the gas prices in the optimal way in the thermal season, which is beginning over these few weeks. Over the same period last year, the working capital observed was twice as much, which goes to show how we're managing the networking capital well.

If we looked at the seasonality of the businesses in our company, this has a lower impact compared to last year. Then we have provisions which absorb 37 million compared to 28 million in June, which brings us - as the CEO was mentioning - to the use of cash for investments, which, as usual, we divide into two components. We have the maintenance CapEx on the one hand and the development CapEx on the other. All in all, these two numbers reach a total amount of 659 to 660 million, up by 80 million compared to the figure we saw last year. Even in this case, this goes back to what the executive chairman was saying earlier when he said that we are in line with the indications of our business plan, which we shared with the market in January this year.

Then in the second part of the graph, you'll see that we have the part relating to the dividends which we paid in June, which brings us to a debt change worth bringing our net financial debt position on the right-hand side up to 4,147 million, so that the debt to EBITDA ratio is equal to 2.6 times, which is slightly up compared to the values in June.

But you may remember that we had mentioned that figure in June was extremely favorable. We had also given the payments which were made after the end of June, along with the excellent performance in the first part of the year, so that we had reached the end of June in an especially positive way.

I had also mentioned during the various quarterly conference calls that our debt reference was equal to 4.1 billion, give or take 100 million.

We are very much in line with our expectations, and we are well below our debt to EBITDA threshold, which is equal to three times, which is proof of the fact that we want to hold on to a certain degree of flexibility so we can look at any interesting opportunity, industrially speaking, but also as a way of dealing with market anomalies, which, as you know, led to some changes in parameters in recent years, which means that we're in a range of comfort. At the same time, as you saw from the financial figures, we're also looking to increasingly optimize the ratio between our flexibility, our cash, and the cost is generate to the benefit of the bottom line.

If we move to the following slide, you'll see that on the left-hand side, our average cost of debt is in line with the levels we had in June.

We stand at 2.75% and as far as another type of debt between fixed and variable, the vast majority of our debt is fixed, equal to 94%, and only 6% of our debt is variable.

Even here, we have a very low volatility linked to the market interest trends. We have a very long-term visibility. As you know, each year we tend to renew or reimburse the expiring bonds, and we emit a new one, which means that typically we renew 10% of our medium to long term debt. And even this part of the implications of cost only has an impact worth 10% whenever we renew the fixed part of the bonds we replace in future years.

And then finally, a comment which was a lot more emphatic in June, where we had had a change in outlook as far as Moody's work is concerned. We are confirming our stability on the two ratings for Standard and Poor as in Moody's with a good visibility, even regarding the expectations we have for the next few years. I'll leave it at that for the time being.

Let me give the floor to our executive chairman for some conclusions.

Cristian Fabbri Hera SpA - Executive Chairman of the Hera Group

Thank you. Well, thank you, Massimo. We gave you a quick overview of the situation covering the main items. Let me conclude with the two or three final remarks before we take some questions. Let me just underline some of the things we've already mentioned.

The first point I'd like to raise is that we are working on the structural growth of our EBITDA, which stands at 9%. Now, our challenge is that of replacing temporary opportunities in an effective today with a structural growth that can consolidate the various business drivers.

We're doing even better than what we were expecting. We have been outperforming compared to what we had in mind.

As far as the profit is concerned, in the business plan, we had mentioned that we wanted to continue growing on the bottom line. We are proving this with the results of this last quarter. But in fact, we've been proving this for the last 11 quarters in a row.

The net debt to EBITDA ratio is very low, which is in line with the goals we had given ourselves in the business plan and with the possibility of doing even more based on the opportunities we will be considering on the market in the next few months.

Let me give you the floor for any questions you may have and for any specific comments you'd like to make.

QUESTIONS AND ANSWERS

Javier Suarez, Mediobanca - Analyst

Good afternoon, everybody. I have a few questions for you on the businesses and on the company structure.

As far as the businesses are concerned, I have a question on the supply activity in the energy business and on the waste business. On the supply business, the market in Italy seems to be becoming increasingly competitive. We're seeing this from quite a few indicators.

Does Hera feel the need to adjust its commercial policy to deal with a market which will be increasingly competitive, more so than what the market players had expected?

That was the question on your supply activity.

Moving on to waste. You were referring to a 9% structural growth. I'd like to hear a comment regarding the dynamics you're seeing. Can you break up this plus 9%?

Can you give us a breakdown between volumes and prices?

Because I have the feeling that there is an underlying trend of structural growth in the prices for these activities. I'd like to hear you confirm that.

I'd also like to hear your comment on the most recent regulatory decision by Hara on the urban waste treatment business. They cut returns by 40 to 50 bits. What impact can this have on you?

Then moving on to a more philosophical or structural question. You are one of the companies in Europe with the lowest lever and the lowest pay-out.

My philosophical question is, moving forward, how do you expect to proceed with a capital structure headed more towards three times? Can you do this with targeted M&A?

Some of you mentioned the industrial activities or the industrial opportunities to go back to three times. Or will this happen only through organic CapEx, or do you expect to increase the dividend progressively? What is your philosophical approach to the balance sheet? Regarding the leverage and the pay-out, which is relatively low. Thank you.

Cristian Fabbri Hera SpA - Executive Chairman of the Hera Group

Thank you, Javier, and good afternoon to you. Let me begin with a question on energy supply.

Objectively speaking, the market is more competitive, which is nothing new. There is a lot of pressure from the traditional players, plus all of the new operators. We're in a context in which competition has been increasing at the same speed for the past four, five years. That is the context we work in. We constantly change our commercial policy. What I mean by that is that both as far as our offers are concerned and as far as our commercial position is concerned, we always try to be updated. We try to adjust things based on the market opportunities and based on the specific momentary situations. That is also linked to prices, in energy and to customer sensitivity. This is a constantly evolving activity. As far as competition is concerned, we have always underlined our multi-business approach and our ability to satisfy our customers, even in the post-sales activities. Countries. Through this, we've always had a lower churn rate compared to the market, and that's what we want to continue doing. This is an activity that we're working on, on which we are constantly updating. So far, the results we've obtained have been very positive all in all. Also seeing the growth we've had over the first nine months of the year. That was an answer regarding your question on energy supply.

As far as waste is concerned, let me hand it over to Orazio before I take your last question regarding the future, since we're also working on our business plan.

Orazio Iacono Hera SpA - Chief Executive Officer, Executive Director

Thank you, Cristian. As far as the waste business is concerned, besides the delta perimeter I was referring to, which gives a small contribution, when it comes to growth, our prices have been slightly better compared to 2024 due to the reasons we're all aware of, because the market in Italy is short and because the price to export waste to platforms abroad are increasing. We have an increase in logistics prices and costs linked to CO₂. So price is an issue. Other than that, we offer more services. Compared to other competitors, we offer global waste management services, which are increasing.

And thanks to the broad and diversified portfolio we have, we're able to increase services and we're also doing better on volumes, specifically when it comes to industrial waste, the special waste, not the urban waste.

As you have probably seen, those volumes are growing compared to the first nine months in 2024. They've grown slightly, but they have grown. So these are the three points that allow us to increase our margins compared to 2024. As far as the issue relating to the recent deliberation collections on urban waste.

Our plants are based on a regional method, which means that they are not impacted by this deliberation. Therefore, as far as our plants are concerned, there is no impact. As far as collection is concerned, and therefore, as far as services are concerned, our growth on the collection and therefore on the quality of service, whenever we will have the possibility to tap into some premiums that will certainly only be an opportunity for Hera Group. There are no criticalities we see, but only positive things.

Cristian Fabbri Hera SpA - Executive Chairman of the Hera Group

We are multi-business even within the waste business. We use all possible levers.

Moving on to your final question, which I think relates more to the business plan than to the quarterly presentations. Without going too much into the things we'll be sharing during the business plan presentation, your question is, with all of the leverage you have, with all the financial flexibility you have, do you know what needs to be done, or do you want to give that money back to your shareholders by increasing your dividend?

Well, actually, from the industrial standpoint, we have major investment opportunities. We're working on our business plan update, and in all businesses, there are more investment opportunities compared to what we actually allocate in the business plan, which makes things very easy for us.

Therefore, organic growth is something that we can achieve. We don't need to do anything strange because our businesses are moving along quite well.

They need investment in water and electricity distribution and waste. If you consider the first nine months of the year, most of the investment was made on water and on waste. In which we continue to work on our plants to renovate them and expand them, but also by growing on our perimeter. Think of the investments we're making on rigid plastics and on fibre, which you're already familiar with.

We're looking to expand our presence and to increase our capacity. When it comes to the water networks, we have good growth opportunities given the good quality of our service, as can be seen by the premiums we've obtained, but also with all of the resilience challenges that we can take advantage of. Also in the other business areas, there is plenty of demand.

Think of the energy sector. Think of energy efficiency, where increasingly, even in the public administration sector, there is a lot of interest in projects with upfront investments by Esco, with payments made in instalments at a later stage by the customer, with a good remuneration as far as the invested capital is concerned. We have plenty of organic growth opportunities.

On the other hand, as you know, there's also a lot of excitement when it comes to M&A. We have plenty of files. We tend to be selective because we want to work on initiatives that are consistent with our business plan. We want to focus on companies that can fit well with our platform or those that can allow us to expand on the perimeter, expanding our presence in neighbouring territories as we develop our business areas. That's the first element we focus on.

The second element I'd like to mention is that there are some possible targets that we're looking at. Of course, prices have to be consistent with a real value creation. We have no anxiety. We don't have the need value, add pieces to the puzzle without creating value for the company. We're looking at creating synergies, and we're looking at investments, payments, and value creation, which needs to be consistent with an adequate industrial growth. As far as dividends are concerned, every year when we update our business plan, we review our dividend policy, which is what we'll be doing this year as well, to see whether or not we have to amend things, also given the market situation. Of course, we're comforted by the results that we're seeing.

I focus more on quality because your question was a more qualitative one. Then, of course, in the business plan, when we will share the business plan can update with you, we can go into the details of the various choices we've made.

Operator

The next question is by Emanuele Oggioni, Kepler Chevreux. Over to you, Emanuele.

Emanuele Oggioni, Kepler Cheuvreux - Analyst

Good afternoon. I hope you can hear me. Thank you for the presentation.

I also have a few questions for you. The first is on AIMAG. Can you give us an update? We know what happened. We're aware of the problems. What is the scenario you expect for 2026? Will you renew your talks with them? Will you try to find a political/bureaucratic solution? What can we expect from AIMAG? Can you tell us something more about that?

Then I have a second question on the on the energy supply business and on the 800,000 customers that have stayed on with you following the tenders last year.

Give us an update on that. Also, given the market dynamics you mentioned with an increase in the churn rate in recent years, not just over the last year, on the market in general, how are things changing and what is your approach to that sector?

Since you mentioned that you are constantly updating and changing your commercial policies.

Then I have a third question on the waste business. In September, a 30% reduction in food waste per capita regulation was approved for food retailers and restaurants. There was also talk of extending those same numbers to the textile industry and for footwear.

Is it a little bit too soon to talk about that, or are you looking at a potential positive impact in terms of growth on the waste market and possible investment elements you may be making?

Cristian Fabbri Hera SpA - Executive Chairman of the Hera Group

Thank you. Thank you. Good afternoon, Emanuele.

AIMAG: well, where do we stand for the time being?

Well, as you yourself were mentioning, the framework agreement we had signed cannot move forward. What we're left with is that the public shareholders of the company, first of all, and we ourselves, are trying to find a strategic solution for the company's future.

We want to find a solution for the company. The company, first of all, public shareholders, will have to find a solution. They'll have to find an approach. That's all I can say for the time being. As far as AIMAG is concerned, you may We've had that we have a 25% stake in the company. We've had it for quite some time. The company is looking at what can possibly be done looking forward. We have been working on a project and we'll see what happens moving forward.

On energy supply and more specifically on STG, as I mentioned in the previous conference calls, We're very happy with that customer segment, which has a very low churn rate.

Things are going well from that point of view.

Just to give you an idea, since you always ask us to give you some figures on the topic, all in all, compared to a year ago, we have lost 120 to 130,000 customers of that overall segment.

Things went very well compared to the sector's churn rate. Our numbers are much lower. That is valuable to us because they are loyal customers with an interesting price, although I'm not sure that is what actually keeps them loyal, although they are proving to be loyal to an operator that they're We're creating a good relationship with because we're offering a good service. We're very positive towards them with plenty of initiatives, and therefore, things are looking good to us.

We have a different commercial offering, also taking into account the cost of energy and the uncertainties regarding the future.

As I already mentioned, we are working on the Hera hybrid offer, which allows our end customers to choose the percentage of volumes they can block a price on and the other percentage that they can keep a variable price on for a total amount of 100, allowing every customer to invest with the appropriate risk profile, matching their needs and their energy trend forecast. Then we have the VAS part of things. That too is a customer segment that we're working well on. We're still very satisfied with the investment We made 15 months have passed now and we're getting close to the halfway mark of the period during which the regulator tears for this specific market have to be maintained.

Orazio, do you want to talk about waste?

Orazio Iacono Hera SpA - Chief Executive Officer, Executive Director

Yes, as far as the waste business is concerned, for food plastics, if I understood correctly, Emanuele.

Emanuele Oggioni, Kepler Cheuvreux - Analyst

My question was on the 30% reduction in food waste per capita from a restaurant to a food retailers and services from that sector.

Orazio Iacono Hera SpA - Chief Executive Officer, Executive Director

While we're studying the matter, we will certainly be able to take advantage of these opportunities. Why I'm saying that is because when it comes to the food sector, we are already present in that market. There are a number of opportunities that we will be discussing with you when we have some clearer figures.

Earlier, when I mentioned plastics, As you know, we are very much interested in virgin or recycled plastic from other countries on the European market.

As you saw, we're performing very well. We have We doubled our volumes compared to June, thanks to our positioning on the high-end secondary raw materials, especially on the food packaging sector. Because as you know, when it comes to the legislation regarding plastics which are used for the food sector, we are positioned very well with PET, both in film and in chips. It is one of our strengths. As you know, we're integrated on the entire value chain, and we are also positioned with a multi-polymer approach, which means that by using various types of polymers, we are very resilient compared to the sector's economic cycles.

Operator

The next question is by Roberto Letizia, Equita Sim.

Roberto Lerizia, Equita SIM, Sell Side Research - Analyst

Good afternoon and thank you very much for your presentation. I'd like to ask for a few more details on the topic of M&A.

As far as your company is concerned, M&A has always been very important. Let me begin with a more generic question. First of all, can you explain the overall dimension of the M&A market for Hera. What I mean by that is, what is the size of the market you would tap into? Of course, not everything is then finalized. It depends on timing and opportunities or when it comes to AIMAG, you also have some technical issues you have to take into account. But what is the realistic potential that Hera can look to? Is it your neighbouring markets, the sectors you're involved in? Just to have a more long-term idea, what is the traceable market you refer to for M&A? How broad is your potential on the current market? Also, as far as M&A is concerned, I was able to read between the lines during your previous comment on M&A. But when it comes to minority stakes for Hera, can you give us some further element on timing? When will this happen? What is a timeline you have in mind?

Then another comment on STG. Besides mentioning how many customers switched, can you also tell us how many customers have moved on to liberalized market so we could just complete the picture?

Then I'd like to also interpret your body language on a possible buyback. Because, of course, M&A can drag a buyback along with it. In other words, I may have some midterm opportunities. I could try to remunerate shareholders temporarily with a buyback so that I can then use the shares when M&A becomes more plausible or feasible. Thank you.

Cristian Fabbri Hera SpA - Executive Chairman of the Hera Group

Well, you prepared some very easy questions today, didn't you? All right, then. Let me try to answer your first question. You were asking us about the potential M&A market as a way of understanding whether or not the size of that market is a constraint when it comes to growth. For the time being, I don't think it is a constraint when it comes to growth.

If we add up the targets we've looked into, even only during the first nine months, the overall size we see refers to the multiples of an M&A target. Therefore, the M&A market is topic we're looking at. Since we are a multi-business company, we look at all opportunities which allow us to grow, according to the rules that we've mentioned time and time again in the various business areas we work in.

From that point of view, the topic of the market side isn't a criticality.

As you know, we've allocated about €100 million in terms of EBITDA size for an equal impact on PNF worth €700 million on the business plan.

But with this lever, we feel that this number may even double as long as we have the right things that we can be interested in. From that point of view, there are no specific constraints when it comes to opportunities.

Moving on to your question on minorities. You may have seen that over the past nine months, we have worked to create value. We did buy back some of the minorities which were outstanding. We also had some put options that we could have used or some call options that we could have used, some of which we have moved forward. We bought back all the minorities that we were talking about.

When it comes to Herambiente, It's work in progress, and we will be describing the end game of the process once we complete it. But we're looking over things carefully.

As far as Stig is concerned, let's just take things one step at a time.

I mentioned what we did so far, and later on I'll complete the picture. We're working very well, and I don't want to go into the more sensitive dynamics when it comes to what we're doing to transform things on a liberalized market.

As far as how we intend to finance them, and even temporarily, as I mentioned, we have the cash to do that, but there may be other things to consider. Other actions that we may want to take into account when the time is right.

That is the overall a picture. I understand that I didn't give you an extremely specific answer, but I'm sure you were expecting this answer based on the questions you asked.

Operator

Our next question is by Davide Candela, Banca Intesa San Paolo. Davide, over to you.

Davide Candela Intesa SanPaolo Equity Research - Analyst

Yes, good afternoon. Thank you for your presentation. Thank you for the questions. I have a couple of questions for you.

The first is on energy supply and M&A. In the business plan, you have a target of 2028 equal to 4.5 million customers, which included a major churn on the SDG portfolio, along with an M&A from net acquisitions, which would allow you to achieve that target. For the time being, your SDG portfolio is performing slightly better given the 100,000 customer reduction. Whereas when it comes to M&A, based on what you were saying regarding market competition and looking at the multiples of other deals, it may be a little bit more difficult.

I'm trying to understand, is your target achievable with a different mix or are the M&A conditions only temporary, and will there be an extra contribution?

Then I have a second question on your debt and on your debt structure, fixed rate and variable rate. The market trend seems to be looking towards a shift towards the variable rate. Are you also in line with that approach or are you comfortable with your current structure?

Cristian Fabbri Hera SpA - Executive Chairman of the Hera Group

You remember the business plan part relating to energy supply, but nine months have passed since the presentation, and I think it's difficult to change our approach for the time being.

The part linked to our commercial activities is moving forward in line with the expected activities. But even considering the number of customers and those dynamics, you also had to take into account the concept market, the last instance market.

There are some dynamics which continue to exist. Just to give you an idea of the size, Imac has 200,000 customers. That's their overall size, just to give you an idea.

Over the period, we also considered some customer portfolios which we weren't entirely convinced with and we didn't move forward. For us, both of these levers are feasible, and we just have to look at the right opportunities. The commercial side of things is something that will continue to go forward and may end up giving us the best possible result.

If we can look to after the acquisition of interesting companies or interesting businesses in some companies, we'll look into that.

We're looking at both things. Between the end of the old business plan to 2028 and the beginning of the new business plan to 2029, we still have a few years that we can work on. As far as a debt structure, do you have anything to add to that?

*Massimo Vai Hera SpA - Central Director of Administration,
Finance and Control of the Hera Group*

Well, very briefly, when it comes to the debt structure, we have no intention of amending our references. We want to continue focusing very much on fixed rate debt

Cristian Fabbri Hera SpA - Executive Chairman of the Hera Group

Also because we have a good percentage of invested capital in the regulated sector, that choice is a hedging choice compared to tariffs.

As you know, the WAC defined within tariffs is updated for 13% to 14% every year with the new cost of money parameters. Having fixed rate bonds with a dimension which is consistent with that figure allows us to be connected to the overall revenues trend. That is part of the decisions that we that chose.

Operator

We have a follow-up question by Emanuele Oggioni, Kepler Chevreux.

Emanuele Oggioni Kepler Cheuvreux - Analyst

Yes, I have two other questions that I had taken note of.

One is on the September tenders for the last resort and default service. In the gas default service, you won all nine tenders. Whereas for the gas services, which is riskier, I'm not sure how you performed. In the business plan, you were saying that these temporary opportunities had been removed above and beyond the profitability, which is lower compared to the past. The profitability of the new tender is a bit lower, but I still wanted to understand how incremental they are compared to the business plan and how much of that is already included in the business plan.

Then the second question refers to the gas distribution tenders for the mandatory disposals for Italgas and Retegas. You obviously didn't consider them to be especially interesting. Why is that? Was it a matter of price or was it based on other more industrial aspects. Thank you

Cristian Fabbri Hera SpA - Executive Chairman of the Hera Group

Well, let me begin with the Gasless Instant Market Tenders. Yes, on the FUI market, the price level wasn't interesting for us. We didn't make a bid, and therefore we weren't awarded the tender. As far as the default market is concerned, the offer we made we thought was interesting, but the EBITDA contribution isn't very relevant. It isn't very important. It is very much part of the ordinary things that we look into.

In the business plan, we hadn't expected anything, so it's a little bit on top of what we were expecting. It's a little extra.

On the topic of gas distribution, and the ETA gas sales, there were a number of small pieces of the network spread out over Italy.

We studied things. We even made a bit in the tender just to see what the size of the networks was and what their economics were. We focused on price, which Obviously, it wasn't adequate compared to the choices which were made. But if those areas weren't neighbouring or they weren't embedded compared to our current network.

So even from that point of view, our interest was lower. Also given the fact that they were smaller and more spread out and they were difficult to optimize.

Operator

Thank you Eng. Fabbri, there are no further questions.

Cristian Fabbri Hera SpA - Executive Chairman of the Hera Group

Very well, then. We did very well on time. We began an hour ago.
Have a wonderful afternoon and all the very best.