FINANCIAL ANALYSIS

April 11, 2025

OUR TEAM

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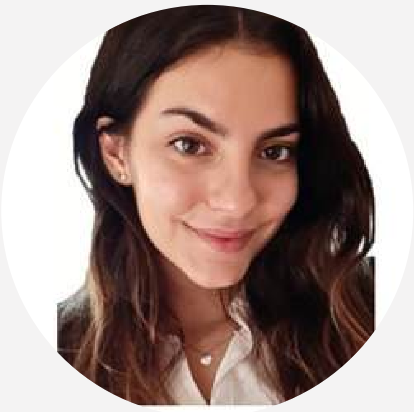

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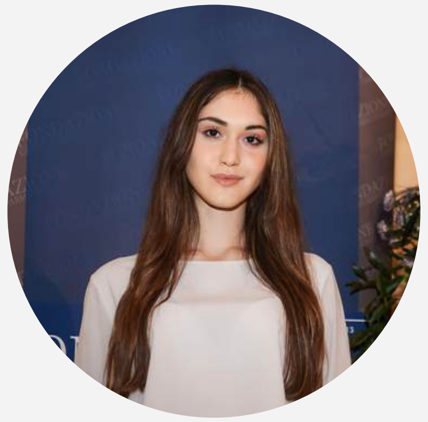

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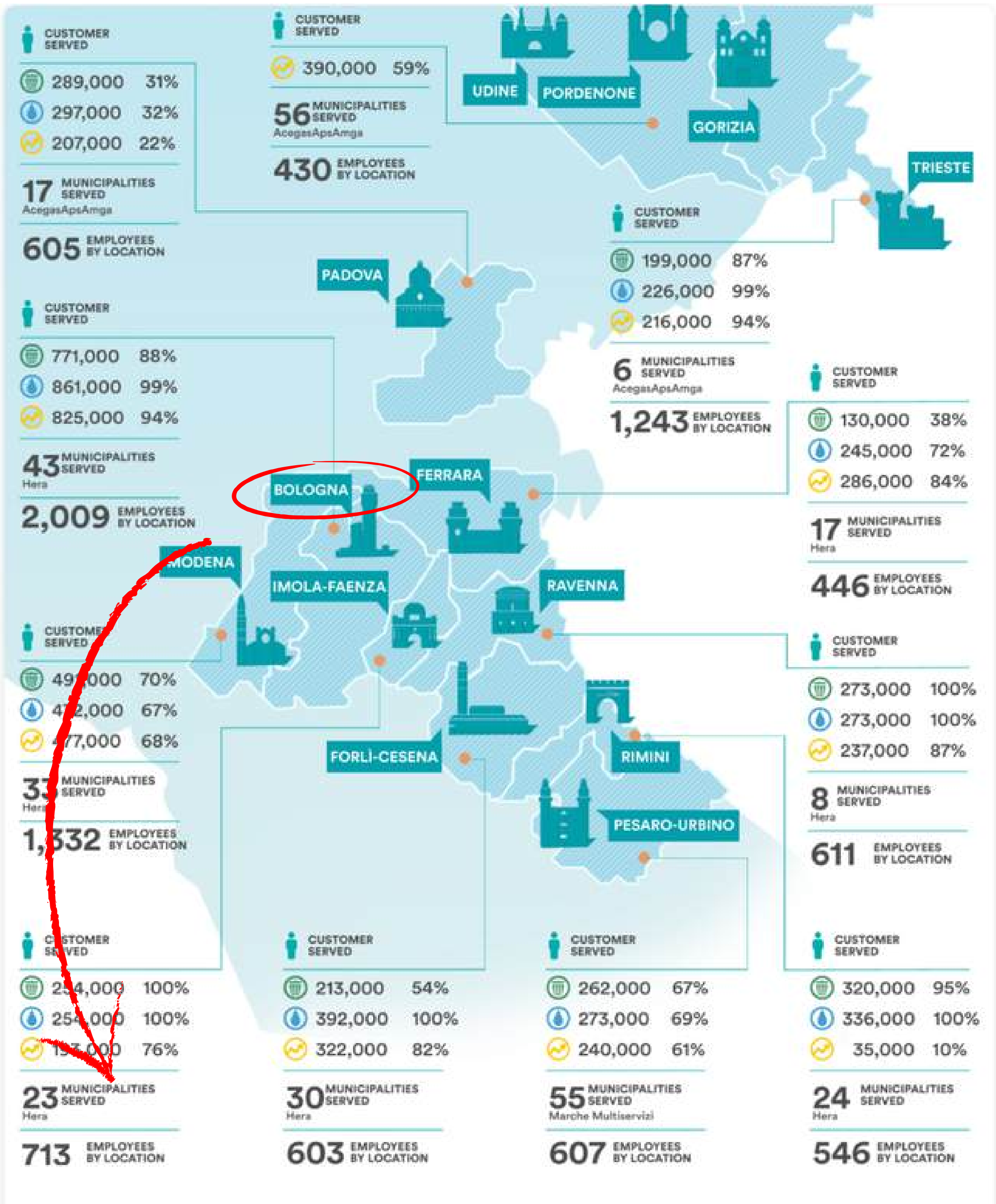
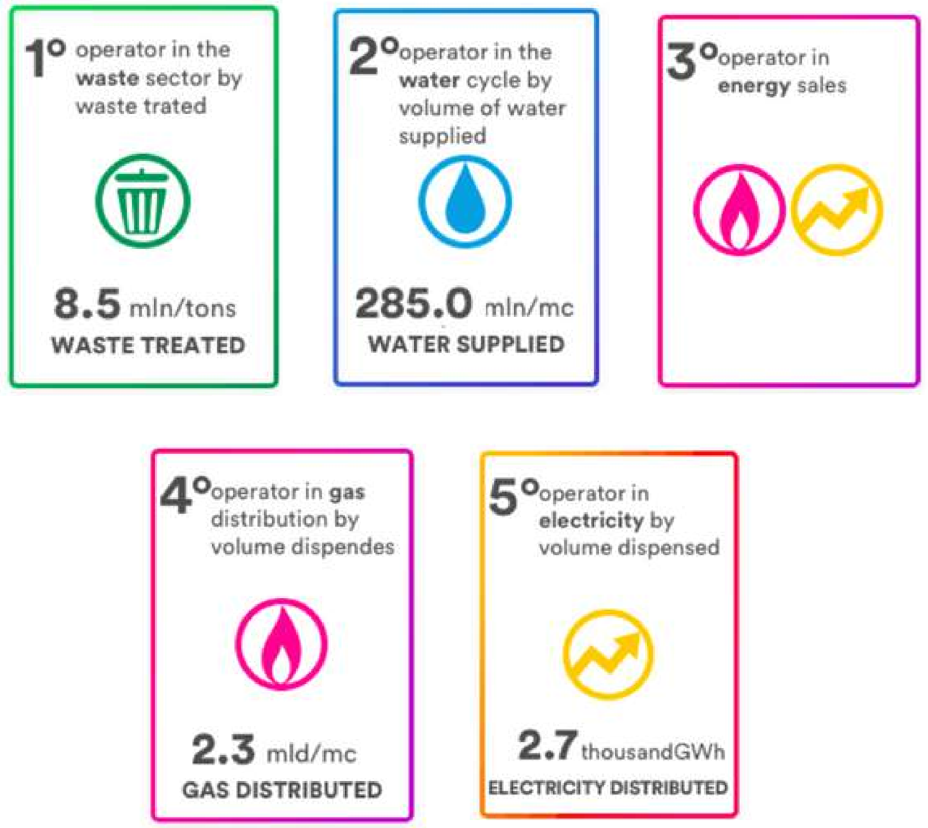


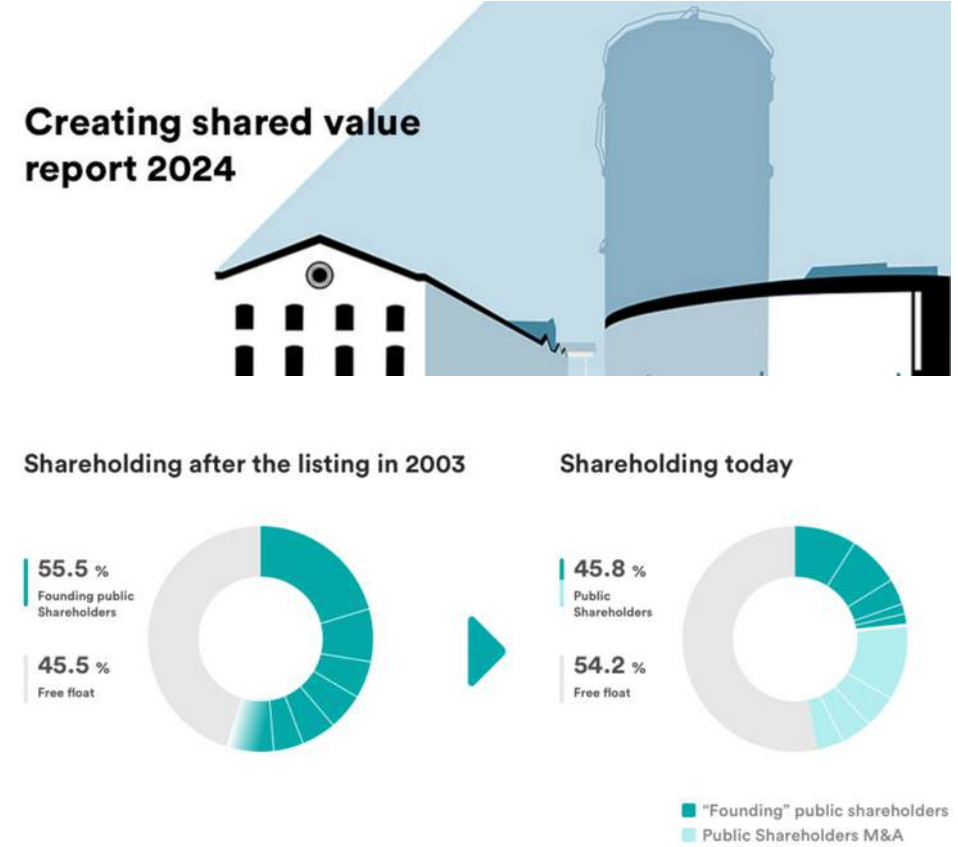
Italian **multi-utility company** headquartered in Bologna.

Established in 2002 through the merger of 11 public utility companies in the Emilia-Romagna region.

Multi-utility growth strategy.

Four main businesses: **gas, electricity, water and waste management.**





Multi-business strategy linked to **sustainability** and focused on the creation of **shared value.**

Pursuing **growth** both internally, through synergies and increased market shares, and through M&A transactions.

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INDUSTRY OVERVIEW

THE **ITALIAN MULTI-UTILITY SECTOR** HAS UNDERGONE A SIGNIFICANT TRANSFORMATION, SHIFTING FROM STATE-CONTROLLED ENTERPRISES TO A DYNAMIC, COMPETITIVE MARKET.

INTEGRATED SERVICES

- Energy Distribution
- Water Management
- Waste Treatment
- Innovation

Sustainability is a key driver of change, with national and European initiatives pushing for cleaner energy and resource optimization.

Multi-utilities are increasingly investing in **smart infrastructure**, **circular economy** models, and **digital solutions** to enhance operational effectiveness.
These trends not only improve service **quality** but also provide companies with **competitive advantages** in an evolving market.

03 COMPETITIVE POSITIONING

	HERA	a2a	iren	EDISON	VEOLIA
LOCATION	**Italy**, in the regions of Emilia-Romagna, Friuli-Venezia Giulia, Veneto, Marche, Tuscany and Lombardy.	Predominantly in **Northern Italy**	**Piedmont, Liguria, Emilia-Romagna**	Primarily active in **Italy,** it has expanded its operations **internationally** in Europe, North Africa, and the Middle East	In **57 countries**, mainly in Europe (France)
PRODUCTS & SERVICES	Market leader in **waste management**, second in national **water invoicing services** and strong position in **energy** and **gas** sales.	**Energy** and **gas** distribution, **water cycle**, **waste management**. More focused on **electricity** generation services.	Energy and gas distribution, water cycle, waste management. More focused on **energy** and **gas** sectors.	Primarily the production and distribution of **electricity** and **natural gas**. It is the **second-largest power** producer in both Italy and Greece.	Operates in three main segments of **water, waste** and **energy**. The primary focus is on **water** services.

03

COMPETITIVE POSITIONING

	HERA	a2a	iren	EDISON	VEOLIA
PROFITABILITY & FINANCIAL STABILITY	Solid **profitability** and strong **financial stability,** supported by a **diversified portfolio**.	Higher **profitability** than Hera, driven by a stronger focus on **electricity** generation and efficient operations.	**Lower** overall **profitability** compared to Hera, with greater emphasis on **infrastructure** and **energy**, but higher investments in renewables.	**Moderate profitability** with a **stable financial profile** though **margins** are **lower** than top competitors.	Larger scale and global presence with strong profitability, although operating in **fewer segments**.
SUSTAINABILITY	Strong commitment to **circular economy, waste recovery,** and **national decarbonization**. Focused on sustainable infrastructure and digital innovation.	Highly **sustainability-driven**, with major investments in renewables. Smart cities, and green finance. Achieved a 36% reduction CO_2 emissions.	Accelerating **green investments** in renewables, district heating, and energy transition infrastructure.	Focused on **renewables, energy efficiency**, and carbon neutrality by 2040. Strong in **B2B energy**, with a **long-term low-carbon growth strategy.**	A global leader in **sustainability**. Strong investments in energy efficiency, circular economy, and CO_2 reduction.

COMPANY STRATEGY

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1. INDUSTRIAL GROWTH

Pursuing **market leadership** through organic growth and strategic acquisitions, with key investments in digital technologies and infrastructure to boost efficiency and reliability.

2. RISK MANAGEMENT

Ensuring stability through a strong **financial position**, service diversification, and robust compliance frameworks to navigate regulatory and market challenges.

3. SUSTAINABILITY

Driving **long-term value** by embracing circular economy principles, investing in renewables, and prioritizing sustainability across all operations.

ESG PROFILE 05

ENVIRONMENTAL

Hera cut greenhouse gas emissions by **14%** (2019-2023), produced 8.5M m^3 of biomethane, and expanded hydrogen and solar projects. It improved energy efficiency (-7.9% since 2013) and recovered 80.6% of waste.

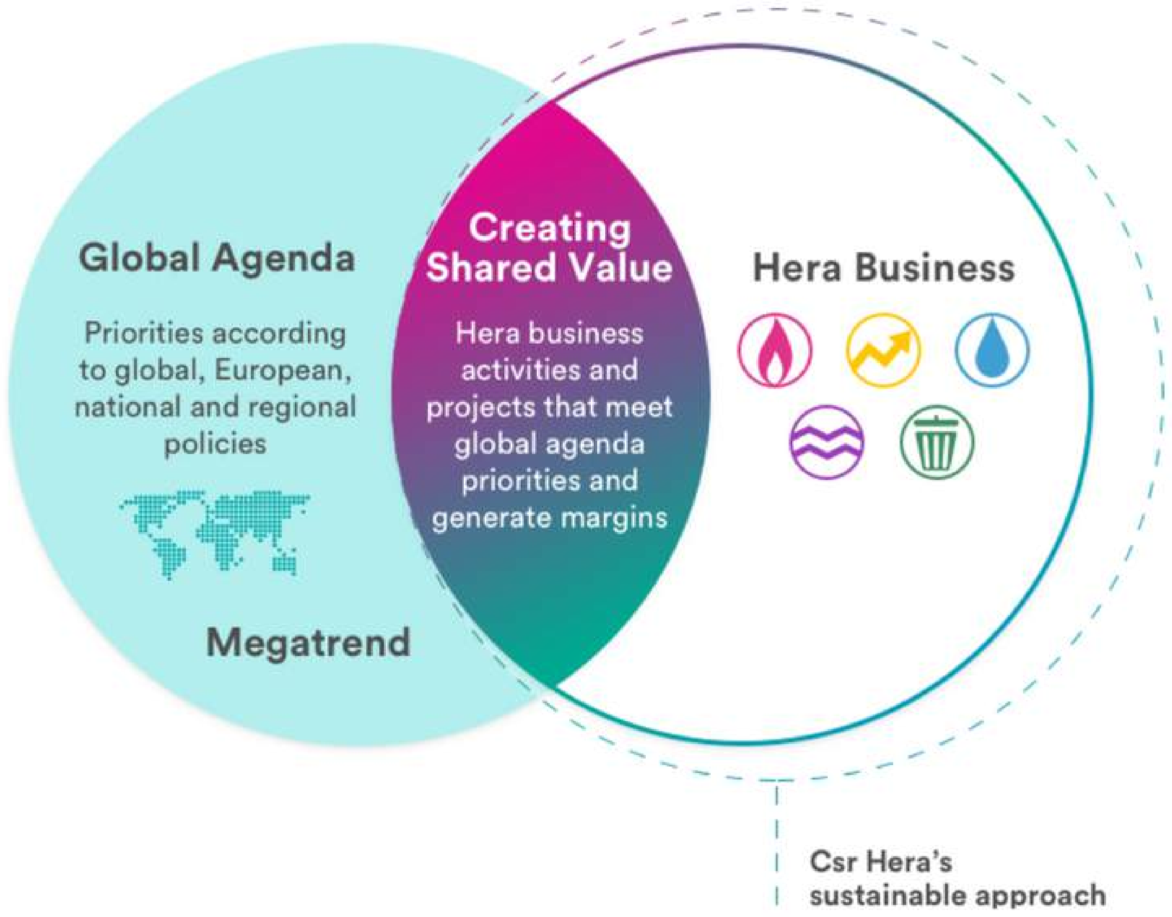
SOCIAL

In 2023 Hera invested €2B in communitites, supported vulnerable customers and established a platform in agreement with major trade unions. Women in senior roles rose to 35% (from 16.4% in 2014).

GOVERNANCE

Hera ensures transparency independence and a strong commitment to ethical practices. The company ranked first in the ESG Identity Corporate Index and scored 86.72 in governance.

THE RELATIONSHIP BETWEEN CSR AND CSV ACCORDING TO HERA



COMPANY OVERVIEW

06

Sales are decreasing in 2024 but expected to recover.

EV/EBITDA the company is expected to improve its operational earnings relative to its market valuation, especially in the mid-term.

Dividend yield is stable and attractive

COMPANY OVERVIEW				
	2023	2024	2025	2026
SALES	14.900	12.890	13.018,90	13.409,47
EBITDA	1.360	1.587	1.627,29	1.676,11
EBIT	834	829	845,58	866,72
Net Profit	392,10	460	468	480
Net debt	3.919,80	4.144,80		
FCF	1.329,70	585	141,10	184,60
EPS	0,28	0,33	0,34	0,33
Net dividend	0,14	0,15	0,15	0,16
P/E	13,21	12,27	12,27	12,76
EV/EBITDA	6,46	6,08	5,93	6,34
EV/EBIT	10,53	11,65	11,42	12,26
dividend yield %	3,73%	3,74%	3,75%	3,80%
Net debt/ EBITDA	2,9	2,6		

EBITDA Hera is enhancing its operating profitability

The **P/E ratio** has slightly decreased

EV/EBIT ratio increases slightly and may reflect expectations of stable future cash flows and moderate profitability growth.

Net debt/EBITDA ratio declining, this improvement signifies that the company's debt is well-covered by its operational cash flow

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ONE PAGER ANALYSIS

VALUATION	
Historic EV/EBITDA	7,8
my multiple for Y'23	6,2
factset consensus EBITDA (bn) Y'26	1,6
my estimate EBITDA Y'26	1,676
number of shares	1,48
net debt/cash	2,87
associates and minorities	0,32
last price 2023	3,7
target price 2023	3,95
DVD Yield	3,38%
estimated return 3Y holding period	19,14%
Target price histo & factset consensus	3,80
Estimated return on histo & factset cons	21,58%
EV/SALES (2023)	0,59
Ebit % (2023)	5,60%
3Y estimated EBITDA growth (calc. with	7,21%
PE histo	14,80
Exit PE px histo & factset	14,23
Exit PE on our estimates	12,76

SANITY CHECK

- HERA maintains **positive free cash flow.**
- There are **modest** minorities/associates.
- **Dividend per share** (DPS) increases from €0.14 → €0.16 (2023–2026), with payout ratio rising gradually from 40% to 49%. Dividend yield ~3.8%, stable and fully covered by earnings and FCF → low-risk, predictable income stream.
- No evidence of **warning** on last results.
- Files do not indicate a **managerial turnover**, implying continuity.
- There is some **stress**. IREN and A2A show negative FCF in 2023.
- **Limited risk of disruption** in the market.
- Ratios of analysts buyers are **not available directly**, but implied consensus is constructive, based on model estimates.
- There is a **partial negative story** telling on the industry.

SENSITIVITY	
Bear (-5%)	-21,40%
Base	0,00
Bull (+5%)	18,30%

VALORIZATION

- EBITDA **variation** = realistic **operational sensitivity.**
- Multiples range from 6x (**bear**) to 7x (**bull**), consistent with sector valuation swings.
- HERA's 2023 EV/SALES over EBIT margin of 10.53 is moderated relative to its own future multiples, suggesting it's not particularly cheap nor expensive by its own standards.
- Moderately undervalued position relative to its past valuation.

08 COMPARABLE ANALYSIS

Revenues are forecasted to grow from €12.89bn in 2024 to €13.41bn in 2026. This reflects the company's **resilience** amidst a sector slowdown.

HERA's **EBIT margin** remains structurally below peers. However, the margin gap is typical of asset-intensive, regulated activities such as water and waste.

HERA's **EV/Sales** increases from 0.59 in 2023 to 0.79 in 2026, remaining well below Iren and A2A. This reflects a more conservative revenue valuation.

	REVENUES					EBIT Margin				EV/SALES			
	2023	2024	2025	2026	Y CAGR	2023	2024	2025	2026	2023	2024	2025	2026
HERA	14900	12890	13018,9	13409,47	-3,45%	5,60%	6,43%	6,50%	6,46%	0,59	0,75	0,74	0,79
A2A	14758	12857	12985,57	13375,14	-3,23%	6,89%	10,24%	9,23%	9,05%	0,76	1,03	1,01	1,05
Iren	6301,60	5903,50	5962,54	6141,41	-0,85%	7,37%	8,80%	8,89%	8,89%	1,12	1,18	1,17	1,16
Edison	18436	15387	15463,94	15695,89	-5,22%	4,31%	3,46%	3,46%	3,46%	0,41	0,58	0,58	0,58
Veolia	45.351	44692	45362,38	46950,06	1,16%	6,51%	6,83%	7,00%	7,13%	0,89	0,90	0,92	0,90

08 COMPARABLE ANALYSIS

EV/EBITDA remains stable for HERA, nearly in line with A2A and slightly above Iren by 2026. Attractive **EV/EBITDA** ratio, suggesting a potential undervalued equity relative to peers.

P/E ratio remains stable, and suggests an overvaluation compared to the considered peers.

Even if lower than peers, dividend per Share (DPS) are set to increase from €0.14 in 2023 to €0.16 in 2026, translating into a **Dividend Yield** above 3.7% annually, an attractive return for income-focused investors.

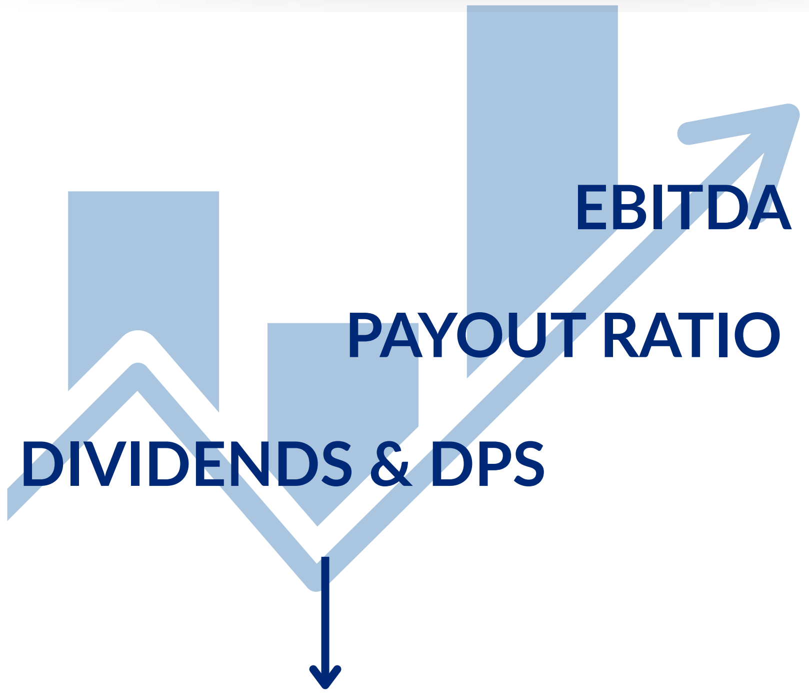
Hera maintains **positive FCF** from 2023 to 2026, despite a temporary decline driven by high CapEx initiatives as outlined in the Business Plan.

	EV/EBITDA				PE				DVD Yield				FCF			
	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
HERA	6,5	6,1	5,93	6,34	13,21	12,27	12,27	12,76	3,73%	3,74%	3,75%	3,80%	1330	585	141,1	184,6
A2A	6,13	5,96	5,92	6,22	9,82	9,53	9,72	9,89	4,34%	4,35%	4,32%	4,4%	-143	-1585	403	136
Iren	6,64	5,94	5,79	5,71	10,48	10,00	9,82	9,65	5,70%	5,75%	5,70%	5,70%	-186,31	252,7	91,8	91,6
Edison	6,08	8,69	8,60	8,56	13,27	16,56	15,21	13,6	4,90%	4,65%	4,80%	5,00%	960	192,00	398	572
Veolia	6,15	6,12	5,86	5,66	14,76	13,52	14,29	13,46	4,40%	4,70%	4,90%	5,20%	2.520,00	2.804,00	1087	1285,7

RECOMMENDATION

09

DEFENSIVE AND **INCOME-GENERATING** EQUITY PROFILE



Management **confidence** in **earnings sustainability**.

- **Capital Gains Potential** (est. 9.4% over 3Y)
- **Dividend yield** of ~3.8% compound into a total return estimate of 19.1% over a 3-year horizon.

CONSENSUS AND INTERNAL FORECASTS

- **Steady increase in value** driven by **margin expansion** and **disciplined CapEx execution.**
- **DPS** from 0.14 to 0.16
- **Payout Ratio** from 40% in 2023 to 49% in 2026

APPEALING **TOTAL RETURN** PROFILE

= BUY

Stronger **income returns,** higher **stock demand,** and a potential **re-rating** of the **stock price.**

THANK YOU

FOR YOUR ATTENTION