

# A2A

Sector: Utilities

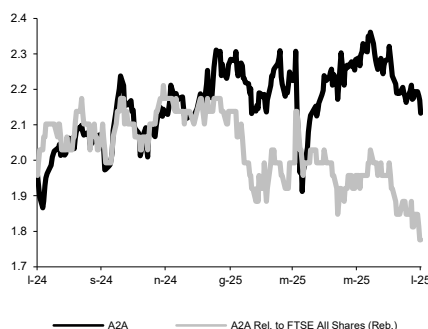
**NEUTRAL**
**Price: Eu2.13 - Target: Eu2.40**

## Results in Line, Guidance Confirmed

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2025E	2026E	2027E
Chg in Adj EPS	-1.5%	-0.9%	-0.9%

### A2A - 12M Performance



Stock Data			
Reuters code:	A2.MI		
Bloomberg code:	A2A IM		
Performance	1M	3M	12M
Absolute	-6.7%	-4.7%	9.0%
Relative	-9.6%	-13.8%	-12.0%
12M (H/L)	2.36/1.87		
3M Average Volume (th):	8,965.34		

Shareholder Data	
No. of Ord shares (mn):	3,133
Total no. of shares (mn):	3,133
Mkt Cap Ord (Eu mn):	6,682
Total Mkt Cap (Eu mn):	6,682
Mkt Float - Ord (Eu mn):	2,818
Mkt Float (in %):	42.2%
Main Shareholder:	
Municipalities of Milano and Brescia	50.0%

Balance Sheet Data	
Book Value (Eu mn):	5,834
BVPS (Eu):	1.86
P/BV:	1.1
Net Financial Position (Eu mn):	-5,552
Enterprise Value (Eu mn):	13,645

■ **2Q25 results.** On the macro front, both electricity and gas prices were down QoQ in 2Q25, with EU CO2 prices also slightly lower QoQ. On the generation side, Italian hydroelectric volumes were down 22% YoY (after record volumes in 2024), solar was up 28% YoY (also benefiting from the ongoing increase in residential capacity), Wind was down -1%, while thermal was up 3%. In this context, A2A reported declining YoY figures at Generation & Trading (lower hydro volumes and average selling prices, flattish thermal, lower gas trading margins), partly offset by higher Smart Infrastructures (contribution of Duereti, the former ENEL grid). We highlight that the gas distribution segment benefited from a one-off of ca. Eu23mn related to recognition of past allowed OpEx for the 2020-24 period. On the financial side, net debt was down sequentially. In detail: group EBITDA closed at Eu548mn, ordinary EBITDA at Eu522mn (-8% YoY, vs. exp. Eu516mn) and ordinary net income at Eu174mn (-5% YoY, vs. exp. Eu165mn). On the balance sheet, net debt declined to Eu5,325mn (vs. exp. Eu5,403mn) from Eu5,616mn as at the end of March, with the Eu430mn cash-in related to the sale of the gas distribution network to Ascopiave more than offsetting the dividend payment of Eu230mn.

■ **Divisional results.** Looking at results at the different divisions, Generation & Trading reported EBITDA of Eu196mn (-24% YoY, vs. exp. Eu191mn, lower hydro volumes, -33% YoY, and less opportunities for hedging, partly offset by higher CCGT production, +54% YoY, and the capacity market); Market Eu96mn (-17% YoY, vs. exp. Eu95mn, higher contribution from the mass market segment offset by a lower one from large gas segment customers and the loss of protected market customers). Circular Economy reported EBITDA of Eu120mn (-4% YoY, in line), with Waste at Eu92mn (-7% YoY, vs. exp. Eu93mn, higher WTE treatment prices, partly offset by lower ones in Collection after the new tender auction won in Milan), Heat at Eu11mn (+38%, increase in volumes and higher revenues from white certificates) and Water at Eu17mn (-8%, in line). Smart Infrastructure closed at Eu154mn (+58% YoY, in line), with Electricity Distribution at Eu75mn (+77% YoY, thanks to the consolidation of Duereti, the former ENEL grid, +Eu21mn in the quarter) and Gas Distribution at Eu70mn (Eu47mn ex one-offs, -2% YoY).

■ **2025 guidance confirmed.** A2A confirmed its 2025 guidance, with EBITDA seen at the upper end of the Eu2,170-2,200mn range and group net profit, net of non-recurring items, at the upper end of the Eu680-700mn range. The YE25 NFP/EBITDA ratio is now projected at around 2.5x (vs. below 2.7x previously).

■ **Updated estimates and valuation.** Following 2Q25 results, we are trimming our projections, reflecting slightly lower numbers for Generation&Trading and Market, partly offset by slightly higher ones for Waste. In terms of the valuation, we confirm our target price of Eu2.40ps, still based on a mix of DCF, SOP and market multiples.

■ **Investment case.** We downgraded the stock to NEUTRAL at the end of March with 4Q24 results, highlighting a potential deceleration of earnings momentum for the stock in the following months. After surprising on the upside every quarter in 2023-24, fuelling repeated guidance upgrades, we now see more limited room for significant earnings upgrades on 2025-26 numbers. We confirm our NEUTRAL recommendation.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	14,758	12,857	11,423	10,775	10,104
EBITDA Adj (Eu mn)	1,930	2,317	2,174	2,239	2,300
Net Profit Adj (Eu mn)	635	816	694	699	694
EPS New Adj (Eu)	0.203	0.261	0.222	0.223	0.221
EPS Old Adj (Eu)	0.203	0.261	0.225	0.225	0.223
DPS (Eu)	0.096	0.100	0.104	0.108	0.112
EV/EBITDA Adj	5.5	5.7	6.3	6.2	6.2
EV/EBIT Adj	10.4	10.0	11.6	11.7	11.9
P/E Adj	10.5	8.2	9.6	9.6	9.6
Div. Yield	4.5%	4.7%	4.9%	5.1%	5.3%
Net Debt/EBITDA Adj	2.4	2.5	2.6	2.6	2.7

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEIMIB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and - 10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	32.84%
OUTPERFORM:	37.31%
NEUTRAL:	29.85%
UNDERPERFORM:	00.00%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (79 in total) is as follows:

BUY:	53.16%
OUTPERFORM:	29.11%
NEUTRAL:	17.73%
UNDERPERFORM:	00.00%
SELL:	00.00%

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