A2A

OUTPERFORM

Sector: Utilities

Price: Eu2.31 - **Target: Eu2.90**

Risk/Reward Turning Positive Again

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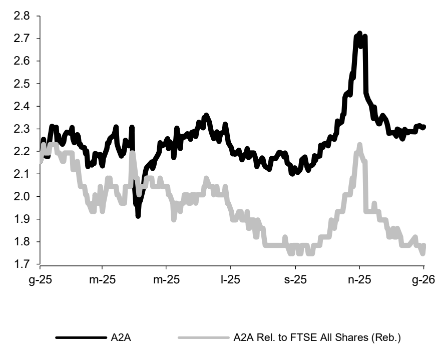
Stock Rating			
Rating:	from NEUTRAL to OUTPERFORM		
Target Price (Eu):	from 2.70 to 2.90		
	2025E	**2026E**	**2027E**
Chg in Adj EPS	0.1%	1.8%	3.7%

Next Event
4Q25 Results Out on 17 March

A2A - 12M Performance



Stock Data			
Reuters code:			A2.MI
Bloomberg code:			A2A IM
Performance	**1M**	**3M**	**12M**
Absolute	1.1%	3.2%	7.1%
Relative	-4.1%	-2.8%	-24.1%
12M (H/L)			2.72/1.91
3M Average Volume (th):			10,678.87

Shareholder Data	
No. of Ord shares (mn):	3,133
Total no. of shares (mn):	3,133
Mkt Cap Ord (Eu mn):	7,231
Total Mkt Cap (Eu mn):	7,231
Mkt Float - Ord (Eu mn):	3,049
Mkt Float (in %):	42.2%
Main Shareholder:	
Municipalities of Milano and Brescia	50.0%

Balance Sheet Data	
Book Value (Eu mn):	6,185
BVPS (Eu):	1.97
P/BV:	1.2
Net Financial Position (Eu mn):	-5,854
Enterprise Value (Eu mn):	15,388

Following the weak stock performance recorded in 2025, we believe at the current share price A2A's risk-reward profile is starting to look more appealing. Having been Neutral since March last year, based on decelerating earnings momentum, we are now turning positive on A2A again, lifting our recommendation to OUTPERFORM. With the stock trading at undemanding valuations, at a discount both to history and peers, we believe there could be room for a share price recovery in the coming months, taking the favourable macro scenario and expectations for supportive newsflow into account.

- **Weak share price performance in 2025.** After the strong outperformance recorded in 2023-24, driven by numerous sharp upward revisions to earnings, A2A was the worst-performing Italian utility in 2025, underperforming ENEL and the Italian FTSE Mib index by around 20%.
- **Undemanding valuation.** On our projections, A2A is currently trading at a 1YF EV/EBITDA of 6.8x and P/E of 10.8x, and offering a 4.7% yield. While the EV/EBITDA multiple is broadly in line with its historical average of 6.7x, the bottom-line multiple is at a discount of roughly 14% (vs. the 12.4x average). A2A is currently also at a discount to peers, with Italian Integrated Utilities currently trading at 7.4x 2026E EV/EBITDA and 12.7x P/E, while European Integrated Utilities are trading at 9.2x and 15.3x respectively.
- **Supportive macro scenario.** On the macro side, the scenario for Integrated Utilities continues to be supportive in our opinion, from both an industrial and financial standpoint. Electricity prices in Italy remain above Eu100/MWh, despite lower gas prices, driving a clear expansion in clean spark spreads. On the financial side, the BTP-Bund spread continues to narrow, in the context of broadly stable interest rates.
- **Next catalysts.** On a company-specific basis, we expect supportive newsflow for A2A in the coming months, starting with 4Q25 results in mid-March. The most important catalysts, however, should be the definition of the regulatory framework for extensions of both the electricity distribution and hydro production concessions, expected in 1H26. We also expect news on data centres, potentially enhancing visibility on A2A's investment strategy in this segment.
- **4Q25 results preview** (results due on 17 March). We are trimming our estimate for A2A's 4Q25 hydro volumes, while nudging thermal volumes upwards. This translates into slightly higher FY25 EBITDA projections (Eu2,221mn, +1%), a touch above the upper part of the Eu2,170-2,200mn guidance range, and broad confirmation of our ordinary net income forecast (Eu686mn, vs. the Eu680-700mn guidance). On the balance sheet, net debt should have closed at Eu5,541mn, for a YE25E net debt/EBITDA ratio of 2.5x.
- **Updated estimates and valuation.** We are slightly increasing our electricity price assumptions to reflect higher CO2 prices, offsetting lower gas prices. We are also lifting margins a touch in the Market and Electricity Distribution divisions, while slightly lowering them for District Heating and Waste. These minor adjustments translate into increases of roughly 2% in 2027-28 EBITDA and +4/5% in our forecast for the bottom line. As for the valuation, we are raising our target price from Eu2.70ps to Eu2.90ps, still calculated on a mix of DCF, SOP and market multiples.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	14,758	12,902	11,207	10,638	10,280
EBITDA Adj (Eu mn)	1,930	2,317	2,196	2,253	2,341
Net Profit Adj (Eu mn)	635	816	686	671	706
EPS New Adj (Eu)	0.203	0.260	0.219	0.214	0.225
EPS Old Adj (Eu)	0.203	0.260	0.219	0.210	0.217
DPS (Eu)	0.096	0.100	0.104	0.108	0.112
EV/EBITDA Adj	5.5	5.7	6.8	6.8	6.7
EV/EBIT Adj	10.4	10.0	12.7	13.4	13.1
P/E Adj	11.4	8.9	10.5	10.8	10.2
Div. Yield	4.2%	4.3%	4.5%	4.7%	4.9%
Net Debt/EBITDA Adj	2.4	2.5	2.5	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.

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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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OUTPERFORM:	38.35%
NEUTRAL:	28.57%
UNDERPERFORM:	00.75%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

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OUTPERFORM:	31.08%
NEUTRAL:	14.87%
UNDERPERFORM:	01.35%
SELL:	00.00%

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