Milan, 13 November 2025

Italian Equity Research – 3Q25 results

A2A

NEUTRAL

Sector: Utilities

Price: Eu2.46 - **Target: Eu2.70**

Introducing The New Data Centre Platform Business

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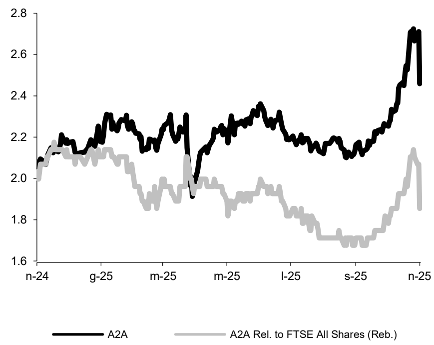
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 2.40 to 2.70
	2025E	**2026E**	**2027E**
Chg in Adj EPS	-1.3%	-5.7%	-2.0%

A2A - 12M Performance



Stock Data			
Reuters code:			A2.MI
Bloomberg code:			A2A IM
Performance	**1M**	**3M**	**12M**
Absolute	8.8%	15.9%	20.9%
Relative	2.6%	9.3%	-11.8%
12M (H/L)			2.72/1.91
3M Average Volume (th):			8,936.54

Shareholder Data	
No. of Ord shares (mn):	3,133
Total no. of shares (mn):	3,133
Mkt Cap Ord (Eu mn):	7,701
Total Mkt Cap (Eu mn):	7,701
Mkt Float - Ord (Eu mn):	3,247
Mkt Float (in %):	42.2%
Main Shareholder:	
Municipalities of Milano and Brescia	50.0%

Balance Sheet Data	
Book Value (Eu mn):	5,838
BVPS (Eu):	1.86
P/BV:	1.3
Net Financial Position (Eu mn):	-5,548
Enterprise Value (Eu mn):	15,684

- **3Q25 results.** A2A's 3Q25 results were broadly in line with our expectations. Ordinary EBITDA showed a slight YoY decline, reflecting a normalisation in hydro volumes and the exit from the Safeguard segment, partly offset by a higher Capacity Market premium, a growing performance of electricity networks (contribution of Duereti, ex-ENEL grid) and higher urban waste treatment prices. Ordinary EBITDA closed at Eu510mn (-2% YoY, vs. exp. Eu501mn), ordinary net income at Eu133mn (-29% YoY, vs. exp. Eu130mn), and net debt closed at Eu5,317mn (vs. exp. Eu5,310mn), flat QoQ.
- **Strategic Plan Update to 2035.** A2A presented its Strategic Plan Update to 2035, still based on the twin pillars of Energy Transition and Circular Economy. The main news was represented by A2A's direct investments in data centres, with the company seeking to exploit all the opportunities arising from this new business. The Plan envisages Eu23bn in investments in 2024-35 (vs. Eu22bn in last year's plan), of which Eu16bn allocated to the Energy Transition and Eu7bn to the Circular Economy. A2A confirmed its 3.7GW wind and solar capacity target by 2035, set a Eu4.0bn target in electricity network RAB (up from Eu3.4bn previously), and 6.6mn tons (vs. 7mn tons previously) of waste treated and announced new data centres to be developed leveraging energy assets as a platform to grow (Eu1.6bn CapEx, Eu0.4bn EBITDA contribution expected in 2035).
- **Financial targets.** 2025 EBITDA guidance has been confirmed in the upper part of the Eu2.17-2.20bn range. 2026 has been set at Eu2.21-2.25bn (vs. prev. Eu2.20bn), 2028 at Eu2.4bn (vs. prev. Eu2.4bn in 2027), rising further to Eu2.8bn in 2030 (vs. prev. Eu2.6bn) and to Eu3.6bn in 2035 (vs. prev. Eu3.3bn). Moving to the bottom line, A2A confirmed guidance of Eu680-700mn for 2025. 2026 has been set at 630-660mn (vs. prev. Eu700mn, higher D&A), 2028 at Eu700mn (vs. prev. Eu700mn in 2027), rising to over Eu800mn in 2030 (vs. prev. Eu800mn) and to > Eu1.1bn in 2035 (vs. prev. > Eu1bn).
- **Capital structure and dividend policy.** A2A confirmed its focus on a balanced and sustainable capital structure. The NFP/EBITDA ratio is expected to remain constantly below 2.8x, going as low as 2.4x in 2035. The FFO/net debt ratio is expected to always remain above 24%, complying with the metrics required by agencies to maintain the current rating. The dividend policy has been confirmed, with sustainable DPS growth of at least 4% per year.
- **Updated estimates and valuation.** We are raising our medium-term projections, primarily to reflect slightly higher electricity prices and higher margins in the Electricity Distribution segment, only partly offset by slightly lower ones in Waste. In terms of the valuation, we are increasing our TP to Eu2.70ps from Eu2.40ps, still calculated on a mix of DCF (lower risk-free rate, -50bp to 3.5%), SOP and market multiples.
- **Investment case. NEUTRAL.** We believe A2A surprised the market by announcing direct investments in data centres and projecting direct returns from location, while analysts were more focused on the expected potential impact on power generation, electricity distribution and district heating margins. We believe the new data centres business needs additional in-depth analysis before being factored into the A2A equity story.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	14,758	12,867	11,433	10,772	10,104
EBITDA Adj (Eu mn)	1,930	2,317	2,174	2,240	2,306
Net Profit Adj (Eu mn)	635	816	685	659	680
EPS New Adj (Eu)	0.203	0.260	0.219	0.210	0.217
EPS Old Adj (Eu)	0.203	0.260	0.222	0.223	0.221
DPS (Eu)	0.096	0.100	0.104	0.108	0.112
EV/EBITDA Adj	5.5	5.7	7.2	7.2	7.1
EV/EBIT Adj	10.4	10.0	13.3	14.1	14.0
P/E Adj	12.1	9.4	11.2	11.7	11.3
Div. Yield	3.9%	4.1%	4.2%	4.4%	4.6%
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 FTSEMIB40 Index, most of those on the MIDEX 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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OUTPERFORM:	38.17%
NEUTRAL:	29.01%
UNDERPERFORM:	00.76%
SELL:	00.00%

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OUTPERFORM:	29.87%
NEUTRAL:	18.18%
UNDERPERFORM:	01.30%
SELL:	00.00%

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