

A2A

Sector: Utilities

OUTPERFORM

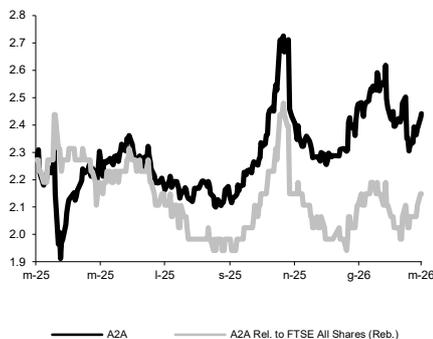
Price: Eu2.44 - Target: Eu2.90

Results Slightly Better, 2026 Guidance Confirmed

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2026E	2027E	2028E
Chg in Adj EPS	-2.4%	-6.4%	-5.9%

A2A - 12M Performance



Stock Data			
Reuters code:	A2.MI		
Bloomberg code:	A2A IM		
Performance	1M	3M	12M
Absolute	1.0%	8.2%	7.4%
Relative	3.6%	7.4%	-6.7%
12M (H/L)	2.72/1.91		
3M Average Volume (th):	11,259.77		

Shareholder Data	
No. of Ord shares (mn):	3,133
Total no. of shares (mn):	3,133
Mkt Cap Ord (Eu mn):	7,647
Total Mkt Cap (Eu mn):	7,647
Mkt Float - Ord (Eu mn):	3,225
Mkt Float (in %):	42.2%
Main Shareholder:	
Municipalities of Milano and Brescia	50.0%

Balance Sheet Data	
Book Value (Eu mn):	6,246
BVPS (Eu):	1.99
P/BV:	1.2
Net Financial Position (Eu mn):	-6,081
Enterprise Value (Eu mn):	16,016

Despite a sharp YoY decline in margins at Generation & Trading, A2A succeeded in reporting better-than-expected EBITDA in 4Q25, enabling the Group to close FY25 above targets. Looking at 2026, A2A confirmed the guidance released in November with the 2035 Strategic Plan update, and offered a constructive outlook, supported by a favourable forward sales strategy. We confirm our positive view on the stock.

- 4Q25 results.** On the macro front, electricity prices rose slightly QoQ in 4Q25, while gas prices decreased further, driving a robust improvement of clean spark spreads, despite slightly higher CO2 costs. On the production side, A2A hydro was down 30% YoY after the record volumes posted in 2024. In this context, A2A reported declining YoY figures at Generation & Trading, offset by higher ones at Market and Smart Infrastructures. In detail: group EBITDA closed at Eu514mn, adj. EBITDA at Eu539mn (flat YoY, vs. exp. Eu492mn) and adj. net income at Eu127mn (-16% YoY, in line). On the balance sheet, net debt increased to Eu5,474mn (2.4x net debt/EBITDA, vs. exp. Eu5,541mn) from Eu5,317mn as at the end of September, after CapEx of Eu644mn in the quarter. The dividend was set at Eu0.104ps (in line).
- Divisional results.** Generation & Trading reported EBITDA of Eu102mn (-47% YoY, vs. exp. Eu118mn, lower hydro volumes, -30% YoY and fewer opportunities for hedging); Market Eu133mn (+34% YoY, vs. exp. Eu124mn, higher contribution from the mass market segment, only partly offset by a lower one from large gas segment customers and the loss of protected market customers). Smart Infrastructures closed at Eu133mn (+30% YoY, vs. exp. Eu120mn), with Electricity Distribution at Eu86mn (+88% YoY, thanks to the consolidation of Duereti, the former ENEL grid, vs. exp. Eu75mn) and Gas Distribution at Eu44mn (-2% YoY, vs. exp. Eu31mn). Circular Economy reported EBITDA of Eu172mn (+4% YoY, vs. exp. Eu164mn), with Waste at Eu108mn (+4% YoY, vs. exp. Eu103mn, higher WTE treatment prices, partly offset by lower ones in Collection after the new tender auction won in Milan), Heat at Eu41mn (-13% YoY, vs. exp. Eu40mn) and Water at Eu23mn (+54%, vs. exp. Eu21mn).
- 2026 guidance confirmed.** A2A confirmed its 2026 guidance, released in November with the updated 2024-35 Business Plan, with adj. EBITDA seen in the Eu2,210-2,250mn range and adj. group net profit in the Eu630-660mn range. The YE26 NFP/EBITDA ratio is projected at around 2.7x. The outlook provided was constructive, supported by a favourable forward sales strategy for both hydro production and thermal spreads, increasing visibility on power generation margins in the coming quarters.
- Updated estimates and valuation.** We have updated our projections primarily to reflect lower average electricity selling prices for 2027 onwards. We have also included the additional 2pp on corporate income tax (IRAP) introduced by the Energy Decree for 2026-27. These translate into a 2% reduction of net income for 2026 and 6% for 2027-28. In terms of the valuation, we confirm our target price of Eu2.90ps, still based on a mix of DCF, SOP and market multiples.

Key Figures & Ratios	2024A	2025A	2026E	2027E	2028E
Sales (Eu mn)	12,872	13,976	10,839	9,915	10,295
EBITDA Adj (Eu mn)	2,328	2,243	2,247	2,301	2,382
Net Profit Adj (Eu mn)	816	686	655	660	685
EPS New Adj (Eu)	0.260	0.219	0.209	0.211	0.219
EPS Old Adj (Eu)	0.260	0.219	0.214	0.225	0.232
DPS (Eu)	0.100	0.104	0.108	0.112	0.117
EV/EBITDA Adj	5.7	6.6	7.1	7.1	7.1
EV/EBIT Adj	10.0	11.9	14.0	14.2	14.2
P/E Adj	9.4	11.1	11.7	11.6	11.2
Div. Yield	4.1%	4.3%	4.4%	4.6%	4.8%
Net Debt/EBITDA Adj	2.5	2.4	2.7	2.8	2.9

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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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As at 18 March 2026 Intermonte's Research Department covered 131 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.06%
OUTPERFORM:	38.17%
NEUTRAL:	29.77%
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 (77 in total) is as follows:

BUY:	53.25%
OUTPERFORM:	27.27%
NEUTRAL:	18.18%
UNDERPERFORM:	01.30%
SELL:	00.00%

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