

A2A

Sector: Utilities

NEUTRAL

Price: Eu2.23 - Target: Eu2.40

Earnings Momentum Potentially Decelerating

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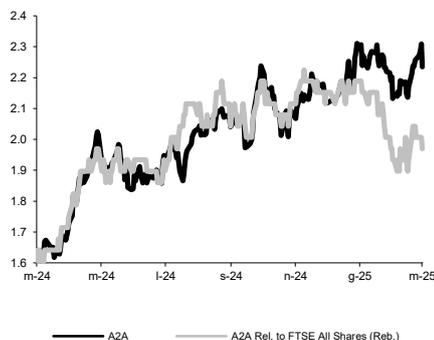
Stock Rating

Rating: from OUTPERFORM to NEUTRAL

Target Price (Eu): Unchanged

	2025E	2026E	2027E
Chg in Adj EPS	-0.7%	-2.0%	-3.1%

A2A - 12M Performance



Stock Data

 Reuters code: A2.MI
 Bloomberg code: A2A IM

Performance	1M	3M	12M
Absolute	4.8%	5.5%	36.2%
Relative	2.5%	-9.8%	22.4%
12M (H/L)	2.31/1.62		
3M Average Volume (th):	10,266.10		

Shareholder Data

No. of Ord shares (mn):	3,133
Total no. of shares (mn):	3,133
Mkt Cap Ord (Eu mn):	7,002
Total Mkt Cap (Eu mn):	7,002
Mkt Float - Ord (Eu mn):	2,953
Mkt Float (in %):	42.2%
Main Shareholder:	
Municipalities of Milano and Brescia	50.0%

Balance Sheet Data

Book Value (Eu mn):	5,825
BVPS (Eu):	1.86
P/BV:	1.2
Net Financial Position (Eu mn):	-5,699
Enterprise Value (Eu mn):	14,162

■ **FY24 results:** after releasing preliminary results in mid-February (ordinary EBITDA Eu2.33bn, net debt Eu5.84bn), A2A has now unveiled full 2024 figures. Ordinary EBITDA closed at Eu2,317mn (+20% YoY), EBIT was Eu1,317mn (+30% YoY, vs. Eu1,332mn expected), net income came to Eu864mn, and ordinary net income came in at Eu816mn (+29% YoY, vs. Eu812mn expected). On the balance sheet, net debt closed at Eu5,835mn, in line with the preliminary figure (2.5x net debt/EBITDA, 2.8x including the hybrid bond). The ordinary dividend was set at Eu0.10ps (in line).

■ **Divisional results.** Looking at the different divisions, Generation & Trading reported EBITDA of Eu986mn (+19% YoY, vs. exp. Eu999mn, a strong contribution from hydro more than offsetting lower thermal margins); Market Eu462mn (+55% YoY, vs. exp. Eu468mn, strong margins and growing customer base); Waste Eu409mn (+9% YoY, vs. exp. Eu392mn, better performance in treatment, partially offset by higher operating costs for collection); Smart Infrastructure at Eu552mn (+3% YoY, vs. exp. Eu539mn, with Electricity distribution at Eu165mn, +6% YoY; Gas distribution at Eu181mn, +12%; Water at Eu73mn, +9%; and Heat at Eu100mn, -18%.

■ **2025 EBITDA guidance confirmed.** A2A said that the first two months of 2025 were positive and confirmed its 2025 guidance, with ordinary EBITDA at Eu2,170-2,200mn and net income at Eu680-700mn. Regarding the expected net financial position at YE25, A2A's CEO Mazzoncini said the NFP/EBITDA ratio is expected to remain below 2.7x, and more likely close to the 2.5x recorded at YE24.

■ **A2A's commitment to sustainable finance continues.** in 2024 A2A placed the first subordinated perpetual hybrid bond issue in green format and signed a couple of loans in green format, including the Eu600mn pool bridge loan to finance the acquisition of electricity grid assets. In January 2025, A2A placed its inaugural European Green Bond of Eu500mn with 10-year maturity, the first on the market by a European corporate issuer, in accordance with EU Regulation 2023/2631.

■ **Updated estimates and valuation.** We have trimmed our P&L projections, downwards fine-tuning margins in the Generation & Trading segment, reducing Market, while increasing Smart Infrastructures. On the balance sheet, by contrast, we are raising YE25 net debt. 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. Downgrade to NEUTRAL from Outperform.** The updated 2024-35 Strategic Plan presented in November highlighted solid medium-term targets, and we still believe the industrial outlook for the sector is solid, with appealing investment opportunities, especially in Networks. That said, we see potentially decelerating earnings momentum for the stock in the coming months. After having surprised on the upside every quarter over the last two years, fuelling repeated guidance upgrades, we now see more limited room for significant earnings upgrades on 2025-26 numbers. This, coupled with the reduced upside to our target price, makes us believe it could be time to take a breather on the stock. After having been positive on the stock since April last year, we now move to NEUTRAL.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	14,758	12,857	11,436	10,790	10,119
EBITDA Adj (Eu mn)	1,930	2,317	2,222	2,239	2,305
Net Profit Adj (Eu mn)	635	816	693	696	691
EPS New Adj (Eu)	0.203	0.261	0.221	0.222	0.220
EPS Old Adj (Eu)	0.203	0.259	0.223	0.227	0.227
DPS (Eu)	0.096	0.100	0.104	0.108	0.112
EV/EBITDA Adj	5.5	5.7	6.4	6.5	6.4
EV/EBIT Adj	10.4	10.0	12.0	12.2	12.3
P/E Adj	11.0	8.6	10.1	10.1	10.1
Div. Yield	4.3%	4.5%	4.7%	4.8%	5.0%
Net Debt/EBITDA Adj	2.4	2.5	2.6	2.7	2.7

