

ACEA

Sector: Utilities

NEUTRAL

Price: Eu14.35 - Target: Eu15.50

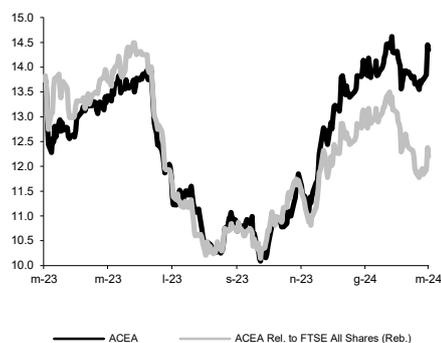
2028 Business Plan: Strong Push in Regulated Activities

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 15.00 to 15.50		
	2024E	2025E	2026E
Chg in Adj EPS	-0.6%	1.2%	0.6%

ACEA - 12M Performance



Stock Data

Reuters code:	ACE.MI		
Bloomberg code:	ACE IM		
Performance	1M	3M	12M
Absolute	1.1%	10.7%	4.4%
Relative	-5.6%	0.8%	-13.0%
12M (H/L)	14.62/10.09		
3M Average Volume (th):	159.74		

Shareholder Data

No. of Ord shares (mn):	213
Total no. of shares (mn):	213
Mkt Cap Ord (Eu mn):	3,056
Total Mkt Cap (Eu mn):	3,056
Mkt Float - Ord (Eu mn):	767
Mkt Float (in %):	25.1%
Main Shareholder:	
Council of Rome	51.0%

Balance Sheet Data

Book Value (Eu mn):	2,005
BVPS (Eu):	11.91
P/BV:	1.2
Net Financial Position (Eu mn):	-5,092
Enterprise Value (Eu mn):	8,946

- New 2028 business plan unveiled yesterday.** Yesterday ACEA presented its new business plan to 2028, which strengthens its role as an infrastructure operator focused on regulated activities in a context offering major investment opportunities, in areas such as infrastructure modernisation in the integrated water cycle, the resilience of the electricity network, and the circular economy in the environment business. The group's strategy envisages that significant growth in investments will nevertheless go hand in hand with an optimisation of the financial structure and capital allocation, enabling improvements to the shareholder remuneration policy.
- Strong CapEx deployment in regulated activities.** The plan foresees cumulative gross CapEx of Eu7.6bn, or Eu5.6bn excluding grants (Eu1,120mn per annum), which will help EBITDA rise to Eu1,630mn in 2026 (5.4% CAGR) and Eu1,800mn in 2028 (5.3% CAGR). Around 90% of CapEx will be deployed in regulated activities, with a positive impact on total RAB, which will reach Eu10bn by the end of the plan (7% CAGR). This will drive EBITDA strongly upwards in Water, which will contribute to 67% of total growth, and also in the Electricity division (Ele Networks + Supply) which will account for another 11% of growth, dented by a drop in the contribution from the energy supply business. Waste is expected to show significant growth (17% of total growth) partly thanks to the deployment of some Eu0.5bn in investments. The group is targeting net profit of Eu350mn in 2026 (6% CAGR) and Eu375mn in 2028 (5% CAGR). On the balance sheet, the NFP/EBITDA ratio is foreseen increasing to remain broadly stable until 2026 before trending down to 3.1x in 2028.
- Dividend policy pointing to 6.7% average yield during the plan period.** Management committed to the distribution of over Eu1.0bn (accrual-based) during the plan period, with an annual increase of +4% in DPS from Eu0.88 in 2023.
- FY23 results and 2024 guidance.** FY23 numbers closed on a positive note, with EBITDA at Eu1,391 (vs. Eu1,371mn), net income at Eu294mn, net debt at Eu4,847mn and Eu1,143mn of CapEx. Looking at 2024, guidance points to EBITDA growth of 3-5% (to a Eu1,433-Eu1,461mn range), which does not include any quality premium in Water, net investments at Eu1.1bn (plus c.Eu100mn from Foni) and net debt / EBITDA at 3.5x.
- Change in estimates and target price.** We are broadly confirming our EBITDA and net income estimates over the years covered by the plan (EPS +1% on average), while raising cash flow generation marginally (slightly lower 2028 net debt despite slightly higher CapEx). On DPS, we are lifting our CAGR to 4% from a slightly higher base in line with the new dividend policy. Our target improves slightly to Eu15.5 on better cash flow expectations.
- NEUTRAL confirmed (TP Eu15.5):** we believe new management's update to the business plan represented a good opportunity to redirect focus to the stock, especially considering the numerous opportunities emerging in sectors such as Water and Waste, and we appreciate the "diligent" approach to growth with a focus on financial structure and dividend distribution. At the same time, we confirm our NEUTRAL recommendation based on the relatively limited upside to our target price.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	5,304	4,648	4,188	4,097	4,138
EBITDA Adj (Eu mn)	1,191	1,300	1,374	1,433	1,514
Net Profit Adj (Eu mn)	300	294	315	323	334
EPS New Adj (Eu)	1.407	1.380	1.479	1.518	1.568
EPS Old Adj (Eu)	1.406	1.383	1.487	1.501	1.559
DPS (Eu)	0.851	0.851	0.885	0.920	0.957
EV/EBITDA Adj	7.0	6.3	6.5	6.4	6.3
EV/EBIT Adj	14.7	13.5	13.6	13.4	13.1
P/E Adj	10.2	10.4	9.7	9.5	9.1
Div. Yield	5.9%	5.9%	6.2%	6.4%	6.7%
Net Debt/EBITDA Adj	3.7	3.7	3.7	3.7	3.7

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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 of 5.5% are being used.

Frequency of research: quarterly.

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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;

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BUY:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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