ACEA

NEUTRAL

Sector: Utilities

Price: Eu17.61 - **Target: Eu19.50**

Positive Cash Flow Generation and Solid FY25 Guidance

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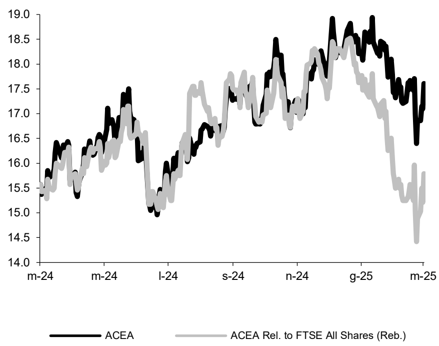
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 18.50 to 19.50
	2025E	**2026E**	**2027E**
Chg in Adj EPS	0.8%	1.1%	1.5%

ACEA - 12M Performance



Stock Data			
Reuters code:			ACE.MI
Bloomberg code:			ACE IM
Performance	**1M**	**3M**	**12M**
Absolute	0.8%	-2.4%	13.1%
Relative	0.7%	-10.9%	1.4%
12M (H/L)			18.94/14.96
3M Average Volume (th):			131.03

Shareholder Data	
No. of Ord shares (mn):	213
Total no. of shares (mn):	213
Mkt Cap Ord (Eu mn):	3,750
Total Mkt Cap (Eu mn):	3,750
Mkt Float - Ord (Eu mn):	941
Mkt Float (in %):	25.1%
Main Shareholder:	
Council of Rome	51.0%

Balance Sheet Data	
Book Value (Eu mn):	2,242
BVPS (Eu):	12.42
P/BV:	1.4
Net Financial Position (Eu mn):	-5,038
Enterprise Value (Eu mn):	9,393

- **4Q24 results above expectations.** Yesterday, ACEA recorded a set of positive 4Q24 results, above our expectations at the P&L level and in terms of cash generation. Recurring EBITDA closed at Eu385mn (+13% YoY; +4% vs expectations) and recurring net income at Eu56mn, some 10% below our expectations due to higher provisions and write-offs (one-off items). On the balance sheet, net debt closed at Eu4,954mn (Eu5,071mn exp.) on the back of Eu350mn in net CapEx (+35% YoY and vs Eu250mn exp.) and tight control of WC. Proposed a DPS of Eu0.95 (+8% YoY) vs Eu0.92 expected.
- **Divisional breakdown.** The Commercial business saw EBITDA rise 55% YoY to Eu74mn (2x above exp.), reflecting a continuation of the recovery of profitability but also a Eu27mn one-off (excluding this, EBITDA would have been flat YoY); at Power generation, EBITDA rose to Eu9mn, showing a recovery after the previous quarters were hit by the reduction in electricity prices and poor hydro volumes, while Energy infrastructure increased 11% to Eu107mn (5% above exp.) thanks to the rise in allowed returns and RAB growth; at Water, reported EBITDA was down 5% YoY to Eu206mn (in line) but was up 20% YoY when adjusting for the deconsolidation of Acquedotto del Fiora (Eu20mn) and by adjusting 4Q23, which benefited from Eu29mn of quality premiums; at the Environment division, EBITDA was down 41% YoY to Eu12mn (37% below expectations) due to lower prices of electricity sold at WTE plants and lower recycling margins.
- **2025 guidance.** Management conservatively pointed to EBITDA +2%/+3% YoY vs the 2024 restated figure of Eu1,428mn (net of non-recurring items, excluding the contribution of the HV grid and consolidating Acquedotto del Fiora using the equity method), which means a range of Eu1,457mn to Eu1,471mn (just adding 6 months of HV grid would add Eu12mn). Net investments are seen at Eu1.2bn and net debt/EBITDA at 3.4-3.5x, equal to Eu5.05bn at the mid-point.
- **Main pointers from the confcall.** Working capital: the positive effect seen in 4Q24 will be partly reabsorbed in 1H25 while the positive effect from fiscal bonuses will be repeated in 2025; M&A: management confirmed that the energy commercial portfolio could be part of asset rotation but no new developments at the moment; regarding gas networks that will come to the market, Acea will look at the opportunity. New business plan: an update to the BP will probably be presented in the second part of the year.
- **Estimates and target price.** We broadly confirm our 2025-26 estimates and are now positioned slightly ahead of guidance for EBITDA. Our TP moves to Eu19.50 (from Eu18.50), mostly thanks to the improved cash flow estimates; the TP is still calculated on a 50/50 combination of a DCF model and a multiple-based approach.
- **NEUTRAL confirmed, target Eu19.50 (from Eu18.50).** 4Q24 results showed a continuation of the group's very solid performance, with a particularly positive performance in terms of cash flow generation. The company benefits from the numerous opportunities emerging in sectors such as Water and Waste, and we appreciate the diligent approach to growth in the group's strategy. At the same time, we confirm our NEUTRAL recommendation based on the limited upside to our target price and preference for cheaper names such as Enel and Iren.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	4,627	4,294	4,218	4,204	4,236
EBITDA Adj (Eu mn)	1,267	1,425	1,395	1,471	1,549
Net Profit Adj (Eu mn)	294	330	343	359	374
EPS New Adj (Eu)	1.380	1.548	1.612	1.684	1.754
EPS Old Adj (Eu)	1.380	1.613	1.600	1.665	1.728
DPS (Eu)	0.880	0.950	0.988	1.027	1.068
EV/EBITDA Adj	6.5	6.3	6.7	6.5	6.3
EV/EBIT Adj	13.5	12.8	13.6	13.2	12.8
P/E Adj	12.8	11.4	10.9	10.5	10.0
Div. Yield	5.0%	5.4%	5.6%	5.8%	6.1%
Net Debt/EBITDA Adj	3.8	3.5	3.6	3.5	3.4

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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.
Reports on all companies listed on the S&PMIB40 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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BUY:	30.60 %
OUTPERFORM:	43.28 %
NEUTRAL:	26.12 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 December 2024 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (71 in total) is as follows:

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NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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