

# ACEA

Sector: Utilities

**NEUTRAL**

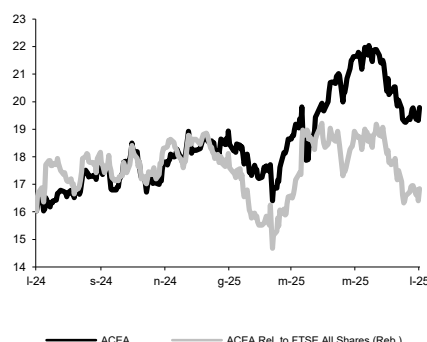
Price: Eu19.79 - Target: Eu22.00

## Solid 2Q25 Numbers, FY25 Guidance Improved

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 20.00 to 22.00		
	2025E	2026E	2027E
Chg in Adj EPS	0.8%	0.4%	1.3%

ACEA - 12M Performance



Stock Data			
Reuters code:	ACE.MI		
Bloomberg code:	ACE IM		
Performance	1M	3M	12M
Absolute	-5.0%	0.6%	23.5%
Relative	-8.0%	-9.9%	5.9%
12M (H/L)	22.04/16.03		
3M Average Volume (th):	112.41		

Shareholder Data	
No. of Ord shares (mn):	213
Total no. of shares (mn):	213
Mkt Cap Ord (Eu mn):	4,215
Total Mkt Cap (Eu mn):	4,215
Mkt Float - Ord (Eu mn):	1,058
Mkt Float (in %):	25.1%
Main Shareholder:	
Council of Rome	51.0%

Balance Sheet Data	
Book Value (Eu mn):	2,269
BVPS (Eu):	12.57
P/BV:	1.6
Net Financial Position (Eu mn):	-5,091
Enterprise Value (Eu mn):	9,536

- **2Q25 results.** ACEA's 2Q25 results were better than expected on the P&L, but slightly worse in terms of CF generation. After excluding ACEA Energia, recurring EBITDA closed at Eu369mn (+12% YoY; +7% vs. expectations) and recurring net income at Eu106mn (+40% YoY, +16% vs exp.) including some Eu17mn from the discontinued operations of Acea Energia. On the balance sheet, net debt closed at Eu5,401mn (we expected Eu5,518mn but with the deconsolidation of Eu200mn in cash from Acea Energia which did not occur) on the back of Eu311mn in net CapEx (+21% YoY and vs. Eu278mn exp.), the payment of the dividend, and a slight expansion in WC.
- **Divisional breakdown.** Power Generation EBITDA rose to Eu18mn, showing growth in generation margins thanks to higher hydroelectric volumes, while Energy Infrastructure increased 1% to Eu118mn, with lower allowed returns counterbalanced by RAB growth; at Water, EBITDA was up 28% YoY to Eu232mn (including one-off quality premiums for Eu25mn, also included in the new guidance), while at the Environment division, EBITDA was down 10% YoY to Eu20mn.
- **2025 guidance updated and revised upwards.** Management updated guidance to exclude results from Acea Energia, which is subject to sale, while also improving EBITDA growth forecasts. Recurring EBITDA is now seen up +6%/+8% compared with the 2024 restated figure of Eu1,276mn (ex Acea Energia and adding the contribution from the High Voltage grid for the first six months), net investments are seen at c.Eu1.2bn of grants), and pro-forma net debt / EBITDA is seen at 3.4/3.5x (both confirmed).
- **Main pointers from the conference call.** Working capital: management confirmed that the positive impact seen in 4Q24 has been reabsorbed in 1H25, with normalisation expected by year-end; Acea Energia: the decision to sell the business came partly from the increased competition, with increasing market concentration from a few operators. Management believes the valuation is fair, especially looking at EV/customer base. The earn-out is linked to performance parameter trends until closing, with a lot depending on the competitive environment. New business plan: an update to the BP will be presented at the end of the year or the beginning of 2026.
- **Estimates and target price.** Despite not affecting the group's bottom line, the deconsolidation of Acea Energia has a negative impact on EBITDA, while reported net debt is also unaffected, meaning the reported net debt/EBITDA ratio will remain inflated until the cash in from ENI + deconsolidation of cash occur for a total positive impact of ca. Eu400mn (we have adjusted EV/EBITDA multiples to take that into account). Our TP moves to Eu22.0, mostly on the back of the 50bp reduction in the ERP used by our Research Team (the TP is still calculated based on equal considerations of a DCF model and a multiples-based approach).
- **NEUTRAL confirmed; target Eu22.00 (from Eu20.00).** 2Q25 results showed a continuation of the group's very solid performance: 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.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	4,627	4,294	3,194	3,223	3,344
EBITDA Adj (Eu mn)	1,267	1,425	1,267	1,340	1,419
Net Profit Adj (Eu mn)	294	330	357	369	384
EPS New Adj (Eu)	1.380	1.548	1.677	1.734	1.802
EPS Old Adj (Eu)	1.380	1.548	1.663	1.726	1.779
DPS (Eu)	0.880	0.950	0.988	1.027	1.068
EV/EBITDA Adj	6.5	6.3	7.5	7.3	7.0
EV/EBIT Adj	13.5	12.8	14.6	14.6	14.1
P/E Adj	14.3	12.8	11.8	11.4	11.0
Div. Yield	4.4%	4.8%	5.0%	5.2%	5.4%
Net Debt/EBITDA Adj	3.8	3.5	4.0	3.9	3.8

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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 FTSEMIIB40 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 newswell.

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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 25 July 2025 Intermonte's Research Department covered 134 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.84%
OUTPERFORM:	38.06%
NEUTRAL:	29.10%
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 (79 in total) is as follows:

BUY:	53.16%
OUTPERFORM:	29.11%
NEUTRAL:	17.73%
UNDERPERFORM:	00.00%
SELL:	00.00%

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