

# ERG

Sector: *Utilities*

# NEUTRAL

Price: Eu19.20 - Target: Eu21.50

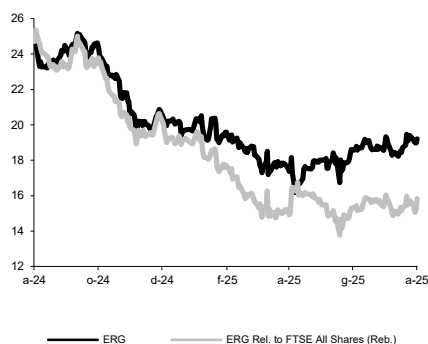
## Results Better, FY25 Guidance Confirmed

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### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 20.00 to 21.50		
	2025E	2026E	2027E
Chg in Adj EPS	-2.8%	1.2%	1.2%

### ERG - 12M Performance



### Stock Data

Reuters code:	ERG.MI		
Bloomberg code:	ERG IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	2.0%	6.6%	-22.3%
Relative	1.0%	0.3%	-43.5%
12M (H/L)	25.16/16.17		
3M Average Volume (th):	347.13		

### Shareholder Data

No. of Ord shares (mn):	150
Total no. of shares (mn):	150
Mkt Cap Ord (Eu mn):	2,886
Total Mkt Cap (Eu mn):	2,886
Mkt Float - Ord (Eu mn):	1,053
Mkt Float (in %):	36.5%
Main Shareholder:	
Garrone family	62.5%

### Balance Sheet Data

Book Value (Eu mn):	2,177
BVPS (Eu):	14.48
P/BV:	1.3
Net Financial Position (Eu mn):	-2,129
Enterprise Value (Eu mn):	5,122

■ **2Q25 results.** On the macro front, electricity and gas prices were down QoQ in 2Q25, with EU CO2 prices also slightly lower QoQ. On the generation side, Italian hydroelectric volumes were down 22% YoY, Solar was up 28% YoY, while Wind and Thermal were broadly stable. In this context, ERG reported better-than-expected figures, thanks primarily to higher margins in Wind Abroad (higher selling prices) and Solar Italy (higher production). Looking at the operational data, ERG wind production reached 556GWh in Italy (-1% YoY, vs. exp. 565GWh), and 822GWh abroad (flat YoY, vs. exp. 830GWh); solar 98GWh in Italy (+24% YoY, vs. exp. 80GWh), and 244GWh abroad (-5% YoY, vs. exp. 270GWh). Moving to the P&L, Group adj. EBITDA closed at Eu128mn (+10% YoY, vs. exp. Eu121mn) while adj. net income closed at Eu34mn (+23% YoY, vs. exp. Eu30mn). On the balance sheet, net debt pre-IFRS16 increased to Eu1,949mn (post-IFRS16 Eu2,179mn) from Eu1,793mn as at the end of March, following the dividend payment (Eu147mn).

■ **Divisional results.** Looking at the various segments, EBITDA came to Eu51mn at Wind Italy (flat YoY, vs. exp. Eu53mn, flattish volumes, lower selling prices, higher green certificate value), Eu34mn at Solar Italy (+17% YoY, vs. exp. Eu31mn, higher volumes), Eu41mn at Wind Abroad (+23% YoY, vs. exp. Eu34mn, higher average selling prices in a context of flattish volumes) and Eu7mn at Solar Abroad (flat YoY, vs. exp. Eu8mn, additional capacity, offset by lower sales prices in Spain).

■ **2025 guidance confirmed:** ERG confirmed its guidance, with EBITDA (post-IFRS16) still projected in the Eu540-600mn range, assuming 'normalised' production in 2H25. Looking at the different areas, for Wind Italy, ERG now projects slightly lower margins vs. 2024 (vs. previous slightly higher), with the full contribution from the Repowered farms that came into operation in 2024 and the higher GRIN incentive offset by the poor load factors recorded YtD and lower prices achieved from the forward hedges carried out in 2024; for Solar Italy, margins are projected up YoY (vs. previous slightly higher), thanks to higher volumes. Abroad, Wind is expected to increase significantly vs. 2024 (confirmed) thanks to additional capacity in US, France and UK, while Solar is expected to be in line with 2024 (confirmed), with additional capacity in the US offset by lower prices captured in Spain. CapEx is confirmed at Eu190-240mn with YE25 net debt (pre-IFRS16) between Eu1,850-1,950mn.

■ **Updated estimates and valuation.** Following 2Q25 results, we are updating our projections to reflect slightly higher margins for Wind Abroad, offset by slightly weaker ones for Wind Italy. In terms of the valuation, our TP increases to Eu21.50ps from Eu20.00ps, still calculated on a mix of DCF, SOP and market multiples.

■ **Action on the stock.** We appreciate the confirmation of FY25 EBITDA guidance, despite the very weak wind load factors recorded YtD. We continue to believe ERG represents an attractive investment proposition in the Renewables arena thanks to its solid balance sheet and high-quality asset base. However, given the current highly volatile outlook for electricity prices and interest rates, and concerns over the wind drought issue, we believe it could be too early to call a structural reversal of the strong share price correction recorded since mid-2022. We remain NEUTRAL.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	793	851	889	921	929
EBITDA Adj (Eu mn)	534	535	565	589	592
Net Profit Adj (Eu mn)	226	175	178	191	184
EPS New Adj (Eu)	1.503	1.166	1.185	1.268	1.221
EPS Old Adj (Eu)	1.503	1.166	1.219	1.253	1.207
DPS (Eu)	1.000	1.000	1.000	1.000	1.000
EV/EBITDA Adj	10.4	10.7	9.1	8.7	8.6
EV/EBIT Adj	18.2	21.2	17.7	16.7	16.9
P/E Adj	12.8	16.5	16.2	15.1	15.7
Div. Yield	5.2%	5.2%	5.2%	5.2%	5.2%
Net Debt/EBITDA Adj	3.0	3.8	3.8	3.6	3.5

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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 FTSEIMIB40 Index, most of those on the MIBEX 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:	32.84%
OUTPERFORM:	36.57%
NEUTRAL:	30.59%
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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