

ERG

Sector: Utilities

NEUTRAL

Price: Eu21.42 - Target: Eu23.50

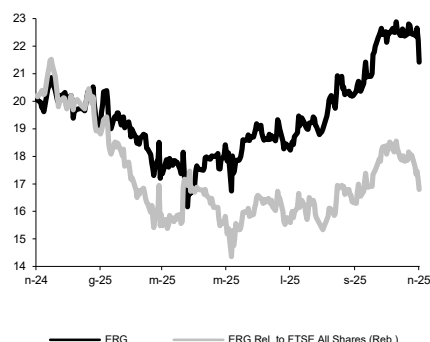
Results in Line, Guidance Confirmed

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 21.50 to 23.50		
	2025E	2026E	2027E
Chg in Adj EPS	-1.7%	-0.9%	0.4%

ERG - 12M Performance



Stock Data

Reuters code:	ERG.MI		
Bloomberg code:	ERG IM		
Performance	1M	3M	12M
Absolute	-3.3%	12.8%	6.0%
Relative	-7.5%	9.8%	-21.5%
12M (H/L)	22.88/16.17		
3M Average Volume (th):	290.34		

Shareholder Data

No. of Ord shares (mn):	150
Total no. of shares (mn):	150
Mkt Cap Ord (Eu mn):	3,220
Total Mkt Cap (Eu mn):	3,220
Mkt Float - Ord (Eu mn):	1,175
Mkt Float (in %):	36.5%
Main Shareholder:	
Garrone family	62.5%

Balance Sheet Data

Book Value (Eu mn):	2,174
BVPS (Eu):	14.46
P/BV:	1.5
Net Financial Position (Eu mn):	-2,132
Enterprise Value (Eu mn):	5,353

■ **3Q25 results.** On the macro front, looking at the domestic market, electricity prices increased QoQ, while on the production side, wind load factors showed a clear improvement after very poor figures recorded in 2024; solar continued to grow YoY, supported by the continued addition of residential capacity. In this context, ERG reported results in line with our expectations. Looking at the operational data, ERG wind production reached 524GWh in Italy in the quarter (+32% YoY, vs. exp. 510GWh), and 713GWh abroad (+4% YoY, vs. exp. 730GWh); solar 98GWh in Italy (+30% YoY, vs. exp. 85GWh), and 255GWh abroad (-3% YoY, vs. exp. 263GWh). Moving to the P&L, Group adj. EBITDA closed at Eu119mn (+10% YoY, in line) while adj. net income closed at Eu27mn (+11% YoY, in line). On the balance sheet, net debt pre-IFRS16 declined slightly to Eu1,882mn (post-IFRS16 Eu2,120mn) from Eu1,949mn as at the end of June.

■ **Divisional results.** Looking at the various segments, EBITDA came to Eu47mn at Wind Italy (+24% YoY, in line, higher volumes, lower selling prices partly offset by higher GRIN incentive), Eu34mn at Solar Italy (+25 YoY, vs. exp. Eu33mn, higher volumes), Eu34mn at Wind Abroad (+6% YoY, vs. exp. Eu33mn, slightly higher volumes thanks to additional capacity, flattish average selling prices), and Eu9mn at Solar Abroad (-18% YoY, vs. exp. Eu11mn, lower volumes and lower sale prices in Spain).

■ **2025 guidance confirmed.** Despite unfavourable wind conditions in 1H25, the partial recovery of wind conditions in 3Q25 and the assumption of a 4Q25 in line with historical averages led to ERG confirming its FY25 guidance, with EBITDA (post-IFRS16) projected at the midpoint of the Eu540-600mn range. Looking at the different areas, for Wind Italy, ERG now projects flattish margins vs. 2024 (vs. previous slightly lower), with the full contribution of the repowered farms that came into operation in 2024, the higher value of the GRIN incentive, and the higher volumes expected for the year, partly offset by the lower prices achieved from the forward hedges in 2024. For Solar Italy, margins are projected up slightly YoY (vs. previous up) thanks to higher volumes from the revamping and repowering carried out in 2024, partly offset by lower prices captured from forward hedges made during 2024. Abroad, Wind is expected to increase significantly vs. 2024 (confirmed) thanks to additional capacity in the US, France and UK, while Solar is expected to decrease slightly vs. 2024 (vs. previous in line), with additional capacity in the US offset by lower volumes and 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.** We have merely fine-tuned our 2025 projections. For 2026 and the following years, we have slightly increased our EBITDA projections to reflect slightly higher electricity prices. By contrast, 2025-26 net income projections have been trimmed to reflect higher net financial charges. As for the valuation, our TP increases to Eu23.50ps from Eu21.50ps, still calculated on a mix of DCF (lower risk-free rate, -50bp to 3.5%), SOP and market multiples.

■ **Action on the stock.** We continue to believe ERG represents an attractive investment proposition in the Renewables arena. However, given the current uncertainties on returns on new investments, in particular in the wind segment, we believe it could be too early to become structurally positive on the stock. We remain NEUTRAL.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	793	851	886	925	935
EBITDA Adj (Eu mn)	534	535	567	597	602
Net Profit Adj (Eu mn)	226	175	175	189	184
EPS New Adj (Eu)	1.503	1.166	1.164	1.256	1.226
EPS Old Adj (Eu)	1.503	1.166	1.185	1.268	1.221
DPS (Eu)	1.000	1.000	1.000	1.000	1.000
EV/EBITDA Adj	10.4	10.5	9.4	8.9	8.8
EV/EBIT Adj	18.2	20.7	18.4	17.0	17.1
P/E Adj	14.2	18.4	18.4	17.1	17.5
Div. Yield	4.7%	4.7%	4.7%	4.7%	4.7%
Net Debt/EBITDA Adj	3.0	3.8	3.8	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 between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIB40 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:	32.06%
OUTPERFORM:	37.40%
NEUTRAL:	29.78%
UNDERPERFORM:	00.76%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (77 in total) is as follows:

BUY:	50.65%
OUTPERFORM:	29.87%
NEUTRAL:	18.18%
UNDERPERFORM:	01.30%
SELL:	00.00%

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