

ERG

Sector: Utilities

NEUTRAL

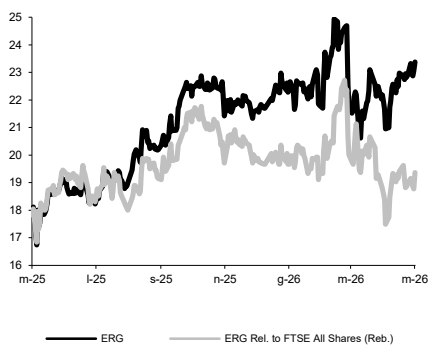
Price: Eu23.38 - Target: Eu24.50

Robust Start to the Year, Improving Confidence on FY Guidance

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 23.50 to 24.50		
	2026E	2027E	2028E
Chg in Adj EPS	6.0%	6.1%	5.4%

ERG - 12M Performance



Stock Data			
Reuters code:	ERG.MI		
Bloomberg code:	ERG IM		
Performance	1M	3M	12M
Absolute	6.8%	7.2%	31.1%
Relative	4.5%	-0.1%	10.4%
12M (H/L)	24.94/16.74		
3M Average Volume (th):	425.64		

Shareholder Data	
No. of Ord shares (mn):	150
Total no. of shares (mn):	150
Mkt Cap Ord (Eu mn):	3,514
Total Mkt Cap (Eu mn):	3,514
Mkt Float - Ord (Eu mn):	1,283
Mkt Float (in %):	36.5%
Main Shareholder:	
Garrone family	62.5%

Balance Sheet Data	
Book Value (Eu mn):	1,998
BVPS (Eu):	13.29
P/BV:	1.8
Net Financial Position (Eu mn):	-2,242
Enterprise Value (Eu mn):	5,713

ERG reported robust 1Q26 results, well above our expectations, thanks primarily to higher Wind production in Italy and a stronger contribution from Wind UK. In terms of guidance for 2026, ERG confirmed EBITDA between Eu520-590mn, with Wind Italy seen slightly up, Solar Italy slightly down, Wind Abroad up, and Solar Abroad flattish. During the call ERG top management highlighted quite weak wind conditions in April, countered by potential tailwinds from current high electricity prices. We remain NEUTRAL on the stock, raising the target price slightly to Eu24.50.

■ **1Q26 results.** ERG reported robust 1Q26 results, well above our expectations, thanks primarily to higher Wind production in Italy and a stronger contribution from Wind UK. Looking at the operational data, ERG wind production reached 897GWh in Italy (+21% YoY, vs. exp. 815GWh) and 1,179GWh abroad (+12% YoY, vs. exp. 1,150GWh); solar 45GWh in Italy (+7% YoY, vs. exp. 42GWh), and 117GWh abroad (-13% YoY, vs. exp. 132GWh). Moving to the P&L, Group adj. EBITDA closed at Eu167mn (+15% YoY, vs. exp. Eu147mn) while adj. net income closed at Eu61mn (+24% YoY, vs. exp. Eu46mn). The Eu23mn YoY EBITDA growth recorded in 1Q26 reflects increased installed capacity (Eu12mn) and higher generation (Eu29mn), partly offset by lower captured prices (Eu-12mn) mainly due to lower hedged prices, as well as extraordinary weather events in US (Eu-6mn). On the balance sheet, net debt pre-IFRS16 closed at Eu1,812mn (post-IFRS16 Eu2,059mn) below our expectations (Eu1,905mn and Eu2,145mn respectively).

■ **Divisional results.** Looking at the various segments, Wind Italy reported EBITDA of Eu83mn (+15% YoY, vs. exp. Eu73mn) thanks to higher wind resource, partly offset by lower selling prices and lower GRIN incentive; Solar Italy closed at Eu14mn (-1% YoY, in line) with improved solar irradiation and the contribution from sites subject to revamping and repowering offset by lower captured prices. Wind Abroad closed at Eu73mn (+19% YoY, vs. exp. Eu63mn) thanks to higher wind resource in France and UK. Specifically, UK reported EBITDA of Eu25mn (+Eu17mn YoY) mainly driven by the contribution of new assets (+Eu11mn), while US was affected by extraordinary weather (Eu-6mn); finally Solar Abroad closed at Eu2mn (-1% YoY, vs. exp. Eu3mn) penalised by lower solar irradiation in all countries and lower captured prices in Spain.

■ **2026 guidance confirmed.** In terms of guidance for 2026, ERG confirmed the targets presented along with 4Q25 results in mid-March. Group EBITDA (post-IFRS16) continues to be seen at Eu520-590mn, with Wind Italy up slightly, Solar Italy down slightly, Wind Abroad up, and Solar Abroad flattish. Group CapEx was confirmed at Eu330-380mn and YE26 net debt (pre-IFRS16) at between Eu1,950-2,050mn. During the call ERG's top management highlighted quite weak wind conditions in April, countered by potential tailwinds from persistently high electricity prices.

■ **Updated estimates and valuation.** Following the better-than-expected results recorded in 1Q26, we are lifting our FY26 EBITDA projections by 2%, reflecting higher numbers for both Wind Italy and Wind Abroad. On the bottom line, this translates into a 6% EPS increase. As for the valuation, we are raising our target price slightly from Eu23.50ps to Eu24.50ps, still based on a mix of DCF, SOP and market multiple models.

Key Figures & Ratios	2024A	2025A	2026E	2027E	2028E
Sales (Eu mn)	733	744	748	738	743
EBITDA Adj (Eu mn)	535	540	571	556	558
Net Profit Adj (Eu mn)	175	155	166	149	143
EPS New Adj (Eu)	1.166	1.032	1.103	0.993	0.953
EPS Old Adj (Eu)	1.166	1.032	1.041	0.936	0.904
DPS (Eu)	1.000	1.000	1.000	1.000	1.000
EV/EBITDA Adj	10.4	9.3	10.0	10.2	10.1
EV/EBIT Adj	20.6	19.1	20.0	21.5	22.2
P/E Adj	20.1	22.6	21.2	23.5	24.5
Div. Yield	4.3%	4.3%	4.3%	4.3%	4.3%
Net Debt/EBITDA Adj	3.8	3.9	3.9	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 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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As at 18 May 2026 Intermonte's Research Department covered 136 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.35%
OUTPERFORM:	39.71%
NEUTRAL:	27.94%
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 (80 in total) is as follows:

BUY:	53.75%
OUTPERFORM:	28.75%
NEUTRAL:	16.25%
UNDERPERFORM:	01.25%
SELL:	00.00%

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