

# ERG

Sector: Utilities

# NEUTRAL

Price: Eu17.83 - Target: Eu20.00

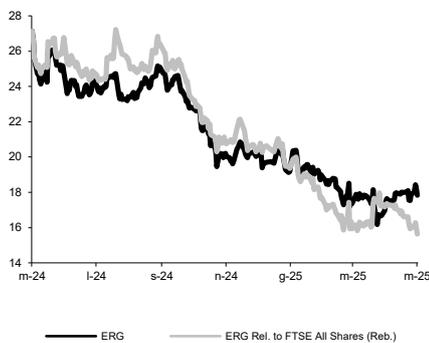
## Weak Quarter, As Expected, But FY25 Guidance Confirmed

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### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2025E	2026E	2027E
Chg in Adj EPS	-1.1%	0.0%	0.1%

### 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	1.9%	-5.6%	-34.3%
Relative	-10.8%	-12.0%	-48.3%
12M (H/L)	26.60/16.17		
3M Average Volume (th):	423.94		

### Shareholder Data

No. of Ord shares (mn):	150
Total no. of shares (mn):	150
Mkt Cap Ord (Eu mn):	2,680
Total Mkt Cap (Eu mn):	2,680
Mkt Float - Ord (Eu mn):	978
Mkt Float (in %):	36.5%
Main Shareholder:	
Garrone family	62.5%

### Balance Sheet Data

Book Value (Eu mn):	2,182
BVPS (Eu):	14.52
P/BV:	1.2
Net Financial Position (Eu mn):	-2,123
Enterprise Value (Eu mn):	4,906

■ **1Q25 results.** From a macro standpoint, both electricity and gas prices rose further QoQ in 1Q25, with EU CO<sub>2</sub> prices also increasing. Looking at the domestic market in particular, the electricity PUN averaged Eu138/MWh (+8% QoQ, +50% YoY), while on the production side, both hydro and wind were down (-17% and -19% YoY respectively), while solar and thermal up (+14% YoY and +17% YoY). In this context, ERG reported lower YoY figures, with poor wind load factors and lower average selling prices not fully offset by capacity additions. In detail, wind production reached 743GWh in Italy (-11% YoY, vs. exp. 720GWh), and 1,056GWh abroad (+9% YoY, vs. exp. 1,065GWh). Moving to the P&L, Group adj. EBITDA closed at Eu145mn (-12% YoY, vs. exp. Eu150mn) while adj. net income amounted to Eu49mn (-36% YoY, vs. exp. Eu53mn), partly penalised by higher depreciation and net financial charges. Moving to the balance sheet, net debt pre-IFRS16 increased slightly to Eu1,854mn (post-IFRS16 Eu2,005mn) from Eu1,793mn at the end of December, also reflecting M&A cash-outs (Eu72mn related to the acquisition of Broken Cross wind farm in Scotland).

■ **Divisional results.** Looking at the various segments, EBITDA came to Eu72mn at Wind Italy (-15% YoY, vs. exp. Eu73mn, lower volumes); Eu14mn at Solar Italy (-7% YoY, vs. exp. Eu15mn, lower forward sales prices), Eu61mn at Wind Abroad (-8% YoY, vs. exp. Eu64mn, lower volumes, partly offset by additional capacity) and Eu3mn at Solar Abroad (+10% YoY, in line, additional capacity, substantially offset by lower sales prices in Spain).

■ **2025 guidance confirmed:** ERG confirmed the guidance released along with FY24 results. The group EBITDA target (post-IFRS16) remains at Eu540-600mn. During the call, the ERG CEO highlighted that April wind load factors were still quite weak, below historical averages, albeit slightly better than was recorded in 1Q25. Assuming 'normalised' production in the coming months, ERG expects to be able to approach the mid-point of EBITDA guidance. Looking at the different areas, for Wind Italy, ERG projects slightly higher margins vs. 2025 (full contribution from the Repowering farms that came into operation in 2024; GRIN incentive at Eu55/MWh vs. Eu42/MWh in 2024, partly offset by the lower prices achieved from the forward hedges carried out in 2024); for Solar Italy, margins are projected up slightly YoY (higher volumes, partly offset by lower prices). Abroad, Wind is expected to increase significantly vs. 2025 (additional capacity in US, France and UK), while Solar is expected to be largely in line with 2025 (additional capacity in 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 1Q results, we are only fine-tuning our projections to reflect slightly weaker margins for Wind Abroad. In terms of the valuation, we confirm our target price of Eu20.0ps, still based on DCF, market multiples and SOP.

■ **Action on the stock.** We still 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 growing concerns over the wind drought issue, we do not expect the stock's current significant valuation discount to be enough to drive a reversal in its performance in the short term. We remain NEUTRAL.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	793	851	904	921	929
EBITDA Adj (Eu mn)	534	535	569	583	587
Net Profit Adj (Eu mn)	226	175	183	188	182
EPS New Adj (Eu)	1.503	1.166	1.219	1.253	1.207
EPS Old Adj (Eu)	1.503	1.165	1.233	1.253	1.207
DPS (Eu)	1.000	1.000	1.000	1.000	1.000
EV/EBITDA Adj	10.4	10.7	8.6	8.4	8.3
EV/EBIT Adj	18.2	21.2	16.9	16.5	16.6
P/E Adj	11.9	15.3	14.6	14.2	14.8
Div. Yield	5.6%	5.6%	5.6%	5.6%	5.6%
Net Debt/EBITDA Adj	3.0	3.8	3.7	3.6	3.5

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- 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)

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Frequency of research: quarterly.

Reports on all companies listed on the S&P500 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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As at 31 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM:	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM:	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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