Milan, 13 November 2025

Italian Equity Research – 3Q25 Results

HERA

NEUTRAL

Sector: Utilities

Price: Eu3.94 - **Target: Eu4.50**

Solid Quarter Raises Visibility on FY Numbers

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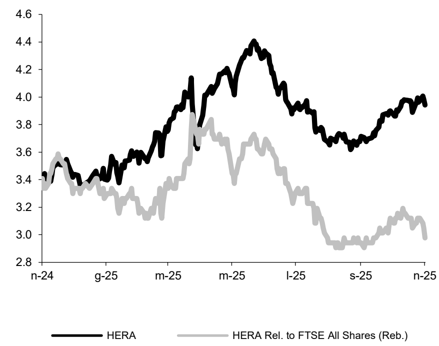
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 4.30 to 4.50
	2025E	**2026E**	**2027E**
Chg in Adj EPS	-0.1%	0.3%	-0.1%

HERA - 12M Performance



Stock Data			
Reuters code:			HRA.MI
Bloomberg code:			HER IM
Performance	**1M**	**3M**	**12M**
Absolute	1.1%	7.5%	15.7%
Relative	-5.0%	0.9%	-17.0%
12M (H/L)			4.41/3.35
3M Average Volume (th):			2,445.69

Shareholder Data	
No. of Ord shares (mn):	1,490
Total no. of shares (mn):	1,490
Mkt Cap Ord (Eu mn):	5,872
Total Mkt Cap (Eu mn):	5,872
Mkt Float - Ord (Eu mn):	2,965
Mkt Float (in %):	50.5%
Main Shareholder:	
Municipality of Bologna	9.7%

Balance Sheet Data	
Book Value (Eu mn):	3,609
BVPS (Eu):	2.64
P/BV:	1.5
Net Financial Position (Eu mn):	-4,188
Enterprise Value (Eu mn):	10,908

- **3Q25 results were broadly in line with expectations.** In 3Q25, Hera's operating numbers were broadly in line with expectations and mainly driven by: 1) relatively Electricity Sales margins, with the negative impact from renewal of the safeguarded contract offset by expansion of unit margins for the rest of the customer base; 2) a reduction of margins at Gas Supply hit by a lower contribution from the last resort market; 3) stability in regulated energy sector activities with the update to WACC offset by the increase in RAB; 4) good growth at the Water division thanks to ongoing investments and some Eu13mn in quality premiums; 5) slight drop at the Environment division. In detail, EBITDA closed at Eu316mn (+3.5% YoY or -1% excl. water premiums; 3% above expectations), EBIT at Eu137mn (flat YoY, in line), and adj. net income at Eu65mn (+1.6% YoY; 7% below exp.). Net debt closed at Eu4,147mn (Eu4,155mn exp., NFP/EBITDA at 2.6x) on the back of Eu253mn in CapEx (+9% YoY).
- **Key messages from the call.** Supply: the market has become more competitive and Hera adjusts its commercial offers based on market conditions. The company continues to show a churn rate below the market average. In the STG segment, churn remains very low, with only 120–130k customers lost after the tender. Waste: growth, beyond scope effects, is driven by slightly higher prices (Italy remains short of capacity, while prices abroad are rising due to logistics and CO_2 costs), an expanded service offering, and higher volumes of special waste. For urban waste, plants operate under a regional framework and are therefore unaffected by the recent ARERA resolution, while on the collection side there could be some upside from potential incentive mechanisms. Financial flexibility: from an industrial standpoint, there are significant investment opportunities in waste, water, and electricity distribution. In terms of M&A, while many dossiers are being presented, Hera remains selective: potential targets exist, but valuations must enable value creation. The group could allocate up to Eu1.5bn for M&A—roughly double the amount included in the current business plan. Regarding Aimag, the willingness to reach a solution remains; updates will follow. The process involving Herambiente minority stakes is ongoing.
- **Estimates and target price.** On the back of 3Q results we are broadly confirming our estimates while our target moves from Eu4.30 to Eu4.50 thanks to the 50bp reduction in the risk-free rate (down to 3.5%) used by our Research Team (TP still calculated as a 50/50 combination of a DCF model and a multiple-based approach).
- **NEUTRAL confirmed, target Eu4.50 (from Eu4.30).** We continue to believe that the group is very well placed to benefit from its leadership in the Waste business and further growth in its retail customer base. Moreover, Hera's financial flexibility (up to Eu1.5bn) enables it to continue to seize growth opportunities in its core markets, which are still highly fragmented. At 7.0x 2026E EV/EBITDA the stock is trading broadly in line with the sector average, but the limited upside to our target price, the relatively low DY, and the lack of clear catalysts in the ST, lead us to confirm our NEUTRAL recommendation.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	15,564	13,054	12,916	12,872	13,088
EBITDA Adj (Eu mn)	1,495	1,588	1,555	1,572	1,627
Net Profit Adj (Eu mn)	375	447	464	472	488
EPS New Adj (Eu)	0.252	0.300	0.311	0.317	0.327
EPS Old Adj (Eu)	0.252	0.300	0.312	0.316	0.328
DPS (Eu)	0.140	0.150	0.155	0.160	0.165
EV/EBITDA Adj	5.3	5.6	7.0	7.0	6.9
EV/EBIT Adj	10.6	10.7	13.5	13.3	12.9
P/E Adj	15.6	13.1	12.7	12.4	12.0
Div. Yield	3.6%	3.8%	3.9%	4.1%	4.2%
Net Debt/EBITDA Adj	2.6	2.5	2.7	2.7	2.7

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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:	38.17%
NEUTRAL:	29.01%
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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