

# HERA

Sector: Utilities

## NEUTRAL

Price: Eu4.02 - Target: Eu4.20

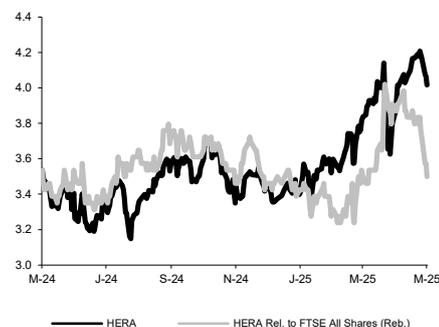
## Solid 1Q25 Consistent with FY Expectations

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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	Unchanged		
	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>Chg in Adj EPS</b>	0.1%	0.3%	0.4%

### HERA - 12M Performance



### Stock Data

Reuters code:	HRA.MI
Bloomberg code:	HER IM

Performance	1M	3M	12M
Absolute	3.9%	11.6%	13.6%
Relative	-11.3%	5.4%	-0.9%
12M (H/L)	4.21/3.15		
3M Average Volume (th):	4,050.44		

### Shareholder Data

No. of Ord shares (mn):	1,490
Total no. of shares (mn):	1,490
Mkt Cap Ord (Eu mn):	5,982
Total Mkt Cap (Eu mn):	5,982
Mkt Float - Ord (Eu mn):	3,021
Mkt Float (in %):	50.5%
Main Shareholder:	
Municipality of Bologna	9.7%

### Balance Sheet Data

Book Value (Eu mn):	3,622
BVPS (Eu):	2.66
P/BV:	1.5
Net Financial Position (Eu mn):	-4,184
Enterprise Value (Eu mn):	10,369

■ **1Q25 results broadly in line.** On the macro front, in 1Q25 both electricity and gas prices rose further QoQ, with European CO<sub>2</sub> prices also up on the previous quarter. The average PUN was Eu138/MWh (+8% QoQ, +50% YoY), while the PSV came to Eu49/MWh (+9% QoQ, +66% YoY). On generation, hydroelectricity fell (-17% YoY), with thermoelectric increasing by 17%. In this context, Hera's operating results were extremely solid, with EBITDA flattish YoY, mainly driven by: 1) reduced electricity sales margins, with the negative impact deriving from the renewal of the safeguarded contract and the acquisition of clients from the protected regime (taken on from early July, at negative margins), only partly offset by the expansion in unit margins for the remainder of the client base; 2) gas supply unit margins holding up well, with a slight increase in volumes; 3) slight growth in regulated activity, with the update of the WACC more than offset by increased RAB; 4) slight growth in the Environment division, partly thanks to higher prices for WTE electricity generation. In more detail: 1Q25 EBITDA closed at Eu418mn (flat YoY and in line with expectations), EBIT at Eu247mn (flat YoY, in line), and adj. net income at Eu154mn (+7.4% YoY; 4.5% above forecasts) affected positively by much lower financial charges (lower factoring costs). Net debt closed at Eu3,897mn (Eu3,882mn expected, NFP/EBITDA at 2.45x) on the back of Eu166mn in CapEx (+11% YoY) and an expansion of c.Eu80mn in working capital.

■ **Key messages from the conference call.** Supply business: as things stand, management does not perceive any particular tension on the market, although the competition is becoming increasingly active; Financial charges: positive impact in the quarter both from one-off elements (ca. Eu5mn) and the ongoing financial optimisation that is set to continue in the coming quarters; Waste: FY25 volumes are expected to grow in spite of the small drop recorded in 1Q25 (c.-2% in both the urban waste and waste treatment segments, also affected by a temporary shutdown at a WTE) and consistently high prices, similar to 2024.

■ **Estimates and target price.** On the back of 1Q results we are confirming our estimates in full. Our Eu4.20 target price, still calculated as a 50/50 combination of a DCF model and a multiple-based approach, is also confirmed.

■ **NEUTRAL confirmed (target Eu4.20).** 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 (over Eu1.0bn) enables it to continue to seize growth opportunities in its core markets, which are still highly fragmented. The stock does not look expensive (at 6.5x 2025E EV/EBITDA, a multiple 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, make us confirm our NEUTRAL recommendation.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	15,564	13,054	12,958	12,961	13,172
EBITDA Adj (Eu mn)	1,495	1,588	1,603	1,630	1,675
Net Profit Adj (Eu mn)	375	447	480	487	496
EPS New Adj (Eu)	0.252	0.300	0.322	0.327	0.333
EPS Old Adj (Eu)	0.252	0.300	0.322	0.326	0.331
DPS (Eu)	0.140	0.150	0.155	0.160	0.165
EV/EBITDA Adj	5.3	5.6	6.5	6.4	6.3
EV/EBIT Adj	10.6	10.7	12.2	12.0	11.7
P/E Adj	15.9	13.4	12.5	12.3	12.1
Div. Yield	3.5%	3.7%	3.9%	4.0%	4.1%
Net Debt/EBITDA Adj	2.6	2.5	2.6	2.6	2.6

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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 of 5.5% are being used.

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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