

# HERA

Sector: Utilities

**NEUTRAL**

Price: Eu4.07 - Target: Eu4.40

## Plan Shows Continuity but with Improved Dividend Policy

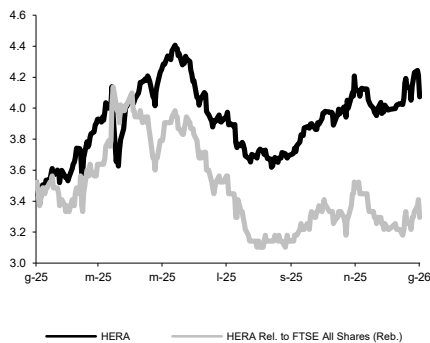
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### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 4.50 to 4.40		
	2025E	2026E	2027E
Chg in Adj EPS	-0.4%	-1.2%	-1.7%

### HERA - 12M Performance



### Stock Data

Reuters code:	HRA.MI
Bloomberg code:	HER IM

Performance	1M	3M	12M
Absolute	1.3%	2.7%	15.6%
Relative	1.6%	-1.8%	-8.0%
12M (H/L)	4.41/3.38		
3M Average Volume (th):	3,212.12		

### Shareholder Data

No. of Ord shares (mn):	1,490
Total no. of shares (mn):	1,490
Mkt Cap Ord (Eu mn):	6,068
Total Mkt Cap (Eu mn):	6,068
Mkt Float - Ord (Eu mn):	3,065
Mkt Float (in %):	50.5%
Main Shareholder:	
Municipality of Bologna	9.7%

### Balance Sheet Data

Book Value (Eu mn):	3,790
BVPS (Eu):	2.80
P/BV:	1.5
Net Financial Position (Eu mn):	-4,292
Enterprise Value (Eu mn):	11,266

■ **New 2029 Business Plan.** Yesterday HERA's top management presented its 5-year rolling Strategic Plan, updated to 2029, consolidating the group's commitment to sustainable development and confirming a strategy focused on resilience, innovation, resource recovery and carbon neutrality. Sustainability remains a strategic priority, with 48% of investments directed towards increasing resilience and 35% towards the circular economy.

■ **Eu5.0bn of investments and EBITDA at Eu1.76bn for 2029.** In terms of financial targets, management indicated 2029 EBITDA of Eu1.76bn, corresponding to a 2.1% CAGR (2.6% in the previous plan) and an increase of Eu172mn vs. 2024 or +Eu348mn when adjusting 2024 numbers for the positive impact of "non-recurring" items. Of this increase, some Eu100mn will come from M&A, in line with the previous plan and including the recently-announced Sostelia acquisition. Net investments over the 5-year period is forecast at Eu5.0bn (Eu1.0bn per year, up from Eu0.92bn), including around Eu350mn for M&A (equity investment). Management expects net debt to reach Eu4.6bn at the end of 2029, including some Eu300mn in debt from M&A, for an implied debt/EBITDA ratio of 2.6x, with the ratio expected to remain below 3.0x throughout the plan period.

■ **Networks and Waste the main growth drivers.** EBITDA growth (before adjusting for one-offs) will mainly be driven by Networks and Waste, as growth in the Energy divisions will be dragged down by the exceptional results achieved in 2024 (Eu177mn from markets of last resort). Growth in Waste will be driven by an increased market share, supported by the development and diversification of the plant base (Eu1.2bn of CapEx, up from Eu1.1bn), while a Eu2.7bn investment plan in the Networks business (up from Eu2.5bn and corresponding to 54% of total CapEx) will aim to increase resilience and the digitalisation of infrastructure. The Energy division will benefit from the expansion of the client base, which is expected to reach 4.5mn in 2029 (Eu1.0bn of CapEx). EBITDA from bolt-on M&A is expected to remain an important lever, amounting to Eu100mn, of which c.20% is already in the bag thanks to the Sostelia deal.

■ **Dividend policy improved.** Management has improved the group's dividend policy, with a 2025 DPS of Eu0.16 (+6.6% YoY) and an overall CAGR of 4.8% to reach Eu0.19 per share in 2029 (4.2% average DY and 4.7% exit DY).

■ **Preliminary FY25 results below expectations.** Hera sees 2025 EBITDA at over Eu1,530mn (Eu1,557mn exp.), with a net debt/EBITDA ratio of 2.6x (net debt c.Eu4.0bn).

■ **Change in estimates.** We are trimming our 2025-2029 EPS forecasts by 1.5% on average on the back of lower-than-expected numbers for 2025 (lower contribution from last resort markets) and despite the inclusion of Sostelia. Out TP moves to Eu4.4 (from Eu4.50), still calculated based on a mix between DCF and market multiples.

■ **NEUTRAL confirmed, TP Eu4.40 (from Eu4.50).** Despite the disappointment on 2025 numbers, Hera presented a plan marked by continuity, with the bonus of an improved dividend policy. We continue to believe that the group is well placed to benefit from its leadership in the Waste business and further growth in its customer base, while the low level of indebtedness leaves the door open for further M&A. The group is trading at 7.3x 2026E EV/EBITDA, a multiple broadly in line with the sector average, while the 3.9% DY remains below average. NEUTRAL confirmed.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	15,564	13,054	12,885	12,899	13,124
EBITDA Adj (Eu mn)	1,495	1,588	1,535	1,549	1,608
Net Profit Adj (Eu mn)	375	447	462	467	479
EPS New Adj (Eu)	0.252	0.300	0.310	0.313	0.322
EPS Old Adj (Eu)	0.252	0.300	0.311	0.317	0.327
DPS (Eu)	0.140	0.150	0.160	0.165	0.170
EV/EBITDA Adj	5.3	5.6	6.9	7.3	7.1
EV/EBIT Adj	10.6	10.7	13.3	13.8	13.4
P/E Adj	16.2	13.6	13.1	13.0	12.7
Div. Yield	3.4%	3.7%	3.9%	4.1%	4.2%
Net Debt/EBITDA Adj	2.6	2.5	2.6	2.8	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 FTSEMIIB40 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 22 January 2026 Intermonte's Research Department covered 133 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.33%
OUTPERFORM:	39.10%
NEUTRAL:	27.82%
UNDERPERFORM:	00.75%
SELL:	00.00%

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:	31.08%
NEUTRAL:	14.87%
UNDERPERFORM:	01.35%
SELL:	00.00%

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