Milan, 26 March 2026

Italian Equity Research – FY25 Results

HERA

NEUTRAL

Sector: Utilities

Price: Eu3.95 - **Target: Eu4.40**

No Significant Surprises from 4Q25 Results and 2026 Outlook

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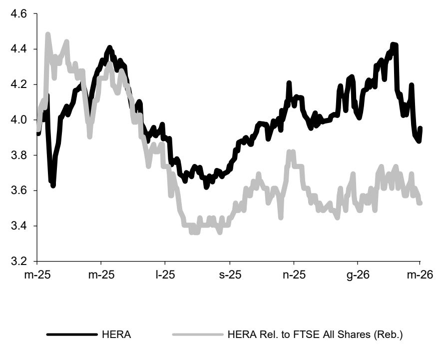
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2026E	**2027E**	**2028E**
Chg in Adj EPS	-1.2%	-1.7%	

HERA - 12M Performance



Stock Data			
Reuters code:			HRA.MI
Bloomberg code:			HER IM
Performance	**1M**	**3M**	**12M**
Absolute	-9.9%	-1.0%	0.2%
Relative	-2.7%	1.1%	-10.9%
12M (H/L)			4.43/3.62
3M Average Volume (th):			2,958.78

Shareholder Data	
No. of Ord shares (mn):	1,490
Total no. of shares (mn):	1,490
Mkt Cap Ord (Eu mn):	5,887
Total Mkt Cap (Eu mn):	5,887
Mkt Float - Ord (Eu mn):	2,973
Mkt Float (in %):	50.5%
Main Shareholder:	
Municipality of Bologna	9.7%

Balance Sheet Data	
Book Value (Eu mn):	3,911
BVPS (Eu):	2.88
P/BV:	1.4
Net Financial Position (Eu mn):	-4,199
Enterprise Value (Eu mn):	10,983

- **4Q25 overall results in line with expectations.** After communicating preliminary results back in January, yesterday Hera disclosed a definitive set of 4Q25 numbers that were broadly in line with expectations and mainly driven by: 1) lower electricity sales margins mainly due to the negative impact from renewal of the safeguarded contract; 2) a slight reduction of Gas Supply margins hit by the lower contribution from the provider of last resort market; 3) strong performance in regulated energy sector activities with the update to WACC more than offset by efficiencies and the increase in RAB; 4) good growth at the Water division thanks to ongoing investments; 5) mid-single-digit EBITDA growth at the Environment division. In detail, EBITDA closed at Eu500mn (-9% YoY; in line with expectations), EBIT at Eu283mn (-8% YoY, in line), and adj. net income at Eu170mn (+3% YoY; 2% above exp.) supported by lower provisions, financial charges and taxation. Net debt closed at Eu3,945mn (Eu4,029mn exp., NFP/EBITDA at 2.57x) on the back of Eu345mn in CapEx (+15% YoY). As already anticipated, the Board proposed a DPS of Eu0.16.
- **Key messages from the call.** Geopolitical and supply crises: the group confirmed its commercial policies, no changes are needed due to high coverage levels, just 15% of prices are fixed, and all covered. The company will closely monitor storage policies to seize any opportunities. Gas procurement: Hera has no direct supply but buys at the PSV, many spot purchases with a lot of variables contracts, the issue will be European gas availability but contracts with end-customers include *force majeure* clauses. 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. 2026 outlook: positive factors include the contributions from M&A, network growth, and waste. Among the negative elements is the loss of Eu40mn of positive one-off contributions received by networks in 2025 (only partly offset by some positive one-off items) and then the further reduction of contributions from last resort markets, which on the bottom line will lead to a further reduction of provisions. As the crisis drags on, provisions and working capital may rise slightly, but not by a significant amount. Financial flexibility and M&A: no major news to report, management is working to deliver efficiencies and synergies from Sostelia.
- **Estimates and target price.** We are only trimming our 2026-2027 EPS, factoring in the negative impact on taxation from the Energy Bills Decree (IRAP +2%), and confirming our Eu4.40 target, still calculated as a 50/50 combination of a DCF model and a multiple-based approach.
- **NEUTRAL confirmed (target Eu4.40).** 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 enables it to continue to seize growth opportunities in its core markets, which are still highly fragmented. At 7.1x 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 short-term catalysts, lead us to confirm our NEUTRAL recommendation.

Key Figures & Ratios	2024A	2025A	2026E	2027E	2028E
Sales (Eu mn)	13,054	12,735	12,935	12,923	12,991
EBITDA Adj (Eu mn)	1,588	1,537	1,541	1,599	1,659
Net Profit Adj (Eu mn)	447	464	461	471	501
EPS New Adj (Eu)	0.300	0.312	0.309	0.316	0.336
EPS Old Adj (Eu)	0.300	0.310	0.313	0.322	
DPS (Eu)	0.150	0.160	0.165	0.170	0.180
EV/EBITDA Adj	5.6	6.9	7.1	7.0	6.7
EV/EBIT Adj	10.7	13.2	13.3	13.1	12.5
P/E Adj	13.2	12.7	12.8	12.5	11.7
Div. Yield	3.8%	4.0%	4.2%	4.3%	4.6%
Net Debt/EBITDA Adj	2.5	2.6	2.7	2.7	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 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:	32.58%
OUTPERFORM:	37.12%
NEUTRAL:	30.30%
UNDERPERFORM:	00.00%
SELL:	00.00%

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OUTPERFORM:	27.27%
NEUTRAL:	16.88%
UNDERPERFORM:	01.30%
SELL:	00.00%

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