

HERA

Sector: Utilities

NEUTRAL

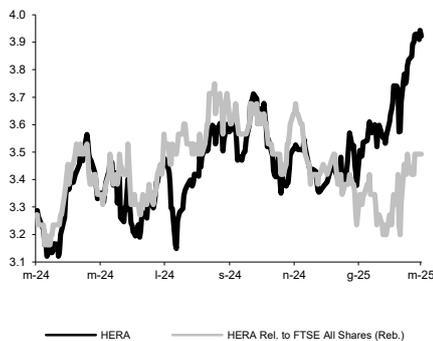
Price: Eu3.92 - Target: Eu4.20

Taking a Break After the Good Run

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Stock Rating			
Rating:	from OUTPERFORM to NEUTRAL		
Target Price (Eu):	from 4.00 to 4.20		
	2025E	2026E	2027E
Chg in Adj EPS	3.2%	4.1%	4.8%

HERA - 12M Performance



Stock Data			
Reuters code:	HRA.MI		
Bloomberg code:	HER IM		
Performance	1M	3M	12M
Absolute	7.4%	16.2%	19.9%
Relative	7.9%	1.2%	7.8%
12M (H/L)	3.94/3.12		
3M Average Volume (th):	3,118.04		

Shareholder Data	
No. of Ord shares (mn):	1,490
Total no. of shares (mn):	1,490
Mkt Cap Ord (Eu mn):	5,842
Total Mkt Cap (Eu mn):	5,842
Mkt Float - Ord (Eu mn):	2,950
Mkt Float (in %):	50.5%
Main Shareholder:	
Municipality of Bologna	9.7%

Balance Sheet Data	
Book Value (Eu mn):	3,622
BVPS (Eu):	2.65
P/BV:	1.5
Net Financial Position (Eu mn):	-4,201
Enterprise Value (Eu mn):	10,233

- Final 4Q/FY24 results: EBITDA beats expectations.** Yesterday, Hera reported its final 4Q/FY24 results which showed a stronger operating performance than the preliminary figures communicated back in January. 4Q24 EBITDA closed at Eu550mn (+13% YoY and 6% above expectations), EBIT came to Eu307mn (+30% YoY; 8% above expectations), and adj. net income was Eu164mn (+17% YoY; 1% vs. our expectations). Net debt closed at Eu3,966mn (slightly below exp, NFP/EBITDA at 2.5x) on the back of Eu299mn in CapEx (-1% YoY) and a good improvement in working capital. As communicated in January, management proposed a DPS of Eu0.15.
- Divisional EBITDA breakdown.** Gas: the division showed a 44% YoY increase to Eu263mn thanks to higher volumes and unit margins in supply activities, more than offsetting the decrease in the energy efficiency contribution (end of Superbonus); Electricity: EBITDA was Eu121mn, down 8% YoY, partly due to new “protected” customers acquired at negative margins, which entered the group’s scope from 1 July; Waste closed with EBITDA of Eu95mn (flat YoY, 6% worse) despite a still positive treatment environment; Water closed with EBITDA of Eu63mn (+1% YoY and 14% below exp.), with the impact on revenues from RAB growth partly offset by higher operating expenses.
- Key messages from the conference call.** Supply business: in the gas sector 4Q24 benefited greatly from a full recovery in shipping costs and colder temperatures; looking at 2025 there could be a normalisation of contracts following the recovery in shipping costs, while on electricity sales we can expect a reduction in the contribution from the protected regime than in 2023-2024; Financial flexibility: the group closed FY24 with a debt/ EBITDA ratio of 2.5x, guaranteeing good financial flexibility that in addition to the investments and M&A already included in the plan (the exit multiple is conservatively indicated at 2.8x), can also be used for opportunities such as extending electricity licences; Working capital: FY24 closed better than expected; in FY25 efforts will continue to reduce the time between invoicing and payment, but the impact of the integration of AIMAG will have to be assessed. Around Eu700mn of fiscal credits remain in the portfolio.
- Change in estimates.** Following 4Q24 results, we are raising our 2025-2026 EBITDA estimates by 1.5% on average and EPS by 3.5%. Thanks to the change in estimates (including a lower net debt) our target price moves from Eu4.00 to Eu4.20, and is still calculated as a 50/50 combination of a DCF model and a multiple-based approach.
- Down to NEUTRAL; target Eu4.20 (from Eu4.00).** 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. Despite the strong share price performance over the past 18 months the stock does not look expensive (at 6.4x 2025E EV/EBITDA a multiple broadly in line with the sector average) but the more limited upside to our target prices, the relatively low DY, and the lack of clear catalysts in the ST, induce us to lower our recommendation to NEUTRAL.

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	485	494
EPS New Adj (Eu)	0.252	0.300	0.322	0.326	0.331
EPS Old Adj (Eu)	0.252	0.299	0.312	0.313	0.316
DPS (Eu)	0.140	0.150	0.155	0.160	0.165
EV/EBITDA Adj	5.3	5.6	6.4	6.4	6.3
EV/EBIT Adj	10.6	10.7	11.9	11.7	11.4
P/E Adj	15.6	13.1	12.2	12.0	11.8
Div. Yield	3.6%	3.8%	4.0%	4.1%	4.2%
Net Debt/EBITDA Adj	2.6	2.5	2.6	2.7	2.6

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