

HERA

Sector: Utilities

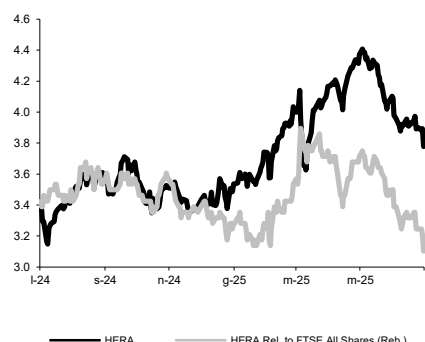
NEUTRAL
Price: Eu3.78 - Target: Eu4.30

Quarterly Results Slightly Softer Than Expected

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 4.20 to 4.30		
	2025E	2026E	2027E
Chg in Adj EPS	-3.3%	-3.3%	-1.6%

HERA - 12M Performance



Stock Data			
Reuters code:	HRA.MI		
Bloomberg code:	HER IM		
Performance	1M	3M	12M
Absolute	-7.9%	-9.3%	10.3%
Relative	-12.4%	-20.0%	-12.0%
12M (H/L)	4.41/3.15		
3M Average Volume (th):	2,737.86		

Shareholder Data	
No. of Ord shares (mn):	1,490
Total no. of shares (mn):	1,490
Mkt Cap Ord (Eu mn):	5,627
Total Mkt Cap (Eu mn):	5,627
Mkt Float - Ord (Eu mn):	2,842
Mkt Float (in %):	50.5%
Main Shareholder:	
Municipality of Bologna	9.7%

Balance Sheet Data	
Book Value (Eu mn):	3,607
BVPS (Eu):	2.64
P/BV:	1.4
Net Financial Position (Eu mn):	-4,194
Enterprise Value (Eu mn):	9,994

■ **2Q25 results.** On the macro front, in 2Q25 both electricity and gas prices fell QoQ (but rose YoY), with European CO₂ prices also falling slightly QoQ. In the domestic market, the average PUN was Eu102/MWh (-26% QoQ, +7% YoY), while the PSV came to Eu38.3/MWh (-21% QoQ, +15% YoY). On the generation side, thermoelectricity volumes were up 3% YoY, while hydroelectricity was again down YoY (-21% YoY) after the record volumes posted in 2024. In this context, Hera's operating numbers were slightly below expectations, 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) good 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 detail, EBITDA closed at Eu304mn (-4% YoY and 4% below expectations), EBIT at Eu136mn (-2% YoY, in line), and adj. net income at Eu76mn (flat YoY; in line). Net debt closed at Eu3,927mn (Eu4,012mn expected, NFP/EBITDA at 2.5x) on the back of Eu248mn in CapEx (+39% YoY) and the payment of the dividend.

■ **Key messages from the conference call.** Net debt guidance: in 2H the NFP is expected to be higher than in 1H, with increased working capital due to the start of the heating season and gas storage activity as well as the consolidation of the Aimag debt; Supply business: management confirmed that competition is increasing, while retention of STG clients is proceeding a touch better than plan forecasts; Water business: 1H results did not benefit from the quality premium in the water business, with the c.Eu13mn impact postponed to 3Q; Herambiente: with regard to UK fund 3i's intention to sell its 25% stake in Herambiente, management simply affirmed that the opportunity will naturally be explored, and as always any interest will depend on the price; Aimag: closing of the deal is expected in the next few weeks.

■ **Estimates and target price.** On the back of 2Q results we are reducing 2025-2026 EBITDA estimates by 3% on average (more conservative assumptions on gas supply margins as we approach the tender for the default market), with EPS also cut by just 3% thanks to slightly lower provisions. Our target moves from Eu4.20 to Eu4.30 on the back of the change in estimates and the 50bp reduction in the ERP (now 5.5%) 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 Eu4.30 (from 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, lead us to confirm our NEUTRAL recommendation.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	15,564	13,054	12,886	12,942	13,167
EBITDA Adj (Eu mn)	1,495	1,588	1,547	1,584	1,643
Net Profit Adj (Eu mn)	375	447	464	471	488
EPS New Adj (Eu)	0.252	0.300	0.312	0.316	0.328
EPS Old Adj (Eu)	0.252	0.300	0.322	0.327	0.333
DPS (Eu)	0.140	0.150	0.155	0.160	0.165
EV/EBITDA Adj	5.3	5.6	6.5	6.4	6.2
EV/EBIT Adj	10.6	10.7	12.3	12.0	11.6
P/E Adj	15.0	12.6	12.1	12.0	11.5
Div. Yield	3.7%	4.0%	4.1%	4.2%	4.4%
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 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 31 July 2025 Intermonte's Research Department covered 134 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.84%
OUTPERFORM:	38.06%
NEUTRAL:	29.10%
UNDERPERFORM:	00.00%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (79 in total) is as follows:

BUY:	53.16%
OUTPERFORM:	29.11%
NEUTRAL:	17.73%
UNDERPERFORM:	00.00%
SELL:	00.00%

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