

ITALGAS

Sector: Utilities

NEUTRAL

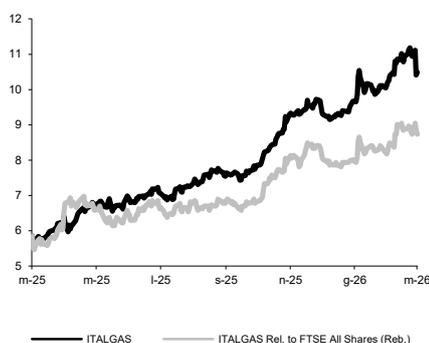
Price: Eu10.49 - Target: Eu10.20

4Q25 Results in Line, Merger Synergies Coming Fast

Federico Pezzetti +39-02-77115.268
 federico.pezzetti@intermonte.it

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 9.30 to 10.20		
	2026E	2027E	2028E
Chg in Adj EPS	-3.0%	-0.6%	0.8%

ITALGAS - 12M Performance



Stock Data			
Reuters code:	IG.MI		
Bloomberg code:	IG IM		
Performance	1M	3M	12M
Absolute	2.7%	12.6%	79.0%
Relative	5.8%	8.9%	59.1%
12M (H/L)	11.18/5.62		
3M Average Volume (th):	4,697.65		

Shareholder Data	
No. of Ord shares (mn):	1,016
Total no. of shares (mn):	1,016
Mkt Cap Ord (Eu mn):	10,655
Total Mkt Cap (Eu mn):	10,655
Mkt Float - Ord (Eu mn):	6,446
Mkt Float (in %):	60.5%
Main Shareholder:	
CDP	26.0%

Balance Sheet Data	
Book Value (Eu mn):	4,122
BVPS (Eu):	4.06
P/BV:	2.6
Net Financial Position (Eu mn):	-10,956
Enterprise Value (Eu mn):	22,200

- 4Q25 broadly P&L in line.** Yesterday IG published results that were broadly in line with expectations at most levels, with cash generation a touch better than forecast. In more detail: adj. revenues closed at Eu685mn (+46% YoY or +2% LFL) featuring a good performance from Italian regulated revenues (including water activities) and also from energy efficiency. Adj. EBITDA was Eu522mn (+53% YoY, 3% above expectations), adj. EBIT was Eu326mn, and adj. net income was Eu182mn (+25% YoY, in line). During the quarter, technical CapEx was Eu431mn (+28% YoY) which, along with a good working capital performance, brought net debt to Eu10,868mn (including IFRS16), a touch better than estimated. The Board proposed the distribution of a DPS of Eu0.432 (in line), corresponding to a 65% payout ratio.
- Rapid integration brought synergies to 14% of 2031 target.** In FY25 adjusted operating costs amounted to Eu601mn, down Eu30mn or 5.2% YoY calculated on a like-for-like basis (including the values of 2i Rete Gas for April-December 2024). In addition, it should be noted that synergies and efficiencies, calculated on a like-for-like basis (including the 2i Rete Gas group for 12 months) and using total costs for the 2023 financial year as a baseline, reached Eu35mn, 14% of the 2031 target. For 2026, management is seeking to reach c.50% of the 2031 target.
- Main pointers from the conference call.** Strategic Plan update: the new plan will be presented in June, while FY26 guidance will probably be provided by 1Q26. The rationale for updating the plan less than 12 months after the last presentation is mainly to return to IG's original habit of presenting in June. Tenders: a significant number of tenders are imminent, offering nice acceleration that is slightly ahead of strategic plan assumptions. A couple of recently-closed tenders have been awarded to IG (Turin 5 and Biella) and another 5 are expected to be awarded soon, with a potential impact of Eu70-80mn on RAB. Offers should be submitted on a further 7 tenders between May and September.
- Change in estimates and target price.** We are leaving our 2026 operating numbers broadly unchanged with a marginal positive impact from X-factor being reset to zero (resolution 532/2025) while improving 2027 EBITDA by 1.5% also thanks to slightly faster delivery of efficiencies. Our 2026-2027 EPS estimates (-1.5% on average) are negatively impacted by the extra 2% IRAP taxation introduced by the Energy Decree. Please note that for 2027 and 2028 our estimates assume a flat allowed WACC despite the possibility that returns may be revised downwards by 0.3% or more on the back of lower interest rates and spreads (currently c.50% chance for 2027 but higher for 2028) Our target moves from Eu9.30 to Eu10.2 mostly on the back of the roll-over of our DCF model.
- NEUTRAL confirmed; target Eu10.2 (from Eu9.3).** The rapid integration of 2i Rete Gas has once again proven management's ability to master complex organisational tasks and bodes well for the future of the merger, including the identification of best practices and the pursuit of efficiencies. We confirm our positive view on the 2i Rete Gas transaction and the potential value creation from synergies and efficiencies, although in our view a good portion of the benefits already seem to be incorporated in the group's current valuation.

Key Figures & Ratios	2024A	2025A	2026E	2027E	2028E
Sales (Eu mn)	1,740	2,535	2,767	2,888	3,001
EBITDA Adj (Eu mn)	1,312	1,890	2,142	2,277	2,403
Net Profit Adj (Eu mn)	506	675	742	794	876
EPS New Adj (Eu)	0.626	0.664	0.730	0.782	0.863
EPS Old Adj (Eu)	0.626	0.664	0.752	0.787	0.855
DPS (Eu)	0.406	0.432	0.474	0.509	0.560
EV/EBITDA Adj	8.4	9.9	10.4	9.8	9.4
EV/EBIT Adj	14.0	15.9	16.4	15.6	14.7
P/E Adj	16.8	15.8	14.4	13.4	12.2
Div. Yield	3.9%	4.1%	4.5%	4.9%	5.3%
Net Debt/EBITDA Adj	5.2	5.8	5.1	4.9	4.7

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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 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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 5 March 2026 Intermonte's Research Department covered 133 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	31.58%
OUTPERFORM:	38.35%
NEUTRAL:	29.32%
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 (75 in total) is as follows:

BUY:	52.00%
OUTPERFORM:	30.67%
NEUTRAL:	16.00%
UNDERPERFORM:	01.33%
SELL:	00.00%

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