

TERNA

Sector: Utilities

NEUTRAL

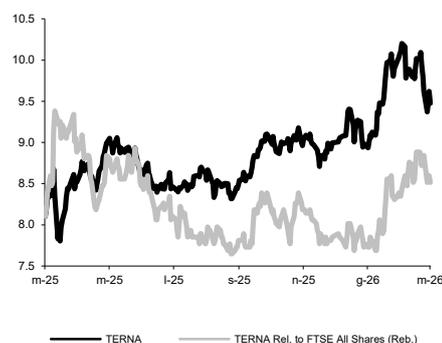
Price: Eu9.48 - Target: Eu10.00

Positive 4Q25 Results and 2026 Guidance

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 9.50 to 10.00		
	2026E	2027E	2028E
Chg in Adj EPS	0.4%	0.8%	1.3%

TERNA - 12M Performance



Stock Data			
Reuters code:	TRN.MI		
Bloomberg code:	TRN IM		
Performance	1M	3M	12M
Absolute	-6.2%	5.3%	17.0%
Relative	2.1%	8.2%	5.8%
12M (H/L)	10.20/7.80		
3M Average Volume (th):	3,782.91		

Shareholder Data	
No. of Ord shares (mn):	2,010
Total no. of shares (mn):	2,010
Mkt Cap Ord (Eu mn):	19,047
Total Mkt Cap (Eu mn):	19,047
Mkt Float - Ord (Eu mn):	12,190
Mkt Float (in %):	64.0%
Main Shareholder:	
Cassa Depositi e Prestiti	29.9%

Balance Sheet Data	
Book Value (Eu mn):	8,203
BVPS (Eu):	4.08
P/BV:	2.3
Net Financial Position (Eu mn):	-15,974
Enterprise Value (Eu mn):	36,861

■ **4Q25 EBITDA and cashflow generation beat expectations.** Yesterday, Terna reported 4Q25 results that were above our expectations in terms of both EBITDA and cash generation. In detail: regulated revenues ex-IFRIC closed at Eu878mn (+6% YoY; +4% vs. our expectations), with the contribution from RAB growth and the impact of a higher deflator only partly counterbalanced by the reduction of allowed returns and a lower contribution from output-based incentives. Furthermore, non-regulated activities at Eu229mn were 44% above 4Q24 levels (much higher contribution from the Equipment segment but also other activities), pushing total revenues ex-IFRIC to Eu1,107mn (+12% YoY). EBITDA was Eu724mn (+7% YoY, +42% vs. estimates), taking flattish regulated operating costs into account, and net income was Eu259mn (+4% YoY and 4% above expectations). CapEx was Eu1,428mn in the quarter (+44% YoY; 4% below exp.) and net debt closed at Eu13.0bn (vs. Eu13.5bn), up from Eu11.7bn in 9M on the back of a limited reabsorption of the positive working capital trend seen in 3Q25. The Board also proposed a DPS of Eu0.3962, in line with the dividend policy and expectations.

■ **2026 guidance.** Terna has provided 2026 guidance, with revenues indicated at Eu4.41bn, EBITDA at Eu2.93bn, and net profit at Eu1.12bn (+1% YoY), already including the negative effect of higher IRAP. As for CapEx, the target is approximately Eu4.2bn or +20% YoY.

■ **Key conference call messages.** Output-based incentives: in 2025 the total amount of OBI was c. Eu130mn (a drop of c.Eu200mn vs. 2024) and for 2026 management has indicated a value above Eu200mn for MSD, interzonal and grants overall. CapEx trends: 2026 guidance is fully consistent with the 2028 BP, with acceleration driven by system needs and execution of the biggest projects. Net debt evolution: in 2025 net debt was better than expected thanks to a temporary positive contribution in working capital, expected to be partly reabsorbed.. In terms of financial flexibility, the group maintains a number of options, including c.Eu1.5bn in new hybrid instruments or cashing-in on the non-regulated business activities. Authorisations/procurement: 92% of the BP CapEx has already been authorised, up from 90% in March 2025, and around 88% of has already been covered by procurement contracts, up from 80% in March 2025. No significant impact expected from the current geopolitical situation. ARERA: next regulatory newsflow should be about ROSS regulation, with a potential consultation paper to be published later this year.

■ **Change in estimates.** Following results, we are raising our 2026-2027 EBITDA estimates slightly, although the negative impact on taxation from the Energy Bills Decree (IRAP +2%) means we are only confirming EPS. Our target moves to Eu10.00 (from Eu9.50), partly due to the roll-over of our DCF.

■ **NEUTRAL confirmed; target Eu10.00 (from Eu9.50).** The company remains very much at the heart of the global energy transition and we believe it will continue to attract a premium to regulated peers. We confirm our NEUTRAL view based on the expected return implied at our target price.

Key Figures & Ratios	2024A	2025A	2026E	2027E	2028E
Sales (Eu mn)	3,680	4,033	4,421	4,738	5,164
EBITDA Adj (Eu mn)	2,566	2,751	2,951	3,153	3,415
Net Profit Adj (Eu mn)	1,062	1,112	1,130	1,156	1,248
EPS New Adj (Eu)	0.528	0.553	0.562	0.575	0.621
EPS Old Adj (Eu)	0.528	0.548	0.560	0.571	0.613
DPS (Eu)	0.396	0.396	0.396	0.397	0.413
EV/EBITDA Adj	11.1	11.6	12.5	12.3	11.8
EV/EBIT Adj	17.0	17.8	19.5	19.3	18.5
P/E Adj	17.9	17.1	16.9	16.5	15.3
Div. Yield	4.2%	4.2%	4.2%	4.2%	4.4%
Net Debt/EBITDA Adj	4.4	4.7	5.4	5.7	5.7

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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 27 March 2026 Intermonte's Research Department covered 132 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.58%
OUTPERFORM:	37.12%
NEUTRAL:	30.30%
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 (77 in total) is as follows:

BUY:	54.55%
OUTPERFORM:	27.27%
NEUTRAL:	16.88%
UNDERPERFORM:	01.30%
SELL:	00.00%

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