

TERNA

Sector: Utilities

NEUTRAL

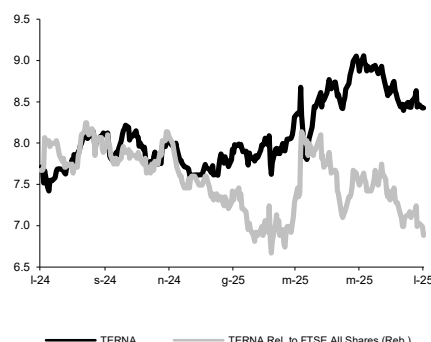
Price: Eu8.42 - Target: Eu9.00

Solid Quarter with No Significant Surprises

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 8.70 to 9.00		
	2025E	2026E	2027E
Chg in Adj EPS	0.3%	0.2%	0.2%

TERNA - 12M Performance



Stock Data			
Reuters code:	TRN.MI		
Bloomberg code:	TRN IM		
Performance	1M	3M	12M
Absolute	-2.1%	-2.9%	9.8%
Relative	-5.8%	-11.9%	-12.3%
12M (H/L)	9.06/7.42		
3M Average Volume (th):	3,727.59		

Shareholder Data	
No. of Ord shares (mn):	2,010
Total no. of shares (mn):	2,010
Mkt Cap Ord (Eu mn):	16,932
Total Mkt Cap (Eu mn):	16,932
Mkt Float - Ord (Eu mn):	10,837
Mkt Float (in %):	64.0%
Main Shareholder:	
Cassa Depositi e Prestiti	29.9%

Balance Sheet Data	
Book Value (Eu mn):	7,850
BVPS (Eu):	3.91
P/BV:	2.2
Net Financial Position (Eu mn):	-13,546
Enterprise Value (Eu mn):	32,318

■ **2Q25 results a touch better than expected.** Yesterday, Terna reported 2Q25 results that were just slightly better than our expectations and consensus at most levels. In detail, regulated revenues closed at Eu838mn (+15% YoY or +8% YoY excluding one-offs, in line with estimates), with the contribution from RAB growth and the impact from a higher deflator (including some Eu56mn of one-offs related to 2024 tariffs) only partly counterbalanced by the reduction in allowed returns and a lower contribution from output-based incentives. Furthermore, non-regulated activities at Eu154mn were broadly flat YoY, pushing total revenues to Eu992mn (+12.6% YoY). EBITDA was Eu708mn (+15% YoY, +1.3% vs estimates) or Eu652mn excluding the one-off (+6% YoY) also thanks to good control of regulated operating costs, and net income was Eu312mn (+19% YoY or +4.5% excl. the one-off; 3% above estimates). CapEx was Eu757mn in the quarter (+35% YoY vs. Eu699mn expected) and net debt closed at c.Eu12.0bn (in line) taking into account the dividend balance payment and thanks to good management of working capital.

■ **2025 guidance confirmed.** Terna has confirmed its 2025 guidance, with revenues still indicated at Eu4.03bn, EBITDA at Eu2.70bn and net profit at Eu1.08bn. As for CapEx, the 2025 target of approximately E3.4bn was also confirmed.

■ **Key conference call messages.** Expectations for 2026 WACC: despite still being too early to have a clear view, management commented that based on the market-to-market of the various variables, WACC remains at a level that would not trigger a change in remuneration. Having said that, the value is not far from the -30bps trigger level, so it will have to be monitored closely until the end of September; Output-based incentives: in FY25 the company still expects an impact of over Eu50mn after that Eu16mn were recorded in 1H. For future years, the business plan assumes a total of Eu550mn to be recorded in the 2025-2028 period (back end loaded). Financing: despite the strong increase in CapEx Terna will retain strong financial discipline, with several financing options including a Eu4.0bn max capacity in hybrid bonds (Eu1.8bn already issued), the use of public grants (Eu1.0bn included in current plan), and even cashing in on non-core assets. No capital raise is needed. Cost of debt: the average cost for 2025 is expected to end up slightly below 3.0%, a touch higher than the 2.6% recorded in 1H25.

■ **Change in estimates.** Following this solid set of results we are confirming our numbers. Our target moves from Eu8.70 to Eu9.00 on the back of the 50bp reduction in the ERP (now 5.5%) used by the Intermonte Research Team.

■ **NEUTRAL confirmed; target Eu9.00 (from Eu8.70).** 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, as we see limited upside at current prices.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	3,187	3,680	4,008	4,290	4,668
EBITDA Adj (Eu mn)	2,169	2,566	2,713	2,888	3,090
Net Profit Adj (Eu mn)	885	1,062	1,087	1,099	1,122
EPS New Adj (Eu)	0.440	0.528	0.541	0.547	0.558
EPS Old Adj (Eu)	0.440	0.528	0.539	0.546	0.557
DPS (Eu)	0.340	0.390	0.390	0.390	0.397
EV/EBITDA Adj	12.3	11.1	11.9	12.0	11.9
EV/EBIT Adj	19.5	17.0	18.5	18.8	18.8
P/E Adj	19.1	15.9	15.6	15.4	15.1
Div. Yield	4.0%	4.6%	4.6%	4.6%	4.7%
Net Debt/EBITDA Adj	4.8	4.4	5.0	5.5	5.8

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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 newswell.

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 30 July 2025 Intermonte's Research Department covered 134 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.84%
OUTPERFORM:	38.81%
NEUTRAL:	28.35%
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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