Banca Profilo

Company Update

Company:	Rating:	Target Price:	Sector:
DEA	**BUY**	**€13.7 (from €14.1)**	**Electric Utilities**

Estimates revision after new regulatory WACC

December 9, 2024 at 9:00

2025-2027 Regulatory WACC at 5.6%

On November 29 the regulator Arera updated RAB remuneration for the sub-period 2025-27, reducing WACC for Electricity Distribution to 5.6% from 6% in FY24. During 2026-27, the WACC can be updated because the regulator has retained the "trigger" mechanism. This mechanism means that if the update of certain parameters used to calculate the WACC results in a change of at least 30bps, the WACC will be adjusted. This is a change from the previous threshold of 50bps used in 2023-24.

~ -5% impact on FY25-27E EPS

Following this change we updated our model from FY25E onwards while confirming our FY24E. The average impact on EPS is -5% while the impact on FCF FY25-30E is -5.6%.

Electricity Distribution with 90k PoD, IPO to finance acquisition of 24k PoD

Created in 2015, DEA is an electricity distributor carrying out the final phase of the supply chain (energy generation, transmission and distribution). It operates ~90k PoD across 4 regions where it acts as a natural monopolist. Revenues are output based and determined on tariffs set by the regulator ARERA, therefore, highly predictable, non-cyclical and protected against inflation, ensuring stability and limited downside risk. Distribution is carried under a 30-year concession expiring at the end of 2030 for all Italian operators. In addition, DEA operates in the non-regulated public lighting sector across 15 municipalities in 3 regions. In July DEA was listed on the EGM and raised €8mln to fund its external growth: in August, DEA acquired an 80% stake in ASPM for €3.7mln (5x EV/EBITDA23), bringing in 5k PoD, 4.1k PdR and lighting contracts in 8 municipalities.

Aggregating hub for small-scale operators amid industry consolidation

The sector is likely to see consolidation as future concessions will only be opened to distributors that by the end of 2025 operate at least 100k PoD. The Industry is highly fragmented in terms of number of distributors, but highly concentrated in terms of PoD with: i) E-Distribuzione (85%), ii) 5 companies (11%), iii) 116 companies (4%). DEA aims at leading the aggregation across the last group, made of small-scale operators managing <25k PoD, on average, not eligible for concessions renewal and too small to be large multi-utilities' targets. In addition, given the Bersani Law and subject to regulatory confirmation, no player will be allowed to own more than 25% of market share by 2030. In this scenario, DEA is well positioned to lead the consolidation, thanks to its demonstrated execution capacity (5 operations since 2023); the right to acquire 24k PoD (with a price cap of €20mln) and additional external growth potential through selected targets up to 31k PoD.

Valuation: 12-month target cut to €13.7 (from €14.1); BUY confirmed

We value DEA using a weighted average of SOTP and market multiples. The SOTP is used to consider different contract duration and includes i) Distribution, with an EV of €100.1mln (from previous €101.4mln), based on DCF + FY24E RAB (€83.1mln), ii) Lighting, with an EV of €12mln (unchanged) based on DCF.

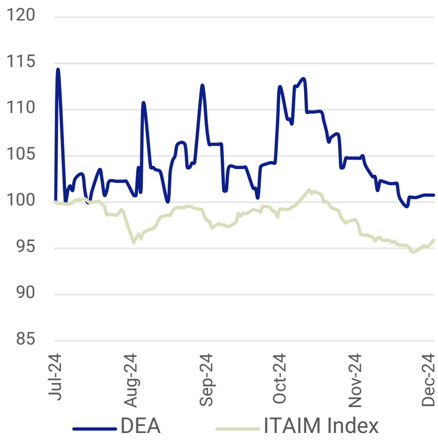
Market multiples valuation is based on the median 9.6x FY25 EV/EBITDA (from previous 10.1x) of our panel, leading to a €129mln EV (from previous €140.5mln) due to lower multiple and lower FY25E EBITDA. We subtract FY24E net debt of €8.2mln and take a weighted average (80% SOTP) to underweight multiples given lower marginality vs comparables. This leads to an Equity value of €107.3mln or €13.7/sh (from €14.1/sh). DEA trades at a 5.3x EV/EBITDA 25E (vs median 9.6x), at a 1x equity RAB (RAB - Net debt, vs peers historical avg. 1.6x) and at 0.9x P/BV (vs peers median 1.7x). Given the potential upside on closing price (as of 6 December 2024) and undemanding valuation we confirm our BUY recommendation.

Company Profile

Bloomberg	DEA IM Equity
FactSet	DEA-IT
Stock Exchange	Italian Stock Exchange
Reference Index	FTSE Italia Growth
Market Data	
Last Closing Price	8.1
Number of shares (mln)	7.9
Market cap. (mln)	63.3
IPO Performance	
Absolute	0.8%
Max / Min	9.15 / 7.96

(€,mln)	22	23PF	24E	25E	26E
Total revenues (VoP)	**13.8**	**29.3**	**33.6**	**38.3**	**39.1**
yoy (%)	2.4%	111.7%	14.7%	14.2%	2.1%
EBITDA	**4.3**	**10.2**	**12.2**	**13.5**	**13.9**
margin (%)	31.3%	34.8%	36.3%	35.2%	35.6%
EBIT	**1.6**	**5.0**	**6.8**	**7.9**	**8.4**
margin (%)	11.7%	17.2%	20.2%	20.6%	21.5%
Net profit	**1.0**	**3.4**	**4.3**	**5.1**	**5.7**
margin (%)	7.5%	11.6%	12.9%	13.4%	14.6%
Net debt (cash)	**8.3**	**10.4**	**8.2**	**5.8**	**2.3**
Equity	34.0	67.2	79.7	84.1	89.2
Capex adj.	**(2.0)**	**(4.0)**	**(12.4)**	**(8.9)**	**(6.7)**
FCF			(3.0)	3.6	4.5

IPO Performance



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SWOT analysis

STRENGTHS	WEAKNESSES
• Regulated non-cyclical business • Economies of scale with lighting business • Low debt levels • Generous dividend policy • High marginality	• Multiple voting shareholder class (10 to 1) • Inferior ROE • Capital intensive
OPPORTUNITIES	**THREATS**
• Option to acquire 24k PoD with a price cap • Acquisition pipeline of 31k PoD • Sector consolidation • Expansion of lighting in new municipalities • IoT / Data Management	• Limited visibility on 2030 tender process • Emergence of other PoD aggregators or competition from large multi-utilities

Estimates Update

2025-2027 Regulatory WACC at 5.6%

Regulatory rate reduced to 5.6%

On November 29 the regulator Arera released its update on the remuneration (WACC) of RAB for the sub-period 2025-27. The updated WACC for Electricity distribution is set at 5.6% (from 6% in FY24), while for Gas distribution (carried out by ASPM) is 5.9% (from 6.5% in FY24).

During 2026-27, the WACC can be revised because the regulator has retained the "trigger" mechanism, therefore if the update of certain parameters used to calculate the WACC results in a change of at least 30 bps, the WACC will be adjusted. This is a change from the previous threshold of 50 bps used in 2023-24.

Table 1: WACC for activities carried out by DEA

	2022-23	2024	2025-2027
Electricity distribution and measure	5.2%	6.0%	5.6%
Gas distribution and measure	5.6%	6.5%	5.9%

Source: Arera

Updated forecasts

Following this change we updated our model from FY25E onwards while confirming our FY24E. The average decline on EPS is ~5%, while average EBITDA margin is reduced by ~0.6pp.

Table 2: Revenue breakdown by BU FY23-26E (€,mln)

		Old	New	Old	New	Old	New
	2023PF	2024E	2024E	2025E	2025E	2026E	2026E
Distribution	21.6	26.9	26.9	29.2	28.8	29.9	29.4
yoy (%)	130.5%	24.3%	24.3%	8.6%	7.0%	2.4%	2.3%
on sales (%)	84.0%	87.3%	87.3%	83.0%	82.8%	83.0%	82.8%
Public Lighting	3.2	2.9	2.9	4.3	4.3	4.4	4.4
yoy (%)	40.6%	-7.0%	-7.0%	45.2%	45.2%	2.7%	2.7%
on sales (%)	12.3%	9.6%	9.6%	12.2%	12.3%	12.2%	12.4%
Other	0.9	1.0	1.0	1.7	1.7	1.7	1.7
yoy (%)	-1.4%	3.0%	3.0%	77.4%	77.4%	2.0%	2.0%
on sales (%)	3.6%	3.1%	3.1%	4.8%	4.9%	4.8%	4.9%
Revenues	**25.7**	**30.8**	**30.8**	**35.1**	**34.7**	**36.0**	**35.5**

Source: Company Data, Banca Profilo Estimates

Table 3: Income Statement FY24-FY26E (€,mln)

	2023PF	Old 2024E	New 2024E	Old 2025E	New 2025E	Old 2026E	New 2026E
Revenues	25.7	30.8	30.8	35.1	34.7	36.0	35.5
yoy (%)	104.8%	19.6%	19.6%	14.2%	12.9%	2.4%	2.3%
Other revenues	3.5	2.8	2.8	3.6	3.6	3.6	3.6
Total revenues (VoP)	**29.3**	**33.6**	**33.6**	**38.7**	**38.3**	**39.6**	**39.1**
yoy (%)	111.7%	14.7%	14.7%	15.4%	14.2%	2.2%	2.1%
Material costs	(3.4)	(3.9)	(3.9)	(4.5)	(4.5)	(4.6)	(4.5)
Costs of services	(9.8)	(11.0)	(11.0)	(12.5)	(12.5)	(12.6)	(12.6)
Cost for the use of third-part assets	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)	(0.8)	(0.8)
Labour costs	(5.1)	(5.6)	(5.6)	(6.7)	(6.7)	(6.9)	(6.9)
Other operating expenses	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
EBITDA	**10.2**	**12.2**	**12.2**	**13.9**	**13.5**	**14.3**	**13.9**
margin (%)	34.8%	36.3%	36.3%	35.8%	35.2%	36.2%	35.6%
yoy (%)	135.5%	19.6%	19.6%	13.9%	10.6%	3.1%	3.3%
D&A	(5.1)	(5.3)	(5.3)	(5.5)	(5.5)	(5.4)	(5.4)
Provisions	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
EBIT	**5.0**	**6.8**	**6.8**	**8.3**	**7.9**	**8.8**	**8.4**
margin (%)	17.2%	20.2%	20.2%	21.5%	20.6%	22.2%	21.5%
yoy (%)	212.0%	34.8%	34.8%	22.5%	16.6%	5.8%	6.3%
Net financial expenses	(0.3)	(0.7)	(0.7)	(0.7)	(0.7)	(0.4)	(0.4)
Taxes	(1.3)	(1.7)	(1.7)	(2.2)	(2.1)	(2.4)	(2.3)
Net profit	**3.4**	**4.3**	**4.3**	**5.4**	**5.1**	**6.0**	**5.7**
margin (%)	11.6%	12.9%	12.9%	14.0%	13.4%	15.1%	14.6%
yoy (%)	228.2%	27.3%	27.3%	24.7%	18.0%	10.8%	11.6%
Minorities	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)
Group net profit	**3.4**	**4.3**	**4.3**	**5.3**	**5.0**	**5.8**	**5.6**

Source: Company Data, Banca Profilo Estimates

Table 4: Balance Sheet FY24-FY26E (€,mln)

		Old	New	Old	New	Old	New
	2023PF	2024E	2024E	2025E	2025E	2026E	2026E
Tangible	62.9	71.9	71.9	76.3	76.3	78.5	78.5
Intangibles	20.5	21.1	21.1	20.2	20.2	19.3	19.3
Financials & Others	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Fixed assets	**83.9**	**93.5**	**93.5**	**96.9**	**96.9**	**98.3**	**98.3**
Inventory	2.1	3.8	3.8	3.9	3.8	4.0	3.9
Accounts receivable	5.6	12.0	12.0	12.3	12.2	12.6	12.4
Accounts payable	(4.4)	(8.9)	(8.9)	(8.7)	(8.7)	(8.8)	(8.7)
Operating net working capital	**3.3**	**6.9**	**6.9**	**7.5**	**7.3**	**7.8**	**7.6**
Other current assets (/liabilities)	(4.4)	(7.3)	(7.3)	(9.2)	(9.1)	(9.4)	(9.3)
Net Working Capital	**(1.1)**	**(0.4)**	**(0.4)**	**(1.7)**	**(1.8)**	**(1.6)**	**(1.7)**
Other liabilities	(5.2)	(5.2)	(5.2)	(5.3)	(5.3)	(5.2)	(5.2)
Net Invested capital	**77.6**	**87.9**	**87.9**	**90.0**	**89.9**	**91.5**	**91.4**
Equity	**67.2**	**79.7**	**79.7**	**84.4**	**84.1**	**89.7**	**89.2**
Net debt (cash)	**10.4**	**8.2**	**8.2**	**5.6**	**5.8**	**1.7**	**2.3**

Source: Company Data, Banca Profilo Estimates

Valuation

We updated our estimates based on lower regulatory WACC on RAB, which leads, on average, to -5.6% FCF in FY25-30E.

SOTP

Distribution: DCF to 2030E + RAB

We model FCFs for Distribution during 2025E-2030E (€20.9mln from previous €22.5mln), at the end of which all concessions expire.

Lighting: DCF to 2047E

For lighting we forecast FCFs during 2025E-2047E (€20mln, unchanged) to properly account for concessions expiry. We do not include a terminal value, essentially assuming no new concessions are won and existing ones are not renewed.

Table 5: FCF estimates 2024E-2030E

	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
FCF	24E	24E	25E	25E	26E	26E	27E	27E	28E	28E	29E	29E	30E	30E
EBIT	6.8	6.8	8.3	7.9	8.8	8.4	9.2	8.8	9.5	9.1	9.8	9.4	10.4	10.0
Taxes	(1.9)	(1.9)	(2.4)	(2.3)	(2.5)	(2.4)	(2.6)	(2.5)	(2.7)	(2.6)	(2.8)	(2.7)	(3.0)	(2.9)
NOPAT	4.8	4.8	5.9	5.6	6.3	6.0	6.5	6.2	6.8	6.5	7.0	6.7	7.4	7.1
D&A	5.3	5.3	5.5	5.5	5.4	5.4	5.3	5.3	5.3	5.3	5.3	5.3	5.0	5.0
Change in NWC	(0.7)	(0.7)	1.3	1.4	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Change in other	(0.0)	(0.0)	0.1	0.1	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Capex (ex-IPO costs)	(12.4)	(12.4)	(8.9)	(8.9)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)
FCF	**(3.0)**	**(3.0)**	**3.8**	**3.6**	**4.8**	**4.5**	**5.0**	**4.7**	**5.2**	**4.9**	**5.4**	**5.1**	**5.6**	**5.3**
o/w FCF Lighting	0.7	0.7	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.3
o/w FCF Distribution	-	-	2.7	2.5	3.6	3.3	3.8	3.5	4.0	3.7	4.2	3.9	4.3	4.0

*Source: Banca Profilo Estimates, *IPO costs excluded*

Table 6: FCF Lighting 2031E-2047E (Unchanged)

	31E	32E	33E	34E	35E	36E	37E	38E	39E	40E	41E	42E	43E	44E	45E	46E	47E
FCF Lighting	1.2	1.2	1.1	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.5	0.5	0.5	0.5	0.5	0.5	0.6

Source: Banca Profilo Estimates

WACC at 5.8%

To discount the estimated FCFs we use a 5.8% (from 6%) WACC, derived from:

- risk free rate at 4.2% (from 4.4%), as implicitly expected by consensus on the 30Y Italian BTP yield curve in a scenario of next-to come easing monetary policy;
- market risk premium of 5.5%;
- beta re-levered of 0.4, coming from the average of unlevered beta of chosen listed peers;
- cost of debt of 5.3%;
- target Debt to Equity structure of 30%.

After discounting Distribution's 25-30E FCF we obtain an EV of €17mln (from €18.3mln) to which we add the FY24E RAB of €83.1mln. This led to an EV for the division of €100.1mln (from €101.4mln).

We then discount 25-47E Lighting FCF and calculate an EV of €12.0mln.

Finally, we sum up the estimated EV of distribution and lighting, leading to an EV of €112.1mln. We then subtract our FY24E net debt of €8.2mln. This leads to an equity value of €104mln.

Table 7: WACC Assumptions

WACC Calculation	
Perpetual growth rate	n.a.
Risk free rate (30Y)	4.2%
Equity risk premium	5.5%
Unlevered Beta	0.3
Levered Beta	0.4
KE	6.5%
Cost of debt	5.3%
Tax rate	28.7%
KD	3.8%
Target D/E	30.0%
D/D+E	23.1%
E/D+E	76.9%
WACC	**5.8%**

Source: Banca Profilo Estimates

Table 8: SOTP valuation

SOTP	Method	EV	WACC
Distribution	DCF to 2030 + RAB TV	100.1	5.8%
Public lighting	DCF to 2047, no TV	12.1	5.8%
Enterprise Value		**112.2**	
FY24E Net Debt		8.2	
Equity Value		**104.0**	

Source: Banca Profilo Estimates

Multiple valuation

We identified 6 companies that operate in regulated sectors related to either distribution or transmission of electricity and gas.

Table 9: Listed comparables

Company Name	Country	Currency	Market Cap	Description
Terna	Italy	EUR	15,983	Electricity transmission in Italy
Italgas	Italy	EUR	4,429	Gas distribution in Italy and Greece
Snam	Italy	EUR	14,882	Gas transmission in Italy
REN	Portugal	EUR	1,601	Electricity and gas transmission in Portugal
Elia Group	Belgium	EUR	6,470	Electricity transmission in Belgium and Germany
Redeia	Spain	EUR	9,220	Electricity transmission in Spain, Peru, Chile and Brazil

Source: Bloomberg, Banca Profilo

Table 10: Peers' Key ratios

Company Name	Div. Yield	P/BV	ROE	Leverage (A/E)	Net debt/EBITDA	Net Income Margin
	12M	**2023**	**2023**	**2023**	**2023**	**2023**
Terna	4.3%	2.5	14.2%	3.7	4.9	28.4%
Italgas	6.4%	1.7	17.6%	4.7	5.5	17.1%
Snam	6.4%	1.9	14.9%	4.4	6.5	26.7%
REN	6.4%	1.1	9.9%	3.8	5.3	22.9%
Elia Group	2.3%	1.2	5.8%	3.4	6.7	8.4%
Redeia	5.9%	1.7	13.2%	2.8	3.9	32.3%
Average	**5.3%**	1.7	**12.6%**	**3.8**	**5.5**	**22.7%**
Median	**6.1%**	**1.7**	**13.7%**	**3.8**	**5.4**	**24.8%**
DEA (PF)	n.a.	0.9	6.7%	1.4	1.0	11.5%

Source: Bloomberg, Banca Profilo Estimates

Table 11: Peers' revenue growth and EBITDA margin

Company Name	Revenue Growth				EBITDA Margin			
	2022	**2023**	**2024E**	**2025E**	**2022**	**2023**	**2024E**	**2025E**
Terna	14%	8%	15%	3%	71%	68%	69%	69%
Italgas	4%	17%	-30%	15%	51%	47%	74%	74%
Snam	6%	21%	-6%	5%	63%	56%	69%	69%
REN	4%	11%	47%	4%	81%	77%	53%	51%
Elia Group	41%	0%	13%	17%	28%	34%	34%	36%
Redeia	7%	2%	-11%	4%	72%	72%	71%	71%
Average	**13%**	**10%**	**5%**	**8%**	**61%**	**59%**	**62%**	**62%**
Median	**6%**	**9%**	**4%**	**5%**	**67%**	**62%**	**69%**	**69%**
DEA	2%	112%	15%	14%	31%	35%	36%	35%

Source: Bloomberg, Banca Profilo Estimates

The selected panel trades at a median 2025E EV/EBITDA of 9.6x (vs previous 10.1x) and PE of 13.7x (vs previous 15.5x), with a 5.4x Net Debt/EBITDA. Considerably higher leverage (3.8x) vs DEA 1.4x explains a portion of the panel's superior ROE.

Table 12: Peers' Multiples

Company Name	EV/EBITDA			PE		
	2023	**2024**	**2025**	**2023**	**2024**	**2025**
Terna	12.4	10.4	10.2	18.1	15.5	16.4
Italgas	9.2	8.5	7.5	10.1	9.2	8.5
Snam	12.7	11.2	10.6	13.1	12.1	11.9
REN	8.5	8.2	8.1	10.7	13.9	13.9
Elia Group	11.7	11.2	9.0	19.9	16.2	13.5
Redeia	9.9	11.5	10.9	13.4	18.3	17.8
Average	**10.7**	**10.2**	**9.4**	**14.2**	**14.2**	**13.7**
Median	**10.8**	**10.8**	**9.6**	**13.2**	**14.7**	**13.7**
DEA	7.2	5.9	5.3	18.8	14.8	12.7

Source: Bloomberg

We consider the group median EV/EBITDA 25E to value DEA, which based on our FY25E €13.5mln EBITDA leads to an EV of 129mln. We subtract FY24E net debt of €8.2mln and get an equity value of €120.8mln (from previous €132.3mln).

Target Price and rating

TP €13.7 (from €14.1)

We took a weighted average between the DCF (80%) and market multiples valuation (20%), to reflect a discount to multiples given lower marginality vs comparables. This gives an Equity Value of €104mln (from previous €107.3mln) or €13.7/sh (from previous €14.1/sh).

Diluted TP €13.5/sh

We also provide a diluted TP of €13.5/sh, which accounts for the effect of a stock dividend.

Rating BUY

DEA trades at a 5.3x EV/EBITDA 25E (vs median 9.6x), at 1x equity RAB (RAB - Net debt) (vs peers historical avg. 1.6x) and at 0.9x P/BV (vs peers 1.7x). Given the potential upside on closing price (as of 9 December, 2024) and undemanding valuation we confirm the BUY recommendation.

Table 13: Valuation

Mix	Equity Value	Weight
DCF	104.0	80%
Multiples	120.8	20%
Total	**107.3**	
Shares	7.9	
TP	**13.7**	
Shares post bonus share	8.0	
Diluted TP	13.5	

Source: Banca Profilo elaborations

Historical RAB Premium

We collected historical RAB from the peers group, adjusted for net debt and compared it to average market cap in the corresponding year.

Table 14: Historical premium on RAB

	[Market Cap/(RAB - Net debt)]							
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Average**
Terna	1.4x	1.3x	1.6x	1.8x	1.8x	1.5x	1.5x	**1.6x**
Italgas	1.7x	1.7x	1.6x	1.4x	1.4x	2.1x	2.0x	**1.7x**
Snam	1.7x	1.5x	1.8x	1.9x	2.3x	1.7x	2.5x	**1.9x**
REN	1.3x	1.4x	1.9x	1.9x	1.3x	1.1x	2.0x	**1.5x**
Elia Group	0.6x	0.7x	1.2x	2.7x	1.2x	1.5x	2.4x	**1.5x**
Average	**1.3x**	**1.3x**	**1.6x**	**1.9x**	**1.6x**	**1.6x**	**2.1x**	**1.6x**

Source: Company Data, Bloomberg

Natural monopoly, focus on M&A and low downside risk

Local monopoly and regulatory protection

DEA (Distribuzione Elettrica Adriatica) is an electricity distributor and a natural monopolist in its local territory, facing low competition risk thanks to the regulatory market structure. The authority ARERA sets the tariff on which revenues are determined. This mechanism ensures stable revenues and predictable margins as operators can finance operating costs and pay investments. The business model is to be considered as non-cyclical because revenues are not linked to energy price and have limited exposure to volumes delivered. Distribution is carried under a 30-year concession expiring at the end of 2030 for all Italian operators. In addition, DEA operates in the non-regulated public lighting sector, with a network of 679km across 7 municipalities in 2 regions.

Concessions expire in 2030 and push towards market consolidation

All concessions expire at the end of 2030, the regulator has imposed a certain scale (>100k PoD by January 2026) to participate in tender processes to be defined by 2025. DEA strives to be an aggregating hub for small-scale operators (<25k) which account for 4% of the market across 116 companies.

Regulation 2030

As of today, given the Bersani Law and subject to regulatory confirmation, no player will be allowed to own more than 25% of market share by 2030.

Right to acquire 24k PoD

By 2025, DEA should surpass the 100k threshold by exercising the right to acquire 24k PoD from a primary distributor. This was granted after the acquisition of Amaie and includes a €20mln cap, implying a maximum price of €830/PoD (50% less than A2A-Enel deal).

Demonstrated execution capacity

The Company has demonstrated its high execution capacity by carrying out 6 operations, 4 of which in 2023 and 1 in August 2024, making DEA a distributor with a national footprint.

31k more PoD in the acquisition pipeline

The Company has identified and is in preliminary discussions with 2 targets across two regions, one of which in regions not currently served by DEA.

Table 15: DEA prospects

	Region	PoD	Notes
Prospect	Abruzzo	~1k	Awaiting confirmation to begin aggregation
Prospect	Liguria	~24k	Right to buy from a primary distributor
Prospect	Puglia	~30k	Owned by local authorities
Total		**~55k**	

Source: Company Data

423k PoD to be consolidated

Other potential targets are likely to be found among the 423k PoD served by small distributors with less than 25k PoD each.

High profitability and generous dividend (20-40% dividend policy)

Historically (FY17-22) the Company kept good levels of profitability with an average EBITDA margin of ~32% and Net Income margin of ~10%. Net debt/EBITDA always remained below ~2x. Margins and indebtedness in FY23 standalone, consolidated and PF figures were all better than the historical average. Finally, during 2017-2022 the Company allocated €3.3mln to dividends, with an average payout ratio of 45% and expects to keep it in the 20-40%.

Limited credit risk

Contracts governing distribution services require either banking or insurance guarantees to fasten contractual fulfillment from the customer (mainly the energy sellers). If a customer defaults, the losses are compensated by CSEA, subjected to ARERA's supervision.

Public lighting to diversify

In addition to the distribution business, 12.3% of FY23PF revenues were generated through public lighting contracts, governed by concessions with local authorities and not subject to ARERA tariffs. DEA aims at getting more public lighting service manager contracts, especially in municipalities where it already operates as distributor enabling better economies of scale.

The Company plans to carry out investments to replace current urban systems which improve marginality thanks to newer technologies which i) are more reliable, ii) use less power and cause less light pollution, iii) are multifunction with cameras and EV chargers, iv) are connected to a digital platform for remote management.

Energy transition

Demand for energy input and withdrawal data are likely to gradually increase to forecast demand and correct load management. This is driven by the energy transition and diffusion of widespread production from renewable sources, with the emergence of the "prosumer", small scale producers and consumers of electricity. DEA intends to acquire technology companies that develop forecasting tools and advanced data management & analytics solutions, to become a provider of digital services for producers and final users.

Figure 1: DEA Key Investment Remarks

Source: Company Data

ASPM, first transaction post-ipo

Expanding in Lombardia

On 22 August 2024, DEA announced it was awarded the tender for electricity distribution, gas distribution and public lighting services in five municipalities in Lombardia launched by Brescia municipality owned Brescia Infrastrutture.

Electricity (5k PoD), gas distribution (4.1k PDR) and public lighting

ASPM provides: electricity distribution and gas distribution in the Municipality of Soresina (CR) with 5,020 POD and 4,100 PDRs, as well as public lighting with 8,471 light points in the Municipalities of Manerbio (BS), Soresina (CR), Orzinuovi (BS), Robecco D'Oglio (CR), Rivarolo Mantovano (MN). We believe that the gas distribution business was included in the acquisition package but is not core to the company's operations.

Acquired at 5x EV/EBITDA, dilutive on EBITDA margin

As part of the transaction DEA acquired a 80% stake in ASPM Soresina for €3.7mln (5x EV/EBITDA23), of which i) €2.3mln for the acquisition of a controlling stake in ASPM; ii) a capital increase of €1.45mln. DEA will have the option to purchase the remaining 20% of the share capital at €0.9mln by 2032. DEA announced the closing of the transaction on 5 December 2024.

In FY23, ASPM generated total revenues of €5.2mln (18% of DEA FY23PF) and with an EBITDA of €1.3mln (25.9% margin vs DEA 34.8% FY23PF), so it has a dilutive effect on DEA. The Company had a €2mln Net Debt at the end of FY23.

IPO

Raised €8mln

The transaction was completed in July when DEA was listed on the EGM, raising €8 million. Existing shareholders are subject to an 18-month lock-up period. The negotiated share class carries standard (1x) voting rights.

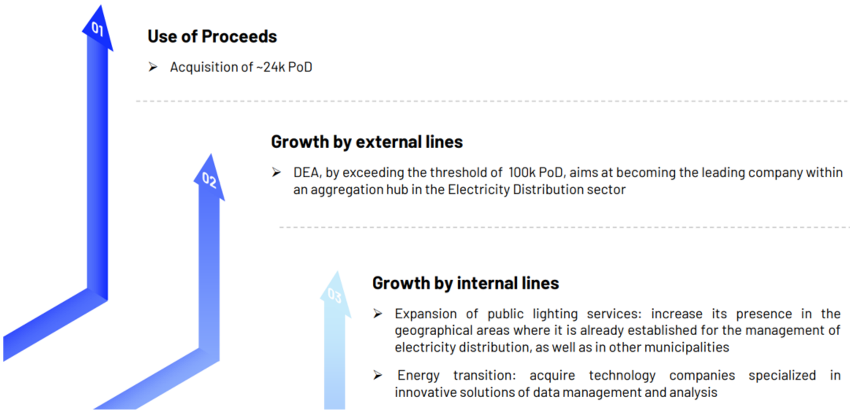
Acquisition of 24k PoD

Proceeds from the IPO will be used to:

- Acquire 24k PoD from a primary distributor (€20mln cap), exercising the option obtained from Amaie acquisition;

- Carry out further acquisitions, as after surpassing the 100k threshold DEA can become an aggregation hub for electricity distribution;
- Expand the presence of public lighting services in areas where DEA already operates as a distributor;
- Acquire technology companies specialized in innovative solutions of data management and analysis.

Figure 2: Use of proceeds



Source: Company data

Appendix

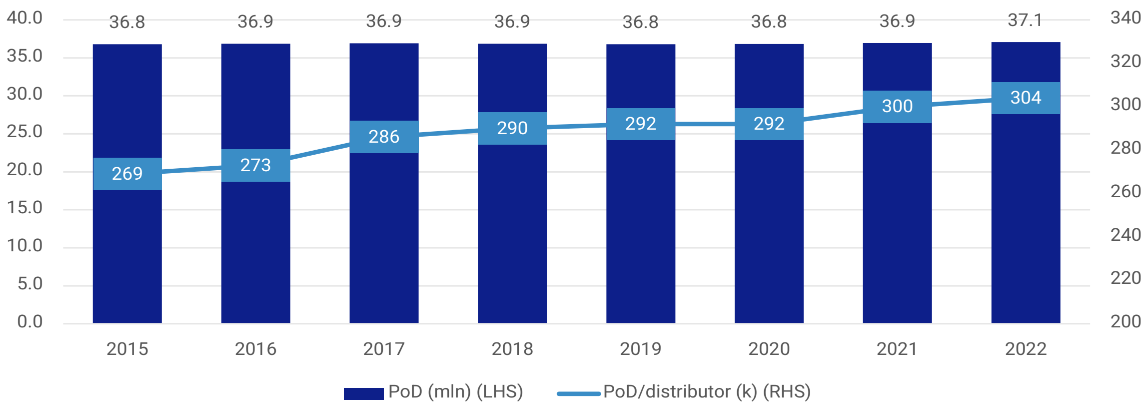
The reference industry

Electricity distribution is highly concentrated

Towards market consolidation

At the end of 2022 in Italy there were 122 electricity distributors, declining from 133 in 2012 following market consolidation. In the same period, Total PoD grew at a 0.09% CAGR reaching 37.1mln in 2022, with the number of PoD/Distributor moving to 304k from 269k in 2015.

Figure 3: Total PoD (mln, LHS), PoD/Distributor (k, RHS)



Source: Company Data based on ARERA

High market concentration

While there are more than 100 distributors, E-Distribuzione (Enel) has an ~85% market share with ~31.6mln PoD. The 5 other incumbents A2A, Acea, Iren, Dolomiti Energia and Hera hold an overall market share of 11%, leaving the remainder 4% across 116 distributors. This concentration is inherited from the historical market structure of the sector.

Regional concentration

Distributors with less than 100k PoD tend to be regionally concentrated (e.g. Trentino, Alto Adige, Valle d'Aosta, Veneto, Abruzzo, Marche) reflecting the market structure before Bersani Decree (Legislative Decree 79/1999). Alternatively, they can be larger but dispersed (DEA, Zecca, Amaie, AMET).

Figure 4: Distributors (#) by number of PoD (2022)

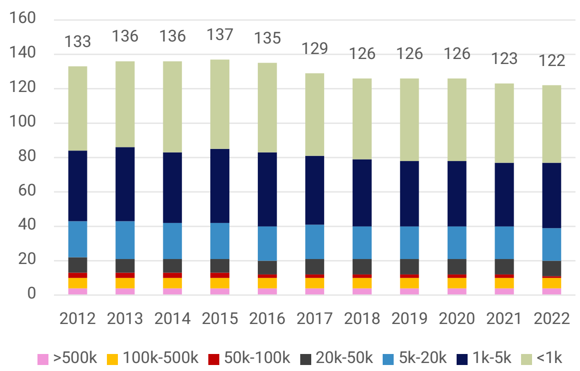
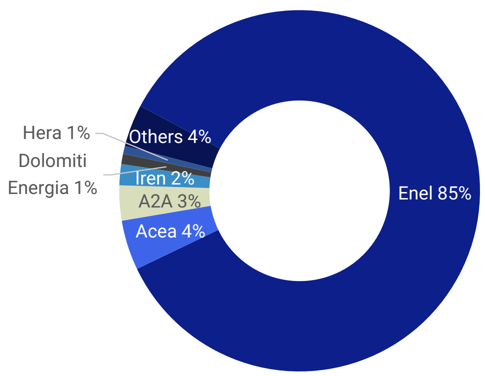


Figure 5: Market share by number of PoD (2022)



Source: ARERA

Concessions expire in 2030

Current distributors operate under concessions expiring in 2030, at expiry access to tenders for the renewal or assignment of new concessions will be reserved for distributors serving at least 100k PoD by January 1, 2026. This will likely accelerate the consolidation trend with a further decline in the number of distributors. Moreover, the introduction of new generation electronic meters (2G meters) with cloud-based readings (smart metering systems) should also lead to a further concentration of operators, both due to the size of the necessary investments and the limited number of remote reading systems providers.

Operators that cannot participate to tenders or distributors who do not get their concession renewed will be remunerated by new concession holder successor based on investments carried out.

New tenders by 2025

New tenders must be launched by the end of 2025 and envisage municipal lots (theoretical maximum of 7.9k) with a maximum size of 25% of the total market.

Challenges and opportunities

Challenges and opportunities from energy transition

In the coming years the sector is likely to undergo significant changes driven by the challenges and opportunities brought by the energy transition like:

- Fragmentation of energy production due to the diffusion of energy communities, which will require extension of network management activity by Terna as well as distributors;
- Growth in energy production from renewable sources;
- Expansion of distribution network electricity driven by new needs (like EV chargers) represent a growth opportunity of the sector.

Big data can unlock competitive edge

The upgrade to electronics meters is another key driver of change in the sector, as it represents a challenge to distributors that must carry out relevant investments and will have to manage large amounts of data. On the other hand, digital challenges can provide a competitive edge as effective data management enhances consumption trend analysis, improves forecast accuracy and enables cost-effective remote interventions.

History, structure and people

Company's evolution

2015: Formation of DEA	On December 22, 2014, Astea approved the separation of its energy distribution BU into the newly constituted DEA effective on January 1, 2015. This was carried out to comply with regulations, which required vertical integrated utilities to separate legal entities carrying out distribution services. Originally the BU included energy distribution BU in the municipalities of Osimo (AN) and Recanati (MC), amounting to 29.9k PoD and for a network length of 1,304km.
2016: Joint stock company and acquisition of ASP	In 2016 Azienda Servizi Polverigi Srl (ASP) transferred electricity distribution activities in the municipality of Polverigi (AN) to DEA. DEA was converted into a joint stock company, with Astea owning a 93% stake and ASP 7%. At the end of the year the Company operated a 1,415km network and 32.2k PoD.
1H23: Acquisition of Zecca	On June 27, 2023, Odoardo Zecca Srl (Zecca) transferred the distribution BU relating to the municipalities of Ortona and San Vito Chietino (Chieti). Zecca was valued at a €16.2mln. Following the acquisition, DEA network expanded to 2,099km and 50.8k PoD.
2H23: Acquisition of Magliano, Offida and AMAIE	During 2H23 DEA acquired the electrical distribution branch of Magliano di Tenna (FM). Moreover, Energie Offida Srl (Offida) and AMAIE, relating to municipalities of Offida (AP) and Sanremo (IM) transferred their distribution business to DEA. The 2 companies were valued at €3.0mln and €21mln respectively.
July 2024: IPO	In July DEA listed on the Euronext Growth Milan and raised €8mln.
August 2024: Acquisition of ASPM	In August, 2024 DEA acquired an 80% stake in ASPM for €3.7mln (5x EV/EBITDA23), which brought 5k PoD, 4.1k PDR and lighting contracts in 8 municipalities. ASPM generated Total revenues of €5.2mln in FY23 and EBITDA of €1.3mln, net debt at YE was €2mln.

Figure 6: PoD (#) (LHS), network length (km) (RHS)

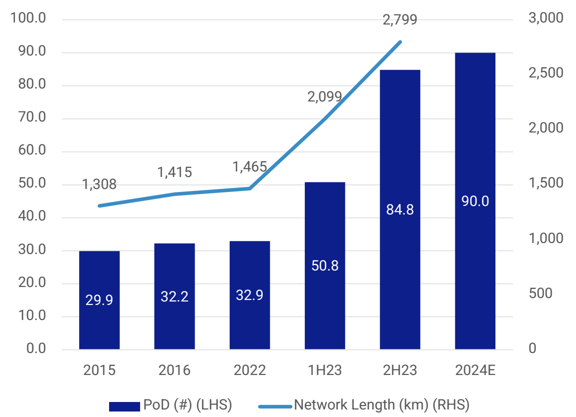
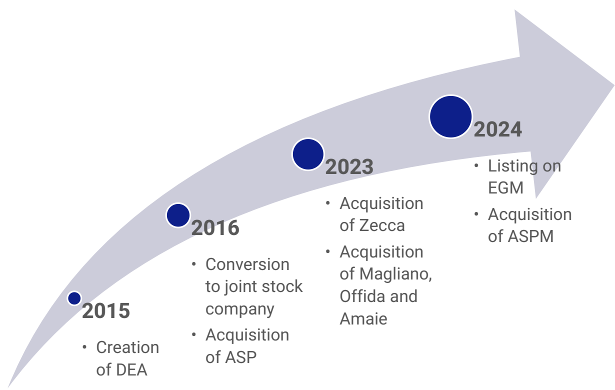


Figure 7: Company history



Source: Company Data

Figure 8: 2023 Acquisitions

	Price	Date
Offida	3,025,258	29/12/2023
Amaie	21,000,000	29/12/2023
Zecca	16,209,633	23/06/2023

Source: Company Data

Group structure

Astea is the main shareholder, two share classes

The Company main shareholder in terms of both stake and voting rights is Astea with a 38.19% stake and 57.85% of voting rights. The market accounts for 12.65% with voting rights of 1.92%. This is due to the presence of a second class of shares with 10x multiple voting rights. Astea, Odoardo Zecca and ASP own most of multiple voting shares.

Figure 9: DEA Shareholder Structure

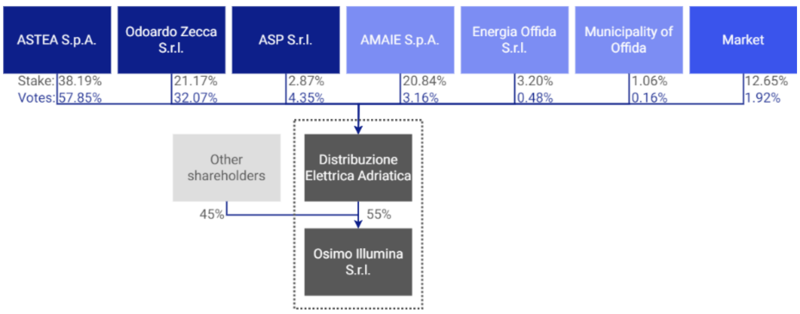
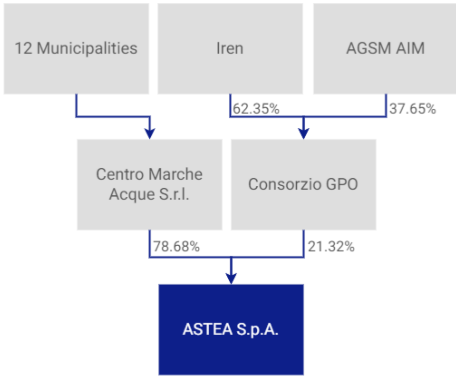


Figure 10: Astea Structure



Source: Banca Profilo elaborations on Company data

Key people

Andrea Osimani (CEO) holds a degree in Law from the University of Macerata, he has worked as lawyer since 1987 and was appointed CEO of DEA in 2017.

Massimiliano Riderelli Belli (General Manager) holds a degree in Mechanical Engineering from the Polytechnic University of Marche and completed an Executive Master in Management of Public Enterprises at SDA Bocconi School of Management. He was appointed GM of Astea in 2015 and then DEA.

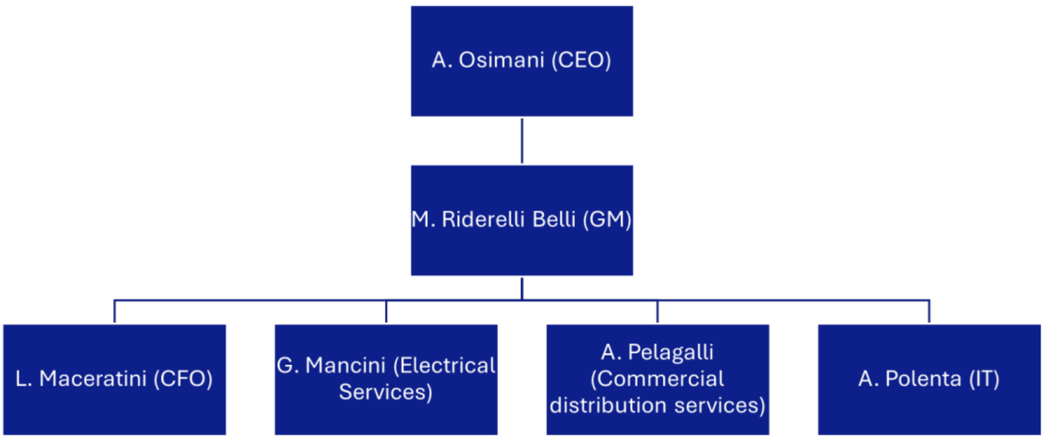
Lucia Maceratini (CFO) holds a Degree in Economics and Business Management from the Polytechnic University of Marche, she has over 30 years of experience across roles at AST, Astea and DEA.

At the beginning of 2024 the Company employed 81 people.

9 Members of the BoD

The Board of directors has 9 members: Paolo Angelici (Chairman), Antonio Osimani (CEO), Elena D'Arrigo (Independent), Eleonora Chiocchi (Independent), Matteo Andracco, Alessandro Morini, Damiano Corsalini, Gennaro Zecca and Micaela Cristina Capelli.

Figure 11: Key figures in the organizational structure



Source: Company Data

Table 16: Board of Directors

Name	Role
Paolo Angelici	Chairman
Antonio Osimani	CEO & Director
Eleonora Chiocchi	Independent Director
Elena D'Arrigo	Independent Director
Gennaro Zecca	Director
Matteo Andracco	Director
Alessandro Morini	Director
Damiano Corsalini	Director
Micaela Cristina Capelli	Director

Source: Company Data

Business Description

Medium operator in the electricity distribution

Operations across three regions

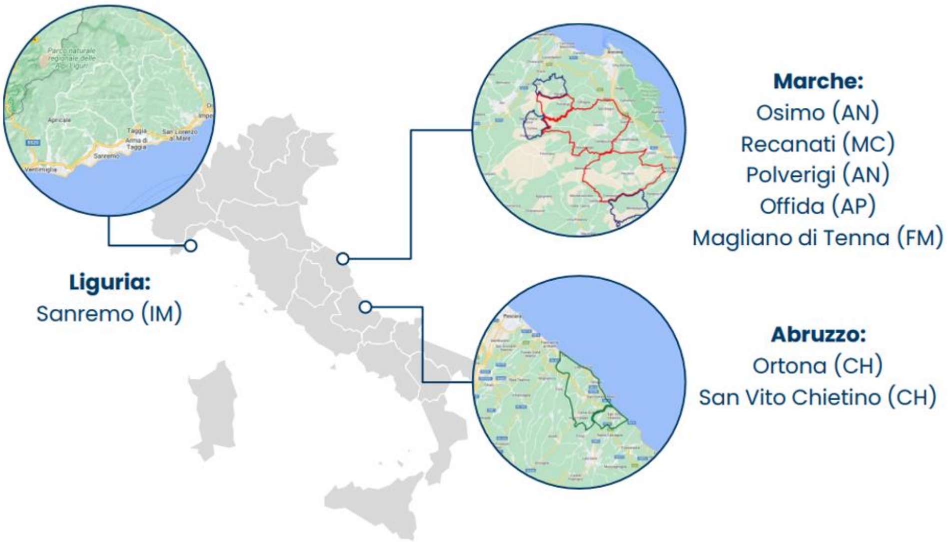
DEA is an Italian infrastructural operator of electricity distribution headquartered in Osimo (AN), managing, operating, maintaining and developing networks in medium and low voltage (MV/LV) under concession agreements. The company's clientele comprises electricity suppliers and seven municipalities in Abruzzo, Liguria and Marche. DEA also undertakes processing activities focused on detecting and providing validated measurement data of electricity injected into and withdrawn from distribution and transmission networks.

~90k PoD served

DEA's 2023 network was located across Abruzzo, Liguria and Marche, spanning 2,799km of which 828km of medium voltage and 1,971km of low voltage network. The Company operates 4 primary substations and 1,280 secondary substations catering to 85k Point of Delivery (PoD). Considering 2022 data, DEA is the 11^{th} largest electricity distributor in Italy.

The acquisition of ASPM brought 5k PoD in Lombardia, increasing served PoD to ~90k.

Figure 12: Geography of DEA activities in 2023



Source: Company data

Distribution Service

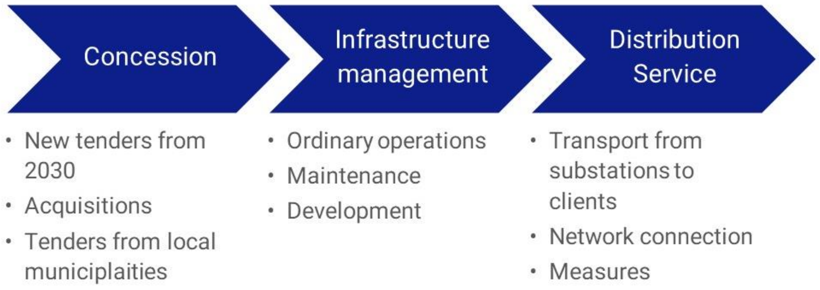
Electricity distribution concession expire at the end of 2030

DEA's activity is carried out under a thirty-year ministerial concession for electrical distribution, obtained in 2001 by Astea. All electricity distribution concessions in Italy expire on December 31, 2030, without any tender before the deadline. Future tenders will be opened to distributors that on January 1, 2026, operate at least 100k PoD, have technical know-how and solid financial statements.

Until 2030, the Company can expand its operations by acquiring companies or by participating to tenders launched by municipalities, as subjects owning a distribution concession decide to put it to tender as they are no longer able to manage it due to financial reasons or complexity stemming from regulation, like the case of Magliano di Tenna (FM).

DEA provides to its customers (electricity sellers) the distribution service, which includes: i) the transport of electricity from the primary substations to the end user; ii) the connection of electrical systems of end users (households and businesses) and of producers to the network; iii) the metering service, by processing electricity data input and withdrawal on the networks.

Figure 13: Distribution value chain



Source: Banca Profilo elaborations on Company data

Limited credit risk

The Company issues invoices on a monthly basis and the collection terms amount to ~30 days. DEA's exposure to credit risk is limited as contractual fulfillment has to be ensured by bank guarantees, security deposits or rating opinions. Furthermore, if a customer defaults a reimbursement is provided by CSEA with the loss shared among distributors.

CSEA

CSEA (Cassa per i Servizi Energetici e Ambientali) is an entity under the supervision of ARERA and collects some tariff components and system charges from operators to be paid to distributors according to ARERA's rules.

Regulated tariff

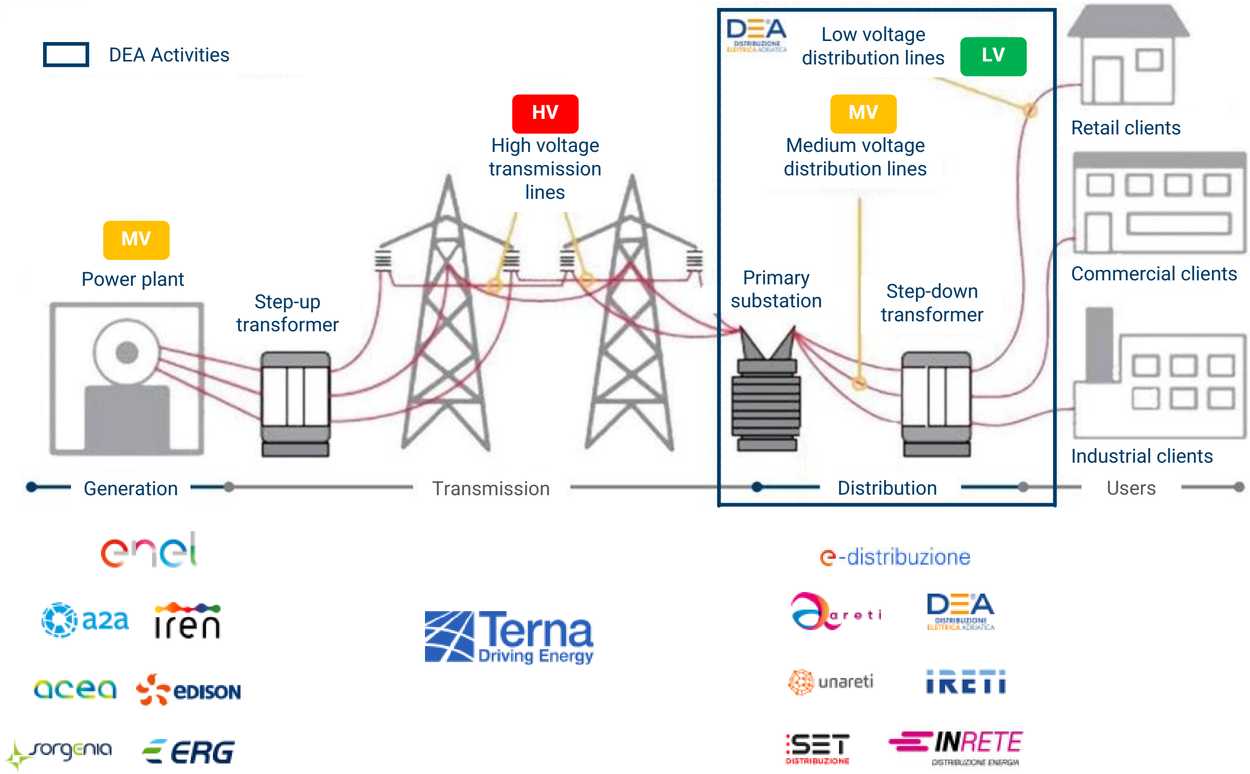
By providing services and investing in the network DEA receives a tariff to cover operating costs, depreciation and return on capital invested. This is regulated and determined by ARERA, which updates the rates annually. Part of the tariff is not proportional to the volume distributed which limits revenue downside risk.

The distribution network infrastructure includes:

1. AT/MT transformation substations (primary substations), which serve as points of interconnection between the network and high and medium voltage grids;
2. Medium voltage networks, with voltages ranging from over 1 kV to 35 kV;
3. MT/BT transformation substations (step-down transformers/secondary substations), serving as points of interconnection between medium and low voltage networks;
4. Low voltage networks, with voltages below 1 kV.

To access the distribution service, end-users (consumers or wholesalers acting on behalf of consumers) must subscribe to a distribution service contract, in accordance with current regulations.

Figure 14: Electricity supply chain



Source: Banca Profilo elaborations on Company data, logos are the property of the respective businesses and are for illustrative purpose only

Public lighting

Public lighting in 15 municipalities

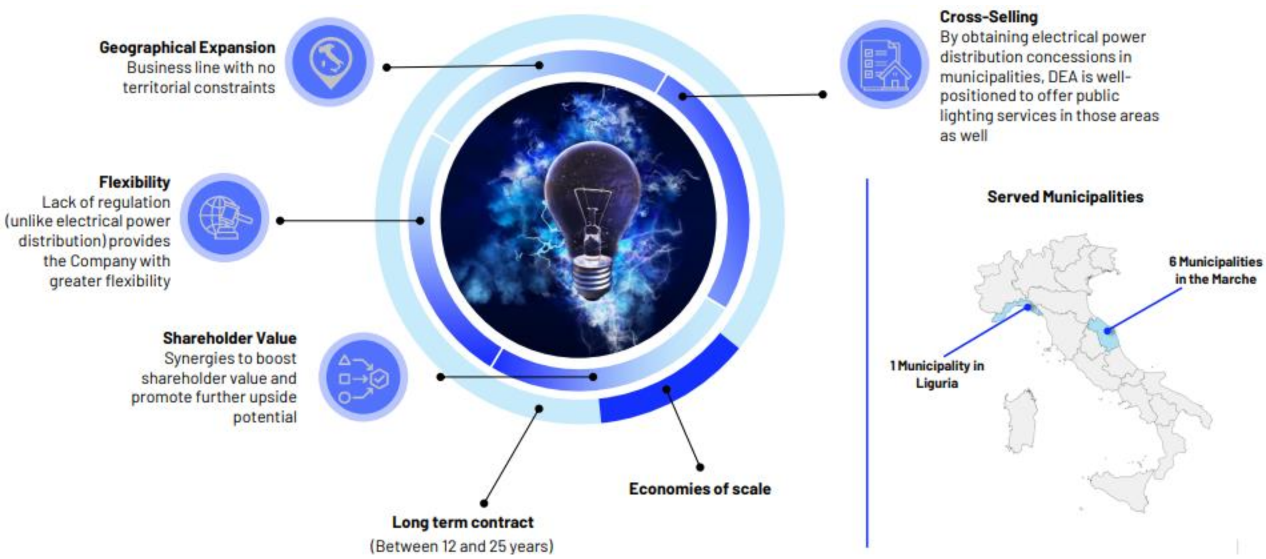
DEA designs, constructs and carries out maintenance activities of public lighting systems thanks to concession agreements. In 2023, the Company managed a network of 679km relating to the public lighting service across 7 municipalities in 2 Italian regions. These services are not regulated by ARERA and can be performed as a supplementary activity by distribution companies. The acquisition of ASPM brought public lighting contracts across 8 new municipalities in Lombardia.

The annual fee per lighting point is determined by the procurement contract and is annually revalued, reflecting changes in labor costs and energy prices. The service also encompasses the provision of electrical energy for public lighting systems, which DEA purchases and resells to the Municipality.

Concession contracts from municipalities

A concession contract can be initiated in two ways. Either municipalities directly propose it or a company proposes a project that a local authority must recognize as being in the public interest. In the second scenario, the company that proposes the project holds a pre-emptive right during the awarding process.

Figure 15: Distribution value chain



Source: Company data

Table 17: Duration of public lighting concessions

City	Beginning	Duration	Expiry
Osimo (AN)	2022	25 years	2047
Recanati (MC)	2015	25 years	2040
Montelupone (MC)	2016	25 years	2041
Santa Maria Nuova (AN)	2018	12 years	2030
Agugliano (AN)	2020	12 years	2032
Polverigi (AN)	2020	12 years	2032
Sanremo (IM)	2000	30 years	2030

Source: Company data

Fully regulated business

A single national price charged to final customers

The electricity distribution service is regulated, pursuant to article 3 of Law 481/1995, by ARERA. Prices for distribution and metering are charged to final customers as a separate line in an electricity bill, to be collected by the energy supplier which are then paid to the local distributor.

The final costs that will be charged are determined on a nationwide basis by ARERA and are updated annually. These costs are referred to as the "Mandatory Tariff" and in the annual document prices published are:

- ¢€/client, ¢€/kWh, ¢€/kW for the distribution activity
- ¢€/client, ¢€/kWh for the metering activity

Tariff regulation until 2023

Decoupled tariff (Mandatory + Individual)

ARERA also establishes a constraint on admitted revenues, based on several significant variables, including the size of the served territory, the type of terrain served (whether it's urban, rural, or mountainous) and the number of customers served.

From 2012 until the end of 2023, the restriction on the admitted revenues of each operator was recognized in the individual tariff or company tariff, based on the number of customers of each type of user (domestic, other low/medium/high voltage) or of distributed kilowatt. This was published by ARERA provisionally by 31 March of the year t to which the tariff refers and definitively by 28 February of the year t+1.

Therefore, each distributor generates revenues from two regulated tariffs i) mandatory tariff ii) company tariff, leading to the tariff decoupling, where revenues allowed for the operator are released from the scale variables used for invoicing and for determining actual revenues. This creates a difference between admitted and actual revenues, which are compensated for each operator by CSEA in year t+1 compared to the reference year t of the tariff.

RAB remuneration with 5.6% WACC

Electricity distributors earn revenue not only based on operating expenses, but also through a WACC applied to the RAB. During each regulatory period, ARERA, establishes the main parameters for calculating the WACC. The current regulatory period is 2022-2027 and is divided into two subperiods. WACC is updated at the end of the subperiods or, during the current 3-year period, if a change observed in a parameter would result in a change in WACC of at least 30 bps. The rate for 2025-27 is set at 5.6%.

Tariff regulation from 2024

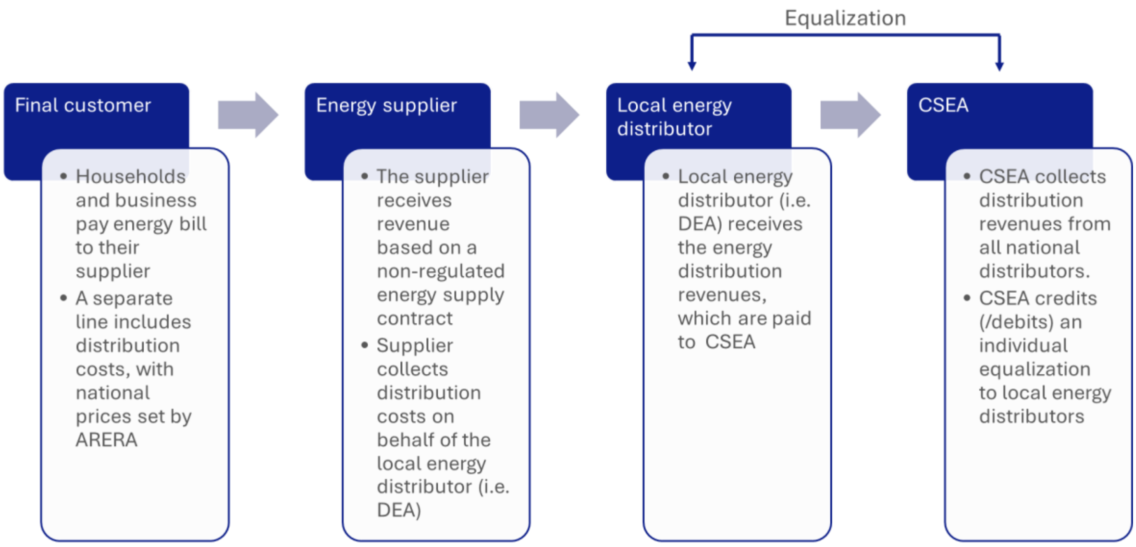
Towards Totex with ROSS

Starting from 2024, ARERA has adopted a different tariff methodology for electricity distribution, which keeps some legacy components. The ROSS model envisions a progression from the hybrid method, which differentiates between operating costs (regulated by the price cap) and capital costs (rate of return regulation), towards a Totex method (ROSS). The ROSS approach aims to reduce incentives to over-investments, as operators might have a WACC for an investment smaller than the WACC on RAB set by the authority. The period prescribed by the regulation included in TIROSS runs from 2024 to 2031, with two four-year subperiods.

The tariff decoupling system remains, but the restriction on revenues admitted according to the ROSS regime is only applied to companies with more than 25k served customers.

DEA will use a "unified" tariff for 2024 as it has 85k PoD, while in 2023 tariffs were based on aggregates specific to each acquired company, which might have involved the adoption of special methodologies.

Figure 16: Distribution revenue collection



Source: Banca Profilo

Expected total expenditure communicated

Under this new regime, operators must communicate the total eligible expenditure ex ante for tariff purposes for the regulatory period 2024-2027 based on the four-year period 2022-2025. The total expenditure is defined by article 35 of the TIROSS annex to resolution 163/2023/R/com and is calculated as operational cost baseline + capital expenditure baseline.

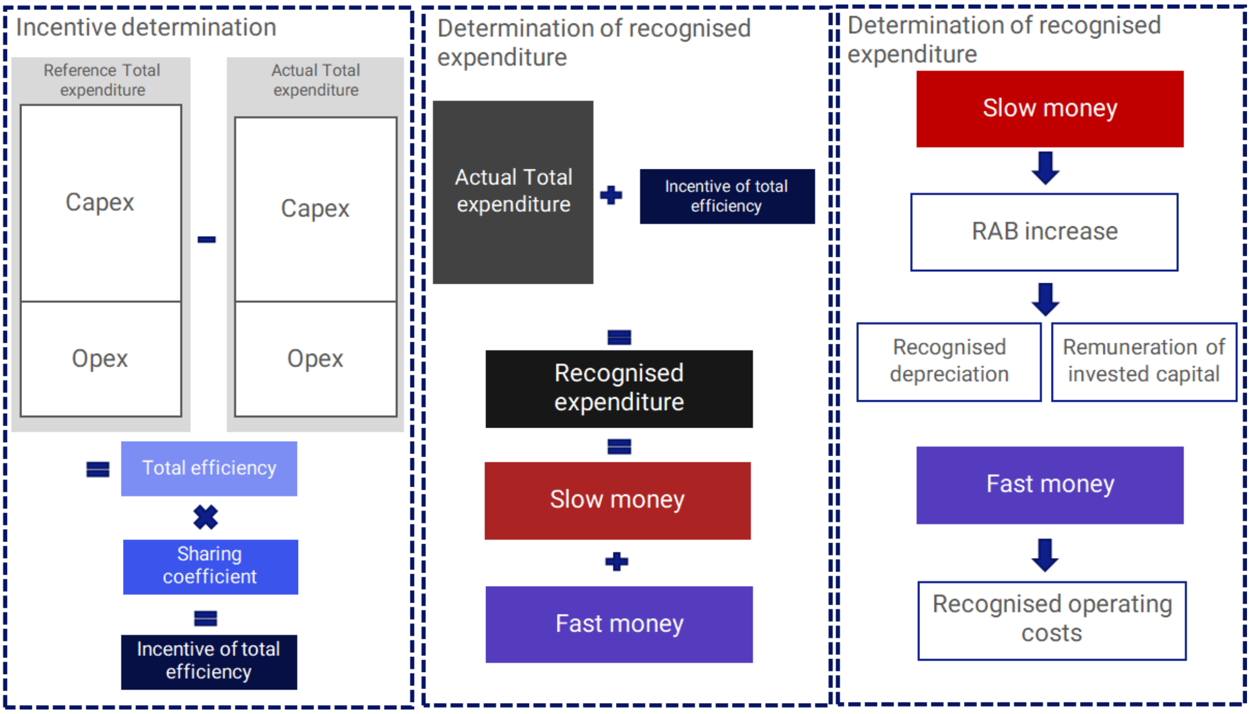
Therefore, eligible expenditure for 2024 for the first year of application of the TIROSS, is derived from 2022 CAS (annual results with accounting rules for regulatory purposes) and from the investments communicated to ARERA for 2022. Admissible total expenditure for each year from 2025 to 2027 derives from estimates provided by operators for the years from 2023 to 2025.

During the TIROSS regulation period the total expenditure of the t-th year is compared with the actual expenditure of the same year (CAS + investments reported). This will be available to the regulator starting from year t+2 compared to the publication of the provisional tariff for year t. ARERA (article 18 of resolution 497/2023/R/eel) determines the definitive tariff by 31 March of the year t+2 and the equalization balances are settled with a time lag greater than one year compared to previous regulation. ARERA allows for a request of an advance payment of the equalization in year t.

Slow money and fast money

Under the TIROSS method invested capital is still remunerated using the WACC, this is part of the "slow money" along with depreciation, which increases the RAB. The provisional "slow money" share is determined from the product of the total expenditure of year t and the rate of capitalization. For electricity distribution and measure the capitalization rate is set by the regulator and differs for clusters of operators, based on historic data and forecasts. The provisional fast money (Opex) share is determined by subtracting the slow money share from the total expenditure.

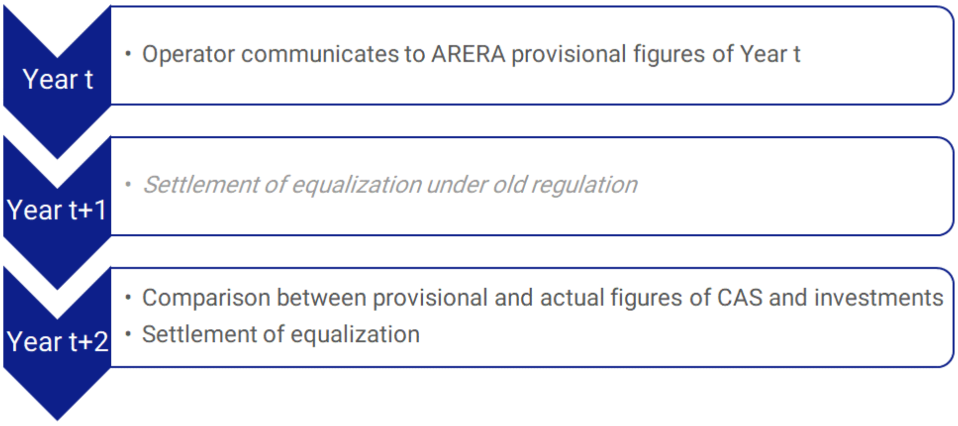
Figure 17: ROSS-base model



Source: Banca Profilo elaborations on ARERA

Efficiency incentives During each year of the regulatory period, the operational efficiency incentive is the portion left to the companies resulting from the difference between total expenditure and actual total expenditure. In the first year of implementation, the company retains 100% of this incentive while for the following three years, the retention rate is reduced to 50%. If efficiencies are lower than expected a symmetrical mechanism is applied.

Figure 18: Settlement of equalization under ROSS



Source: Banca Profilo elaborations on Energy Advisors

Warrants

Shareholders that participated in the IPO received 1 free warrant per share, 5 warrants can be exchanged during the exercise periods for a share. Warrants were also awarded to over-allotment shares (greenshoe). Warrants can be exercised during the periods at a growing price,

As warrants have been given exclusively to new shareholders, the exercise would have a dilutive effect for former shareholders and to those not exercising the option.

Table 18: Warrants Exercise Periods

	Beginning	Ending	Price	vs IPO
First Exercise Period	02/06/2025	30/06/2025	10.4	30%
Second Exercise Period	01/06/2026	30/06/2026	11.2	40%
Third Exercise Period	01/06/2027	30/06/2027	12.0	50%

Source: Company Data

Stock dividend

Shareholders that participated in the IPO and hold DEA's shares for at least 6 months from the listing date will receive a 1 stock dividend for every 10 shares held.

DEA

Recommendation	Target Price	Upside
BUY	**13.7 €**	**70%**

Overview

Electricity distribution is the final phase of the supply chain (energy generation, transmission and distribution). Companies in the sector manage, operate, maintain and develop networks in medium and low voltage under concession agreements. Created in 2015, DEA is an Italian infrastructural operator of electricity distribution headquartered in Osimo (AN). After completing 4 deals in 2023 and 1 in 2024 it currently operates 90k PoD (vs 33k PoD in 2022) across 4 regions where it acts as a natural monopolist. Distribution revenues are output based and determined on tariffs set by the regulator ARERA, therefore non-cyclical and protected against inflation, ensuring stability and limited downside risk. Moreover, distribution services contract have limited credit risk and in case of defaults losses are compensated by CSEA, subjected to ARERA's supervision. In addition, DEA operates in the non-regulated public lighting sector, across 15 municipalities in 3 regions. This business is also carried out under concession agreements.

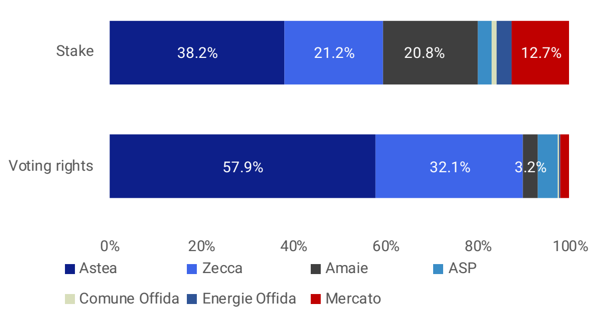
Main Financials

(€mln)	2022	2023PF	2024E	2025E	2026E
Revenues	12.6	25.7	30.8	34.7	35.5
Other revenues	1.3	3.5	2.8	3.6	3.6
Total revenues (VoP)	**13.8**	**29.3**	**33.6**	**38.3**	**39.1**
yoy (%)	*2.4%*	*111.7%*	*14.7%*	*14.2%*	*2.1%*
EBITDA	**4.3**	**10.2**	**12.2**	**13.5**	**13.9**
margin (%)	*31.3%*	*34.8%*	*36.3%*	*35.2%*	*35.6%*
EBIT	**1.6**	**5.0**	**6.8**	**7.9**	**8.4**
margin (%)	*11.7%*	*17.2%*	*20.2%*	*20.6%*	*21.5%*
Net profit	**1.0**	**3.4**	**4.3**	**5.1**	**5.7**
margin (%)	*7.5%*	*11.6%*	*12.9%*	*13.4%*	*14.6%*
Net debt (cash)	**8.3**	**10.4**	**8.2**	**5.8**	**2.3**
Equity	34.0	67.2	79.7	84.1	89.2
Operating NWC	0.8	3.3	6.9	7.3	7.6
Capex adj.	(2.0)	(4.0)	(12.4)	(8.9)	(6.7)
Free Cash Flow			(3.0)	3.6	4.5

Company Description

Company Sector	Electric Utilities
Price (€)	8.1
Number of shares (mln)	7.9
Market Cap (€ mln)	63.3
Reference Index	FTSE Italia Growth
Main Shareholders	Astea, Odoardo Zecca, Amaie
Free Float	12.7%
Daily Average Volumes (30D)	693
Sample of comparables	Terna, Italgas, Snam, Elia Group, REN, Redeia

Main shareholders



Revenues Breakdown

	2022	2023PF	2024E	2025E	2026E
Distribution	9.4	21.6	26.9	28.8	29.4
on sales (%)	*74.6%*	*84.0%*	*87.3%*	*82.8%*	*82.8%*
Public Lighting	2.3	3.2	2.9	4.3	4.4
on sales (%)	*17.9%*	*12.3%*	*9.6%*	*12.3%*	*12.4%*
Other	0.9	0.9	1.0	1.7	1.7
on sales (%)	*7.5%*	*3.6%*	*3.1%*	*4.9%*	*4.9%*

Key Ratios

	2022	2023PF	2024E	2025E	2026E
ROE	*3.1%*	*6.7%*	*5.9%*	*6.3%*	*6.6%*
ROA	*2.1%*	*4.7%*	*4.1%*	*4.3%*	*4.7%*
Leverage	1.5	1.4	1.4	1.4	1.4
DSO (Days)	*52*	*80*	*143*	*128*	*128*
DPO (Days)	*116*	*114*	*207*	*174*	*174*
Capex/sales	*15.7%*	*15.6%*	*45.4%*	*25.7%*	*18.9%*
Net Debt/EBITDA	1.9x	1.0x	0.7x	0.4x	0.2x
Interest Coverage Ratio	9.9x	18.4x	9.8x	11.0x	22.0x

Multiples

	2023	2024E	2025E
EV/EBITDA	7.2x	5.9x	5.3x
PE	18.8x	14.8x	12.7x
P / BV	0.9x		

Peers Data

	2022	2023	2024E	2025E
Sales Growth (yoy)	*12.8%*	*9.8%*	*4.6%*	*8.1%*
EBITDA Margin	*61.2%*	*59.1%*	*61.6%*	*61.7%*
Net Income Margin	*21.2%*	*22.7%*	*22.4%*	*21.5%*
EV / EBITDA		10.8	10.8	9.6
PE		13.2	14.7	13.7
P / BV		1.7x		

Source: Bloomberg, Banca Profilo estimates and elaborations

Strengths

Regulated non-cyclical business
Economies of scale with lighting business
Low debt levels
Generous dividend policy
High marginality

Weaknesses

Multiple voting shareholder class (10 to 1)
Inferior ROE
Capital intensive

Opportunities

Option to acquire 24k PoD with a price cap
Acquisition pipeline of 36k PoD
Sector consolidation
Expansion of lighting in new municipalities
IoT / Data Management

Threats

Limited visibility on 2030 tender process
Emergence of other PoD aggregators or competition from large multi-uti

Disclaimer

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