



# Fixed Income Investor Presentation

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*January 2018*

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# Agenda

**THE ACEA GROUP TODAY**

**MARKET SCENARIO AND TRENDS**

**FINANCIAL PERFORMANCE**

**ACEA HIGHLIGHTS & TRANSACTION SUMMARY**

**APPENDIX**

## *With us today*

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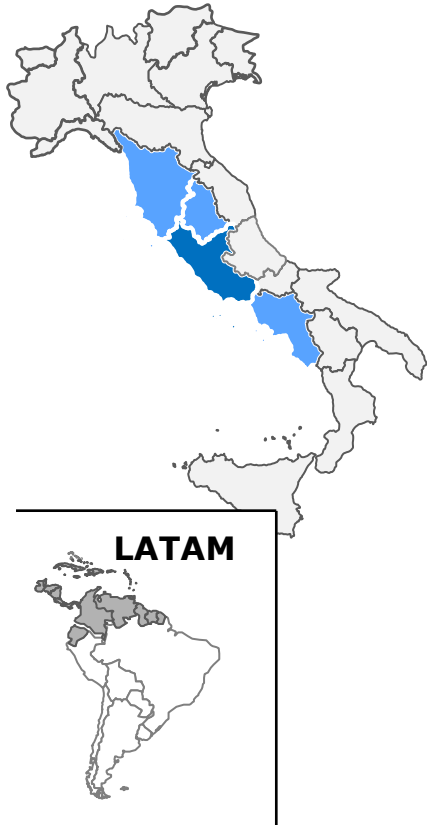
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## THE ACEA GROUP TODAY

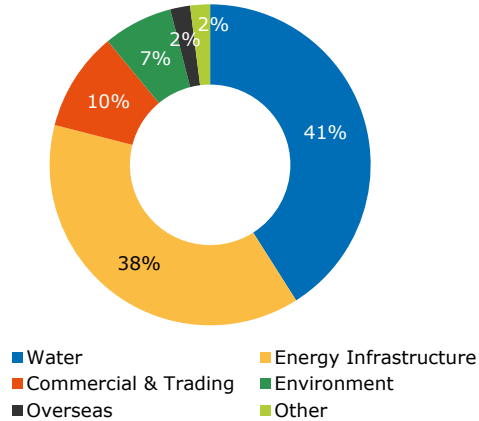
# THE ACEA GROUP TODAY

## A market **LEADING** multiutility

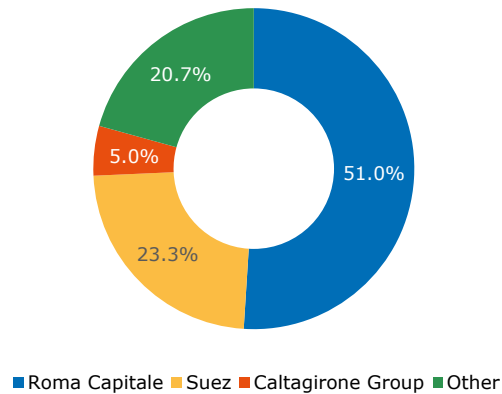
### FOOTPRINT








### EBITDA Breakdown (1)



### SHAREHOLDERS (2)



### MARKET POSITION IN ITALY 2017

- No. 1**  **WATER**
  - 9m customers
  - RAB €1.3bn
- No. 2**  **ELECTRICITY DISTRIBUTION**
  - 1.6m PODs
  - RAB €1.9bn
- No. 5**  **PUBLIC LIGHTING**
  - 200k Lighting Points operated
  - 80% LED
- No. 6**  **SALE OF ELECTRICITY AND GAS**
  - 1.4m customers
  - 7.2 TWh of electricity sold
- No. 6**  **ENVIRONMENT**
  - 1m tons of waste treated
  - 360 GWh of electricity produced

(1) Based on H1 2017 data, excluding EBITDA contribution from Holding company;  
 (2) CONSOB data at 24 January 2018.

# THE ACEA GROUP TODAY

## Operating segments

### WATER

- **Integrated Water Service** in Italy

### ENVIRONMENT

- **Sludge** management
- **Waste** treatment, recovery, recycling and disposal

### ENERGY INFRASTRUCTURE

- Electricity **Distribution**
- Public **Lighting**
- Electricity **Generation**

### COMMERCIAL AND TRADING

- **Energy Management**
- **Sale** of Electricity and Gas



### OVERSEAS

- **Overseas** water business

### ENGINEERING AND SERVICES

- **Laboratory testing**
- Internal **engineering & consultancy**

## MARKET SCENARIO AND TRENDS



## MARKET SCENARIO AND TRENDS

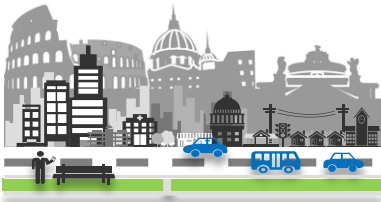
# SEGMENT TRENDS expected in the coming years in the Group's core businesses

## WATER



- Strong **regulatory and government drive** to ensure
  - greater industrial development
  - new investment to cut gap in infrastructure and plant and boost network resilience
- **Consolidation in the industry** backed by leading players

## ENERGY



### Key elements of the *National Energy Plan 2017*

- **Decarbonisation** by **driving electrification** and the development of an increasingly "**distributed**" model
- Increase in **energy security** to guarantee network **flexibility, adequacy and resilience**
- **Technology** and **innovation** to enable the "new downstream", making customers more active and aware (e.g. Demand Response)
- Full **deregulation** of the market and industry consolidation

## ENVIRONMENT



- **Circular Economy** ("Closing the Loop") in order to recycle and recover materials
- New plant (greenfield and brownfield) to **make up the infrastructure gap**, above all in the treatment of **organic waste** (e.g. biodigesters)

## MARKET SCENARIO AND TRENDS

*The Group's new Strategic PILLARS*
**Growth**

**Local focus**

**Technology,  
Innovation  
and Quality**

**Operational  
Efficiency**


- **Infrastructure** development
- **Customer-oriented** and **service-based** approach

- **Sustainable** development
- **Dialogue** and **collaboration**

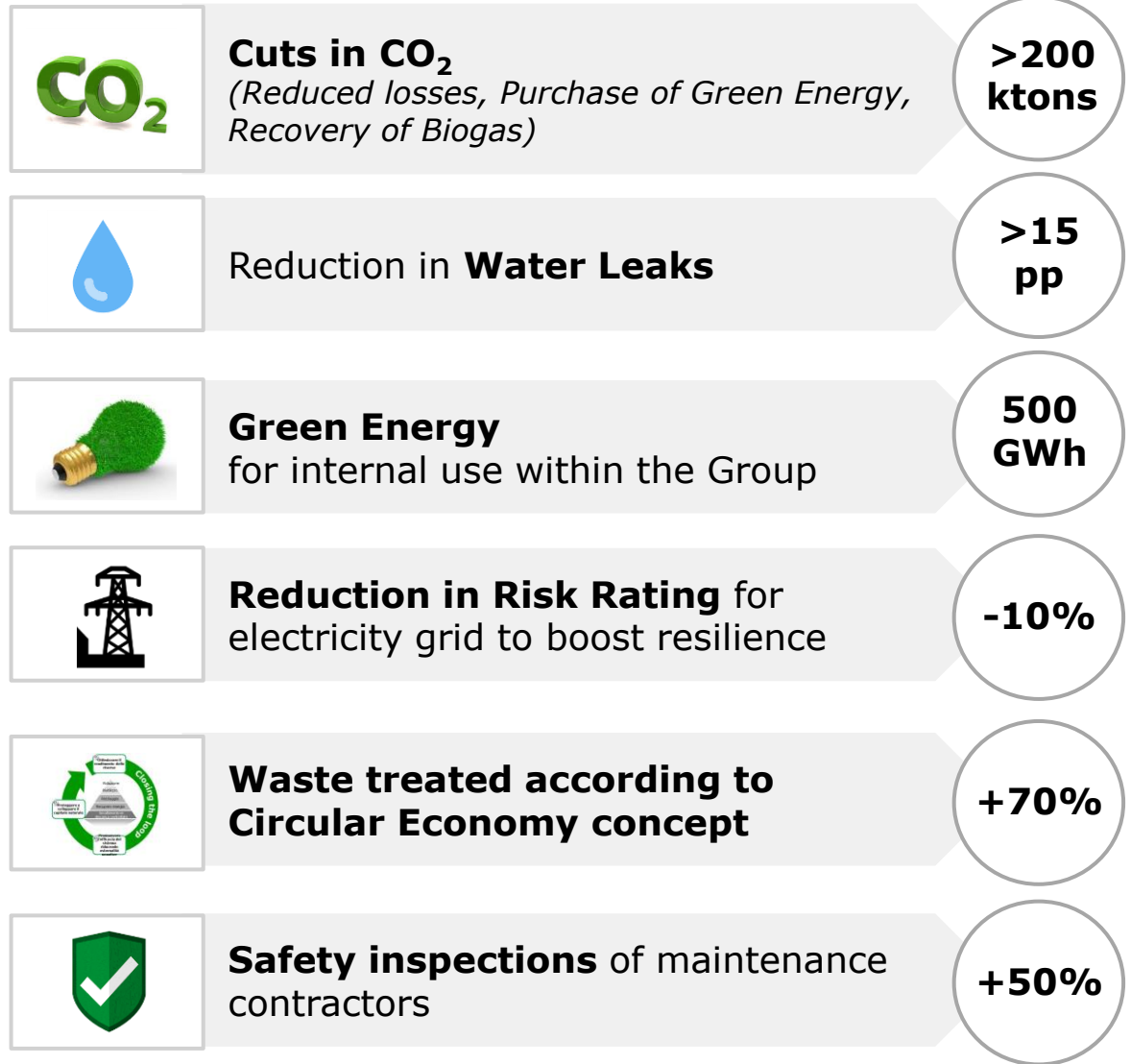
- Research & innovation applied to **industrial processes**
- Improved **customer experience**
- **Group-wide Innovation Strategy**

- **Capex discipline**
- **Operational improvements**
- **Supply chain** optimisation
- **Balanced** organisational model

# MARKET SCENARIO AND TRENDS


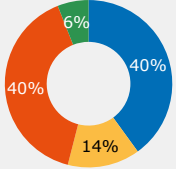
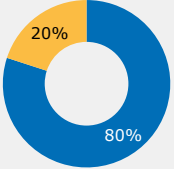

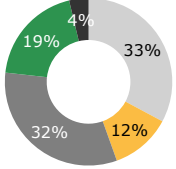
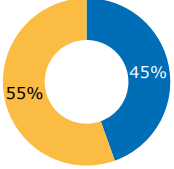

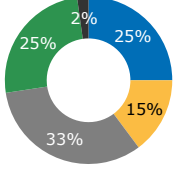
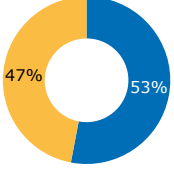

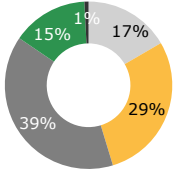
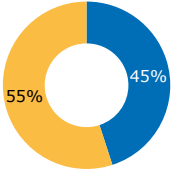
## SUSTAINABILITY *plan*

### United Nations Sustainable Development Goals (SDGs)



# MARKET SCENARIO AND TRENDS

## Competitive Landscape: Acea vs. Peers

Issuer	Rating (M/S/F)	Business (FY 2016)	EBITDA Regulated (FY 2016)	Geo presence (FY 2016)	Average Cost of Debt (FY 2016)	Average Maturity (FY 2016)
	Baa2 (stb) / NR / BBB+ (stb)	 <ul style="list-style-type: none"> <li>Water</li> <li>Energy</li> <li>Grids</li> <li>Environment</li> </ul>	 <ul style="list-style-type: none"> <li>Regulated</li> <li>Unregulated</li> </ul>	Northern/ Central/ Southern Italy	2.94%	~7yrs
	Baa3 (stb) / BBB (stb) / NR	 <ul style="list-style-type: none"> <li>Generation &amp; trading</li> <li>Energy retail</li> <li>Networks</li> <li>Waste</li> <li>Other</li> </ul>	 <ul style="list-style-type: none"> <li>Regulated</li> <li>Unregulated</li> </ul>	Northern Italy	3.50%	5.4yrs
	Baa1 (neg) / BBB (stb) / NR	 <ul style="list-style-type: none"> <li>Water</li> <li>Gas</li> <li>Electricity</li> <li>Waste</li> <li>Other</li> </ul>	 <ul style="list-style-type: none"> <li>Regulated</li> <li>Unregulated</li> </ul>	Northern/ Central Italy	3.70%	> 8yrs
	NR / NR / BBB (stb)	 <ul style="list-style-type: none"> <li>Market</li> <li>Energy</li> <li>Networks</li> <li>Waste</li> <li>Other</li> </ul>	 <ul style="list-style-type: none"> <li>Regulated</li> <li>Unregulated</li> </ul>	Central Italy	3.40%	~5.1yrs

Source: Companies websites, full year 2016 investors presentations and full year 2016 annual reports.

## FINANCIAL PERFORMANCE

## FINANCIAL PERFORMANCE

## Financial Highlights

(€m)	FY 2015	FY 2016	% change	HI 2016 Adjusted <sup>(1)</sup>	HI 2017 Adjusted <sup>(1)</sup>	% change
	a	b	b/a	c	d	d/c
Consolidated revenue	2,917.3	2,832.4	-2.9%	1,323.4	1,372.5	+3.7%
EBITDA	732.0	896.3	+22.4%	380.4	414.1	+8.9%
EBIT	386.5	525.9	+36.1%	210.8	213.9	+1.5%
Profit/(Loss) before tax	296.4	416.1	+40.4%	169.0	183.4	+8.5%
Group net profit/(loss) (before non-controlling interests)	181.5	272.5	+50.1%	111.6	124.3	+11.4%
Group net profit/(loss) (after non-controlling interests)	175.0	262.3	+49.9%	106.9	117.5	+9.9%
Capex	428.9	530.7	+23.7%	220.8	252.2	+14.2%

(1) The adjusted results do not include:

**for HI 2017, the negative impact resulting from:**

- restored ownership of a property that houses a car park for company vehicles (€9.5m);
- the provision for the reduction in the amount due to Areti from GALA (€9.5m).

**for HI 2016, the positive impact** (amounting to €63.3m before tax) of elimination of the regulatory lag.

(€m)	31 Dec 2015	30 June 2016 (a)	31 Dec 2016 (b)	30 June 2017 (c)	% change (c/a)	% change (c/b)
Net Debt	2,010.1	2,131.9	2,126.9	2,401.4	+12.6%	+12.9%
Adjusted Net Debt <sup>(2)</sup>	2,010.1	2,131.9	2,126.9	2,377.4	+11.5%	+11.8%
Equity	1,596.1	1,631.4	1,757.9	1,744.1	+6.9%	-0.8%
Invested Capital	3,606.2	3,763.3	3,884.8	4,145.5	+10.2%	+6.7%

(2) Adjusted net debt for 2017 does not include the impact of the reduced amount due from GALA.





## FINANCIAL PERFORMANCE

**EBITDA and Key quantitative data**

H1 2017 financial highlights

**Water**

EBITDA main drivers

-  Acea ATO2: +€18.9m (quality award €14.3m)
-  Acea ATO5: +€0.8m
-  Change in scope of consolidation
-  Companies consolidated using the equity method (-€4.3m)

(€m)	H1 2016	H1 2017	%change	Key quantitative data	H1 2016	H1 2017
<b>EBITDA</b>	<b>159.0</b>	<b>173.3</b>	<b>+9.0%</b>	<b>Total volume of water sold</b> (Mm <sup>3</sup> )	<b>211</b>	<b>211</b>
<i>of which: Profit/(Loss) on investments consolidated under IFRS 11</i>	<i>14.9</i>	<i>10.6</i>	<i>-28.9%</i>			
<b>Capex</b>	<b>99.6</b>	<b>121.9</b>	<b>+22.4%</b>			
(average)	H1 2016	H1 2017	Change			
<b>Number of employees</b>	<b>1,819</b>	<b>1,774</b>	<b>-45</b>			

## FINANCIAL PERFORMANCE

## EBITDA and Key quantitative data

H1 2017 financial highlights



**Energy  
Infrastructure**  
EBITDA main drivers

↑ Generation +€4.4m

↓ Distribution (-€43.8m due to Regulatory Accounting in H1 2016)

↑ Public Lighting (+€1.1m)

(€m)	H1 2016 (a)	H1 2016 Adjusted <sup>(1)</sup> (b)	H1 2017 (c)	%change (c/a)	%change (c/b)	Key quantitative data	H1 2016	H1 2017
<b>EBITDA</b>	<b>198.2</b>	<b>134.9</b>	<b>159.9</b>	<b>-19.3%</b>	<b>+18.5%</b>			
Generation	17.5		21.9	+25.1%		<b>Total electricity distributed (GWh)</b>	<b>4,945</b>	<b>4,842</b>
Distribution	179.6	116.3	135.8	-24.4%	+16.8%			
Public Lighting	1.1		2.2	+100.0%				
<b>Capex</b>	<b>96.1</b>		<b>105.2</b>	<b>+9.5%</b>		<b>Total electricity produced (GWh)</b>	<b>214</b>	<b>234</b>

(average)	H1 2016	H1 2017	Change
<b>Number of employees</b>	<b>1,395</b>	<b>1,362</b>	<b>-33</b>

(1) After adjusting for the positive impact of elimination of the regulatory lag (€63.3m).



FINANCIAL PERFORMANCE

EBITDA and Key quantitative data

H1 2017 financial highlights



Commercial and Trading

EBITDA main drivers

↓ Recognition, in Q2 2016, of additional revenue of approximately €10m linked to impact of the contract, entered into in March 2016, for the commercialisation of smart meters.

↓ Sales activity : margin decrease

(€m)	HI 2016	HI 2017	%change	Key quantitative data	HI 2016	HI 2017
EBITDA	52.3	40.6	-22.4%	Total Electricity sold (GWh)	4,205	3,408
				Enhanced Protection Market	1,364	1,316
				Free Market	2,841	2,092
Capex	11.3	7.9	-30.1%	Total Gas sold (Mm <sup>3</sup> )	66	57

(average)	HI 2016	HI 2017	Change
Number of employees	474	476	2

## FINANCIAL PERFORMANCE

**EBITDA and Key quantitative data**

H1 2017 financial highlights

**Environment**

EBITDA main drivers



Greater quantity of electricity sold by the San Vittore plant



Acque Industriali (change in scope of consolidation): +€0.5m

(€m)	H1 2016	H1 2017	%change	Dati quantitativi	H1 2016	H1 2017
<b>EBITDA</b>	<b>29.2</b>	<b>31.3</b>	<b>+7.2%</b>	<b>Treatment and disposal<sup>(1)</sup></b> (‘000s of tonnes)	<b>411</b>	<b>549</b>
<b>Capex</b>	<b>8.0</b>	<b>8.5</b>	<b>+6.3%</b>	<b>WTE electricity produced (GWh)</b>	<b>141</b>	<b>175</b>

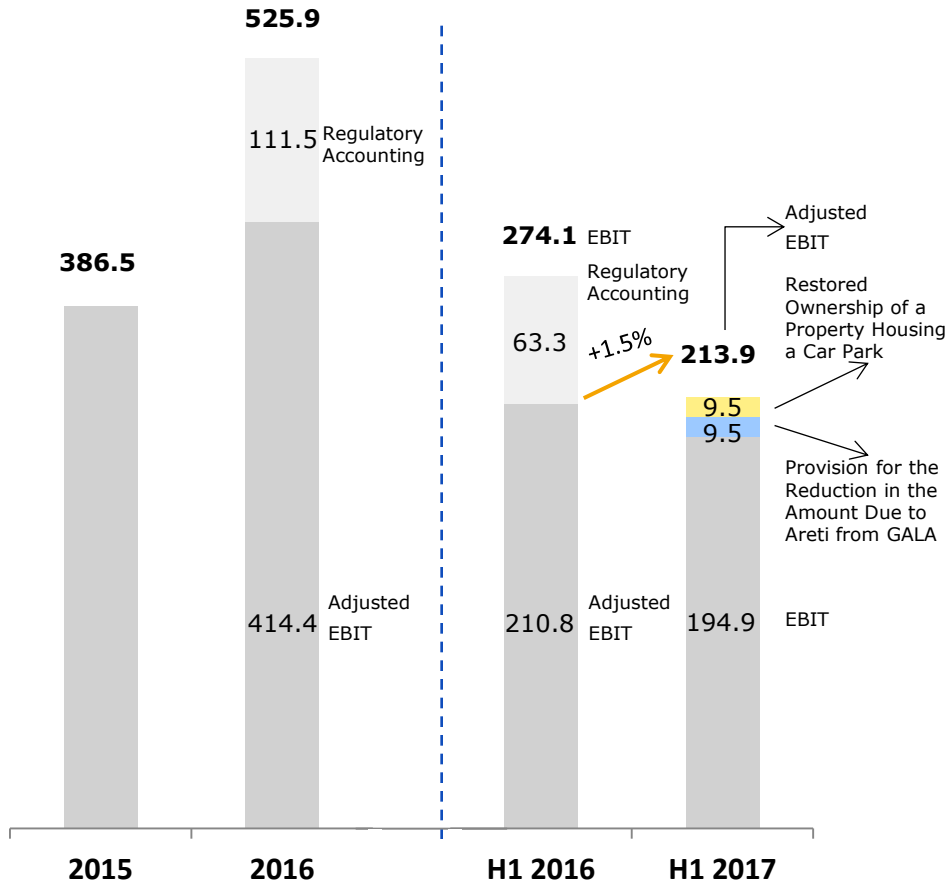
(average)	H1 2016	H1 2017	Change
<b>Number of employees</b>	<b>230</b>	<b>350</b>	<b>120</b>

(1) Includes ash disposed of.

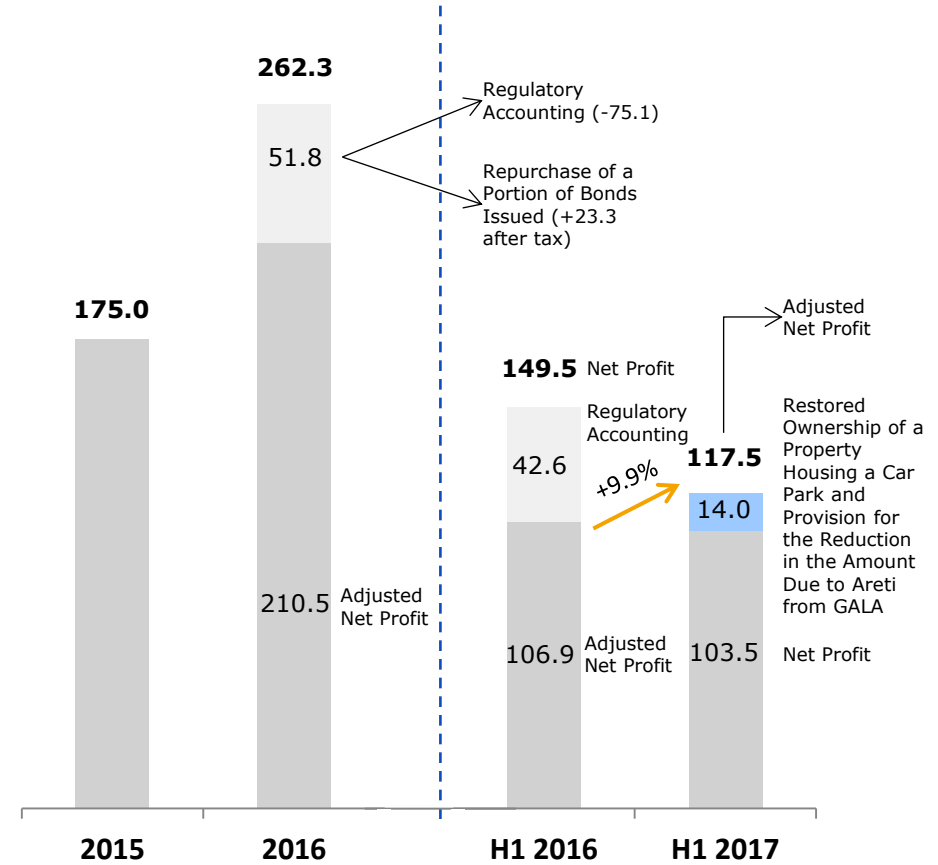
# FINANCIAL PERFORMANCE

## EBIT and Net Profit

### EBIT (€ m)



### Net Profit (€ m) <sup>(1)</sup>

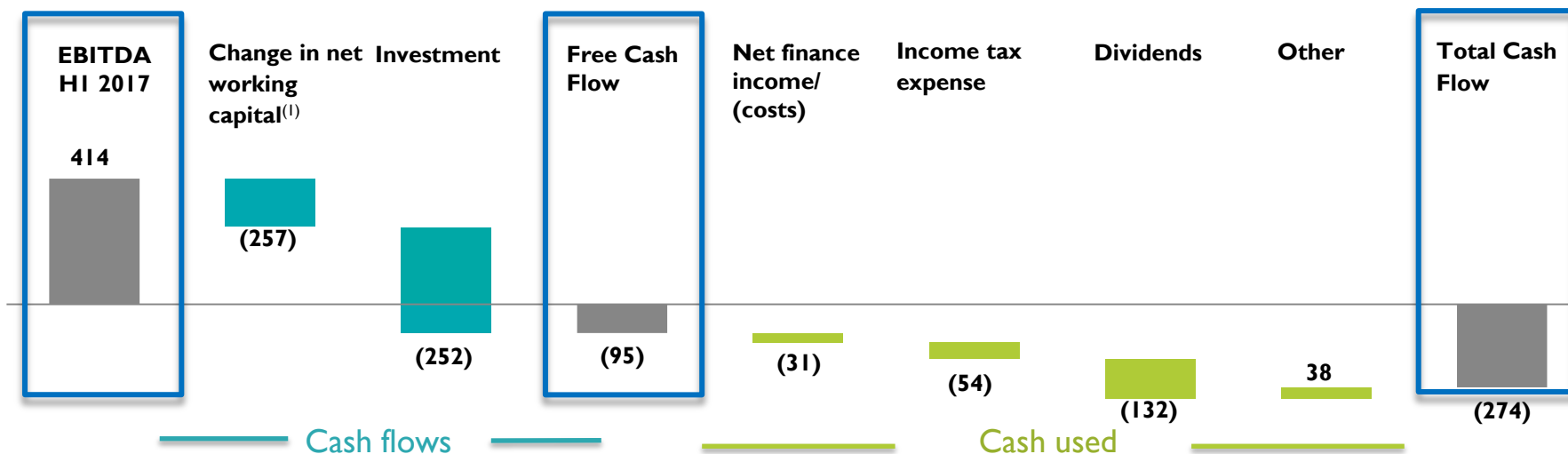


(1) Group Net Profit after non-controlling interests.

## FINANCIAL PERFORMANCE

## Cash flow

CASH FLOW ANALYSIS (€m)	HI 2016	HI 2017
EBITDA	444	414
Change in net working capital	(144)	(257)
Investment	(221)	(252)
<b>Free Cash Flow</b>	<b>79</b>	<b>(95)</b>
Net finance income/(costs)	(42)	(31)
Income tax expense	(78)	(54)
Dividends	(107)	(132)
Other	25	38
<b>Total Cash Flow</b>	<b>(123)</b>	<b>(274)</b>
<b>Net Debt at beginning of period</b>	<b>2,010</b>	<b>2,127</b>
<b>Net Debt at end of period</b>	<b>2,132</b>	<b>2,401</b>

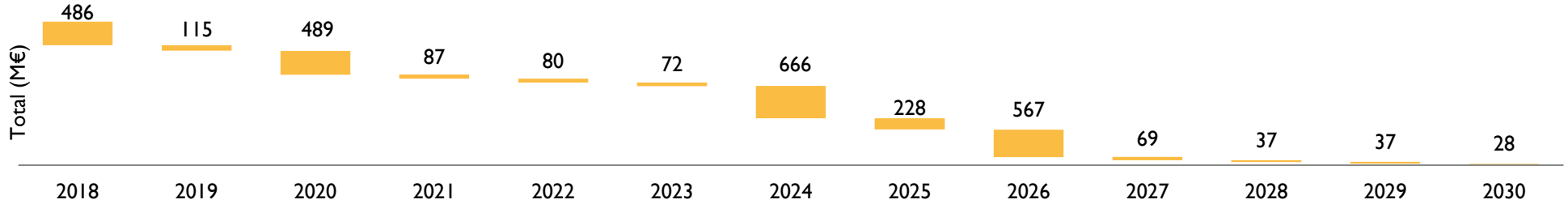


(1) Before write-off on receivables.

# FINANCIAL PERFORMANCE

## Debt Structure

### Maturity Profile



(€m)	30 June 2017
<b>NET DEBT</b>	<b>2,401.4</b>
Medium/Long-term	2,831.8
Short-term	(430.4)
<b>Adjusted NET DEBT<sup>(1)</sup></b>	<b>2,377.4</b>

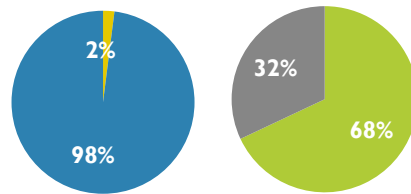
### Debt structure

(maturity and interest rates at 30 June 2017)

> Fixed rate 68%

> Avg. overall cost 2.65%

> Avg. term to maturity ~7 years



■ Debt falling due in 2017      ■ Floating rate  
 ■ Debt falling due from 2018 on      ■ Fixed rate

**NET DEBT/EBITDA**  
31 Dec 2016

2.4x

**NET DEBT/EQUITY**  
30 June 2017

1.4x

### Rating

**FitchRatings**  
**BBB+**

Stable Outlook

**MOODY'S**  
**Baa2**

Stable Outlook

(1) Adjusted net debt for 2017 does not include the impact of the reduced amount due from GALA.

## ACEA HIGHLIGHTS & TRANSACTION SUMMARY

## ACEA HIGHLIGHTS & TRANSACTION SUMMARY

### ACEA Highlights

#### **Business model focused on regulated activities**

*Well diversified portfolio of regulated activities, which accounted for approximately 80% of the Group's FY 2016 EBITDA (mainly Water and Grids activities)*

#### **#1 Player in the Italian water sector**

*Acea is one of the largest Italian multi-utilities and the leading operator in the water business, supported by a solid a strong regulatory framework*

#### **2018-2022 Industrial Plan**

*New Plan focused on 4 Strategic Pillars: Growth; Local Focus and Sustainability; Technology, Innovation and Quality; Operational Efficiency.*

*Committed to be a responsible citizen: Sustainability Plan and commitment to some key United Nations SGDs*

#### **Robust credit profile and sound liquidity position**

*One of best rated among Italian multi-utilities and demonstrated track record in credit metrics improvements (Baa2, stable by Moody's; BBB+, stable by Fitch).*

*Best positioned versus peers both in terms of low cost of debt and average debt life*

#### **Experienced management**

*Highly experienced individuals and solid track record over time*

#### **Stable and predictable regulatory framework**

## ACEA HIGHLIGHTS &amp; TRANSACTION SUMMARY

**Transaction Overview**

<b>Issuer</b>	<i>Acea S.p.A.</i>
<b>Rating</b>	<i>Baa2 (Moody's, stable)/BBB+ (Fitch, stable)</i>
<b>Format</b>	<i>Senior Unsecured Notes</i>
<b>Timing</b>	<i>Following the roadshow, subject to market conditions</i>
<b>Size &amp; Maturity</b>	<i>Benchmark 9- or 10-year FXD and/or potential €300mn (expected) 5-year FRN</i>
<b>Coupon Format</b>	<i>Fixed and/or Floating</i>
<b>Listing</b>	<i>Luxembourg Stock Exchange Announcement</i>
<b>Governing Law</b>	<i>English Law</i>
<b>Documentation</b>	<i>EMTN Programme</i>
<b>Joint Bookrunners</b>	<i>Banca IMI / BNP Paribas / CA CIB / Citigroup / Deutsche Bank / Mediobanca / Natixis / Societe Generale / UBI Banca / UniCredit</i>



