

PRESS RELEASE

**ACEA: BOARD OF DIRECTORS APPROVES 2019-2022
BUSINESS PLAN**

GROWTH ACCELERATION IN VALUE CREATION FOR THE GROUP

EBITDA IN 2022 AT 1.3 BILLION EURO WITH A GROWTH OF 36% COMPARED TO 2018

RAB TO REACH 4.8 BILLION EURO IN 2022 WITH A GROWTH OF 28% COMPARED TO 2018

BUSINESS PLAN WITH INVESTMENTS AT HIGHEST EVER LEVEL: 4 BILLION EURO

**MINIMUM DIVIDEND OF 0.75 EURO PER SHARE IN 2019 AND FURTHER INCREASE
DURING THE PLAN PERIOD**

The final data for 2018, with EBITDA at 933 million Euro, are well in excess of the 2019 target figures envisaged in the previous 2018-2022 Plan and make it possible to aim for even more challenging objectives.

Plan targets

- Average 8% annual growth in EBITDA, reaching 1.1 billion Euro in 2020 and 1.3 billion Euro in 2022, therefore recognising an overall increase of 36% by the end of the plan period.
- Investments totalling 4 billion Euro during the period 2018 - 2022, up by around 900 million compared to the previous Plan.
- Monitoring of Group net debt, with NFP/EBITDA ratio of less than 3x in 2022.
- Total 800 million Euro in dividends during the period 2018-2022, up by 100 million Euro with respect to the previous plan (DPS \geq 0.75 Euro).

Summary of economic-financial targets

	2018	2020	2022
EBITDA (million Euro)	933	1,083	1,270
RAB (billion Euro)	3.7	4.3	4.8
NFP/EBITDA	2.8x	3.0x	2.9x

Milan, 2 April 2019 – ACEA’s Board of Directors, chaired by Michaela Castelli, has approved the 2019-2022 Business Plan.



ACEA's CEO, Stefano Donnarumma, commented: "In two years of intense work we have leveraged ACEA's strengths, becoming increasingly aware of our potential ability to improve on our initial forecasts. Our Group is gaining in strength and this Business Plan clearly shows how and where we are looking to create value". The CEO continued: "Our strategic pillars have not changed with respect to the previous plan, but we now intend to focus with constantly greater emphasis on five specific actions: to accelerate growth (Grow), to develop and diversify our business portfolio (Reshape), to concentrate on the innovation of our industrial processes (Innovate), to develop both a results-oriented (Deliver) and a dynamic and sustainable (Smart) approach. These factors, which make up the acronym "G R I D S", reflect a further evolution of the path along which we started two years ago".

EBITDA acceleration

Acceleration in the achievement of much more challenging targets, with an annual +8% growth in **EBITDA**, to reach an overall +36% by the end of 2022. The increase in results primarily reflects organic growth actions amounting to 250 million Euro, M&A projects totalling 70 million Euro and operational efficiency interventions implying cost savings of almost 50 million Euro.

All-time high in investments: 4 billion Euro

The Group's investment Plan for 2018-2022 amounts to 4 Billion Euro, up by **900 million Euro compared to the previous Plan**, mainly reflecting: +250 million Euro in the Water industrial sector, following the consolidation of Gori and the launch of the Peschiera doubling project; +200 million Euro for development and M&A in the photovoltaic sector; +250 million Euro for the innovation of industrial processes and strengthening of the electricity grid; +100 million Euro in M&A focused on waste recovery and treatment plants. The investment plan is also directed towards growth and **sustainable value creation** for the ACEA Group, resulting in a +400 million Euro increase in **Sustainability investments**, which will **rise to 1.7 billion Euro** during the period 2018-2022.

Approximately 80% of total investments will be destined for regulated activities. By 2022, the RAB (*Regulatory Asset Base*) will reach 4.8 billion Euro, up by 28% compared to 2018.

Actions planned for each business area

- **WATER** – EBITDA in 2022 at 588 million Euro (+117 million Euro compared to the previous Plan) with 2018-2022 CAGR of 8%, supported by scheduled investments totalling 1.9 billion Euro, and a RAB of 2.4 billion Euro in 2022, reflecting an increase of over 40%. ACEA, as Italy's leading water services operator, intends to continue safeguarding the water resource by enhancing the quality and efficiency of the service offered in the areas where it operates, through major interventions, such as: the installation of smart water meters, the reduction of grid leaks, the rationalisation of purification plants and their automation, the division of the grid into districts, the improvement of technical quality indicators and the safety enhancement of the water supply.
- **ENERGY INFRASTRUCTURES** – EBITDA in 2022 at 440 million Euro (+53 million Euro compared to the previous Plan) with 2018-2022 CAGR of 5.1%, supported by scheduled investments of 1.5 billion Euro, and a RAB of 2.4 billion Euro in 2022, reflecting an increase of almost 15%. ACEA consolidates its position as **key player in energy transition** with development projects enabling system decarbonisation. The projects that the Group plans to pursue in this area involve the technological evolution of the grid, with the installation of second generation smart meters, increased investments to enhance grid resilience, the laying of fibre optics for its infrastructure and the advanced automation of the grid. Moreover, insofar as concerns green energy generation, ACEA plans to consolidate its position by developing a portfolio of at least 150 MW of photovoltaic energy via the construction of new facilities and purchases from the secondary market.
- **COMMERCIAL AND TRADING** – The Group target is to generate 154 million Euro by 2022 (in line with the previous Plan), with a 2018-2022 CAGR of 19.3% and reaching 1.7 million free market customers by 2022, +30% compared to its present customer base. The actions envisaged in the

Plan will mostly be focused on a **greater marketing drive also using digital channels** and the optimisation of operating processes, with consequent reduction in the “Cost To Serve” and “Cost To Credit” with respect to the current situation. Moreover, additional value will be generated by the development of smart services (for example: smart meters, insurance, domestic thermal systems). This growth will take place within a commercial scenario made more competitive and challenging by the full liberalisation of the electricity market starting from 2020, which will provide an opportunity for ACEA to enhance and consolidate its position in the sector.

- **ENVIRONMENT** – EBITDA at 76 million Euro in 2022 (+10 million Euro compared to the previous Plan) with 2018-2022 CAGR of 3.9%, supported by scheduled investments totalling 0.3 billion Euro. The results will reflect the discontinuation of *CIP6* incentives pertaining to the San Vittore plant, more than offset by the contribution from the **development of new initiatives and M&A** that will make it possible to double the volumes handled by the Group, reaching 2.2 million tons treated by 2022 (+1 million compared to 2018). ACEA’s development will focus on strengthening the waste treatment cycle, in keeping with the circular economy development goals, in particular allowing the Group to enter as major operator in the treatment and recycling of paper and plastic.

Additional Strategic Opportunities

Financial equilibrium places the ACEA Group in a condition to take advantage of certain strategic initiatives that can further strengthen the Group’s position. Already in 2018, ACEA demonstrated its ability to implement certain major projects included in the previous plan’s strategic basket, such as entry into the gas distribution sector, the consolidation of Gori and the acquisition of Bioecologia. The strategic basket initiatives, achievable by 2022, are consistent with the Group’s business areas and with the main trends in the reference market:

- growth in the **natural gas distribution market** via the evaluation of potential operator acquisition transactions and participation in future Ambito calls for tenders;
- development of projects in connection with **Smart Energy Efficiency** through the acquisition of ESCO and the launch of pilot projects in the area of cogeneration/trigeneration, thermal insulation;
- acceleration of the facility expansion, in the **Environment** sector, also via possible strategic partnerships within the scope of sector consolidation;
- **acquisition of new customers** by evaluating opportunities associated with market consolidation;
- acceleration of the growth in **renewables**, with particular attention towards the photovoltaic sector;
- potential opportunities concerning the **consolidation of water service operators** within the reference territories (for example, Tuscany and Umbria).

Overall, the strategic initiatives, with investments of around 500-800 million Euro, could further support the growth in **EBITDA by a total amount estimated at between 100 and 200 million Euro.**

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