

PRESS RELEASE

BOARD OF DIRECTORS APPROVES 2020-2024 BUSINESS PLAN

FOCUS ON SUSTAINABILITY FOR VALUE CREATION

EBITDA IN 2024 AT 1.4 BILLION EURO, INCREASING BY 38% COMPARED TO 2019

TOTAL CAPEX OF 4.7 BILLION EURO, INCLUDING 4.3 BILLION INDUSTRIAL CAPEX AND 0.4 BILLION RELATED TO M&A TRANSACTIONS

OVER 2 BILLION EURO OF INVESTMENTS RELATED TO SPECIFIC SUSTAINABILITY TARGETS, 400 MILLION EURO HIGHER THAN 2019-2022 PLAN

RAB TO REACH 5.9 BILLION EURO IN 2024 WITH A GROWTH OF 34% COMPARED TO 2019

MINIMUM DIVIDEND OF 0.80 EURO PER SHARE IN 2021

Plan Targets

- Average annual EBITDA growth of 7% reaching 1.3 billion Euro in 2022 and 1.4 billion Euro in 2024, with an overall increase of 38% by the end of the Plan period.
- Total capex of 4.7 billion Euro during the period 2020-2024, with a growth of approximately 700 million Euro compared to the previous Plan.
- Balanced evolution during Plan period of NFP/EBITDA ratio, at 3x, and the NFP/RAB ratio, at 0.7x, in 2024.
- Total dividends of 860 million Euro during the period 2020-2024, higher than the previous Plan.

Summary of economic-financial targets

	2019	2022	2024
EBITDA (million Euro)	1,042	1,270	1,442
RAB (billion Euro)	4.4	5.3	5.9
NFP/EBITDA	2.9x	3.2x	3.0x
NFP/RAB	0.7x	0.8x	0.7x

Rome, 27 October 2020 – ACEA’s Board of Directors, chaired by Michaela Castelli, has approved the 2020-2024 Business Plan.



ACEA's CEO, Giuseppe Gola, commented: **"the Business Plan announced today confirms the growth path undertaken and consolidates our position as an industrial player. The significant results achieved so far also allow us, despite the challenging situation in the country, to revise upwards our financial and operational targets, thereby supporting the economic recovery path, with a growth capable of combining sustainability with solid value creation over time for all our stakeholders and for the Italian economy. The Business Plan, which reflects a material continuity with respect to the previous one, also includes a significant evolution of certain factors, in particular the strong growth in the generation of electricity from renewable sources, in the photovoltaic business, and the commitment to electric mobility in order to effectively contribute more and more to energy transition and decarbonisation. These elements are reflected in the acronym GRIDS which summarizes the actionable levers on which we focus: deliver continued growth (*Growth*), increase the development of renewables (*Renewables*), push on technological innovation also in industrial processes (*Innovation*), achieve ambitious targets and exceed them (*Delivery*), with an approach that sees sustainable development as a cornerstone (*Sustainability*)."**

EBITDA Growth

EBITDA during the Business Plan period displays an average annual growth of around 7%, reaching 1,442 million Euro at the end of 2024, compared to 1,042 million Euro recorded in 2019 (+38%). The increase is driven not only by organic growth initiatives (262 million Euro), but also thanks to operational efficiency, with cost savings of almost 81 million Euro, and non-organic expansion through M&A (approximately 57 million Euro).

Investments: total investments of 4.7 billion Euro, of which 4.3 billion industry-related capex and 0.4 billion for M&A transactions

The total investments foreseen in the 2020-2024 Business Plan amount to **4.7 billion Euro, approximately 700 million Euro higher than the previous Plan**, and include 4.3 billion related to industrial capex, over 80% of which in regulated businesses, and 0.4 billion related to Mergers & Acquisitions (M&A). A major drive will be on innovation where, over the Plan period, 615 million Euro will be invested in selected projects mainly concerning digitalisation and the creation of systems for intelligent grids and service management.

The industrial capex initiatives are as follows:

- 2.2 billion Euro in the Water sector, including 170 million Euro for projects related to ensuring the water supply continuity of the Peschiera and Marcio aqueducts;
- 1.3 billion Euro in the Energy Infrastructure sector, of which 145 million Euro for upgrade investments in the power grid's resilience and 155 million Euro for development work on the grid;
- 0.2 billion Euro for investments in organic growth of the Environment business area, plus additional 0.2 billion Euro for M&A activities, focused on waste recovery and treatment plants;
- 0.2 billion Euro in the Commercial & Trading business area, mainly for activities aimed at new customer acquisition, digitalisation and the development of smart service offerings;
- 0.1 billion Euro in the electricity Generation segment, plus a further 170 million for M&A activities to accelerate expansion of the photovoltaic plant portfolio;
- 0.3 billion Euro in other investments mainly related to IT systems and other investments.

Focus on Sustainability

In ACEA, growth and value creation are intrinsically tied to the achievement of sustainability objectives, which are increasingly reflected in the performance indicators. **Sustainability now represents a characterising and structural element that guides the Group's business decisions and operational management.** This is clearly reflected in the 2020-2024 Business Plan, where of the total capex of 4.7 billion Euro, 2.1 billion Euro (+400 million Euro compared to the previous Plan) are related to specific sustainability targets, selected based on their priority and relevance for the Group. More specifically, these investments will be dedicated to the protection and management of water resources,

through actions on the grid that will deliver an average reduction of 11 percentage points in leaks, corresponding to the recovery of 440 million cubic metres of water over the plan period. These will also include the contribution to the development of electric mobility, via the installation of over 2,200 charging stations, and the fight against climate change, by increasing the electricity produced by photovoltaic plants. Lastly, external sources have confirmed that the activities and investments that the ACEA Group will deploy during the Plan period will have a positive impact on Italian GDP for more than 6 billion Euro, directly or indirectly generating employment for over 21 thousand people.

Business area actions

- **WATER** – EBITDA is expected to grow to 704 million Euro in 2024 (+199 million Euro compared to 2019), with an average annual increase of 7% during the period 2019-2024 underpinned by an investment plan of 2.2 billion Euro, that will lead to a growth in RAB to 3.2 billion Euro by 2024, reflecting an increase of 45%. ACEA, as Italy's leading water operator, intends to continue safeguarding the water resource by enhancing the quality and efficiency of the service offered in its geographical areas of operation, increasingly characterising itself as a **"Smart Water Company" for the management of water resources in a sustainable and responsible manner**. The main actions to be implemented during the Plan period will be related to ensuring the continuity of the city of Rome's water supply, with enhancements involving the Peschiera and Marcio aqueducts, the installation of an additional 500 thousand smart water meters and projects for the division of the grid into districts, the rationalisation of purification plants and their automation. ACEA will also evaluate opportunities for the growth and consolidation of the business by participating in new tenders in other territories.
- **ENERGY INFRASTRUCTURE** – EBITDA is expected to reach 402 million Euro in 2024 (+54 million compared to 2019) with an average annual growth of 3% during the period 2019-2024, underpinned by an investment plan of 1.3 billion Euro, and a RAB of 2.7 billion Euro in 2024, reflecting a growth of almost 22%. ACEA intends to strengthen its **role as key player in the energy transition process** via development projects aimed at satisfying the growing electricity demand and the integration of distributed generation within the delivery system. The initiatives that the Group intends to pursue in this area will involve the technological evolution of the grid, with digitalisation projects through remote control and IoT (Internet of Things) systems and the installation of second-generation smart meters. Investments will also continue to be deployed in the resilience of the grid and its strengthening.
- **GENERATION** – EBITDA is expected to grow to 62 million Euro by the end of the Plan, with an average annual growth of approximately 7% in the years 2019-2024, and investments in M&A totalling 0.2 billion Euro. During the Plan period, the result will benefit from the contribution of new M&A initiatives and the development of projects already included in the portfolio for 47 million Euro. The plan foresees a strong boost to power generation from green sources to support the decarbonisation and energy transition processes. **To achieve this goal, ACEA intends to increase its portfolio with approximately 747 MW of installed photovoltaic plant capacity by the end of 2024**, of which 569 MW from greenfield facilities in industrial and agricultural areas and 178 MW from M&A transactions. The growth will also be enhanced by a partnership with financial investors, with a view to strengthening ACEA's positioning in the sector, while maintaining a solid capital structure. The new facilities will have an annual output at regime of over 1.3 TWh, corresponding to approximately 600 kt of avoided CO₂ emissions.
- **COMMERCIAL AND TRADING** – EBITDA is expected to increase to 123 million Euro by 2024 (+54 million Euro compared to 2019), with an average annual growth of 12% during the years 2019-2024, and a free market customer base of 1.6 million, with a 17% increase in the total customer base. In terms of commercial activities, the actions foreseen in the Plan envisage a growth at national level, with a particular focus on **central and southern Italy, and an acceleration in the use of digital channels**. The commercial push will take place in a more competitive and challenging context driven by the expected full liberalisation of the electricity market from 2022, that will represent an opportunity to enhance and consolidate the Company's



position in the sector. **ACEA will also focus on the offering of “Smart Services”** to strengthen its relationship with customers through the provision of value added services, such as those associated with energy efficiency, and the installation of residential photovoltaic facilities. **A further boost will come from the e-mobility segment** that will see over 2,200 charging stations installed by 2024.

- **ENVIRONMENT** – EBITDA in 2024 is expected to reach 127 million Euro (+75 million Euro compared to the 2019 result) with an average annual growth of around 20% during the period 2019-2022, supported by investments totalling 0.4 billion Euro, of which 0.2 billion Euro related to M&A transactions. **The growth will mainly be driven by the consolidation and integration of the acquired companies and the development of new M&A initiatives**, which will drive an increase in the volumes of waste treated by the Group, reaching 2.9 million tons by 2024. The development of the business area will be focused on strengthening the waste recovery cycle, in coherence with the circular economy development objectives, positioning the Group, in particular, as a key player in the processing and recycling of paper and plastic waste.

Additional Strategic Opportunities

Thanks to its solid financial and capital structure, the ACEA Group will be able to pursue additional strategic opportunities that will further consolidate its position in the areas where it is already present, in line with the market trends of the sector. The combination of these strategic initiatives could deliver an estimated upside to **EBITDA of approximately 0.2 billion Euro.**

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