Intermonte

Milan, 31 October 2025

Italian Equity Research – Company Update/3Q25 Results

ITALGAS

NEUTRAL

Sector: Utilities

Price: Eu9.24 - **Target: Eu9.30**

New 2025-2031 Strategic Plan Delivers Improved Targets

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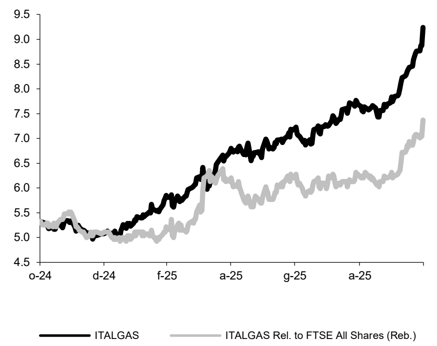
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 8.00 to 9.30
	2025E	**2026E**	**2027E**
Chg in Adj EPS	5.1%	5.6%	5.7%

ITALGAS - 12M Performance



Stock Data			
Reuters code:			IG.MI
Bloomberg code:			IG IM
Performance	**1M**	**3M**	**12M**
Absolute	17.9%	27.4%	73.4%
Relative	16.8%	23.6%	48.3%
12M (H/L)			9.24/4.97
3M Average Volume (th):			2,555.97

Shareholder Data	
No. of Ord shares (mn):	1,015
Total no. of shares (mn):	1,015
Mkt Cap Ord (Eu mn):	9,376
Total Mkt Cap (Eu mn):	9,376
Mkt Float - Ord (Eu mn):	5,672
Mkt Float (in %):	60.5%
Main Shareholder:	
CDP	26.0%

Balance Sheet Data	
Book Value (Eu mn):	3,843
BVPS (Eu):	3.79
P/BV:	2.4
Net Financial Position (Eu mn):	-10,973
Enterprise Value (Eu mn):	20,883

- **Strategic plan update.** Yesterday, Italgas presented an update to its rolling 7-year plan covering 2025-2031. The plan confirms the group's strategic guidelines: 1) technological innovation, digital transformation and widespread use of AI; 2) network repurposing in order to distribute renewable gases; 3) development of the Greek market; 4) additional development in the water and energy efficiency sectors.
- **Focus on gas distribution and 2i RG integration:** when excluding the (net of disposals) Eu4.9bn spent for the acquisition of 2i RG, investments in the domestic gas network are seen at Eu8.3bn, a Eu1.0bn increase vs. the previous plan, while in Greece, investments will come to Eu1.0bn, in line with the previous plan. Cumulative RAB (including water but excluding tenders) is expected to grow at a 9.2% CAGR (vs. 9.4% in the previous plan) to Eu18.9bn, while including Eu1.5bn (down from Eu1.7bn) for ATEM tenders (inc. development CapEx) the RAB is expected to reach Eu20.3bn (10.4% CAGR).
- **Improved synergies and efficiency targets.** The plan is built around the integration of 2i Rete Gas, with positive impacts expected to increase vs. the plan presented last year. The expected Eu250mn in EBITDA benefits by 2031 (up from Eu200mn) includes synergies and industrial efficiencies, totalling Eu180mn (consolidation of offices and warehouses, unification of ICT systems, etc.) and a further Eu70mn in efficiencies to be generated through the use of Artificial Intelligence.
- **Investments in Water and Efficiency activities confirmed.** Over the plan period, some Eu0.45bn will be invested in Water and another Eu0.34bn is expected to be invested in the energy efficiency business, primarily on organic growth and with a reduced reliance on external expansion.
- **Financial targets.** In 2029, the group foresees revenues at Eu3.4bn and EBITDA at Eu2.7bn; for 2031, revenues are expected at c.Eu3.8bn with EBITDA at Eu3.0bn, while leverage is expected to decrease towards 59%. Allowed WACC is assumed at 5.9% in 2026 and the following years. Adj. EPS are expected to grow at a 10% CAGR for an exit EPS of c.Eu1.14 and net income of c.Eu1.16bn.
- **Dividend policy extended.** The dividend policy was updated and extended to 2028, envisaging a dividend that will be the higher of: (i) the 2024 DPS (Eu0.406) plus 5% a year; and (ii) a DPS of 65% of adjusted net profit per share.
- **2025 guidance/change in estimates and TP.** Management indicated 2025 EBITDA at approximately Eu1.87bn, EBIT at c.Eu1.19bn, net debt at Eu10.8bn (ex IFRS 16) and CapEx at Eu1.2bn. Over the plan period, we are raising EPS estimates by 5-6% on average, mostly thanks to higher expected synergies (we assume 80% of the company's target). We remain more conservative than management on tenders (c.50% of target) while we are aligned on allowed WACC. Our target price moves to Eu9.30 on higher EPS and a lower risk-free rate (-50bp to 3.5%).
- **NEUTRAL; target Eu9.30 (from Eu8.00).** the rapid integration of 2i RG has once again proven management's ability to master complex organisational tasks and bodes well for the future of the merger, including the identification of best practices and the pursuit of efficiencies. We confirm our positive view on the transaction and on the value creation potential from synergies and efficiencies, although in our view this already seems to be largely incorporated in the group's valuation (29% premium to 2026 RAB).

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	1,818	1,740	2,564	2,821	2,932
EBITDA Adj (Eu mn)	1,208	1,312	1,915	2,129	2,239
Net Profit Adj (Eu mn)	440	506	674	763	798
EPS New Adj (Eu)	0.543	0.626	0.664	0.752	0.787
EPS Old Adj (Eu)	0.543	0.626	0.632	0.713	0.744
DPS (Eu)	0.352	0.406	0.430	0.488	0.510
EV/EBITDA Adj	9.1	8.4	10.9	9.9	9.5
EV/EBIT Adj	16.0	13.9	17.4	15.6	15.0
P/E Adj	17.0	14.8	13.9	12.3	11.7
Div. Yield	3.8%	4.4%	4.7%	5.3%	5.5%
Net Debt/EBITDA Adj	5.5	5.2	5.7	5.2	5.0

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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 FTSEMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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.

Explanation of our ratings system:

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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As at 31 October 2025 Intermonte's Research Department covered 131 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.06%
OUTPERFORM:	38.93%
NEUTRAL:	28.25%
UNDERPERFORM:	00.76%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (76 in total) is as follows:

BUY:	51.32%
OUTPERFORM:	30.26%
NEUTRAL:	17.10%
UNDERPERFORM:	01.32%
SELL:	00.00%

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