# A2A: Strategic Plan Update 2024-2035

**Improved dividend policy with yearly growth of at least 4%**

**Confirmed industrial and economic-financial targets of 2024-2035 Plan presented in March 2024**

**Ecological transition as a sustainable competitive choice**

**Employee Stock Ownership Plan in proposal for the next Shareholders' meeting**

- 22 billion euros investments planned over 2024-35 period, of which:
  - 6 for Circular economy
  - 16 for Energy transition
- CAPEX eligible for European Taxonomy: ~75% average over the Plan period
- EBITDA: 2.4 billion euros in 2027 and 3.3 billion euros in 2035
- Ordinary Net Income of 0.7 billion euros in 2027 and more than 1 billion euros in 2035
- NFP/EBITDA never exceeding 2.7x over the Plan period
- The Group confirms its commitment to maintaining the current rating

**Milan, 12th November 2024** – The Board of Directors of A2A, chaired by Roberto Tasca, has examined and approved the 2024-2035 Strategic Plan Update which confirms the Group's long-term industrial growth objectives announced in March 2024 Plan. The strategy rests on the two pillars of **Circular economy** and **Energy transition**, while combining **decarbonisation and competitiveness**. The Plan confirms **investments of 22 billion euros**. **70%** of **development** investments by 2030 is **already authorised or in progress.**

*"We look at 2035 with a Plan that combines sustainable value generation, decarbonisation, innovation and contribution to the country's energy autonomy. These are strategic choices that drive our business and find confirmation in the Draghi's Report for the relaunch of European competitiveness. Our long-term vision has allowed us to be solid facing the geopolitical and economic uncertainties of this historical phase, and to achieve excellent results, exceeding forecasts. For this reason, we have been able to carry out new investments anticipating construction sites and revising upwards the dividends for our investors"* commented **Renato Mazzoncini, CEO of A2A.** *"After having allocated significant resources for a broad welfare plan to support parenthood for Group employees, we have decided to propose a Stock Ownership Plan*

*to the next Shareholders' meeting. We want to involve all colleagues in the company's growth path and share with them the results of a work built together."*

In a context that challenges operators with commodity price pressures and economic-regulatory dynamics, A2A views the ecological transition as a central pillar of its competitive strategy. The Strategic Plan Update is **aligned with the objectives of the Draghi's Report to increase European competitiveness**: innovation, decarbonisation and autonomy. In area of **innovation**, the Group is engaged as anchor investor in the new "360 LIFE II" Venture Capital fund, with a target size of 200 million euros. A2A is at the forefront of **decarbonisation** through the development of new renewable plants while relying on PPAs (Power Purchase Agreements) and the investments in electricity networks fostering electrification of consumption. To promote greater European **autonomy** in the supply of **critical raw materials**, the Group - leveraging its leadership in the Circular economy - plans to expand its material recovery activities to lithium-ion batteries recycle by planning a new project to create new secondary raw materials for reuse in production processes.

The transition undertaken by the Group starts from the **cities:** cities are efficient ecosystems that make investments more effective both from an environmental and economic point of view, with over 50% of CAPEX over the Plan period concentrated in urban areas.

The Strategic Plan Update confirms the 22 billion euros CAPEX plan with **6 billion euros for Circular economy and 16 billion euros for Energy transition**, which will allow the Group to reach 3.3 billion euros in EBITDA and a net income over 1 billion euros by 2035. A2A confirms its long-term ambitious industrial targets over the Plan period, of which **3.4 billion euros in electricity network RAB, 5.7 GW in renewable capacity and over 7 million tons of waste treated by 2035**. The industrial transformation undertaken by the Group relies on the constant **increasing annual investments** in average of 0.8 billion euros in the period 2018-20 and 1.8 billion euros in the period 2031-35, increasingly **oriented towards future-fit developments**.

## Circular economy

A2A aims to maintain **leadership in the waste sector** by treating over 7 million tons of waste in 2035 in **over 70 plants**, **11** of which are **under construction**. Investments in waste treatment aim to bridge the national infrastructure gap and promote waste enhancement through **energy and material recovery**. The Group will produce 2.7 TWh of electricity and 2.2 TWh of heat from waste. Moreover, in material recovery, over 1 million tons of waste in 2035 will be transformed into products and secondary raw materials. The development of **district heating** remains a key lever for the decarbonization of urban areas, with growth also driven by the **recovery of waste heat from third-party industrial sources and new data centers**. The Group's commitment in Circular economy is completed by 0.5 billion euros investments aimed to **reduce network leakages and develop new wastewater treatment plants.**

## Energy transition

The planned investments in the distribution infrastructures will enable the **electricity RAB to overtake gas RAB in 2025, even thanks to the assets acquisition in Milan and Brescia areas** planned in 2024. In line with the Group's future-fit growth guidelines, a potential gas asset divestment in the Brescia, Bergamo, Cremona, Pavia and Lodi areas is currently under evaluation.

The Group continues to support the electrification of consumption and RES development, with the goal of 5.7 GW installed RES capacity by 2035: the investments aim to promote **renewable energy** by making it more **widespread, accessible and less subject to market volatility**, also thanks to long-term hedging strategies (PPA – Power Purchase Agreements) and incentives mechanisms. Lastly, the Group plans to **expand the customer base to reach more than 5 million customers by 2035,** of which 1 million with long-term contracts (PPA Mass Market).

## Main economic and financial indicators

| *Billion euros* | 2023 | 2024[3] | 2027 | 2030 | 2035 |
|---|---|---|---|---|---|
| **Group EBITDA (including scenario effect)** | **1.9[1]** | **2.3** | **2.4** | **2.6** | **3.3** |
| **Group EBITDA (excluding scenario effect)** | **1.7** | **2.0** | **2.4** | **2.6** | **3.3** |
| **EBITDA by Business Unit[4]** | | | | | |
| Energy EBITDA | 0.9[2] | 1.1[2] | 1.3 | 1.3 | 1.5 |
| Waste EBITDA | 0.4 | 0.4 | 0.4 | 0.5 | 0.8 |
| Smart Infrastructures EBITDA | 0.5 | 0.5 | 0.7 | 0.8 | 1.1 |
| **Group Ordinary Net Income (including scenario effect)** | **0.6** | **0.8** | **0.7** | **0.8** | **>1** |
| **Group Ordinary Net Income (excluding scenario effect)** | **0.5** | **0.6** | **0.7** | **0.8** | **>1** |

1 Excluding not-recurring items

2 Excluding scenario effect for about 0.2 billion euros in 2023 and 0.3 billion euros in 2024

3 Refers to the updated average value provided in the 2024 Guidance

4 Figures do not include Corporate

The Strategic Plan Update 2024-2035, leveraging on a solid base in **2023** with an **ordinary EBITDA** of **1.9 billion euros**, sees the Group's growth consolidating in **2024** with an expected **EBITDA of 2.3 billion euros.** The expected **EBITDA** is **2.4 billion euros** in **2027**, **2.6 billion euros** in **2030**, and **3.3 billion euros** in **2035**.
Excluding the scenario effect recorded in 2023 and 2024, respectively of 0.2 billion euros and 0.3 billion euros, the **CAGR for 2023-27 is 8%**, and for **2023-35** it is **6%.**
The EBITDA growth in the short term is mainly driven by the industrial development of the Energy and Smart Infrastructures segments, while in the medium-long term, it is driven by the Environment and Smart Infrastructures segments. In detail:

- the growth of the **Energy** segment is supported by the commissioning of the new CCGT plant in Monfalcone, the contribution of new renewable capacity, developments in plants aimed at increasing the flexibility of the electricity system, and the progressive growth of the customer base;
- the **Environment** Business Unit is driven by the contribution of the WtE in Trezzo, Crotone, and Corteolona, as well as the development of the bioenergy business, and the construction of several material recovery plants. This dynamic is partly offset by the decline in margins in the collection sector due to competitive dynamics of tenders for the renewal of concessions;
- in the **Smart Infrastructures** Business Unit, contributing to the achievement of economic targets are the growth of the electric RAB, the full consolidation of newly acquired assets in the Milan and Brescia areas, growth in the integrated water cycle, the commercial development of district heating, as well as the full deployment of the electric charging station installation plan in the reference areas.

The **Ordinary Net Income** is expected at **0.8 billion euros** in **2024** (0.6 billion excluding the scenario effect), **0.7 billion** in **2027**, and **0.8 billion** in **2030**, while it is expected to exceed **1 billion** in **2035**. The **CAGR** for **2023-27** - net of the scenario effect - is **12%**, while the corresponding value for the period **2023-35** is **7%**.

In terms of profitability, the Strategic Plan Update shows an **average ROI** over the period 2024-35 greater than **9%**, an **average ROE** over the same period of **12%**. **The expected total shareholder return (TSR) is about 12%**.

## Improved dividend policy

The progress in the Group's structural growth path has enabled an update in the dividend policy. **The new policy provides a sustainable growth of the dividend per share of at least 4% per year**, with respect to 3% per year of the previous Plan presented in March 2024.

## Expected evolutions of results for 2025

Based on the development of industrial projects and taking into account the trend of price scenarios and market conditions, the A2A Group is expected to achieve for 2025:

- an EBITDA between 2.17 and 2.20 billion euros
- an Ordinary Net Profit of the Group between 0.68 and 0.70 billion euros

## Investments

Most of the investments (about 70%) are dedicated to development, allowing the Group to have flexibility regarding investment strategies and possible reallocation over time. The remaining share (about 30%) is dedicated to maintenance and legal obligations.

Regarding the **breakdown by Business Unit of the 22 billion euros** investments:

- about **8.1 billion euros** are allocated to the Energy business, of which 4.7 billion is related to the development of new renewable capacity and the creation of storage, 1.5 billion is allocated to flexibility (mainly related to the new CCGT in Monfalcone and the maintenance of existing plants), and 1.9 billion to support customer growth;
- about **4.4 billion euros** are related to the **Environment** Business Unit, of which 4 billion is related to the Treatment sector and 0.4 billion to the Collection business. Regarding Treatment, the total amount is divided into WTE for 1.8 billion, in Material Recovery and other treatment plants for 1.5 billion, and in Bioenergy and FORSU for 0.7 billion;
- about **8.5 billion euros** are related to the **Smart Infrastructures** Business Unit, of which 7.0 billion is related to the strengthening of distribution networks (including the acquisition of assets in Milan and Brescia), 0.9 billion in the Heat sector, 0.4 billion for the development of the electric mobility business, and 0.2 billion for the development of Public Lighting and Smart City businesses
- about **1.4 billion euros** related to the **Corporate** Business Unit (investments in digital innovation and real estate).

The Plan aims to create an extra return on the Group's WACC of at least 200 basis points.

## Sustainable finance and cash generation

The Plan confirms full coverage of Maintenance and Development investments with a solid Operating Cash Flow.

Cash generation available for growth is equal to 15.6 billion euros, with a cash conversion, in terms of ratio between Operating Cash Flow net of maintenance investments and EBITDA, exceeding

50%. Industrial growth, together with a sound financial discipline, limits incremental debt and reduces the NFP/EBITDA ratio, expected always below 2.7x.

The financial requirement over the entire plan horizon is expected at 8.1 billion euros, of which 1.6 billion euros (less than 20%) are allocated to incremental debt, while the remaining 6.5 billion euros will be needed for refinancing existing debt.

## Financial structure

Over the plan horizon, the average debt maturity is always expected to be above 5 years, thus reducing refinancing risk. The cost of debt, thanks to sound management, is maintained below 2.8% in the medium term, improving compared to the previous Plan, and on average below 3.4% in the long term.

A2A's path in Sustainable Finance was further strengthened in 2024, with the share of ESG debt over total debt expected at 78% by the end of the year. The Plan's financial strategy will further increase the weight of Sustainable Finance, with the share of ESG debt over total debt exceeding 80% in 2027, over 90% in 2030, until fully reaching sustainable debt in 2035.

The liquidity position at the end of 2024 will remain solid, even after the acquisition of assets in Milan and Brescia. This operation is entirely financed thanks to:

- the hybrid bond issuance that covered not only organic growth but also part of the acquisition;
- the bridge loan, signed in June and to be drawn yet, with a pool of banks to support short-term cash needs
- the expected Operating Cash Flow in 2024 that will partly finance the acquisition.

The Sources/Uses ratio, i.e., the coverage index of expected outgoing cash flows over the next 12 months given the liquidity position at the end of the year, will be above 1.2x in 2024.

## Rating

The 2024-2035 Plan Update confirms the Group's focus on a balanced and sustainable capital structure aimed at maintaining A2A's current credit rating, as demonstrated during 2024, thanks to:

- the hybrid bond issuance, considered at 50% equity by rating agencies (and 100% equity for IFRS purposes);
- the forecast of extra cash flows benefiting the Group's net financial position;
- asset rotation opportunities, currently under evaluation, to further strengthen credit metrics.

The FFO/Net Debt ratio is expected to be 25.2% by the end of 2027, and throughout the plan period, it will always comply with the metrics required by agencies to maintain the current rating.

## Environment, Social & Governance

The commitment to ESG topics remains at the core of the Strategic Plan, with concrete initiatives and measurable targets. The **targets for reducing direct emissions are confirmed** aiming for a 65% decrease by 2035 compared to 2017 **(*Scope* 1 and 2 at 226 g$CO_2$/kWh by 2030)**, along with **goals for lowering *Scope* 3 emissions** related to the supply chain (-30% supply chain emissions in 2035 compared to 2023). Also, it is defined a ***Scope* 4** target, **avoiding over 50 million tons of $CO_2$ emissions** in the period 2024-35.

Further, the Group is developing a **Climate Transition Plan** and an action plan for biodiversity protection which will be completed by 2025, along with programs to promote diversity, equity and inclusion in the workplace. While the **employees' parenting Plan** with annual budget of 10 €M is continued, a **Stock Ownership Plan** for the over 13,000 Group's employees will be proposed in the next Shareholders' meeting. The three-Year Employee Stock Ownership Plan, aimed at fostering engagement and a sense of belonging to the company, as well as promoting financial education among employees, will include an **initial stock package at no cost** and the option to **purchase additional shares on preferential terms**.

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