

<b>Informazione Regolamentata n. 0167-53-2023</b>	<b>Data/Ora Inizio Diffusione 15 Giugno 2023 08:36:14</b>	<b>Euronext Milan</b>
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Societa' : ITALGAS

Identificativo : 178276

Informazione  
Regolamentata

Nome utilizzatore : ITALGASN01 - Scaglia

Tipologia : 2.2

Data/Ora Ricezione : 15 Giugno 2023 08:36:08

Data/Ora Inizio  
Diffusione : 15 Giugno 2023 08:36:14

Oggetto : Italgas presents the Strategic Plan 2023-2029

*Testo del comunicato*

Vedi allegato.

## ITALGAS PRESENTS THE STRATEGIC PLAN 2023-2029

*Investments of €7.8 billion for the development and digital transformation of assets, strengthening in Greece, and becoming a key player in the water distribution and energy efficiency sectors, while continuing to play a leading role in achieving EU climate goals. Dividend policy updated and extended until 2026.*

*London, June 15, 2023 – Italgas CEO, Paolo Gallo, presents today to analysts and investors the Group's Strategic Plan for the period 2023-2029, approved today by the Company's Board of Directors chaired by Benedetta Navarra.*

The new plan includes total investments of €7.8 billion, mainly dedicated to interventions for asset development and gas distribution activities in Italy and Greece, energy efficiency activities, and water sector development. In this sector, following the recently announced acquisition agreements of Veolia's assets, the Group expects to seize additional growth opportunities.

The 2023-2029 plan also confirms a strong commitment to creating a fully digitized network, ready for the distribution of renewable gas and therefore serving the ecological transition.

In line with the strategic choices made in recent years by the Group, the Plan aims to promote the ecological transition while ensuring energy security and cost competitiveness of energy, benefiting both companies and households.

The Group can rely on a solid and efficient financial structure - built in previous years - despite a more volatile macroeconomic scenario. Thanks to this financial structure, the new dividend policy, extended until 2026, continues to provide shareholders with the opportunity to benefit from growth through a payout ratio of 65%, while also offering protection with a minimum annual growth guarantee of 4%<sup>1</sup>.

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<sup>1</sup> Compared to the 2022 dividend.

**The plan revolves around ESG principles** and addresses sustainability challenges by confirming net energy consumption reduction targets and Scope 1, 2, and 3 emissions reduction targets for the entire Group, including Depa Infrastructure, by 2028 and 2030, in line with the carbon neutrality target by 2050. To further drive change, it also introduces new targets related to gender pay equity and the development and valorization of skills and resources.

### **Highlights**

- **Total investments amounting to €7.8 billion.**
- **€4.6 billion for the development, digitalization, and repurposing of the Italian gas distribution network.**
- **€0.9 billion for the development of the distribution network in Greece to support the country's decarbonization goals.**
- **€0.8 billion to accelerate growth in the water and energy efficiency sectors.**
- **€1.5 billion for Atem tenders.**
- **Optimization of the financial structure, maintaining solid investment-grade ratios.**
- **Dividend policy: Extension of the dividend policy until 2026, with a confirmed payout ratio of 65% and a 4% DPS growth floor, now based on the 2022 figures.**
- **Goals for reducing Scope 1 and Scope 2 greenhouse gas emissions by 34% by 2028 and 42% by 2030, Scope 3 (supply chain) emissions by 30% by 2028 and 33% by 2030, and energy consumption by 27% by 2028 and 33% by 2030 (baseline 2020<sup>2</sup>).**
- **"Net Zero" target by 2050.**
- **Strong focus on the people driving the ecological transition, with an emphasis on training and promoting diversity, equal opportunities, and inclusion.**

Italgas CEO, **Paolo Gallo**, stated:

*Since the outbreak of the war in Ukraine, the EU has been grappling with a challenging equation that sees the ecological transition as an essential goal but not at any cost. It is necessary to ensure energy security and an appropriate level of energy costs for families and businesses.*

*The vision and strategic choices made in recent years position Italgas to significantly contribute to this solution through digitalized, flexible, and intelligent networks capable of accommodating renewable gas. These networks enable source diversification, consumption decarbonization, and greater efficiency and cost-effectiveness.*

*With €7.8 billion, the Group reaffirms its position among the leading industrial entities capable of leveraging its design, investment, and value creation capabilities to serve the sustainable development objectives of the countries in which it operates.*

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<sup>2</sup> Calculated on the entire Group perimeter.

*The largest portion of investments is once again dedicated to the development, digital transformation, and repurposing of the gas distribution network. After twenty years, this network now extends to Greece, where the application of Italgas' most advanced technologies in the sector will enhance the efficiency and quality of gas distribution services and the work of Depa Infrastructure Group's personnel.*

*Water distribution and energy efficiency represent two important sectors for the Group's diversification and development. With €800 million, we aim to become a benchmark player in these sectors, leveraging the technologies developed for gas. The digitalization of water networks and energy efficiency are drivers capable of delivering more efficient services, reducing losses, and generating wealth for communities and regions.*

*Digitalization, decarbonization, circular economy, training, diversity, and inclusion remain strategic factors for achieving our growth objectives. The results will depend on our ability to continue betting on innovation and leveraging it through our people.*

### **Net investment plan of 7.8 billion euros.**

The context continues to be strongly influenced by the effects of the war in Ukraine. The EU, through REPowerEU, has outlined a path aimed at achieving objectives such as source diversification, energy security, consumption decarbonization, and economic competitiveness for businesses. This path relies on renewable gases (biomethane and hydrogen) and energy efficiency. Specifically, biomethane and hydrogen are the sources that should replace approximately 50% of the share of Russian natural gas imports in the EU by 2030 (around 70 out of 155 billion cubic meters in 2021). This goal assigns the responsibility of ensuring the energy security of the Union to gas DSOs (Distribution System Operators), equipping their respective countries with digital, intelligent, and flexible networks that can also stimulate the production of these gases, facilitate direct connections, and enable their widespread use.

The Strategic Plan 2023-2029 continues the transformation journey that Italgas embarked on some time ago, with the aim of becoming the world's leading fully digitalized gas utility.

### **€4.6 billion for the Italian distribution network.**

For the development and upgrade of the Italian gas distribution network, €4.6 billion<sup>3</sup> is allocated.

In detail, **€1.6 billion (+€100 million** approximately compared to the previous plan) is allocated for the continuation of digital transformation programs for the network, with the objective of

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<sup>3</sup> Including centralized investments and gas distribution M&A.

achieving a fully digitalized network by 2024, with remote control through DANA (Digital Advanced Network Automation), the proprietary software, accounting for 90% of the network. These investments will also create the conditions to connect approximately 400 biogas plants to the Italian and Greek distribution networks and develop reverse flow technology towards the transmission network, enabling the unlimited acceptance of locally unused quantities.

In the context of a digital and "multigas" network, the development of a proprietary "H2 ready" smart meter continues. The first prototype, made with recycled and recyclable materials, is expected to be completed within the current year, with industrial development planned for the next two years. The plan includes investments related to the large-scale installation of the new meter starting from 2025-2026, including the replacement of GPRS technology meters that are being phased out.

**€2.9 billion is allocated** for the continuation of repurposing, development, and improvement activities of existing infrastructure, taking into account the completion of initiatives already launched in previous years and investments in centralized assets.

Of this, approximately **170 million euros** are allocated for the completion of the natural gas conversion process in Sardinia, which includes the construction of the last "native digital" networks and the conversion of networks currently supplied with propane and LPG to natural gas. Italgas Group, through its subsidiary Medea, is already the primary operator in Sardinia, with a presence in two-thirds of the island's basins (24 out of 38), managing 2,500 kilometers of networks (1,500 of which are digitalized). It serves 78 municipalities with natural gas and operates 67 liquefied natural gas (LNG) storage facilities, ensuring continuity and maximum supply flexibility. These achievements have significantly contributed to the development of the island's energy infrastructure and attracted new operators.

The plan includes €100 million in investments allocated for external growth in the gas sector through selected operations in line with the approach adopted so far.

**€0.9 billion is allocated for the development of the gas distribution network in Greece.**

The Italgas Strategic Plan 2023-2029 allocates €0.9 billion for the development of the Greek network. Leveraging the expertise gained in the natural gas conversion process in Sardinia and the group's know-how, these resources will be invested in expanding the network and its digital transformation, promoting the penetration of natural gas in areas not yet served and enabling the distribution of renewable gases.

These investments will allow the Greek network to expand from 7,491 kilometers in 2022 (the year of Depa Infrastructure acquisition) to approximately 11,000 kilometers by the end of the plan (+47% approximately).

Part of the resources will also be dedicated to the integration of Depa Infrastructure with the Italgas Group, including IT systems and sustainability, as well as the reorganization of operational companies (Eda Thess, Eda Attikis, and Deda) which will be merged into a single DSO (Distribution System Operator) with significant benefits in terms of efficiency, effectiveness, and knowledge sharing.

#### **€800 million is allocated for diversification.**

**Approximately €800 million** is allocated to business diversification, primarily focusing on the growth of the water sector and energy efficiency.

**The investment commitment in the water sector has more than doubled, with over €400 million** allocated for selected M&A operations and the application of best practices and technologies developed in the gas distribution sector to the water networks currently managed and newly acquired. Approximately €115 million is dedicated to the completion of the acquisition of stakes held by the Veolia Group in companies operating in the regions of Lazio, Campania, and Sicily. With this operation, the Group will directly and indirectly serve 6.2 million people, approximately 10% of the Italian population.

The planned investment in the **energy efficiency** business is confirmed, as it plays a crucial role in achieving the targets outlined by REPowerEU and is increasingly central to Italgas' development strategies. The new plan allocates over **€300 million** to the development of the Group's ESCo (Energy Service Company), both for targeted M&A operations and to strengthen activities and the customer portfolio in key sectors such as buildings, public sector, industry, and tertiary sector.

#### **Atem Tenders**

The planned investment amount for participating in Atem tenders and developing the acquired concessions over the course of the plan amounts to **€1.5 billion**, in line with the expected tender schedule. Through these investments, the Company reaffirms its aim to achieve a market share of 45% by the end of the entire Atem allocation process, compared to the current 34%.

## **Operational Data**

**Consolidated RAB (Regulatory Asset Base).** Driven by the investment plan, the cumulative RAB of gas distribution in Italy and Greece is expected to grow at a compound annual growth rate (CAGR) of approximately 3.1%, reaching **€11.1 billion** by the end of 2029. With the contribution of Atem tenders, the consolidated RAB is estimated to be around **€12.4 billion** by 2029 (+4.8% CAGR).

## **Sustainability objectives**

**Italgas for the Planet.** To promote the ecological transition process, Italgas has extended the challenging environmental objectives defined prior to the acquisition of DEPA Infrastructure to the entire Group, including the networks in Greece.

The target of reducing net energy consumption by 27% by 2028 and 33% by 2030<sup>4</sup>, compared to 2020, has been confirmed. This target includes the rollout of energy efficiency initiatives, digitalization, and optimization of the control and management system for all operational assets in Greece, as well as the development of new initiatives. It will leverage the expertise of the Group's ESCo, Geoside, as well as scouting activities and collaboration with innovative start-ups focused on technological innovation.

Furthermore, thanks to continuous efforts to improve the network, comprehensive leakage detection activities in Italy and Greece, and targeted investment planning, Italgas confirms the targets for a 34% reduction in greenhouse gas emissions (Scope 1 and Scope 2<sup>5</sup>) by 2028 and a 42% reduction by 2030 (baseline 2020<sup>6</sup>), now applied to the entire Group. Italgas has also extended the target to include greenhouse gas emissions from Scope 3 (supply chain), confirming a 30% reduction by 2028 and a 33% reduction by 2030 compared to 2020<sup>7</sup>, through increased engagement with its suppliers.

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4 Total energy consumption minus total self-produced and consumed electrical energy. Consolidation perimeter as per the Group's structure as of March 31, 2023. Any variations resulting from M&A and ATEM tenders, where relevant, will be considered in the revision of targets. Baseline 2020 extended to the entire Group.

5 Market-based.

6 Consolidation perimeter as per the Group's structure as of March 31, 2023. Any variations resulting from M&A and ATEM tenders, where relevant, will be considered in the revision of targets. Baseline 2020 extended to the entire Group. The reduction targets for Scope 1 and 2 emissions are aligned with the "1.5°C ambition" pathway scenario (analysis conducted by an independent consulting firm).

7 Consolidation perimeter as per the Group's structure as of March 31, 2023. Any variations resulting from M&A and ATEM tenders, where relevant, will be considered in the revision of targets. Baseline 2020 extended to the entire Group. The reduction targets for Scope 3 emissions are aligned with the "well below 2°C" scenario, while some of the analyses conducted have shown alignment with "1.5°C scenarios" (analysis conducted by an independent consulting firm).

These defined targets for reducing greenhouse gas emissions outline the Group's path towards the declared objective of achieving carbon neutrality by 2050 for Scope 1, 2, and 3 emissions (supply chain).

**Italgas for People.** The Group continues to invest in upskilling and reskilling activities, with plans to provide over 150,000 hours of training, including through the Italgas Academy, which began its activities in 2023. The application of policies aimed at attracting the best talents will also continue to introduce additional competencies necessary to lead and effectively drive change.

In the coming years, generational turnover will continue to lower the average age of employees. Among the many challenges related to human capital, targets for increased engagement of the Group's employees and gender equality hold significant importance. By the end of the plan, more than one in four managers will be women.

The journey towards gender equality will also involve obtaining the UNI/PdR 125:2022 certification for Italgas S.p.A. by 2023, with the ambition to maintain or increase the certification score in subsequent years. Special attention will be given to achieving the goal of maintaining the gender pay gap within +/- 3% by 2029<sup>8</sup>.

**Financial efficiency and capital structure.** The Debt-to-RAB ratio is expected to be around 65% in 2023. During the plan period, through cash generation and implemented initiatives, the ratio is projected to return to around 60%, consistent with a solid investment-grade range. In the changed macroeconomic scenario, optimizing the financial structure and containing the cost of debt play a fundamental role in supporting the investment plan and shareholder remuneration. Italgas will continue actions aimed at optimizing its financial structure, benefiting from a high initial exposure to fixed interest rates and a spread-out maturity profile over the plan period. The average cost of debt from 2023 to 2029 is expected to increase from the current approximately 1% to around 3% by the end of the plan, taking into account the current market context.

The use of sustainable financing sources to support Italgas' investments in the energy transition aligns the plan with EU objectives.

**Expected management evolution.** Technical investments of around €900 million and revenues exceeding €1.75 billion are forecasted for 2023, with an EBITDA of approximately €1.18 billion and

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<sup>8</sup> Average ratio of female to male base salary for organizational clusters and age groups of employees in managerial positions.



an EBIT of €680 million. Including the impacts of IFRS 16, net debt at the end of 2023 is expected to be around €6.4 billion.

With a portion of tenders conducted and awarded, thanks to the contribution of DEPA Infrastructure and the development of activities in the water and energy efficiency sectors, a revenue exceeding €2.7 billion and an EBITDA exceeding €1.8 billion are projected for 2029. This results in an average annual growth rate (CAGR) of revenue and EBITDA of approximately 8% over the plan period. The implemented actions, including the forecasted progressive reduction of expected financial leverage to around 59% by the end of the plan, will enable maintaining this level of growth for net income as well.

**Updated and extended dividend policy until 2026.** Considering the expected results, the dividend policy is extended until 2026, with the aim of providing shareholders an attractive and sustainable remuneration while allowing them to continue benefiting from the expected growth. The new policy entails the distribution of a dividend equal to the higher of (i) the amount resulting from the DPS 2022 of €0.317 increased by 4% annually and (ii) the DPS equal to 65% of adjusted net income per share.

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*At 11:00 PM CEST (10:00 PM BST), the Strategic Plan 2023-2029 will be presented to financial analysts and institutional investors. The event can be followed via conference call, and the supporting material will be made available on [www.italgas.it](http://www.italgas.it) in the Investor Relations section, coinciding with the start of the conference call. The presentation can also be followed through video webcasting in the same section. The presentations will also be available on the authorized storage mechanism called eMarket STORAGE ([www.emarketstorage.com](http://www.emarketstorage.com)). The officer responsible for the preparation of the company's financial documents, Gianfranco Amoroso, declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this communication corresponds to the documentary evidence, books, and accounting records.*

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#### **Disclaimer**

*This press release contains forward-looking statements, particularly regarding the evolution of natural gas demand, investment plans, and future performance. Forward-looking statements inherently involve risks and uncertainties as they depend on future events and developments. Actual results may differ materially from those announced due to various factors, including the expected evolution of demand, supply, and prices of natural gas, general macroeconomic conditions, the impact of energy and environmental regulations, the success in developing and implementing new technologies, changes in stakeholder expectations, and other changes in business conditions.*

Fine Comunicato n.0167-53

Numero di Pagine: 10