RATING COMMUNICATION

Cerved Rating Agency S.p.A. affirms at **A3.1**

the public rating assigned to **E.S.TR.A. S.p.A.**

Prato (PO) – Via Ugo Panziera, n° 16

Cerved Rating Agency on 30/05/2025 confirmed the public rating A3.1 to E.S.TR.A S.p.A.

Date of first issuance of the rating: 24/12/2013

E.S.TR.A. S.p.A. Energia Servizi Territorio Ambiente (hereinafter "ESTRA", or "the Group") was established in 2010 following the aggregation process of three public energy service companies operating for years in the gas distribution industry in Tuscany: Consiag S.p.A. of Prato, Intesa S.p.A. of Siena and Coingas S.p.A. of Arezzo. In December 2017, Viva Servizi S.p.A. (formerly Multiservizi S.p.A.) acquired a 10% stake in the capital of E.S.TR.A., then during 2021 conferring its share to the newly formed Viva Energia S.p.A. In February 2023, through the merger by incorporation of Consiag S.p.A., Publiservizi S.p.A., and Acqua Toscana S.p.A. in Alia Servizi S.p.A. (hereinafter "Alia"), this latter acquired the 39,5% of the share capital of the Group. In June 2023 a shareholder agreement was signed between Alia and Coingas (collectively owners of 65% of the share capital), whereby Alia was assigned the governance of ESTRA; these agreements aim at an industrial strengthening strategy for the definition of a Tuscan Multiutility. The ongoing integration with Alia led in 2024 to a reorganization of the Group business segments into: (i) Energy Market (gas and power sales, energy services, renewables and telecoms); (ii) Natural Gas Distribution ("Distribution"); and (iii) Environment (waste sorting, treatment, and storage).

Key rating factors

The rating affirmation reflects: (i) the consolidation of key profitability metrics in FY24; (ii) leverage indicators at Dec24 consistent with the previous year; (iii) the expected normalization of profitability in FY25 as well as an expected increase in Adj. Net Financial Position (NFP) due to the substantial investment plan; leverage metrics, nevertheless, are expected to remain aligned with the assigned rating class.

Consolidation of profitability in FY24 - ESTRA consolidated results for FY24 highlight: (i) revenues of €1.2B, broadly in line with FY23; (ii) an Adj. EBITDA of €152.9M (including €11.8M in credit write-downs), marking a €21.6M YoY increase, driven by a strong cross-segment performance. Energy Market BU reported an Adj. EBITDA of €99.5M, up €10.9M YoY, despite the phase-out of energy efficiency projects linked to the "Superbonus 110%" program. The positive performance was driven by: (i) growth in retail power volumes due to an expanded customer base; (ii) an increasingly market-oriented procurement strategy; (iii) greater sector stability, resulting in lower imbalance charges. Distribution BU achieved an Adj. EBITDA of €51.3M (€41.1M in FY23), mainly reflecting the increased rate of return on invested capital authorized by ARERA (WACC revised from 5.6% to 6.5%) and the positive returns on capital expenditures. Environment BU reported an Adj. EBITDA of €2.4M (vs. €1.3M in FY23), supported by a 15% YoY increase in volumes of waste processed. The net profit registered in FY24 is equal to €43.2M (€28.2M in FY23).

Sound financial balance confirmed at Dec24 - During FY24, the Group reaffirmed its ability to generate strong operating cash flows, supported not only by increasing profitability, but also by a careful working capital management. Throughout the fiscal year, the Group benefited from: (i) a reduction in trade receivables in the energy efficiency segment, following the settlement of receivables related to Superbonus 110% renovation works; (ii) lower receivables from the System, arising from regulatory provisions on settlement procedures; (iii) a close credit risk monitoring on gas and power sales, through strict policies on new customers selection and timely monitoring on past due credits. Such positive dynamics were partially offset by: (i) higher volumes of gas held in storage; (ii) a procurement mix increasingly reliant on market-based sourcing; (iii) an increase in trade receivables related to gas and power sales, due to higher prices recorded at Dec24; (iv) recognition of tax credits related to the Superbonus 110%. The generated cash flows enabled a full self-financing of capex (~€90M), primarily linked to grids expansion, extraordinary maintenance, and the replacement of traditional meters with smart meters. The Adj. NFP as of Dec24 stood at €450.8M, broadly stable versus Dec23 (€450.1 M). Financial leverage ratios remained relatively consistent with previous levels, with Adj. NFP / Adj. EBITDA at 2.9x (vs. 3.4x at Dec23), and Adj. NFP / Equity at 1.0x (unchanged from Dec23).

Strategy and Outlook FY25 - For FY25, the Energy Market BU is expected to maintain a customer mix primarily focused on the Retail segment for both gas and power. In terms of volumes, expectations include: (i) lower gas sales, consistently with the trend observed in FY24; (ii) a possible reduction in Retail power volumes, due to a decline in the customer base during the final months of FY24. These dynamics, together with potential increases in SG&A expenses (related to the implementation of a new management system and to strengthened credit risk control processes) and higher personnel costs (driven by new hires), may result in a decrease in EBITDA, with an expected realignment to FY23 levels. With regard to the other business units, the Agency estimates: (i) a 3–5% increase in EBITDA for the Distribution BU, driven by FY24 investments, expected to offset the reduction in WACC from 6.5% to 5.9%; (ii) a further growing EBITDA for the Environment BU, consistently with FY24 trends. Assuming relatively stable working capital dynamics, the Agency forecasts a potential increase in NFP, primarily due to the investment plan, which - alongside maintenance capex for core activities - includes significant expansion in the renewables segment. In this regard, it is worth noting that in Feb25, the parent company ALIA finalized: (i) a multi-tranche medium-long term financing agreement with a pool of leading banks for a total of €765M; and (ii) a private placement agreement with U.S.A. investor PRICOA for a €200M new bond issuance. A portion of the proceeds from these financing facilities is allocated to ESTRA, via intercompany loans, to support the early repayment of certain existing debts and to fund its capex plan. The Agency acknowledges that ESTRA financial structure may face temporary pressure in the short term due to its ongoing investment pipeline. Nevertheless, no material change in Group risk profile, that would trigger a revision of the current rating class, is foreseen over the next 12 months.

Rating sensitivities

- In the short term, the rating is expected to be maintained. A potential upgrade may be considered following the full implementation of planned investments and a concurrent improvement in leverage ratios.
- ESTRA rating might be subject to a downgrade in the event of a significant deterioration in profitability, alongside with a worsening of the financial leverage profile.

The applied methodology is published on Cerved Rating Agency's website: https://ratingagency.cerved.com

Lead analyst: Francesca Tucci - francesca.tucci@cerved.com
Rating Committee Vice Chairperson: Roberta Donzelli – roberta.donzelli@cerved.com