Banca Profilo

Company Update

Company:	Rating:	Target Price:	Sector:
DEA	**BUY**	**€15.2 (from €13.7)**	**Electric Utilities**

Electrifying Results

April 23, 2025 at 18:00

FY24 marks highest EBITDA margin on record

FY24 revenues were up by +28.3% (vs FY23PF) yoy to €33mln (vs our €30.8mln) mainly thanks to the application of the new tariff method TIROSS and higher WACC. EBITDA was up 33.5% yoy to €13.6mln (vs our €12.2mln), with EBITDA margin on revenues at 41.3% (+1.7pp vs our 39.6%, +1.6pp yoy). Net profit increased by 66.4% yoy to €5.7mln (vs our €4.3mln), thanks to low Net financial expenses despite above average effective tax rate of 32.3%. The Company will propose a €2mln dividend/€0.25dps (vs our €0.7mln/0.09dps), which represents a ~35% payout, in line with the 20-40% policy. Net debt decreased to €6.6mln (vs our €8.2mln) from €10.5mln in 1H24 and from €10.4mln at the end of December 2023 (PF) thanks to capital raised during the IPO.

FY25-27 EPS upgrade thanks to higher top line

We increased FY25-27 revenues by +8.7%/year vs old, as we underestimated FY24 Distribution revenues. We kept mostly unchanged yearly % growth in FY25-27 for distribution as growth is driven by the tariff methodology. Public Lighting and Other were kept unchanged. We remind that revenue growth in FY25 is mostly related to the consolidation of ASPM. We revised our cost assumptions mostly in relations to Cost of Services (+15% vs old), which in FY24 were higher compared to our forecasts and Labor Cost (-10% vs old). Higher top line more than offset the impact on EBITDA margin, which is now seen at 39.9% in FY25E (+1.1pp vs old) and at 40.8% in FY26 (+1.6pp vs old) and FY27. Overall, we increased FY25-26E by 19% on average.

Concessions extension doesn't alter the investment case

At the end of 2024, an amendment to the Budget Law extended the concession (set to expire in 2030) by up to 20 years, subject to the submission of an investment plan. This removes the competitive bidding process planned for 2030, granting current distributors a longer operational horizon. A key remark of DEA's equity story was leading consolidation among small-scale operators managing <25k PoD, not eligible for concessions renewal and too small to be large multi-utilities' targets. We remind that the Industry is highly fragmented in terms of number of distributors, but highly concentrated in terms of PoD with: i) E-Distribuzione (85%), ii) 5 companies (11%), iii) 100+ companies (4%). While the Budget Law doesn't establish explicit thresholds in terms of PoD required for the extension, existing legislation permits the autonomous development of investment plans solely for distributors serving more than 100k PoD. Moreover, smaller operators may be less equipped to sustain the required investments, in terms of financial capacity and the complexity of execution. Therefore, although the regulatory framework is undergoing significant changes and an implementation decree will have to specify the details of the extension, we believe that the underlying trends continue to point towards consolidation. In this scenario, DEA remains well positioned to be an aggregating hub, thanks to its demonstrated execution capacity (5 operations since 2023) and the right to acquire 24k PoD (with a price cap of €20mln).

Valuation: 12-month target upgraded to €15.2 (from €13.7); BUY confirmed

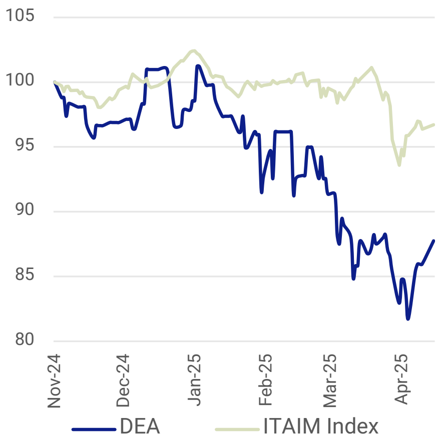
We value DEA using a weighted average of SOTP and market multiples. The SOTP is used to consider different contract duration and includes i) Distribution, with an EV of €108.7mln (from previous €100.1mln), based on DCF + FY24E RAB (€85.6mln), ii) Lighting, with an EV of €12mln (unchanged) based on DCF. Market multiples valuation is based on the median 9.7x FY26 EV/EBITDA (vs previous FY25 9.6x) of our panel, leading to a €152.7mln EV (from previous €129mln) due to higher FY26E EBITDA. We subtract FY24 net debt of €6.6mln and take a weighted average (80% SOTP) to underweight multiples given lower marginality vs comparables. This leads to an Equity value of €120.5mln or €15.2/sh (from €13.7/sh). DEA trades at a 4.1x EV/EBITDA 26E (vs median 9.7x) and at 0.9x P/BV (vs peers median 1.9x). Given the potential upside on closing price (as of 23 April 2025) and undemanding valuation we confirm our BUY recommendation.

Company Profile

Bloomberg	DEA IM Equity
FactSet	DEA-IT
Stock Exchange	Italian Stock Exchange
Reference Index	FTSE Italia Growth
Market Data	
Last Closing Price	7.3
Number of shares (mln)	7.9
Market cap. (mln)	57.8
IPO Performance	
Absolute	-11.2%
Max / Min	9.15 / 6.8

(€,mln)	23PF	24	25E	26E	27E
Total revenues (VoP)	**29.3**	**36.7**	**41.0**	**42.2**	**43.0**
yoy (%)	111.7%	107.3%	11.5%	3.1%	1.9%
EBITDA	**10.2**	**13.6**	**15.0**	**15.8**	**16.1**
margin (%)	39.6%	41.3%	39.9%	40.8%	40.8%
EBIT	**5.0**	**8.5**	**9.3**	**10.0**	**10.4**
margin (%)	19.6%	25.6%	24.6%	26.0%	26.5%
Net profit	**3.4**	**5.7**	**6.1**	**6.8**	**7.1**
margin (%)	13.3%	17.2%	16.3%	17.5%	18.0%
Net debt (cash)	**10.4**	**6.6**	**5.0**	**1.6**	**(1.8)**
Equity	67.2	81.1	85.3	89.9	94.6
Capex adj.	**(4.0)**	**(20.9)**	**(9.4)**	**(6.7)**	**(6.7)**
FCF			4.0	5.9	6.1

IPO Performance



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Contents

SWOT analysis

STRENGTHS	WEAKNESSES
• Regulated non-cyclical business • Economies of scale with lighting business • Low debt levels • Generous dividend policy • High marginality	• Multiple voting shareholder class (10 to 1) • Inferior ROE • Capital intensive
OPPORTUNITIES	**THREATS**
• Option to acquire 24k PoD with a price cap • Sector consolidation • Expansion of lighting in new municipalities • IoT / Data Management	• Emergence of other PoD aggregators or competition from large multi-utilities

Concession length

Changes to concessions length

At the end of 2024, an amendment to the Budget Law extended the concession, originally set to expire in 2030, by an additional 20 years, contingent upon the submission of an investment plan. This abolishes the competitive bidding process previously scheduled for 2030, instead granting current distributors a prolonged operational mandate. An implementation decree will have to outline the specific terms and conditions in more detail.

While the Budget Law does not establish explicit thresholds in terms of PoD required for the concession extension, existing legislation permits the autonomous development of investment plans solely for distributors serving more than 100k PoD. Moreover, smaller operators may be less equipped to sustain the required investments, both in terms of financial capacity and the complexity of execution.

FY24 results

EBITDA margin +1.6pp yoy to 41.3%

FY24 revenues were up by +28.3% (vs FY23PF) yoy to €33mln (vs our estimates €30.8mln) mainly thanks to the application of the new tariff method TIROSS and higher WACC.

The revenue breakdown by unit was: electricity distribution €29.1mln (vs our estimates €26.9mln), public lighting €3mln (vs our estimates €2.9mln) and others €0.9mln (vs our estimates €1mln). EBITDA was up 33.5% yoy to €13.6mln (vs our estimates €12.2mln), with EBITDA margin on revenues at 41.3% (+1.7pp vs our estimates of 39.6%, +1.6pp yoy).

Net profit surges also thanks to low Net financial expenses

Net profit increased by 66.4% yoy to €5.7mln (vs our estimates of €4.3mln), thanks to low Net financial expenses (€0.1mln, -68.6% yoy thanks to one-off) despite above average effective tax rate of 32.3%.

The Company will propose a €2mln dividend/€0.25dps (vs our €0.7mln/0.09dps), which represents a ~35% payout, in line with the 20-40% policy.

Net debt decreased to €6.6mln (vs our €8.2mln at YE24) from €10.5mln at the end of 1H24 and from €10.4mln at the end of December 2023 (PF) thanks to capital raised during the IPO.

Figure 1: Revenue breakdown FY18-24

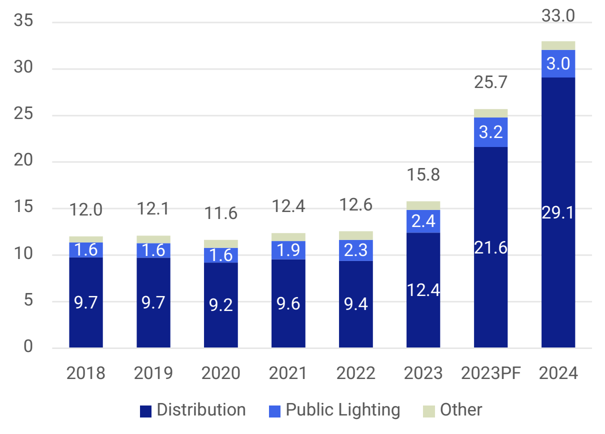
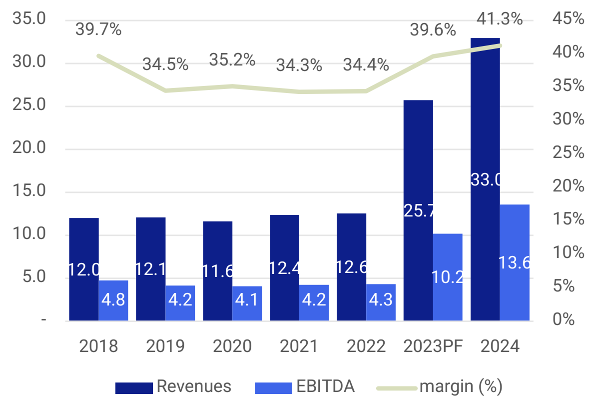


Figure 2: Revenue, EBITDA (mln) and margin (%) FY18-24



Source: Company Data

Table 1: Revenue breakdown by BU FY21-24 (€,mln)

	2021	2022	2023	2023PF	Estimate 2024E	Actual 2024	Actual vs E
Distribution	9.6	9.4	12.4	21.6	26.9	29.1	+8.2%
yoy (%)	3.8%	-2.0%	29.9%	130.5%	24.3%	34.6%	
on sales (%)	77.3%	74.6%	78.7%	84.0%	87.3%	88.2%	
Public Lighting	1.9	2.3	2.4	3.2	2.9	3.0	+0.7%
yoy (%)	23.6%	15.8%	25.1%	40.6%	-7.0%	-6.3%	
on sales (%)	15.7%	17.9%	15.4%	12.3%	9.6%	9.0%	
Other	0.9	0.9	0.9	0.9	1.0	0.9	-2.5%
yoy (%)	0.6%	8.6%	7.6%	-1.4%	3.0%	0.4%	
on sales (%)	7.0%	7.5%	5.9%	3.6%	3.1%	2.8%	
Revenues	**12.4**	**12.6**	**15.8**	**25.7**	**30.8**	**33.0**	**+7.2%**

Source: Company Data, Banca Profilo Estimates

Table 2: Income Statement FY21-FY24 (€,mln)

	2021	2022	2023	2023PF	Old 2024E	Actual 2024	Actual vs E
Revenues	12.4	12.6	15.8	25.7	30.8	33.0	+7.2%
yoy (%)	6.3%	1.6%	25.6%	104.8%	19.6%	108.9%	
Other	1.1	1.3	1.9	3.5	2.8	3.8	+34.0%
Total revenues (VoP)	**13.5**	**13.8**	**17.7**	**29.3**	**33.6**	**36.7**	**+9.4%**
yoy (%)	6.9%	2.4%	31.2%	111.7%	14.7%	107.3%	
Material costs	(2.2)	(2.3)	(2.4)	(3.4)	(3.9)	(3.6)	-6.4%
Costs of services	(4.4)	(4.5)	(6.4)	(9.8)	(11.0)	(13.3)	+20.9%
Cost for the use of third-part assets	(0.2)	(0.2)	(0.3)	(0.6)	(0.6)	(0.5)	-15.6%
Labour costs	(2.3)	(2.3)	(2.4)	(5.1)	(5.6)	(5.2)	-7.2%
Other operating expenses	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.5)	+56.8%
EBITDA	**4.2**	**4.3**	**6.1**	**10.2**	**12.2**	**13.6**	**+11.7%**
margin (%)	34.3%	34.4%	38.9%	39.6%	39.6%	41.3%	+1.7%
yoy (%)	3.7%	1.9%	44.5%	135.5%	19.6%	121.7%	
D&A and others	(2.4)	(2.7)	(3.3)	(5.2)	(5.4)	(5.2)	-4.7%
EBIT	**1.9**	**1.6**	**2.9**	**5.0**	**6.8**	**8.5**	**+24.7%**
margin (%)	15.1%	12.8%	18.2%	19.6%	22.0%	25.6%	+3.6%
yoy (%)	5.8%	-13.6%	54.1%	212.0%	34.8%	193.9%	
Net financial expenses	(0.1)	(0.2)	(0.2)	(0.3)	(0.7)	(0.1)	
Taxes	(0.5)	(0.4)	(0.8)	(1.3)	(1.7)	(2.7)	
Net profit	**1.2**	**1.0**	**1.8**	**3.4**	**4.3**	**5.7**	**+30.6%**
margin (%)	9.8%	8.3%	11.5%	13.3%	14.1%	17.2%	+3.1%
yoy (%)	4.4%	-14.8%	48.8%	228.2%	27.3%	212.6%	
Minorities	-	-	(0.0)	(0.0)	(0.1)	(0.0)	
Group net profit	1.2	1.0	1.8	3.4	4.3	5.6	+31.8%

Source: Company Data, Banca Profilo Estimates

Table 3: Balance Sheet FY21-FY24 (€,mln)

	2021	2022	2023	2023PF	Old 2024E	Actual 2024
Tangible	37.1	36.7	45.8	62.9	71.9	74.0
Intangibles	4.4	4.0	20.5	20.5	21.1	24.7
Financials & Others	0.9	0.9	0.5	0.5	0.5	0.5
Fixed assets	**42.4**	**41.6**	**66.8**	**83.9**	**93.5**	**99.2**
Inventory	1.0	1.3	2.1	2.1	3.8	3.9
Accounts receivable	2.6	1.8	5.6	5.6	12.0	9.2
Accounts payable	(2.3)	(2.3)	(4.4)	(4.4)	(8.9)	(8.8)
Operating net working capital	**1.4**	**0.8**	**3.3**	**3.3**	**6.9**	**4.4**
Other current assets (/liabilities)	(1.7)	0.5	(4.2)	(4.4)	(7.3)	(10.5)
Net Working Capital	**(0.3)**	**1.3**	**(0.9)**	**(1.1)**	**(0.4)**	**(6.2)**
Other liabilities	(0.6)	(0.6)	(3.9)	(5.2)	(5.2)	(5.3)
Net Invested capital	**41.5**	**42.3**	**62.0**	**77.6**	**87.9**	**87.7**
Equity	**33.0**	**34.0**	**52.4**	**67.2**	**79.7**	**81.1**
Net debt (cash)	**8.5**	**8.3**	**9.6**	**10.4**	**8.2**	**6.6**

Source: Company Data, Banca Profilo Estimates

Estimates Update

Updated forecasts

Higher baseline revenues

We have increased FY25-27E revenues by +8.7%/year vs old, as we underestimated FY24 Distribution revenues. We kept mostly unchanged yoy % growth in FY25-27 for distribution as growth is driven by the tariff methodology. Public Lighting and Other are kept unchanged. We remind that revenue growth in FY25 (14.5% yoy) is mostly related to the consolidation of ASPM.

EBITDA margin expansion

We revised our cost assumptions mostly in relations to Cost of Services (+15% vs old) , which in FY24 were higher compared to our forecasts and Labor Cost (-10%). Higher top line more than offset the impact on EBITDA margin, which is now seen at 39.9% in FY25 (+1.1pp vs old) and at 40.8% in FY26 (+1.6pp vs old) and FY27

+19% EPS in FY25-26

Thanks to higher expected top line and lower costs our FY25-26 EPS has been raised by 19% on average.

Table 4: Revenue breakdown by BU FY23-27E (€,mln)

		Old	Actual	Old	New	Old	New	New
	2023PF	2024E	2024	2025E	2025E	2026E	2026E	2027E
Distribution	21.6	26.9	29.1	28.8	31.8	29.4	32.5	33.2
yoy (%)	130.5%	24.3%	34.6%	7.0%	9.3%	2.3%	2.3%	2.0%
on sales (%)	84.0%	87.3%	88.2%	82.8%	84.2%	82.8%	84.2%	84.1%
Public Lighting	3.2	2.9	3.0	4.3	4.3	4.4	4.4	4.5
yoy (%)	40.6%	-7.0%	-6.3%	45.2%	44.2%	2.7%	2.7%	3.0%
on sales (%)	12.3%	9.6%	9.0%	12.3%	11.3%	12.4%	11.4%	11.5%
Other	0.9	1.0	0.9	1.7	1.7	1.7	1.7	1.8
yoy (%)	-1.4%	3.0%	0.4%	77.4%	81.9%	2.0%	2.0%	2.0%
on sales (%)	3.6%	3.1%	2.8%	4.9%	4.5%	4.9%	4.5%	4.5%
Revenues	**25.7**	**30.8**	**33.0**	**34.7**	**37.8**	**35.5**	**38.6**	**39.4**

Source: Company Data, Banca Profilo Estimates

Improved Net Debt

Thanks to higher EBITDA in absolute terms over the period, Net Debt is now seen at €5mln in FY25E (vs previous €5.8mln), €1.6mln in FY26E (vs previous €2.3mln) and €1.8mln Net Cash in FY27E (vs previous €1.6mln). We kept mostly stable other current assets and liabilities (which mainly relate to advance payments and tariff reconciliations with CSEA).

We also increased dividend payout ratio assumptions, with dividends now seen at €2.1mln for FY25E, €2.4mln for FY26E and €2.5mln for FY27E. We remind that our forecasts do not include the acquisition of San Remo PoD, which can have a material effect on dividend payout.

Table 5: Income Statement FY23-FY27E (€,mln)

		Old	Actual	Old	New	Old	New	New
	2023PF	2024E	2024	2025E	2025E	2026E	2026E	2027E
Revenues	25.7	30.8	33.0	34.7	37.8	35.5	38.6	39.4
yoy (%)	104.8%	19.6%	108.9%	12.9%	14.5%	2.3%	2.3%	2.1%
Other	3.5	2.8	3.8	3.6	3.2	3.6	3.6	3.6
Total revenues (VoP)	**29.3**	**33.6**	**36.7**	**38.3**	**41.0**	**39.1**	**42.2**	**43.0**
yoy (%)	111.7%	14.7%	107.3%	14.2%	11.5%	2.1%	3.1%	1.9%
Material costs	(3.4)	(3.9)	(3.6)	(4.5)	(4.5)	(4.5)	(4.6)	(4.7)
Costs of services	(9.8)	(11.0)	(13.3)	(12.5)	(14.4)	(12.6)	(14.6)	(14.7)
Cost for the use of third-part assets	(0.6)	(0.6)	(0.5)	(0.7)	(0.6)	(0.8)	(0.6)	(0.6)
Labour costs	(5.1)	(5.6)	(5.2)	(6.7)	(6.0)	(6.9)	(6.2)	(6.4)
Other operating expenses	(0.3)	(0.3)	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
EBITDA	**10.2**	**12.2**	**13.6**	**13.5**	**15.0**	**13.9**	**15.8**	**16.1**
margin (%)	39.6%	39.6%	41.3%	38.8%	39.9%	39.2%	40.8%	40.8%
yoy (%)	135.5%	19.6%	121.7%	10.6%	10.6%	3.3%	4.7%	2.2%
D&A and others	(5.2)	(5.4)	(5.2)	(5.6)	(5.8)	(5.5)	(5.7)	(5.7)
EBIT	**5.0**	**6.8**	**8.5**	**7.9**	**9.3**	**8.4**	**10.0**	**10.4**
margin (%)	19.6%	22.0%	25.6%	22.8%	24.6%	23.6%	26.0%	26.5%
yoy (%)	212.0%	34.8%	193.9%	16.6%	9.7%	6.3%	8.2%	4.1%
Net financial expenses	(0.3)	(0.7)	(0.1)	(0.7)	(0.7)	(0.4)	(0.5)	(0.5)
Taxes	(1.3)	(1.7)	(2.7)	(2.1)	(2.5)	(2.3)	(2.7)	(2.9)
Net profit	**3.4**	**4.3**	**5.7**	**5.1**	**6.1**	**5.7**	**6.8**	**7.1**
margin (%)	13.3%	14.1%	17.2%	14.7%	16.3%	16.1%	17.5%	18.0%
yoy (%)	228.2%	27.3%	212.6%	18.0%	8.2%	11.6%	10.2%	5.2%
Minorities	(0.0)	(0.1)	(0.0)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Group net profit	3.4	4.3	5.6	5.0	6.0	5.6	6.6	6.9

Source: Company Data, Banca Profilo Estimates

Table 6: Balance Sheet FY23-FY27E (€,mln)

		Old	Actual	Old	New	Old	New	New
	2023PF	2024E	2024	2025E	2025E	2026E	2026E	2027E
Tangible	62.9	71.9	74.0	76.3	78.8	78.5	81.1	83.3
Intangibles	20.5	21.1	24.7	20.2	23.6	19.3	22.5	21.5
Financials & Others	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Fixed assets	**83.9**	**93.5**	**99.2**	**96.9**	**102.9**	**98.3**	**104.1**	**105.3**
Inventory	2.1	3.8	3.9	3.8	3.8	3.9	3.9	3.9
Accounts receivable	5.6	12.0	9.2	12.2	9.8	12.4	10.0	10.3
Accounts payable	(4.4)	(8.9)	(8.8)	(8.7)	(9.7)	(8.7)	(9.9)	(10.1)
Operating net working capital	**3.3**	**6.9**	**4.4**	**7.3**	**3.8**	**7.6**	**4.0**	**4.1**
Other current assets (/liabilities)	(4.4)	(7.3)	(10.5)	(9.1)	(10.9)	(9.3)	(10.9)	(10.9)
Net Working Capital	**(1.1)**	**(0.4)**	**(6.2)**	**(1.8)**	**(7.1)**	**(1.7)**	**(7.0)**	**(6.8)**
Other liabilities	(5.2)	(5.2)	(5.3)	(5.3)	(5.5)	(5.2)	(5.6)	(5.6)
Net Invested capital	**77.6**	**87.9**	**87.7**	**89.9**	**90.3**	**91.4**	**91.5**	**92.8**
Equity	**67.2**	**79.7**	**81.1**	**84.1**	**85.3**	**89.2**	**89.9**	**94.6**
Net debt (cash)	**10.4**	**8.2**	**6.6**	**5.8**	**5.0**	**2.3**	**1.6**	**(1.8)**

Source: Company Data, Banca Profilo Estimates

Valuation

SOTP

Distribution: DCF to 2030E + RAB

Following updates on top line and margins our modeled FCFs for Distribution during 2025E-2030E are €28.6mln (from previous €20.9mln).

Lighting: DCF to 2047E

For lighting we forecast FCFs during 2025E-2047E (€20mln, unchanged) to properly account for concessions expiry. We do not include a terminal value, essentially assuming no new concessions are won and existing ones are not renewed.

Table 7: FCF estimates 2025E-2030E

	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
FCF	25E	25E	26E	26E	27E	27E	28E	28E	29E	29E	30E	30E
EBIT	7.9	9.3	8.4	10.0	8.8	10.4	9.1	10.8	9.4	11.2	10.0	11.8
Taxes	(2.3)	(2.7)	(2.4)	(2.9)	(2.5)	(3.0)	(2.6)	(3.1)	(2.7)	(3.2)	(2.9)	(3.4)
NOPAT	5.6	6.6	6.0	7.2	6.2	7.4	6.5	7.7	6.7	8.0	7.1	8.4
D&A	5.5	5.6	5.4	5.6	5.3	5.5	5.3	5.5	5.3	5.5	5.0	5.2
Change in NWC	1.4	0.9	(0.1)	(0.1)	(0.0)	(0.2)	(0.0)	(0.2)	(0.0)	(0.2)	(0.0)	(0.2)
Change in other	0.1	0.2	(0.1)	0.1	(0.1)	0.1	(0.1)	0.1	(0.1)	0.1	(0.1)	0.1
Capex	(8.9)	(9.4)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)
FCF	**3.6**	**4.0**	**4.5**	**5.9**	**4.7**	**6.1**	**4.9**	**6.4**	**5.1**	**6.6**	**5.3**	**6.8**
o/w FCF Lighting	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.3
o/w FCF Distribution	2.5	2.9	3.3	4.8	3.5	4.9	3.7	5.1	3.9	5.4	4.0	5.5

Source: Banca Profilo Estimates

Table 8: FCF Lighting 2031E-2047E (Unchanged)

	31E	32E	33E	34E	35E	36E	37E	38E	39E	40E	41E	42E	43E	44E	45E	46E	47E
FCF Lighting	1.2	1.2	1.1	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.5	0.5	0.5	0.5	0.5	0.5	0.6

Source: Banca Profilo Estimates

WACC at 5.9%

To discount the estimated FCFs we use a 5.9% (from 5.8%) WACC, derived from:

- risk free rate at 4.3% (from 4.2%), as implicitly expected by consensus on the 30Y Italian BTP yield curve;
- market risk premium of 5.5%;
- beta re-levered of 0.4, coming from the average of unlevered beta of chosen listed peers;
- cost of debt of 5.3%;
- target Debt to Equity structure of 30%.

After discounting Distribution's FY25-30E FCF we obtain an EV of €23.2mln (from €17mln) to which we add our estimated FY24 RAB (inclusive of ASPM) of €85.6mln. This led to an EV for the division of €108.7mln (from €100.1mln).

We then discount 25-47E Lighting FCF and calculate an EV of €12.0mln.

Finally, we sum up the estimated EV of distribution and lighting, leading to an EV of €120.8mln. We then subtract our FY24 net debt of €6.6mln. This leads to an equity value of €114.2mln.

Table 9: WACC Assumptions

WACC Calculation	
Perpetual growth rate	n.a.
Risk free rate (30Y)	4.3%
Equity risk premium	5.5%
Unlevered Beta	0.3
Levered Beta	0.4
KE	6.5%
Cost of debt	5.3%
Tax rate	28.7%
KD	3.8%
Target D/E	30.0%
D/D+E	23.1%
E/D+E	76.9%
WACC	**5.9%**

Source: Banca Profilo Estimates

Table 10: SOTP valuation

SOTP	Method	EV	WACC
Distribution	DCF to 2030 + RAB TV	108.7	5.9%
Public lighting	DCF to 2047, no TV	12	5.9%
Enterprise Value			
FY24 Net Debt		6.6	
Equity Value		**114.2**	

Source: Banca Profilo Estimates

Multiple valuation

We identified 6 companies that operate in regulated sectors related to either distribution or transmission of electricity and gas.

Table 11: Listed comparables

Company Name	Country	Currency	Market Cap	Description
Terna	Italy	EUR		Electricity transmission in Italy
Italgas	Italy	EUR		Gas distribution in Italy and Greece
Snam	Italy	EUR		Gas transmission in Italy
REN	Portugal	EUR		Electricity and gas transmission in Portugal
Elia Group	Belgium	EUR		Electricity transmission in Belgium and Germany
Redeia	Spain	EUR		Electricity transmission in Spain, Peru, Chile and Brazil

Source: Bloomberg, Banca Profilo

Table 12: Peers' Key ratios

Company Name	Div. Yield	P/BV	ROE	Leverage (A/E)	Net debt/EBITDA	Net Income Margin
		2024	**2024**	**2024**	**2024**	**2024**
Terna	4.0%	2.3	15.3%	3.2	4.3	28.9%
Italgas	5.0%	2.0	17.8%	4.6	5.1	19.3%
Snam	5.8%	1.8	15.1%	4.3	6.1	35.5%
REN	5.4%	1.2	10.0%	3.5	5.1	24.3%
Elia Group	2.1%	1.6	7.2%	4.3	8.5	11.2%
Redeia	4.8%	2.0	6.8%	2.8	5.0	21.7%
Average	**4.5%**	1.8	**12.0%**	**3.8**	**5.7**	**23.5%**
Median	**4.9%**	**1.9**	**12.5%**	**3.9**	**5.1**	**23.0%**
DEA (PF)	n.a.	0.9	6.7%	1.4	0.5	15.4%

Source: Bloomberg, Banca Profilo Estimates

Table 13: Peers' revenue growth and EBITDA margin

Company Name	Revenue Growth				EBITDA Margin			
	2023	**2024**	**2025E**	**2026E**	**2023**	**2024**	**2025E**	**2026E**
Terna	8%	18%	4%	8%	68%	70%	68%	69%
Italgas	17%	-3%	-14%	14%	47%	54%	73%	73%
Snam	21%	-16%	11%	7%	56%	76%	73%	72%
REN	11%	-4%	62%	3%	77%	78%	51%	51%
Elia Group	0%	-2%	37%	21%	34%	40%	37%	38%
Redeia	-10%	-10%	1%	9%	74%	72%	74%	77%
Average	**8%**	**-3%**	**17%**	**10%**	**60%**	**65%**	**63%**	**63%**
Median	**9%**	**-3%**	**8%**	**9%**	**62%**	**71%**	**71%**	**71%**
DEA	105%	28%	14%	2%	40%	41%	40%	41%

Source: Bloomberg, Banca Profilo Estimates

The selected panel trades at a median 2026E EV/EBITDA of 9.7x (vs previous FY25 9.6x) and PE of 14.2x (vs previous 13.7x), with a 5.1x Net Debt/EBITDA. Considerably higher leverage (3.8x) vs DEA 1.4x explains a portion of the panel's superior ROE.

Table 14: Peers' Multiples

Company Name	EV/EBITDA			PE		
	2024	2025E	2026E	2024	2025E	2026E
Terna	11.0	10.8	9.9	16.2	16.7	16.0
Italgas	9.4	8.0	7.1	12.0	10.6	9.5
Snam	12.2	11.5	10.9	13.2	12.2	12.1
REN	9.0	8.5	8.2	12.5	13.8	13.2
Elia Group	15.2	11.9	9.6	23.8	18.7	15.2
Redeia	13.5	12.9	11.5	28.2	20.2	17.3
Average	**11.7**	**10.6**	**9.5**	**17.6**	**15.4**	**13.9**
Median	**11.6**	**11.1**	**9.7**	**14.7**	**15.3**	**14.2**
DEA	5.0	4.3	4.1	10.2	9.6	8.7

Source: Bloomberg

We consider the group median EV/EBITDA 26E to value DEA, which based on our FY26E €15.8mln EBITDA leads to an EV of 152.7mln. We subtract FY24E net debt of €6.6mln and get an equity value of €146.1mln (from previous €120.8mln).

Target Price and rating

TP €15.2 (from €13.7)

We took a weighted average between the DCF (80%) and market multiples valuation (20%), to reflect a discount to multiples given lower marginality vs comparables. This gives an Equity Value of €120.5mln (from previous €107.3mln) or €15.2/sh (from previous €13.7/sh).

Rating BUY

DEA trades at a 4.1x EV/EBITDA 26E (vs median 9.7x) and at 0.9x P/BV (vs peers 1.9x). Given the potential upside on closing price (as of 23 April, 2025) and undemanding valuation we confirm the BUY recommendation.

Table 15: Valuation

Mix	Equity Value	Weight
DCF	114.1	80%
Multiples	146.1	20%
Total	**120.5**	
Shares	7.9	
TP	**15.2**	

Source: Banca Profilo elaborations

Historical RAB Premium

We collected historical RAB from the peers group, adjusted for net debt and compared it to average market cap in the corresponding year.

Table 16: Historical premium on RAB

	[Market Cap/(RAB - Net debt)]							
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Average**
Terna	1.4x	1.3x	1.6x	1.8x	1.8x	1.5x	1.5x	**1.6x**
Italgas	1.7x	1.7x	1.6x	1.4x	1.4x	2.1x	2.0x	**1.7x**
Snam	1.7x	1.5x	1.8x	1.9x	2.3x	1.7x	2.5x	**1.9x**
REN	1.3x	1.4x	1.9x	1.9x	1.3x	1.1x	2.0x	**1.5x**
Elia Group	0.6x	0.7x	1.2x	2.7x	1.2x	1.5x	2.4x	**1.5x**
Average	**1.3x**	**1.3x**	**1.6x**	**1.9x**	**1.6x**	**1.6x**	**2.1x**	**1.6x**

Source: Company Data, Bloomberg

Natural monopoly, focus on M&A and low downside risk

Local monopoly and regulatory protection

DEA (Distribuzione Elettrica Adriatica) is an electricity distributor and a natural monopolist in its local territory, facing low competition risk thanks to the regulatory market structure. The authority ARERA sets the tariff on which revenues are determined. This mechanism ensures stable revenues and predictable margins as operators can finance operating costs and pay investments. The business model is to be considered as non-cyclical because revenues are not linked to energy price and have limited exposure to volumes delivered. Concession were originally set to expire in 2030, but an amendment to the Budget Law at YE24 extended the concession to up to another 20 years in exchange for the presentation of an investment plan.

A key remark of DEA's equity story was becoming an aggregation hub for small-scale operators managing <25k PoD, not eligible for concessions renewal and too small to be large multi-utilities' targets. While the Budget Law does not establish explicit thresholds in terms of PoD required for the concession extension, existing legislation permits the autonomous development of investment plans solely for distributors serving more than 100k PoD. Moreover, smaller operators may be less equipped to sustain the required investments, both in terms of financial capacity and the complexity of execution. Therefore, although the regulatory framework is undergoing significant changes and an implementation decree will have to specify the details of the extension, we continue to believe that the underlying trends continue to point towards consolidation.

Right to acquire 24k PoD

By 2025, DEA should surpass the 100k threshold by exercising the right to acquire 24k PoD from a primary distributor. This was granted after the acquisition of Amaie and includes a €20mln cap, implying a maximum price of €830/PoD (50% less than A2A-Enel deal).

Demonstrated execution capacity

The Company has demonstrated its high execution capacity by carrying out 6 operations, 4 of which in 2023 and 1 in August 2024, making DEA a distributor with a national footprint.

423k PoD to be consolidated

Potential targets are likely to be found among the 423k PoD served by small distributors with less than 25k PoD each.

High profitability and generous dividend (20-40% dividend policy)

Historically (FY17-24) the Company kept good levels of profitability with an average EBITDA margin of ~36% and Net Income margin of ~12%. Net debt/EBITDA always remained below ~2x. Margins and indebtedness in FY24 figures were all better than the historical average. In FY24 the Company paid 35% of net income as dividend, in line with its guidance of 20-40%.

Limited credit risk

Contracts governing distribution services require either banking or insurance guarantees to fasten contractual fulfillment from the customer (mainly the energy sellers). If a customer defaults, the losses are compensated by CSEA, subjected to ARERA's supervision.

Public lighting to diversify

In addition to the distribution business, 9% of FY24 revenues were generated through public lighting contracts, governed by concessions with local authorities and not subject to ARERA tariffs. DEA aims at getting more public lighting service manager contracts, especially in municipalities where it already operates as distributor enabling better economies of scale.

Energy transition

Demand for energy input and withdrawal data are likely to gradually increase to forecast demand and correct load management. This is driven by the energy transition and diffusion of widespread production from renewable sources, with the emergence of the "prosumer", small scale producers and consumers of electricity. DEA intends to acquire technology companies that develop forecasting tools and advanced data management & analytics solutions, to become a provider of digital services for producers and final users.

Figure 3: DEA Key Investment Remarks

Source: Company Data

ASPM, first transaction post-ipo

Expanding in Lombardia

On 22 August 2024, DEA announced it was awarded the tender for electricity distribution, gas distribution and public lighting services in five municipalities in Lombardia launched by Brescia municipality owned Brescia Infrastrutture.

Electricity (5k PoD), gas distribution (4.1k PDR) and public lighting

ASPM provides: electricity distribution and gas distribution in the Municipality of Soresina (CR) with 5,020 POD and 4,100 PDRs, as well as public lighting with 8,471 light points in the Municipalities of Manerbio (BS), Soresina (CR), Orzinuovi (BS), Robecco D'Oglio (CR), Rivarolo Mantovano (MN). We believe that the gas distribution business was included in the acquisition package but is not core to the company's operations.

Acquired at 5x EV/EBITDA, dilutive on EBITDA margin

As part of the transaction DEA acquired a 80% stake in ASPM Soresina for €3.7mln (5x EV/EBITDA23), of which i) €2.3mln for the acquisition of a controlling stake in ASPM; ii) a capital increase of €1.45mln. DEA will have the option to purchase the remaining 20% of the share capital at €0.9mln by 2032. DEA announced the closing of the transaction on 5 December 2024.

In FY23, ASPM generated total revenues of €5.2mln (18% of DEA FY23PF) and with an EBITDA of €1.3mln (25.9% margin vs DEA 34.8% FY23PF), so it has a dilutive effect on DEA. The Company had a €2mln Net Debt at the end of FY23.

IPO

Raised €8mln

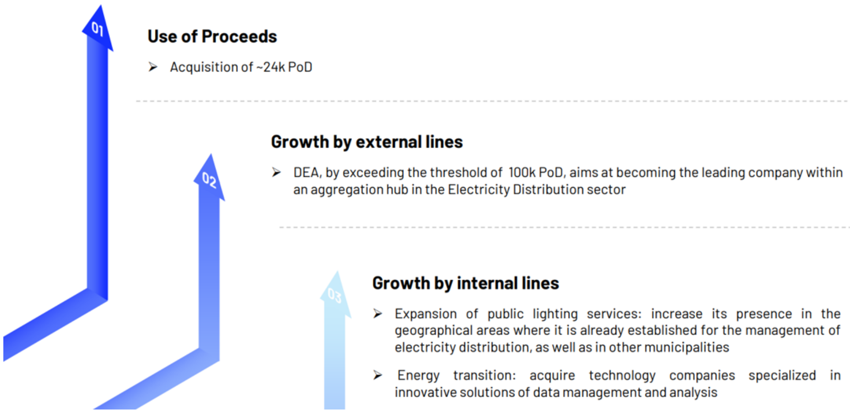
The transaction was completed in July when DEA was listed on the EGM, raising €8 million. Existing shareholders are subject to an 18-month lock-up period. The negotiated share class carries standard (1x) voting rights.

Acquisition of 24k PoD

Proceeds from the IPO will be used to:

- Acquire 24k PoD from a primary distributor (€20mln cap), exercising the option obtained from Amaie acquisition;
- Carry out further acquisitions, as after surpassing the 100k threshold DEA can become an aggregation hub for electricity distribution;
- Expand the presence of public lighting services in areas where DEA already operates as a distributor;
- Acquire technology companies specialized in innovative solutions of data management and analysis.

Figure 4: Use of proceeds



Source: Company data

Appendix

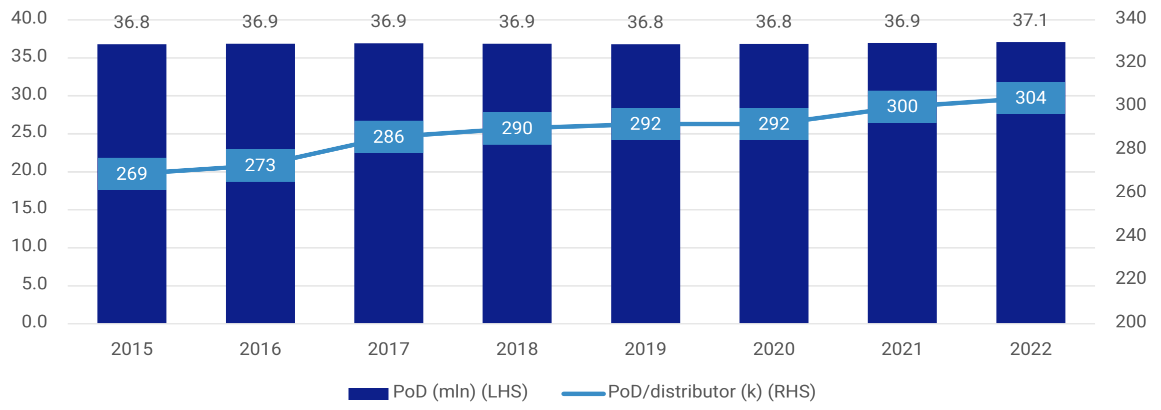
The reference industry

Electricity distribution is highly concentrated

Towards market consolidation

At the end of 2022 in Italy there were 122 electricity distributors, declining from 133 in 2012 following market consolidation. In the same period, Total PoD grew at a 0.09% CAGR reaching 37.1mln in 2022, with the number of PoD/Distributor moving to 304k from 269k in 2015.

Figure 5: Total PoD (mln, LHS), PoD/Distributor (k, RHS)



Source: Company Data based on ARERA

High market concentration

While there are more than 100 distributors, E-Distribuzione (Enel) has an ~85% market share with ~31.6mln PoD. The 5 other incumbents A2A, Acea, Iren, Dolomiti Energia and Hera hold an overall market share of 11%, leaving the remainder 4% across 116 distributors. This concentration is inherited from the historical market structure of the sector.

Regional concentration

Distributors with less than 100k PoD tend to be regionally concentrated (e.g. Trentino, Alto Adige, Valle d'Aosta, Veneto, Abruzzo, Marche) reflecting the market structure before Bersani Decree (Legislative Decree 79/1999). Alternatively, they can be larger but dispersed (DEA, Zecca, Amaie, AMET).

Figure 6: Distributors (#) by number of PoD (2022)

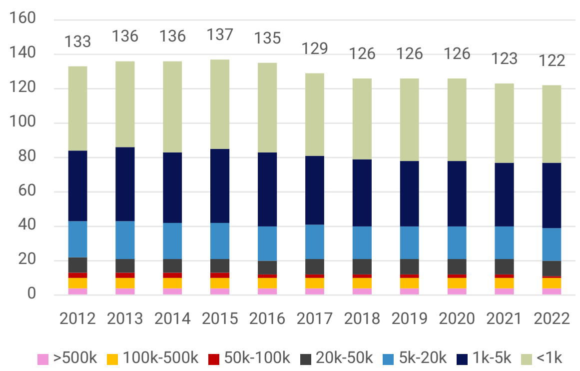
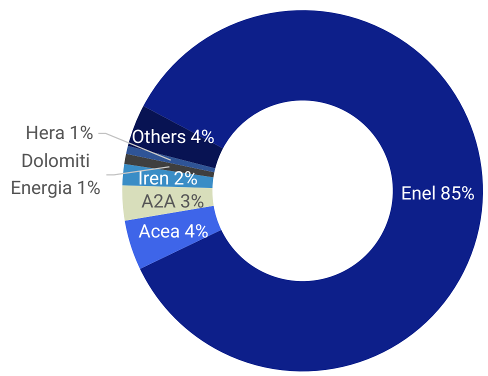


Figure 7: Market share by number of PoD (2022)



Source: ARERA

Challenges and opportunities

Challenges and opportunities from energy transition

In the coming years the sector is likely to undergo significant changes driven by the challenges and opportunities brought by the energy transition like:

- Fragmentation of energy production due to the diffusion of energy communities, which will require extension of network management activity by Terna as well as distributors;
- Growth in energy production from renewable sources;
- Expansion of distribution network electricity driven by new needs (like EV chargers) represent a growth opportunity of the sector.

Big data can unlock competitive edge

The upgrade to electronics meters is another key driver of change in the sector, as it represents a challenge to distributors that must carry out relevant investments and will have to manage large amounts of data. On the other hand, digital challenges can provide a competitive edge as effective data management enhances consumption trend analysis, improves forecast accuracy and enables cost-effective remote interventions.

History, structure and people

Company's evolution

2015: Formation of DEA	On December 22, 2014, Astea approved the separation of its energy distribution BU into the newly constituted DEA effective on January 1, 2015. This was carried out to comply with regulations, which required vertical integrated utilities to separate legal entities carrying out distribution services. Originally the BU included energy distribution BU in the municipalities of Osimo (AN) and Recanati (MC), amounting to 29.9k PoD and for a network length of 1,304km.
2016: Joint stock company and acquisition of ASP	In 2016 Azienda Servizi Polverigi Srl (ASP) transferred electricity distribution activities in the municipality of Polverigi (AN) to DEA. DEA was converted into a joint stock company, with Astea owning a 93% stake and ASP 7%. At the end of the year the Company operated a 1,415km network and 32.2k PoD.
1H23: Acquisition of Zecca	On June 27, 2023, Odoardo Zecca Srl (Zecca) transferred the distribution BU relating to the municipalities of Ortona and San Vito Chietino (Chieti). Zecca was valued at a €16.2mln. Following the acquisition, DEA network expanded to 2,099km and 50.8k PoD.
2H23: Acquisition of Magliano, Offida and AMAIE	During 2H23 DEA acquired the electrical distribution branch of Magliano di Tenna (FM). Moreover, Energie Offida Srl (Offida) and AMAIE, relating to municipalities of Offida (AP) and Sanremo (IM) transferred their distribution business to DEA. The 2 companies were valued at €3.0mln and €21mln respectively.
July 2024: IPO	In July DEA listed on the Euronext Growth Milan and raised €8mln.
August 2024: Acquisition of ASPM	In August, 2024 DEA acquired an 80% stake in ASPM for €3.7mln (5x EV/EBITDA23), which brought 5k PoD, 4.1k PDR and lighting contracts in 8 municipalities. ASPM generated Total revenues of €5.2mln in FY23 and EBITDA of €1.3mln, net debt at YE was €2mln.

Figure 8: PoD (#) (LHS), network length (km) (RHS)

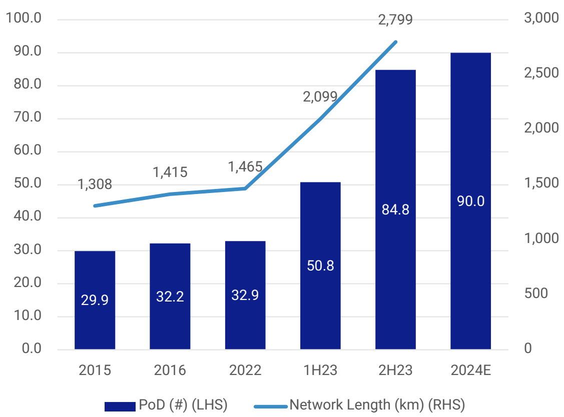
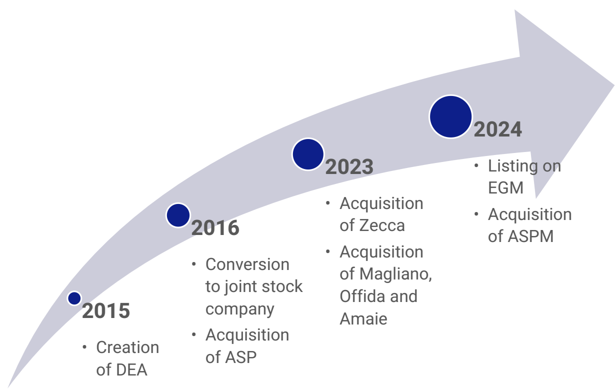


Figure 9: Company history



Source: Company Data

Figure 10: 2023 Acquisitions

	Price	Date
Offida	3,025,258	29/12/2023
Amaie	21,000,000	29/12/2023
Zecca	16,209,633	23/06/2023

Source: Company Data

Warrants

Shareholders that participated in the IPO received 1 free warrant per share, 5 warrants can be exchanged during the exercise periods for a share. Warrants were also awarded to over-allotment shares (greenshoe). Warrants can be exercised during the periods at a growing price,

As warrants have been given exclusively to new shareholders, the exercise would have a dilutive effect for former shareholders and to those not exercising the option.

Table 17: Warrants Exercise Periods

	Beginning	Ending	Price	vs IPO
First Exercise Period	02/06/2025	30/06/2025	10.4	30%
Second Exercise Period	01/06/2026	30/06/2026	11.2	40%
Third Exercise Period	01/06/2027	30/06/2027	12.0	50%

Source: Company Data

DEA

Recommendation	Target Price	Upside
BUY	**15.2 €**	**109%**

Overview

Electricity distribution is the final phase of the supply chain (energy generation, transmission and distribution). Companies in the sector manage, operate, maintain and develop networks in medium and low voltage under concession agreements. Created in 2015, DEA is an Italian infrastructural operator of electricity distribution headquartered in Osimo (AN). After completing 4 deals in 2023 and 1 in 2024 it currently operates 90k PoD (vs 33k PoD in 2022) across 4 regions where it acts as a natural monopolist. Distribution revenues are output based and determined on tariffs set by the regulator ARERA, therefore non-cyclical and protected against inflation, ensuring stability and limited downside risk. Moreover, distribution services contract have limited credit risk and in case of defaults losses are compensated by CSEA, subjected to ARERA's supervision. In addition, DEA operates in the non-regulated public lighting sector, across 15 municipalities in 3 regions. This business is also carried out under concession agreements.

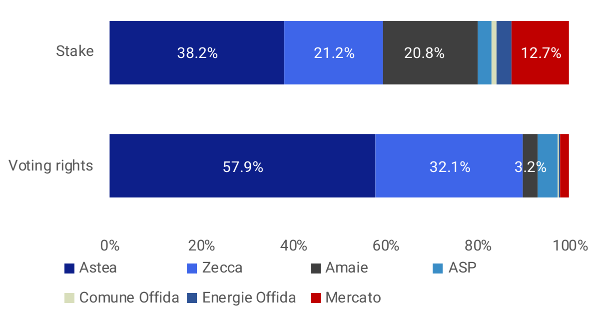
Main Financials

(€,mln)	**2023PF**	**2024**	**2025E**	**2026E**	**2027E**
Revenues	25.7	33.0	37.8	38.6	39.4
Other	3.5	3.8	3.2	3.6	3.6
Total revenues (VoP)	**29.3**	**36.7**	**41.0**	**42.2**	**43.0**
yoy (%)	*112%*	*107.3%*	*11.5%*	*3.1%*	*1.9%*
EBITDA	**10.2**	**13.6**	**15.0**	**15.8**	**16.1**
margin (%)	*39.6%*	*41.3%*	*39.9%*	*40.8%*	*40.8%*
EBIT	**5.0**	**8.5**	**9.3**	**10.0**	**10.4**
margin (%)	*19.6%*	*25.6%*	*24.6%*	*26.0%*	*26.5%*
Net profit	**3.4**	**5.7**	**6.1**	**6.8**	**7.1**
margin (%)	*13.3%*	*17.2%*	*16.3%*	*17.5%*	*18.0%*
Net debt (cash)	**10.4**	**6.6**	**5.0**	**1.6**	**(1.8)**
Equity	67.2	81.1	85.3	89.9	94.6
Operating NWC	3.3	4.4	3.8	4.0	4.1
Capex adj.	(4.0)	(20.9)	(9.4)	(6.7)	(6.7)
Free Cash Flow		(14.8)	4.0	5.9	6.1

Company Description

Company Sector	Electric Utilities
Price (€)	7.3
Number of shares (mln)	7.9
Market Cap (€ mln)	57.8
Reference Index	FTSE Italia Growth
Main Shareholders	Astea, Odoardo Zecca, Amaie
Free Float	12.7%
Daily Average Volumes (30D)	1,894
Sample of comparables	Terna, Italgas, Snam, Elia Group, REN, Redeia

Main shareholders



Revenues Breakdown

	2023PF	**2024**	**2025E**	**2026E**	**2027E**
Distribution	21.6	29.1	31.8	32.5	33.2
on sales (%)	*84.0%*	*88.2%*	*84.2%*	*84.2%*	*84.1%*
Public Lighting	3.2	3.0	4.3	4.4	4.5
on sales (%)	*12.3%*	*9.0%*	*11.3%*	*11.4%*	*11.5%*
Other	0.9	0.9	1.7	1.7	1.8
on sales (%)	*3.6%*	*2.8%*	*4.5%*	*4.5%*	*4.5%*

Key Ratios

	2023PF	**2024**	**2025E**	**2026E**	**2027E**
ROE	*6.7%*	*7.6%*	*7.4%*	*7.7%*	*7.7%*
ROA	*4.7%*	*5.0%*	*4.6%*	*5.0%*	*5.2%*
Leverage	1.4	1.5	1.6	1.5	1.5
DSO (Days)	*80*	*102*	*95*	*95*	*95*
DPO (Days)	*114*	*178*	*179*	*179*	*179*
Capex/sales	*15.6%*	*63.3%*	*24.8%*	*17.4%*	*17.1%*
Net Debt/EBITDA	1.0x	0.5x	0.3x	0.1x	(0.1)x
Interest Coverage Ratio	18.4x	99.5x	14.0x	18.4x	22.5x
Dividend Yield		*3.5%*	*3.7%*	*4.1%*	*4.3%*

Multiples

	2024	**2025**	**2026**
EV/EBITDA	5.0x	4.3x	4.1x
PE	10.2x	9.6x	8.7x
P / BV	0.9x		

Peers Data

	2023	**2024**	**2025**	**2026**
Sales Growth (yoy)	*7.9%*	*-2.9%*	*16.7%*	*10.3%*
EBITDA Margin	*59.5%*	*64.9%*	*62.8%*	*63.3%*
Net Income Margin	*23.4%*	*23.5%*	*23.4%*	*23.3%*
EV / EBITDA		11.6	11.1	9.7
PE		14.7	15.3	14.2
P / BV		1.9x		

Source: Bloomberg, Banca Profilo estimates and elaborations

Strengths

Regulated non-cyclical business
Economies of scale with lighting business
Low debt levels
Generous dividend policy
High marginality

Weaknesses

Multiple voting shareholder class (10 to 1)
Inferior ROE
Capital intensive

Opportunities

Option to acquire 24k PoD with a price cap
Sector consolidation
Expansion of lighting in new municipalities
IoT / Data Management

Threats

Limited visibility on 2030 tender process
Emergence of other PoD aggregators or competition from large multi-uti

Disclaimer

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