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Oggetto : Snam 2016-2020 Strategic Plan

Testo del comunicato

Vedi allegato.



Snam presents its 2016-2020 Strategic Plan

- **Separation of Italgas from Snam through a partial and proportional demerger and subsequent listing of Italgas by the end of 2016 confirmed and approved by BoD**

- **Snam post-demerger strategic plan:**
 - **4.3 billion euro investment in transportation and storage in Italy**
 - **Completion of reverse flow project and connection of Southern Corridor to Europe through the Italian network**
 - **RAB: average annual increase of 1% in the plan period**
 - **Snam 2016 post-demerger dividend of 0.21 euro, +2.5% per year in 2017 and 2018**
 - **Financial flexibility to support investments and remuneration policy**
 - **Authorization requested for a share buyback plan for a maximum of 3.5% of Snam's share capital and a maximum amount of 500 million euro within an 18 month period**

- **Italgas:**
 - **Enhanced leadership in the distribution business in Italy**
 - **Leverage and debt structure able to support a rating profile of solid investment grade in line with Snam's rating profile**
 - **Paolo Gallo indicated as CEO of the company which is going to be listed**
 - **Capital markets day in 4Q 2016 to present the company, its strategic plan and equity story**

- **Dividend 2016: Italgas' capital structure and financial resources appropriate to pay a 2016 dividend that allows Snam's current shareholders to receive an overall remuneration at least in line with 2015**

London, 29 June 2016 - CEO Marco Alverà today presents Snam's 2016-2020 Strategic Plan, approved yesterday by the Company's Board of Directors chaired by Carlo Malacarne.

"The separation of Italgas from Snam will significantly enhance the role of both companies in their respective markets. While Italgas will be a major player in the consolidation of the distribution sector in Italy, Snam will focus on its strong growth potential leveraging its leadership in the European market.

Over the next five years we will invest 4.3 billion euro in Italy in strengthening the domestic network and integrating it with the continental markets. Reinforcing Italy's position in the European gas system will allow us to further enhance the value of our network also to the benefit of consumers and will enable Snam to exploit possible investment opportunities with attractive returns.

The quality of our assets, the soundness of our financial position and the stability of our cash flow will allow us to continue to invest in our growth and to remunerate our shareholders with an increasing



dividend over the plan period. The financial flexibility resulting from the demerger may be used for further investments and potentially for the buyback plan”, CEO Marco Alverà commented.

Separation of Italgas from Snam: a driver for value creation for both companies

The separation of Italgas from Snam is aimed at strengthening both companies and bringing upside to all shareholders, taking into consideration the substantial differences between the two businesses and the different development opportunities in the respective market frameworks.

Thanks to the synergic and integrated management of the transportation, LNG and storage businesses, Snam will be able to contribute to the realization of the single energy market and enhance its European leadership. The financial flexibility resulting from the separation of Italgas and the regulatory framework will also enable the company to focus on organic investments and to exploit potential further development opportunities in Europe, thus enhancing its growth profile and shareholder remuneration policy. This will be implemented while maintaining the strict discipline and solid financial structure which have always characterized Snam’s activities. The separation of Italgas is expected to be neutral in respect to Snam’s credit rating. Snam will also retain a 13.5% stake in Italgas – disciplined by a shareholders’ agreement between Snam, CDP Reti and CDP Gas – which will enable Snam to retain value creation from the future growth opportunities for Italgas in the distribution sector.

As a standalone company from a managerial, operational and financial point of view, Italgas will be able to concentrate its efforts and competencies on the best strategy to take part in the upcoming concession tenders, with the aim of significantly growing its market share. This will allow it to benefit from further economies of scale and higher operational efficiency. The company is also expected to have a solid credit rating, in line with Snam’s credit rating, and direct access to capital markets. With a more efficient financial structure and competitive costs, it will exploit the opportunities offered by the current conditions in the financial market.

Development of infrastructure and new services

For the 2016-2020 period, following the demerger, Snam envisages a significant investment plan, amounting to 4.3 billion euro, of which 0.9 billion euro will be invested in 2016. This investment plan will focus on the development of Italian infrastructure and its interconnection with the European infrastructure, thus enhancing the security, flexibility and liquidity of the overall gas system. This target will be achieved through strengthening the transportation network and creating further storage capacity in Italy, also enabling the completion of reverse flow capacity towards other European countries and including new gas flows coming from the Caspian region through the TAP pipeline.

In particular, investments in transportation and LNG, amounting to 3.8 billion euro in the plan period, will be aimed at guaranteeing security and reliability of the network and, moreover, satisfying capacity and supply diversification requirements, for the benefit of shippers and end users. Furthermore, the North-West of Italy will see the completion of infrastructure targeted at enhancing flexibility and security of supply, as well as the creation of exit capacity, part of which is already available.



In the storage business, the investment plan of 0.5 billion euro for the 2016-2020 period is aimed at ensuring further modulation and peak capacity, thus increasing overall liquidity and flexibility in the system and favoring further opportunities for gas trade. These increases are mainly related to the new storage site of Bordolano (Cremona) progressively coming into full operation.

Snam will also leverage its international equity assets to favour increasing interconnection of the European infrastructure and the development of more diversified and flexible gas flows, maximizing the profitability of its assets.

The company will monitor potential new opportunities for investment in infrastructure assets in Europe with a selective approach, maintaining the usual financial discipline and risk profile in line with its current business portfolio.

Finally, Snam also intends to develop new market services in the Italian regulatory framework aimed at increasing the quality of the commercial offer to shippers and generating benefits to consumers in terms of lower costs.

In a medium-to-long term perspective, the company closely follows emerging uses for natural gas, such as the transformation of biogas into bio-methane, power-to-gas facilities and the development of logistics for LNG and CNG use for transportation.

Expected evolution of RAB and results in the plan period

In light of these investments and considering an average annual inflation rate of around 1%, consolidated RAB for transportation, LNG and storage activities is expected to grow with an average annual rate of round 1% over the plan period in respect to 19.2 billion euro estimated at the end of 2015.

As far as transportation, LNG and storage are concerned, Snam intends to maintain the usual attention to operational efficiency. The inertial increase due to superior structure costs following the demerger and the inflative effects will be substantially offset by the results of new efficiency actions. Controllable fixed costs are expected to remain substantially stable over the plan period in real terms and with unvaried business perimeters.

The plan also envisages an increase of net profit thanks to the joint contribution of multiple factors such as the RAB growth, the attainment of operational efficiencies, and the increasing income from equity investments, which is expected to also take advantage of TAP contribution from 2020, and the expected reduction of financial costs.

New shareholder remuneration policy: DPS increase and share buyback plan

The dividend for the 2016 fiscal year is expected to be paid separately by Snam and Italgas. A 2016 DPS of 21 euro cents is expected for Snam, with an annual growth of 2.5% in the two following fiscal years.



Italgas' remuneration policy will be approved by its Board of Directors following the demerger. The company's capital structure, financial resources and risk profile will enable it to pay a 2016 dividend that, in conjunction with Snam's dividend, will allow the current Snam's shareholders to receive for the 2016 fiscal year an amount of dividends at least in line with the previous year.

In addition, Snam's Board of Directors agreed to ask the shareholders' meeting, called for 1st August, the authorization to proceed with a share buyback plan for a maximum number of shares representing 3.5% of the post-demerger share capital, for a maximum amount of 500 million euro over an 18 month period.

This plan provides further flexibility for the optimization of Snam's capital structure and support to the overall shareholders remuneration. Such plan will be eventually carried out upon evaluation of specific opportunities for growth and value creation, as well as the evolution of the financial structure.

Italgas' demerger and financial releverage

The effectiveness of the transaction is subject to the conditions of law, including in particular the favourable vote of Snam's Shareholders' Meeting, and to the following:

- the issuance of Borsa Italiana's order admitting the shares of the beneficiary company to trading on the MTA;
- the issuance of the judgment of equivalence by Consob; and
- the approval by Snam's bondholders.

The prospective timeframe of the transaction provides that, subject to the above-said conditions, the demerger will likely take effect by December 31, 2016.

In the overall operation, in agreement with the upcoming majority shareholder, CDP Reti, the CEO candidate for the company which is going to be listed has been identified as Paolo Gallo.

Italgas' pro-forma consolidated net financial debt at 31 December 2015 amounts to approximately 3.5 billion euro. Taking into account the distribution of a 2015 ordinary dividend to Snam of around 275 million euro, envisaged before the demerger, and the estimates on the expected cash flow in 2016, Italgas' net financial debt at the end of 2016 may be estimated at approximately 3.7 billion euro.

As a result of the transaction, Italgas will be required, amongst other things, to repay the intercompany loans currently in place with Snam.

The overall debts will be paid off by Italgas through:

- the use of credit lines on which selected primary banks have already signed binding commitments for a total of 3.9 billion euro including the main terms and conditions of the future financing of Italgas;



- the finalization of a release of debt for Snam, once the support of the European Investment Bank (EIB) has been obtained, concerning two loans previously granted by the EIB for a total amount of 424 million euro, aimed at financing Italgas projects.

Upon completion of the demerger, the possible debt structure of Italgas will be as follows:

- a Bridge to Bond for an amount of approximately 2.3 billion euro with a maturity of up to 2 years,
- revolving credit lines for an amount of approximately 1.1 billion euro with a maturity of between 3 and 5 years,
- bilateral bank lines for an amount of approximately 500 million euro with a maturity of between 3 and 5 years,
- two EIB loans for a total amount of 424 million euro with an average remaining maturity of about 10 years.

The commitments made by the lending institutes will be subject to loan agreements whose effectiveness will be conditioned to the completion of the demerger, the authorization of the regulatory authorities and the admission of Italgas' shares to trading.

The above-mentioned leverage level and financial package are expected to support a rating profile of solid investment grade in line with Snam's rating profile.

An overall investment of 2 billion euro over the 2016-2020 period is envisaged for Italgas, 0.4 of which to be spent in 2016 (70% of which for the network and 30% for measuring activities) and the remaining 1.6 billion over the 2017-2020 period (57% of which for the network and 43% for measuring activities). This plan, along with the program of the acquisition of new concessions, envisages a consolidated RAB growth target from 5.7 billion euro at the end of 2015 to over 7 billion euro at the end of the tender process.

The 2016-2020 Strategy Presentation to financial analysts and institutional investors will take place at 3 pm CET (2 pm GMT). The event can be followed in conference call; the support material will be made available online at www.snam.it, in the Investor Relations section, at the beginning of the conference call. The video webcast of the presentation will also be available in the same section of the website.

Pursuant to paragraph 2, article 154-bis of the TUF, the manager in charge of preparing the company's financial reports, Antonio Paccioretti, states that the accounting information included in this press release corresponds to documents, accounting ledgers and other records.

Disclaimer

This press release includes forward-looking statements, particularly referred to the evolution of natural gas demand, investment plan and future management performances. Such statements by their very nature are subject to risk and uncertainty as they depend on the fact that certain events and developments will take place. The actual results may therefore differ from those communicated due to different reasons, such as foreseeable trends in demand, offer and prices of natural gas, general macro-economic conditions, the effect of new energy and environment legislation, the successful development and implementation of new technologies, changes in the stakeholders' expectations and other changes in business conditions.

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