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Informazione Regolamentata n. 0167-35-2017	Data/Ora Ricezione 31 Maggio 2017 07:50:46	MTA
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Societa' : ITALGAS

Identificativo : 90256

Informazione
Regolamentata

Nome utilizzatore : ITALGASN01 - Porro

Tipologia : 2.2

Data/Ora Ricezione : 31 Maggio 2017 07:50:46

Data/Ora Inizio : 31 Maggio 2017 07:50:47

Diffusione presunta

Oggetto : 2017-2023 Strategic Plan

Testo del comunicato

Vedi allegato.

ITALGAS PRESENTS ITS 2017-2023 STRATEGIC PLAN

Milan, 31 May 2017 – Chief Executive Officer Paolo Gallo is presenting today to analysts and investors Italgas Group's Strategic Plan for the 2017-2023 period, which was approved yesterday by the board of Directors chaired by Lorenzo Bini Smaghi.

- **Overall investments for 5 billion Euros**
 - 3 billion Euros for organic growth: focused on development, maintenance and digitalisation of the network and installation of smart meters;
 - 2 billion Euros for sector tenders and further related technical investments in order to achieve a market share of almost 40% (from the current 30%);
- **Consolidated RAB: +4.5%** yearly average over the plan, considering the expected evolution of the sector tenders;
- **Operational efficiency programme:** plan started in the first months of 2017 with the aim of obtaining by 2018 a reduction of more than 15% in costs compared to the 2016 figure;
- **Financial Efficiency:** Continuous focus on optimizing the debt structure, which average cost is currently below 1%;
- **Maintaining a solid capital structure** thanks to robust cash generation: leverage (D/RAB) under 65% over the plan;
- **2017-2019 Dividend Policy:** 2016 DPS (20 cents) increased by 4% per annum;

Italgas CEO Paolo Gallo said:

The Business Plan confirms the strategy announced when Italgas listed on the stock exchange. Our priorities are organic growth, operational and financial efficiency, and sector consolidation mainly through tenders. Digital innovation will transform our network with smart meters, network digitalisation and cloud strategy. We will leverage our leadership and our specific expertise to meet our targets.

The solid financial structure will enable us to seize further opportunities to create value while preserving financial conditions consistent with our current creditworthiness.

The combination of these actions will support profit growth and cash flow generation, providing full cover for the significant organic investment programme and the requirements of the growth strategy connected to tenders. The business model supports a dividend policy that is attractive, growing and sustainable.

Investments of 5 billion Euros to develop an increasingly efficient and technologically advanced network and to boost Italgas' leadership role in distribution in Italy

In the 2017-2023 period, Italgas will invest 3 billion in the development and maintenance of networks and in the relevant smart meter installation programme, while around 2 billion Euros will be dedicated to participating in the sector tenders.

Specifically, around 2 billion of the 3 billion Euros will be designated for networks, both for developing new stretches (around 510 km) and for completing the extension of infrastructure in Southern Italy (around 50 km). In parallel, the replacement of the stretches in cast iron will be completed and the activities for renewing the completely amortized networks will be boosted.

The programme for replacing traditional meters with smart ones will aim to exceed the compulsory targets set by the regulatory authorities for 2018 for the Mass Market segment (replacing 50% of G4 and G6 meters), and to complete total replacement with regard to this segment by 2020. In addition, a network management transformation program will be initiated through a full digitization of the network; the overall investment for smart meters and digitalisation will be about 1 billion Euros.

Additional investments will be allocated to initiatives for the distribution activity remunerated in the centralised RAB, especially to support the cloud strategy.

Thanks to the aforementioned investments, over the plan's timeframe the consolidated RAB is expected to grow at an average annual growth rate (CAGR) of around 1.4% on the 5.7 billion Euros estimated at the end of 2016.

A further 2 billion Euros will be dedicated to participating in the sector tenders in order to pursue the goal of growing market share from the current 30% to close to 40% in terms of active delivery points, increasing from 6.5 million at the end of 2016 to over 8 million in 2023.

In particular, partially thanks to the sector tenders, around 1.4 billion Euros in net investments will be targeted at acquiring networks from third parties in the gas areas in which Italgas will win tenders, while a further 0.6 billion Euros (until 2023) will be earmarked for the development, maintenance and efficiency of the networks that are acquired through tenders.

A successful outcome in the sector tenders and the implementation of the connected technical investments will increase consolidated RAB growth to an average annual rate (CAGR) of around 4.5% across the timeframe of the Plan.

Operational efficiency

The Italgas efficiency plan was launched in early 2017 with the aim of reducing operational costs by more than 15% within 2018. After 2018, the aim is to preserve a competitive cost structure in relation to the targets set by the Regulatory Authority.

In order to support this efficiency path, a review of the company's organizational structure and of the Group's business activities has been undertaken, with the aim of implementing a new geographical model, as well as simplifying processes and the operational model.

Revising the acquisition strategy for the contracts of maintenance, facility and supply of smart meters and infrastructure services, as well as the adoption of new technologies for energy efficiency will help achieve further efficiencies while improving the quality of services offered and the environmental impact.

Moreover, Italgas will ensure in the next three years the complete replacement of the vehicle fleet with CNG vehicles constructing a private network of more than 120 filling stations in 40 of its own industrial sites spread throughout the country.

Lastly, particular attention will be dedicated to the programme of continuous improvement and innovation to facilitate a change in corporate culture.

Financial efficiency and capital structure

At the listing on the Milan Stock Exchange, Italgas fully repaid the intercompany loan to Snam thanks to an independent financial structure, consisting of a financial package amounting to 4.3 billion Euros granted by a syndicate of leading Italian and international financial institutions.

Having obtained its credit rating from Moody's (Baa1) and Fitch (BBB+) and having approved a medium- and long-term notes programme (Euro Medium Term Notes Programme), in the first quarter of 2017 Italgas was able to issue fixed-rate bonds for a total of 2,150 million Euros hence successfully completing the refinancing of the "bridge to bonds" credit line. This enabled the Company to diversify its sources of funding, obtain a more suitable balance between fixed and variable rate, extend the average debt maturity and achieve an average cost of debt below 1%.

In 2017, and over the strategic plan horizon, Italgas will continue to optimize its financial structure in order to ensure a superior cost of debt and an appropriate financial flexibility to support business development.

The net debt to RAB (including affiliates) ratio was 61% at the end of 2016. During the strategic plan horizon, cash flow generation is expected to be robust preserving credit metrics consistent with the current Italgas rating. The net debt to RAB (including affiliates) ratio is expected to remain below 65% over the strategic plan horizon.

2017 Outlook

For 2017, investments for over 500 million Euros are expected, while revenues are expected to total approximately 1.1 billion Euros, with an EBITDA of between 720 and 740 million Euros. The profitability of assets is expected to be around 7% in terms of EBIT/RAB. Consolidated RAB is expected to be around 5.8 billion Euros by the end of the year. The expected leverage is around 62% thanks to the significant cash flow generation.

Dividend policy

Italgas confirms its commitment to guaranteeing to its Shareholders a dividend policy that is attractive, growing and sustainable.

Taking into account the Strategic Plan's development prospects, as well as the economic-financial and asset outlook, The Company has set a dividend policy for 2017-2019 period, equal to DPS 2016 (€ 0.20) increased by 4% per annum.

The 2017-2023 strategic plan will be presented to financial analysts and institutional investors at 15:00 CET (14:00 PM GMT). It will be possible to follow the event in a conference call, and supporting material will be made available on www.italgas.it in the Investor Relations section at the beginning of the conference call. It will also be possible to follow the presentation in a video webcasting in this same section.

The Presentations will also be made available on the authorised storage mechanism named eMarket STORAGE (www.emarketstorage.com).

Claudio Ottaviano, the manager in charge of drawing up the company's accounting documents, hereby declares under Art. 154 bis, paragraph 2 of the TUF (Single Finance Law) that the accounting information contained in this release matches the accounting documents, ledgers and items.

Disclaimer

This release includes forward-looking statements, relating in particular to: evolution of the natural gas demand, investment plans and future managerial performance. Forward-looking statements have, by their nature, an element of risk and uncertainty, since they depend on future events and developments occurring. The actual results may therefore differ from the announced ones in connection with various factors, including the following: the predictable evolutions of the demand, supply and prices of natural gas, the general macroeconomic conditions, the impact of regulation on the energy and environmental sector, the success in developing and implementing new technologies, changes in stakeholder expectations and other changes in business conditions.

Fine Comunicato n.0167-35

Numero di Pagine: 6