



# SPAFID CONNECT

Informazione Regolamentata n. 0542-29-2018	Data/Ora Ricezione 14 Marzo 2018 07:37:53	MTA
--	---	-----

Societa' : SNAM

Identificativo : 100153

Informazione  
Regolamentata

Nome utilizzatore : SNAMN01 - Palladino

Tipologia : 2.2

Data/Ora Ricezione : 14 Marzo 2018 07:37:53

Data/Ora Inizio : 14 Marzo 2018 07:37:54

Diffusione presunta

Oggetto : Snam makes upward revisions to the main targets of the 2017-2021 plan

*Testo del comunicato*

Vedi allegato.



## Snam makes upward revisions to the main targets of the 2017-2021 plan

*Snam has reached the previous plan's main objectives in 2017, leading to significantly improved expectations for the results at the end of 2021*

- **Investments: € 5.2 bn (+10% compared to the previous plan), of which € 4.6 bn in transportation and € 0.6 bn in storage and regasification**
- **Among the investments: € 360 mn in innovation for the low emission economy (mainly internal energy efficiency and emission reduction)**
- **RAB annual average growth (CAGR<sup>1</sup>) of 2%**
- **Increase in efficiency: over € 40 mn of savings at the end of the plan (+60% from € 25 mn of the previous plan)**
- **Contribution from associates confirmed to € 200 mn in 2021**
- **Net income CAGR<sup>1</sup> 4.5% (4% in the previous plan)**
- **Dividend policy with annual growth of 2.5% extended to 2019 and floor in real terms up to the end of the plan**
- **Plan entirely financed with organic cash flow**
- **The authorization for a new buyback plan for up to € 500 mn will be requested at the Ordinary Shareholder Meeting**
- **Possible opportunities arising from new projects for the security and flexibility of the system, which were not envisioned in the plan**
- **Brand restyling**

*London, 14 March 2018* - Snam CEO Marco Alverà presents today in London the update of the company's plan for the period 2017-2021, approved yesterday by the Board of Directors chaired by Carlo Malacarne.

Snam CEO Marco Alverà said: *"2017 has been a very positive year for us. A solid investment program and a renewed focus on being an agile, innovative and efficient company, allow us to improve the objectives of the plan presented last year, guaranteeing attractive returns to our shareholders. In particular, we expect to increase our investments in favor of the security and flexibility of the Italian gas system, which on several occasions over the last few months has shown greater reliability compared to other European countries."*

---

<sup>1</sup> 2017-2021 CAGR compared with 2016



*Gas infrastructures confirm their long-term strategic role for the energy system thanks to the development of new technologies related to the renewable gas value chain and transport. In the coming years we expect that the increase in biomethane production as well as the confirmed commitment to energy efficiency and the increase in the use of natural gas in transport and heating can offer Snam the opportunity to play an important role in the decarbonisation process.*

*The planned investments and the dividend policy will be entirely financed by our cash generation. Our sound financial structure will also allow us to take further opportunities to create value, in line with the investment criteria already illustrated to the market, also through a new buyback plan. This plan marks a further step in strengthening our leadership in the energy transition”.*

#### **Scenario and update of the 2017-2021 objectives**

The national and international scenario throughout the plan requires the development of infrastructure in the natural gas sector. Globally, a significant increase in gas demand is expected over the next years, particularly in the Americas and China.

In Europe and in Italy there has been a recovery in demand over the last two years, associated with a growing need for imports from diversified routes in light of the decline in domestic production and in view of the gradual exit of various countries from coal. In Europe, imports have been growing by 30% since 2014.

At the same time, even with the development of new technologies, gas can play an increasingly relevant role in combating pollution and emissions.

With regards to Snam, the increase in investments, new initiatives, the efficiency program, the increased contribution from associates and the reduction in financial charges will allow the company to achieve sustainable growth of the main indicators throughout the period of the plan.

The average annual increase (CAGR) of the consolidated RAB is expected around 2% compared to 1.4% of the previous plan with the same calculation methodology. RAB including the pro-quota associates is expected to grow at a similar rate.



With reference to 2016, EBITDA will grow over the period by 1.5% per year on average, the operating profit increase is confirmed at 1% per year on average, while the net profit will increase in the order of 4.5% per year compared to 4% of the previous plan.

In 2018 Snam expects to achieve a net profit of about € 975 million and a debt level of € 11.5 billion, assuming a neutral working capital and taking into account a cash flow from TAP of approximately € 240 million, as a net effect of future injections of capital from Snam and of the true up expected at finalization of the loan, currently expected in the second half of the year. The 2018 tariff RAB is expected to be around € 20.3 billion (€ 19.2 billion in 2017).

#### **€ 5.2 billion for the development of the Italian gas system**

Snam has envisaged an increase in investments to € 5.2 billion for the 2017-2021 period, up 10% compared to the plan's € 4.7 billion presented in March 2017. The investment strategy is mainly focused on the development of Italian infrastructure and its interconnection with European infrastructure. In detail, € 4.6 billion are related to the transportation network, including the development of the high pressure network in Sardinia through a joint project with SGI, the connection with the TAP infrastructure that will enable the diversification of supply sources with Azeri gas increasing the flexibility and competitiveness of the system, the completion of reverse-flow and other non-regulated technical investments.

Further investments of € 0.6 billion are related to storage and regasification. The expected increase in storage capacity confirms its increasing strategic importance for the system's security as also evidenced by the flows and price trend at the PSV in times of stress experienced by the system over the last few months. The peaks in demand in the winter due to adverse weather conditions have shown the considerable flexibility of the infrastructure managed by Snam, which was able to guarantee service continuity even in the face of consumption four times higher than the summer average.

Moreover, investments are planned for the maintenance and replacement of 650 km of transportation network sections.

The plan also provides for investments of approximately € 360 million to increase energy efficiency and reduce Snam's emissions. The company's objective is to reduce its methane emissions by 2021 by 10% compared to 2016 at a constant perimeter.



Snam is promoting, both directly and through the entry of new operators in the market, the development of g-mobility, i.e. sustainable mobility with natural gas, through the construction of new CNG service stations in Italy.

In 2017 the new company Snam4Mobility was launched and, at the moment, 19 stations are contracted; the first CNG station provided by Snam is scheduled for launch for the second half of 2018. Natural gas for vehicles is one of the best technologies available for sustainable mobility.

#### **Strengthening of new asset light services**

The positive trend in asset-light activities in 2017 confirms the more than € 150 million revenue target cumulated over the 2017-2021 plan period.

In particular, the regulated services for the Italian market linked to the new balancing regime have enabled Snam to increase the liquidity of the system, also thanks to improvements in the forecast of the next day's demand through an innovative proprietary forecasting model.

Regarding the services dedicated to international operators in the gas sector, Snam Global Solutions is gradually expanding its contract portfolio by leveraging the distinctive skills of the company both in terms of integrated management of transportation and storage network needs and the technologically advanced skills of infrastructure management services.

#### **Strengthening of the efficiency plan**

As part of the efficiency plan launched in the second half of 2016, Snam optimized its processes and organization, for example by integrating transportation and storage maintenance activities. This plan made it possible to reduce costs and improve quality and time to market.

In light of the positive results achieved in 2017, with a significant acceleration compared to the previously mentioned objectives, the 2021 efficiency target has been increased to at least € 40 million, + 60% compared to the € 25 million envisaged in the previous plan.



### **Contribution from associates**

The contribution from the associates (Italgas in Italy, TAG and GCA in Austria, TIGF in France, TAP, Interconnector in the UK) is confirmed to reach about € 200 million in 2021, consolidating Snam's European leadership.

### **Debt structure optimization**

In 2017, Snam made significant progress also in the optimization of its financial structure, through the refinancing of € 2.2 billion of debt and a € 650 million bond buyback exercise. These actions enabled Snam to increase the average maturity of debt at 5.5 years from around 5 years in 2016 and reduce its average cost to 2%, improving the target announced last year by 20 basis points and that of late 2016 by 40 basis points. The actions already completed in 2018, the refinancing of some maturing bonds and the full effects of the liability management exercise of October 2017 will allow a further reduction in financing costs in 2018, bringing the average cost of debt to around 1.8%. The company is committed to maintaining rating metrics consistent with current credit rating.

### **Attractive and sustainable dividend policy**

Snam confirms its commitment to guaranteeing attractive and sustainable remuneration to shareholders. The dividend growth of 2.5% per annum for 2018 is confirmed and will also be extended to 2019, with a floor in real terms for the subsequent years of the plan. The payment of the interim dividend will continue. In this regard, the payment of the interim dividend corresponding to 40% of the total dividend pertaining to 2018 will be proposed to the Shareholder Meeting in January 2019, with payment of the remaining 60% in June.

### **Growth opportunities not foreseen in the plan: low emission economy and increase in the security and liquidity of the European market**

In addition to what the 2017-2021 plan envisages, Snam will continue to monitor additional inorganic value creation opportunities that may arise, leveraging the flexibility of its financial structure.

Among these, in particular, the possible development of the biomethane chain for transport. The current national production of biogas is already equivalent to what is necessary to derive about 3 billion cubic meters of biomethane per year.



To date, Snam has already received about 500 requests for connection to the grid from potential biomethane producers. The new regulation on biomethane in transport could foster further market growth. These trends are also confirmed at European level: a recent study by Ecofys promoted by the Gas for Climate consortium, which also includes Snam, revealed that using 122 billion cubic meters of renewable gas (biomethane and renewable hydrogen) for decarbonisation annually would save Europe around € 140 billion in 2050 compared to a scenario without any gas.

Snam is also studying opportunities in Small Scale LNG (SSLNG) and in coastal deposits, which could represent interesting investment opportunities to strengthen the company's role in the energy transition and support development of the use of gas and LNG in private and heavy transport. Snam's initiatives in biomethane, SSLNG and in the use of gas for transports will always be evaluated, like all investment opportunities, with a view to increasing value creation for shareholders.

In recent weeks Snam has entered the energy efficiency sector with the acquisition of TEP Energy Solution, one of the main ESCOs on the Italian market. The acquisition of TEP will be completed following antitrust clearance, has a strategic value for Snam and is consistent with its 2030 vision which envisages a leading role in promoting a more sustainable and efficient energy system. Snam's goal is to accelerate the growth process of TEP, facilitating the transfer of energy efficiency competences and technologies from large companies to small and medium-sized enterprises and local authorities.

In addition, Snam will be able to seize additional value creation opportunities on the market, relating to market integration, security and flexibility of gas systems and the decarbonisation process.

In Italy, Snam will evaluate opportunities for strengthening storage capacity and possible new investments in Liquefied Natural Gas (LNG), in addition to replacing several thousand kilometers of its transportation network.

In Europe, the decline in production and the need for new import routes favor infrastructural investments for access to new supply routes and integration between countries.



The company will continue to monitor gas infrastructure opportunities that offer attractive prospects of value creation based on clear investment criteria.

Lastly, Snam intends to ask the next Ordinary Shareholder Meeting to approve an additional authorization for the purchase of treasury shares for an amount of € 500 million and the next Extraordinary Shareholder Meeting the authorization to cancel the shares already held, net of those at the service of the zero coupon convertible bond issued in March 2017 and management incentive plans.

### **Brand restyling**

Snam has today launched the restyling of its brand identity, which reflects the tradition of the company and at the same time underlines its role in the evolution of the energy system through the creation of sustainable energy infrastructure, attention to people, the environment and to the communities in which it operates.

*The 2017-2021 Plan Update presentation to financial analysts and institutional investors will take place at 4:30 pm CET (3:30 pm GMT). The event can be followed by conference call; the support material will be made available online at [www.snam.it](http://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, Franco Pruzzi, 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 regarding the evolution of natural gas demand, investment plans 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 for 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 stakeholders' expectations and other changes in business conditions.*

Fine Comunicato n.0542-29

Numero di Pagine: 10