



# DEPA INFRASTRUCTURE ACQUISITION

Milan  
16.09.2021



# DEPA Infrastructure ITALGAS PREFERRED BIDDER



Perfect fit with Italgas' core regulated business profile and long-term strategic vision, with significant return on investment expected



Key milestone driving geographical and regulatory diversification of the Group, in an already known region



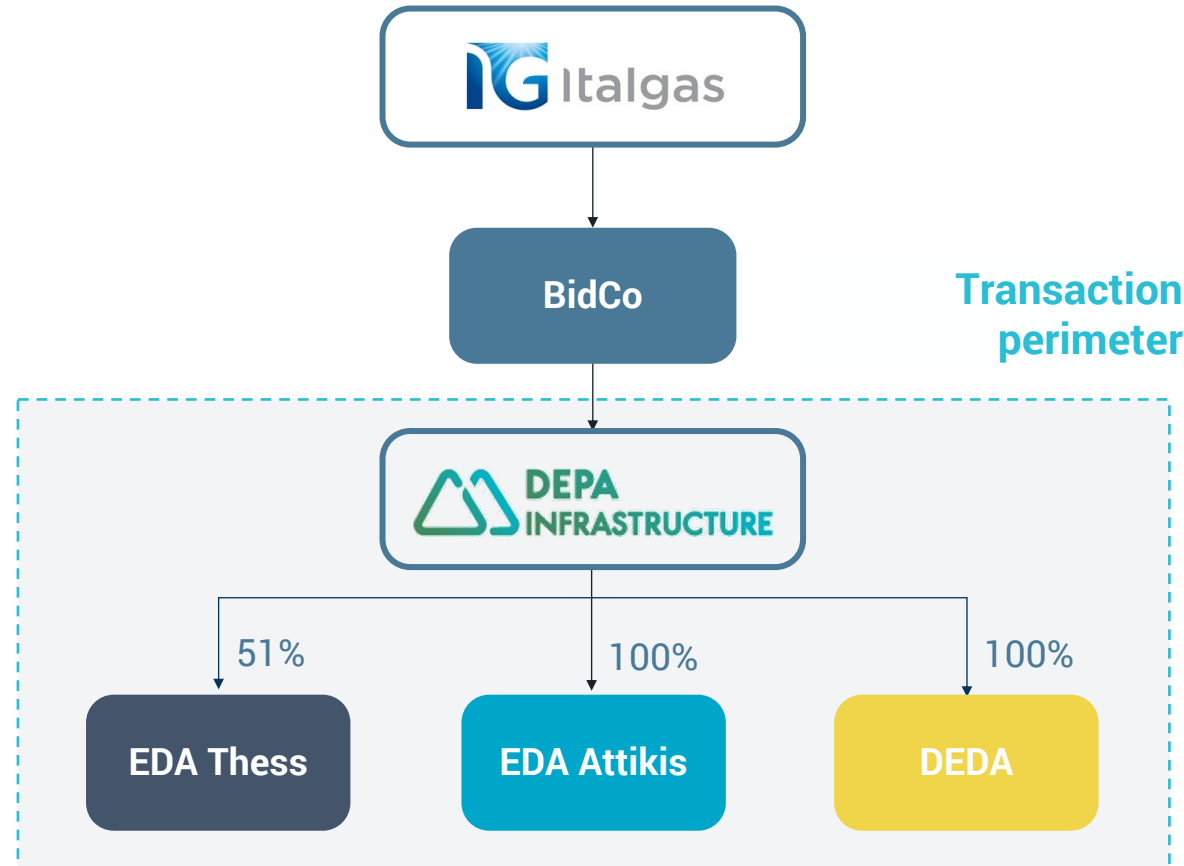
Steep growth profile underpinning opportunity to leverage Italgas' core skills and capabilities



Deep effort and commitment at all levels of the management team and thorough scrutiny and diligence performed

# TRANSACTION OVERVIEW

- ▶ Tender process held by current shareholders (HRADF<sup>1</sup> and HELPE<sup>2</sup>)
- ▶ Italgas to acquire DEPA Infrastructure through an Italian BidCo, fully funded via intercompany debt
- ▶ Consideration of €733 mn for 100% of the equity of DEPA Infrastructure



DEPA signed an agreement for the acquisition of the remaining 49% of EDA Thess at pre-agreed conditions<sup>3</sup> post closing

# ENVISAGED TIMELINE TO CLOSING

Closing expected by year-end following regulatory approvals.

9 September 2021

Italgas selected as preferred bidder for the acquisition of DEPA Infrastructure

Court of Audit approval

Signing of SPA

Greek antitrust approval

RAE approval

Closing

# TRANSACTION RATIONALE



- Perfect fit with Italgas' **long-term strategic vision** and **regulated core business profile**
- Unique geographical and regulatory **diversification** move, and opportunity to serve the **entire gas distribution market** in Greece
- Incumbent/unique operator in Greece for decades to come, thanks to **long concession duration** (up to 2043 + 20/30 years potential extension)
- **Established and transparent regulatory framework** with attractive potential
- Strong **growth profile** led by network development and growing gas penetration
- Opportunity to transfer **best in class digitization capabilities and know-how** to support the energy and digital transition
- **Additional business opportunities** provided by optic fiber and small-scale LNG development

# DEPA Infrastructure IN A NUTSHELL

The three distribution network operators have **exclusive rights in their respective regions**. Combined, they cover the **quasi-entirety of the Greek market**.

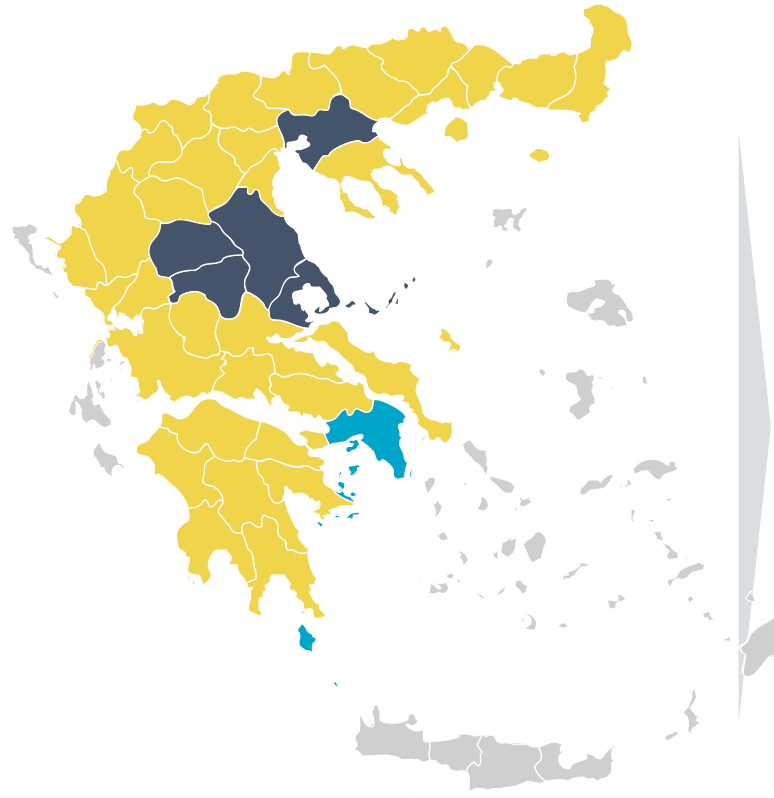
Penetration rate is set to **increase sharply**.

<sup>1</sup> Thessaloniki – Thessalia Gas Distribution S.A.

<sup>2</sup> Attiki Natural Gas Distribution Single Member Company S.A.

<sup>3</sup> Public Gas Distribution Networks S.A.

DEPA Infrastructure is the holding company owning the three gas distribution operators EDA Thess<sup>1</sup>, EDA Attikis<sup>2</sup> and DEDA<sup>3</sup> in Greece

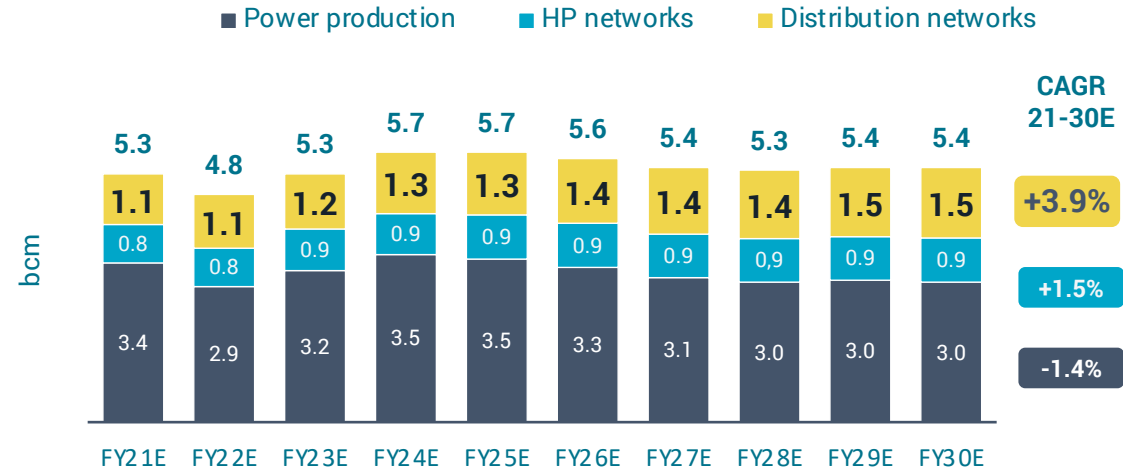


- 1 Thessaloniki Thessaly regions
- 2 Attiki region
- 3 Other territories

# GREEK ENERGY MARKET OVERVIEW

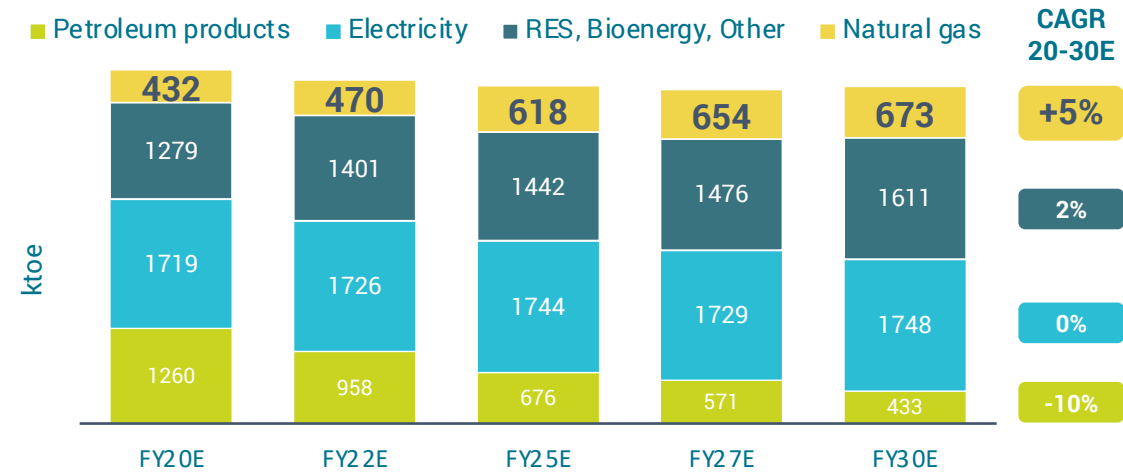
Natural gas demand is expected to grow sharply in Greece in the medium and long term, with natural gas continuing to win market share in the energy mix replacing high pollutant sources (lignite, fuel oil) to allow Greece to achieve and exceed EU decarbonization targets.

Natural gas demand forecasts in Greece<sup>1</sup>



Demand from distribution networks is forecasted to increase at 3.9% CAGR 21-30E

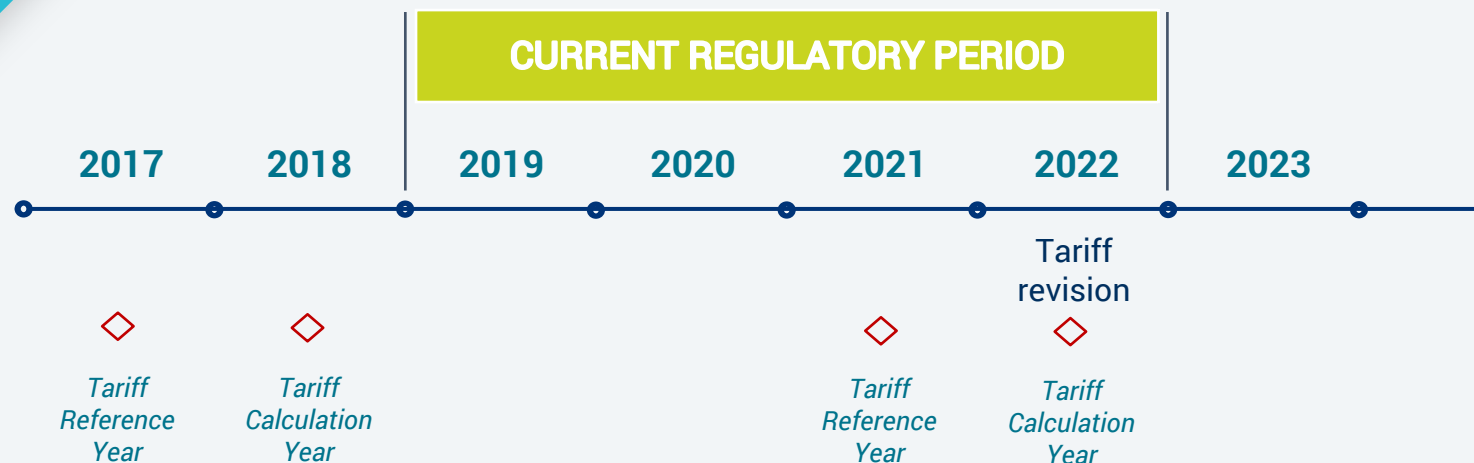
Household energy consumption<sup>2</sup>



Increased penetration of distribution networks, cheaper natural gas prices compared to alternative fuels, and government incentives are expected to drive greater demand

Sources: <sup>1</sup> Gas. Demand, base scenario of DESFA Development Study 2021-2030 excluding exports, <sup>2</sup> Greek National Energy and Climate Plan;

# TRANSPARENT RAB-BASED REGULATORY FRAMEWORK



- ▶ **Transparent regulatory framework**, with numerous similarities to the Italian system
- ▶ **Long concession duration**, allowing to implement Italgas' long-term strategic vision
- ▶ **Downside protection** through compensation mechanism for under-recoveries

## Key features

- RAB-based framework regulated by the Regulatory Authority for Energy
- Tariffs reflect business plans presented by the company, including investments agreed with RAE
- Regulatory periods last 4 years
- 7.03% nominal return in 2021-22E, with an implied tax rate of 24%
- 1.5% additional return for investments meeting certain criteria
- Mechanism in place to compensate of any under / over recovery of required revenues



# REGULATED REVENUES SCHEME

## Key features

Unitary tariffs are **set for the regulatory period** for each distribution area:

- Based on the approved business plans and allowed returns, and inflated annually: the DSO is entitled to collect (required) revenues based on all investments and operational costs
- Taking into consideration estimated growth in redelivery points and volumes distributed

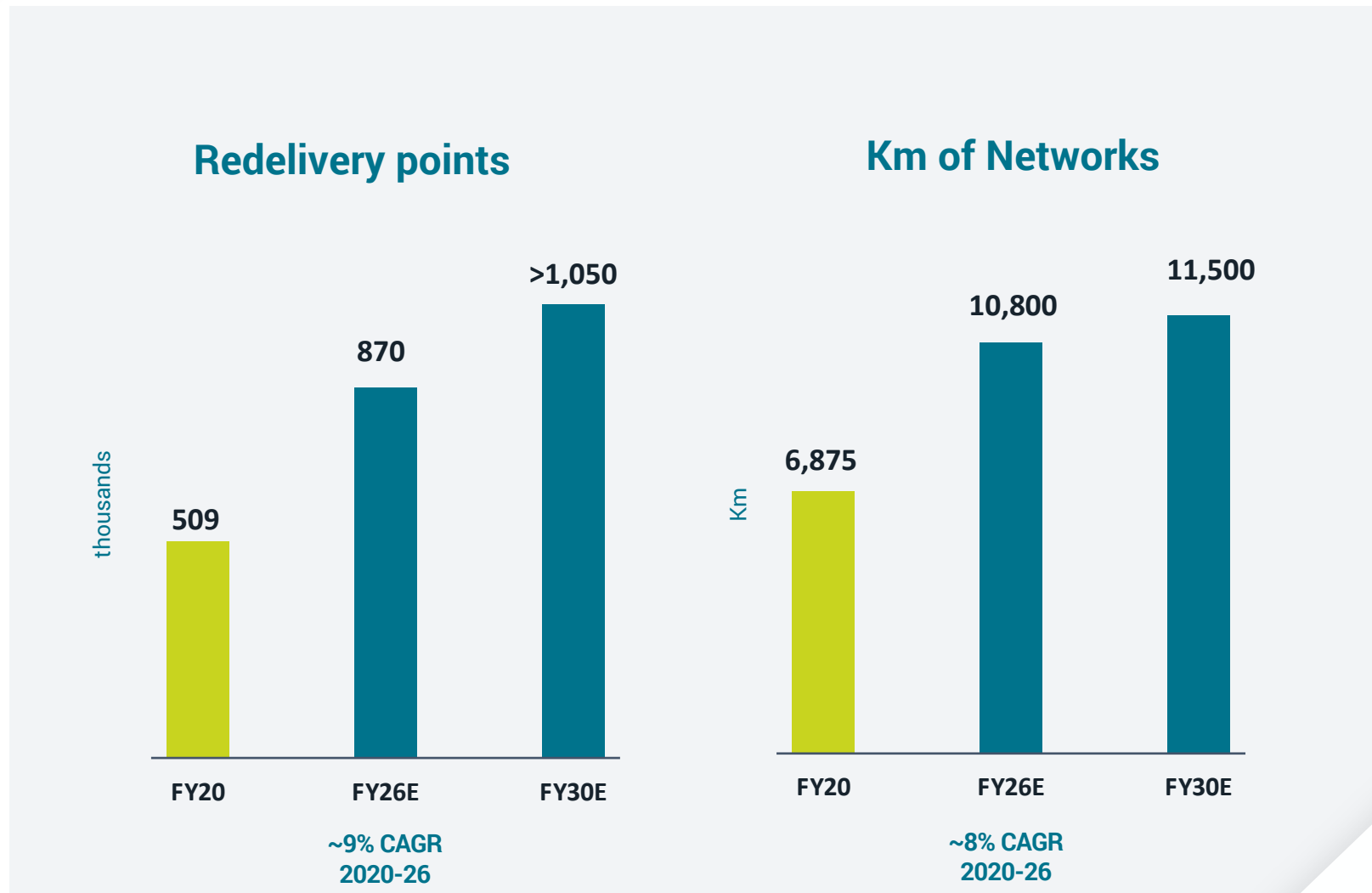
**Achieved revenues** are based on actual bills collection but there is a **recoverable difference mechanism** in place

REQUIRED REVENUES =	RAB X Reg. WACC	+ DEPRECIATION	+ OPEX	- ADDITIONAL REVENUES	± RECOVERABLE DIFFERENCE
	<p>RAB includes capex planned in the year</p> <p>RAB is not inflated</p> <p>Regulated return set at 7.03% in nominal terms for 2021-22E</p>	<p>Calculated on fixed assets</p>	<p>Estimated through the regulatory period</p> <p>Opportunity of outperformance: no adjustments ex-post in case of outperformance</p>	<p>Planned revenues related to services to other companies or non-regulated services</p>	<p>Based on the difference between required revenues and actual revenues<sup>1</sup> in the previous regulatory period</p>

<sup>1</sup> Actual revenues are the revenues collected by the company based on the application of the distribution tariffs to the redelivery points served

# DEPA Infrastructure UNIQUE GROWTH POTENTIAL

Considering the current low penetration rate of natural gas in Greece, DEPA Infrastructure is set to achieve **increasing coverage and penetration rates...**

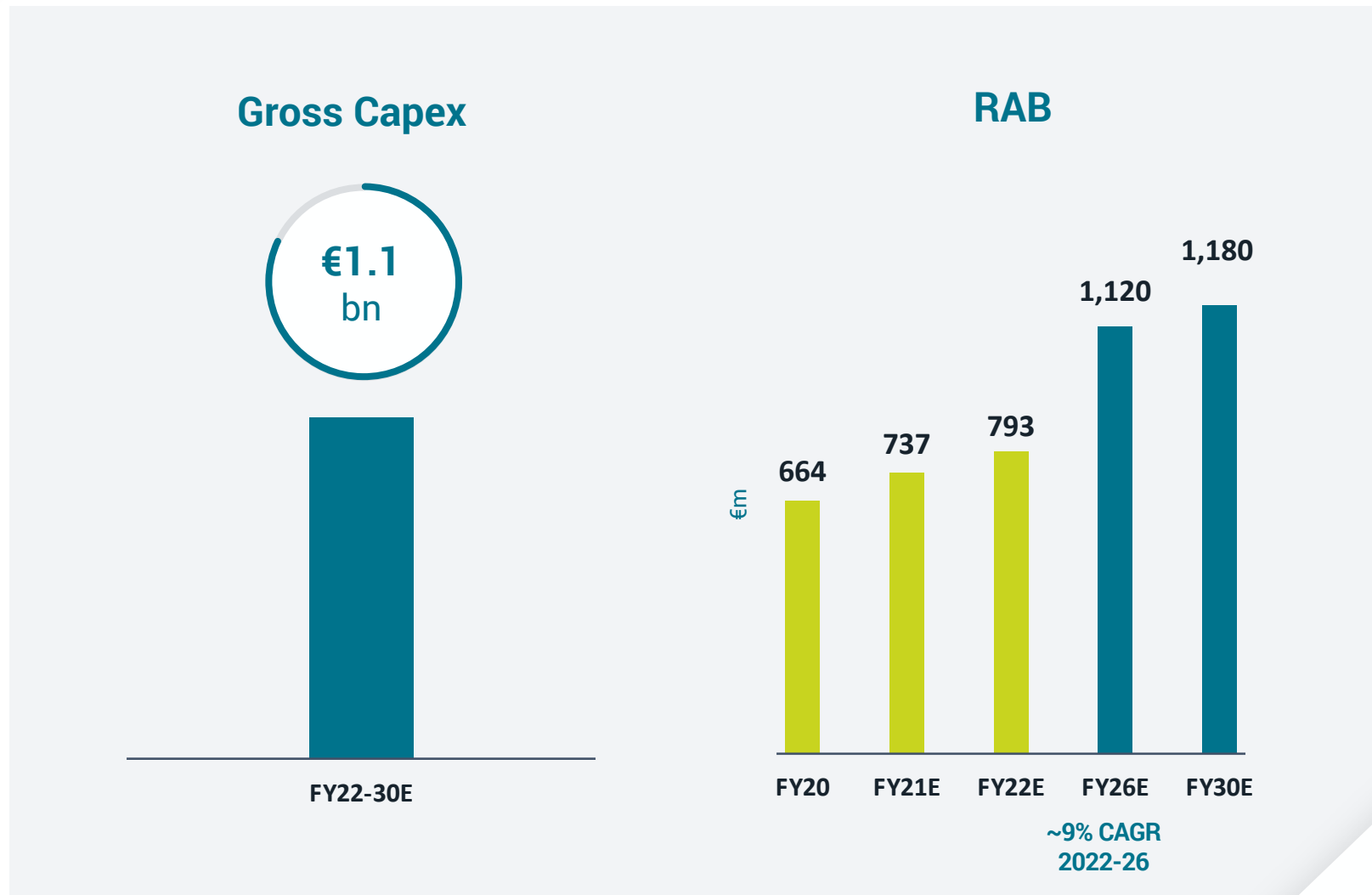


Note: based on Italgas' data and estimates

# DEPA Infrastructure UNIQUE GROWTH POTENTIAL

...leading to more than €1bn of capex as well as significant **RAB growth**.

Acquisition price of €733m implies a proportionate firm value of c€0.7bn<sup>1</sup> and a **premium on RAB 2021E<sup>2</sup> just below 25%**



Note: based on Italgas' data and estimates

<sup>1</sup> As of FY2020, including net debt and other adjustments, excluding 49% stake in EDA Thess not owned by DEPA and related debt;

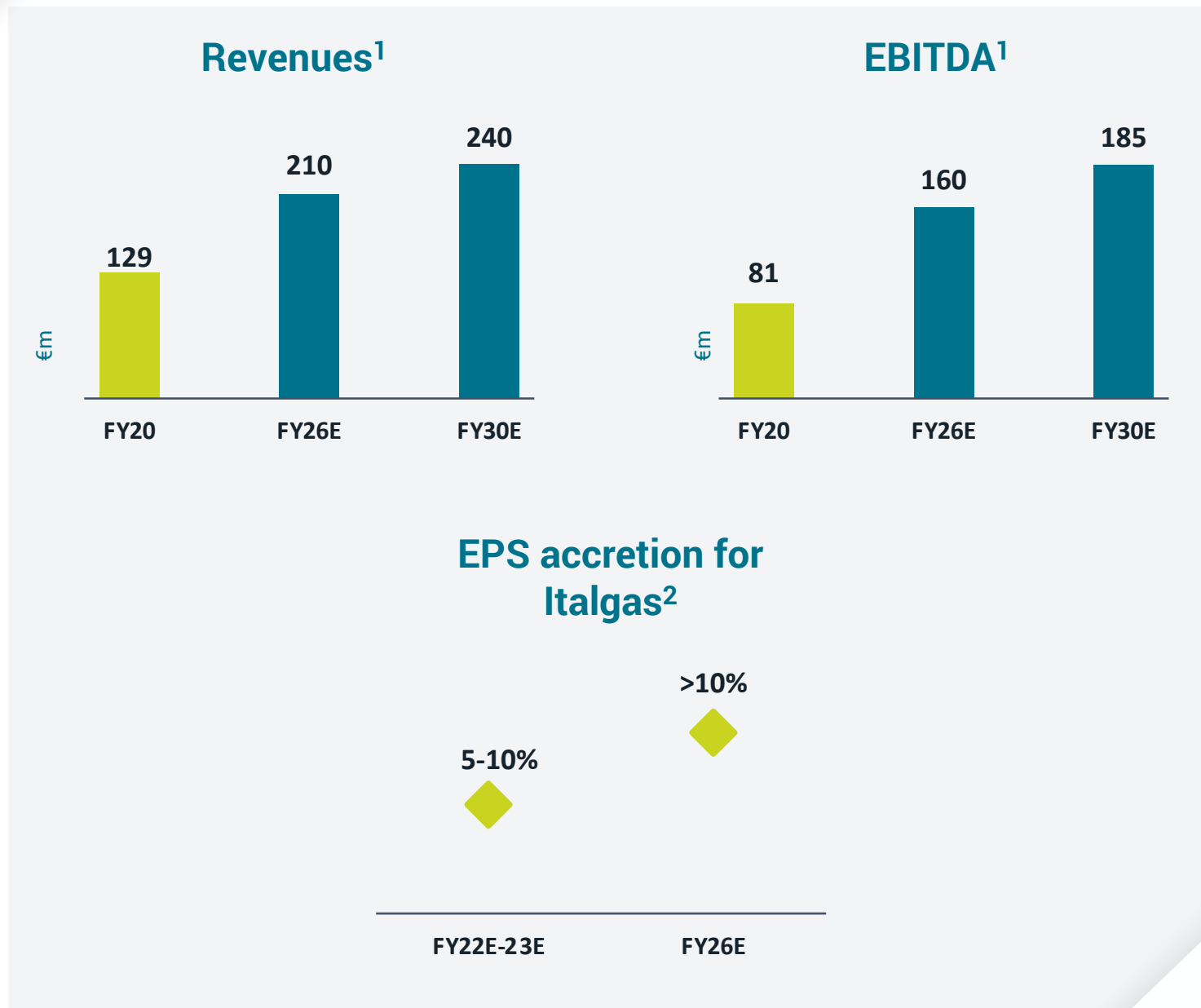
<sup>2</sup> As reported in the Regulatory Authority for Energy's tariff approval decision, excluding 49% of EDA Thess not owned by DEPA.

# DEPA Infrastructure MATERIAL AND GROWING EPS ACCRETION

DEPA Infrastructure strong **growth potential**, together with **improved operational efficiency** expected in the medium term, offer **attractive regulated returns**.

**Material and growing EPS accretion.**  
**Positive for DPS** given stated policy.

Italgas' **commitment to solid investment grade rating is confirmed.**



Note: based on Italgas' data and estimates

<sup>1</sup> 2020 pro forma data calculated as the sum of published annual reports of EDA Thess, EDA Attikis and and DEDA; 2026-30 Italgas estimates; <sup>2</sup> vs Italgas 2021-27 Strategic Plan

# CLOSING REMARKS

- ✓ **Key milestone for the Group strategy**
- ✓ **Positioning as leading industrial player in the European DSOs' chessboard**
- ✓ **To implement digital transformation of the Greek network toward energy transition**
- ✓ **High single-digit EPS accretion in the short term, low double-digit EPS accretion in the medium term and positive impact on DPS**

# Q&A

# Disclaimer



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