# Iren Company presentation

Polytems Conference Wien

8<sup>th</sup> June 2022



### Iren at a glance





INHABITANTS IN IRFN'S 3 **LEGACY REGIONS** 

#### **CUSTOMERS:**

- ~2.0M in the energy sector
- ~2.7M inhabitants served in the water service
- ~3M inhabitants served in the waste sector
- ~0.6M inhabitants served in district heating













### **Energy Infrastructure**

- O RAB Electricity distribution: 480m€
- RAB Gas distribution: 723m€
- 2.75% electricity network leaks (vs.) national avg. 6.4%)

### Water Service

- RAB water cycle management: 1,199m€
- 32.6% water network leaks (vs. national avg. 42%)

### **Urban Waste Collection**

- $\circ$  ~1.7m tons of waste collected
- 70.3% of sorted waste collection (vs. national avg. 63%)

### Hydroelectric Green Certificates

- 225 GWh GCs produced through hydro
- 560K tons CO2 emission avoided from hydro

### **District Heating**

- 99.0 mcm of district heated volumes
- 750K tons CO2 emission avoided from cogeneration

### **Urban Waste Disposal**

- 3 Waste To Energy plants (total capacity ~800Kton/y, 95MW of capacity)
- 100% energy or material recovery from waste managed

UNREGULATED ACTIVITIES

(30% of Ebitda)

**REGULATED** 

**ACTIVITIES** 

(46% of Ebitda)

QUASI

REGULATED

**ACTIVITIES** 

(24% of Ebitda)

2021 Data

### Generation

- 2,800 MW of generation capacity
- 76% of electricity produced by environmentally friendly sources

### **Energy Market**

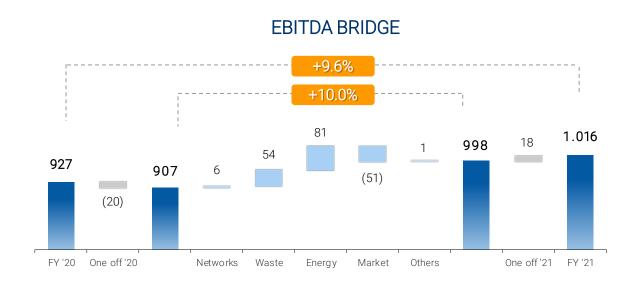
- ~6.0 TWh electricity sold to end clients
- ~1.0 bcm gas sold to end clients
- 92% customer satisfaction

### **Special Waste**

- ~881K tons of special waste managed
- 223.9K tons special waste to energy recovery

# FY 2021 Results: Robust growth despite unexpected challenges

(m€)				
	FY '20	FY '21	Δ	Δ%
Revenues	3,726	4,956	1,230	33.0%
Ebitda	927	1,016	89	9.6%
Ebit	415	454	39	9.3%
Group net profit	239	303	64	26.7%
Gross investments	913	955	42	4.6%
NFP	2,948	2,906	-42	-1.4%







# 2021 – 2030 Strategic plan ambitions



• Progressively **decarbonize** all activities

Strengthen leadership in circular economy







- Extend footprint in legacy regions, also inorganically
- Evolve into preferred partner for local stakeholders







- Excel in networks performance and resilience
- Boost customer satisfaction across businesses

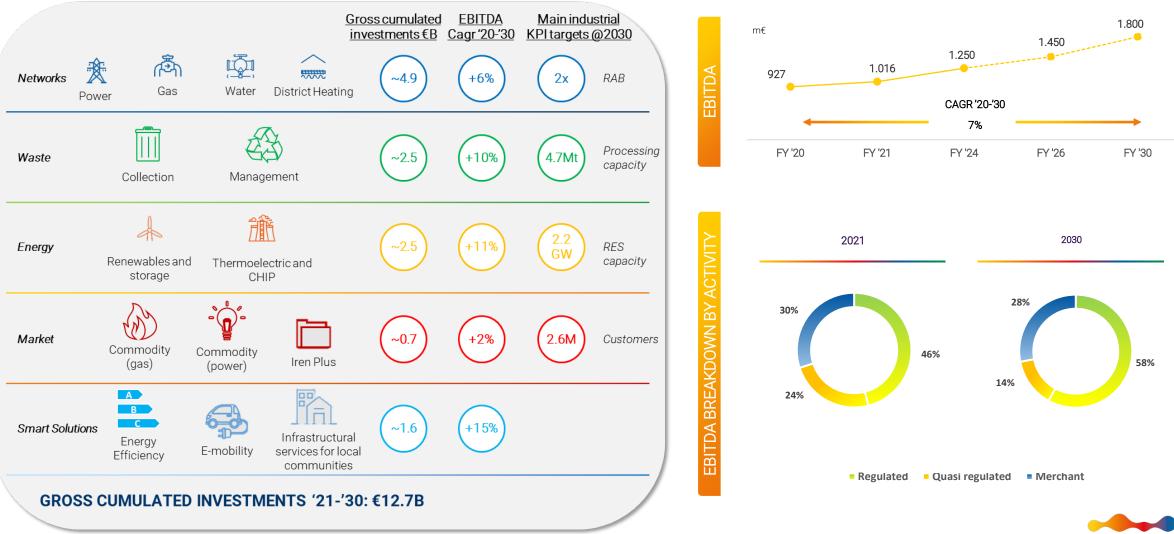






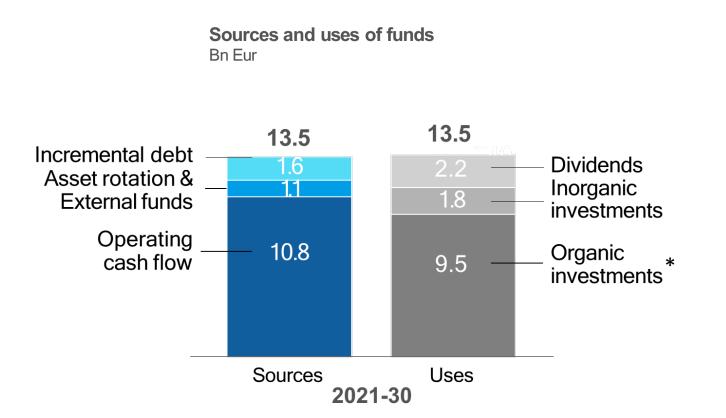
# Business Plan@2030:

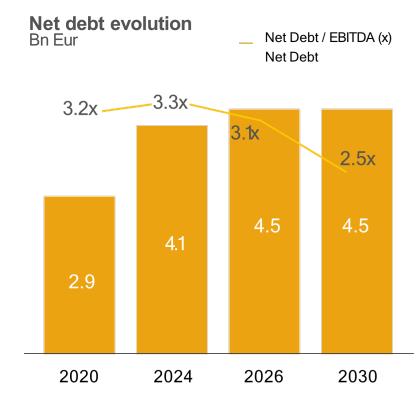
# Strong growth led by the most ambitious Investment Plan ever





# Strong cash flow generation underpinning sound capital structure profile & metrics











# Sustainable Financing Framework at a Glance

### **Iren New Sustainable Financing Framework**

JPDATED

### **Green Financing Component**



- Additional sustainable projects among revised eligible green category
- Alignment with EU Taxonomy substantial contribution to one of the Environmental Objectives to the greatest extent possible



### **Use of Proceeds**

 Five green eligible project categories with clear environmental benefits



### Process for Project Evaluation and Selection

Relevant eligibility requirements set and supervised by the Sustainable Financing Commitee



- 3
- Bond by bond management approach
- Up to 24 months proceeds allocation period and 36 months look-back refinancing period
- Reporting

  Applied ref
  - Annual reporting on proceeds' allocation and impacts



#### Verification

- Pre-issuance Second Party Opinion
- Post-issuance external review



### **Sustainability-Linked Component**

- 4 KPIs covering all the IREN's business activities and in line with the Business Plan
- 2030 climate targets validated by the SBTi in line with Well-Below 2°C scenario



#### Selection of KPIs

4 environmental KPIs core, relevant and material



#### Calibration of SPTs

- 1 SPT for each KPI with multiple observation dates in line with IREN's 2030 sustainability strategy
- 3

#### Financial characteristics

· Coupon step-up or margin adjustment



#### Reporting

• Annual reporting on SPTs performance

### Verification

- 5
- Pre-issuance Second Party Opinion
- Post-issuance external review
- Assurance on Non-Financial Reporting

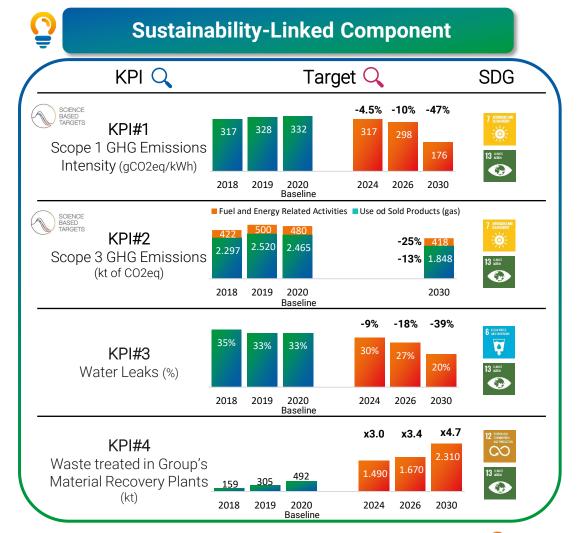


# Framework Components

### **Green Financing Component**



Category Q	Eligible Projects/Activities	SDG
Renewable Energy	<ul> <li>Hydroelectric power electricity generation</li> <li>Solar PV electricity generation</li> <li>Wind power electricity generation</li> </ul>	9 mate makes  11 intermeters  13 cm  14 cm  15 cm  16 cm  17 cm  18 cm  18 cm  18 cm  18 cm  19 mate makes  19 mate makes  10 cm  10 cm
Energy Efficiency	<ul> <li>Energy network development</li> <li>Electricity storage</li> <li>Thermal storage capacity</li> <li>Cogeneration facilities</li> <li>District heating networks</li> <li>Gas network hydrogenation</li> <li>Buildings energy efficiency</li> <li>Waste to Energy facilities</li> <li>Waste-to-chemical facilities</li> </ul>	7 minutes 9 minutes 12
Circular Economy	<ul><li>Waste urban collection</li><li>Waste urban recycling</li><li>Waste urban treatment</li></ul>	12 months 13 months 12 months 13 months 14 months 15 mon
Sustainable Water and Wastewater Management	<ul><li>Wastewater treatment plant upgrades</li><li>Water distribution network efficiency</li></ul>	6 married 12 married 12 married 13 married 14 married 15 married 1
Clean Transportation	<ul><li>Electric Vehicles</li><li>E-mobility</li></ul>	7 SERVICE STATE   9 PRINTENSING   11 PRINTENSING   13 OCTA





# Sustainability-Linked Rationale and Strategy

	KPI#1 Scope 1 GHG Emissions Intensity (gCO2eq/kWh)	KPI#2 Scope 3 GHG Emissions (kt of CO2eq)	KPI#3 Water Leaks (%)	KPI#4 Waste treated in Material Recovery Plants (kt)
Rationale	The target is coherent with the overall IREN's strategy to achieve net carbon neutrality in scope 1 emissions by 2040 Scope 1 emissions account for about 50% of the total Group emissions as of 2020 (baseline year) The 2030 target is validated by the Science Based Target Initiative (SBTi) - Well-below 2°C scenario	The target is coherent with the overall IREN's decarbonization strategy Scope 3 emissions account for about 46% of the total Group emissions as of 2020 (baseline year) The 2030 target is validated by the SBTi - Well-below 2°C scenario	The percentage of total water leaks in Italy was 42% in 2018. The Istituto Nazionale di Statistica (ISTAT) reports that for every 100 litres introduced into the distribution network in 2018, over 42 do not reach the taps of the houses and it estimates that recovering these leaks could guarantee the water needs of about 44 million people in one year, more than two thirds of Italians <sup>1</sup>	<ul> <li>Circular Economy is embedded in the IREN's sustainability strategy</li> <li>IREN will contribute to the achievement of the target of Waste Framework Directive<sup>2</sup></li> <li>The largest potential to improve circularity is in plastics, where recycling rates today are low<sup>3</sup>, and CO2 gains would be substantial</li> <li>The recovery of organic waste contributes to CO2 reduction.</li> <li>Plastic, organic and wood waste recovery is part of the PNRR<sup>4</sup></li> </ul>
Strategy to Achieve the Target	<ul> <li>Development of new RES assets, focused mainly on photovoltaic and wind power (+2.2 GW installed capacity)</li> <li>Renewal of hydro concessions, through revamping</li> <li>Divestment of thermoelectric assets (not functional to district heating) planned in the 2026-30 period</li> <li>Increase in the use of low carbon gases for energy production</li> </ul>	Purchase of 100% renewable electricity     Biomethane from waste used for mobility and to feed the gas networks     Gas networks hydrogenation     Push towards electrification compensating for gas consumption reduction	<ul> <li>Renovation of water supply networks</li> <li>Grid compartmentation</li> <li>Smart solutions for the early identification of leakages</li> </ul>	IREN has acquired in 2020 I.Blu, which operates in the selection of plastic waste to be sent to recovery and recycling. The Company plans to increase the existing plant's capacity and build a new plant to treat heterogeneous plastics (plasmix) that currently have no outlet in the recycling market Furthermore, IREN plans to improve its capacity of recycling organic waste, with the production of compost and biomethane, and wood, building new and increasing existing plants



<sup>(1):</sup> https://www.istat.it/it/files//2021/03/GMA2021\_ENG.pdf

<sup>(2):</sup> Waste Framework Directive (as amended by 2018/851) defines that by 2030, the preparing for re-use and the recycling of municipal waste shall be increased to a minimum of 60 % by weight

<sup>(3):</sup> Recycled volumes are just 10% of plastics in the market

<sup>(4):</sup> National Recovery and Resilience Plan

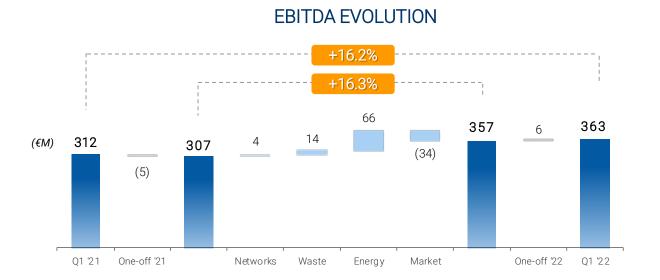




# Sound Q1 2022 performance despite a very challenging energy & market scenario



(€M)				
	Q1 '21	Q1 '22	Δ	Δ%
Revenues	1,140	2,186	1,046	91.8%
EBITDA	312	363	51	16.2%
EBIT	184	226	42	22.9%
Group net profit*	120	118	-2	-1.7%
Gross investments	163	378	215	131.9%
Net Financial Position	2,906**	2,957	51	1.8%





<sup>\*</sup> Q1 '21 affected by a €12M pre-tax positive one-off effect linked to Unieco debt optimization; Q1 '22 impacted by "Contributo di solidarietà - ex art. 37 DL Taglia Prezzi" decree for estimated €24M (including impact of new measures announced and approved by Government on May 2)

On track on all ESG KPIs with RES and service quality targets

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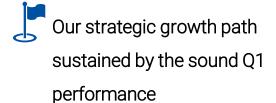
achieved ahead of plan

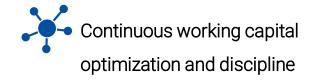


<sup>\*</sup> Slightly impacted by seasonality

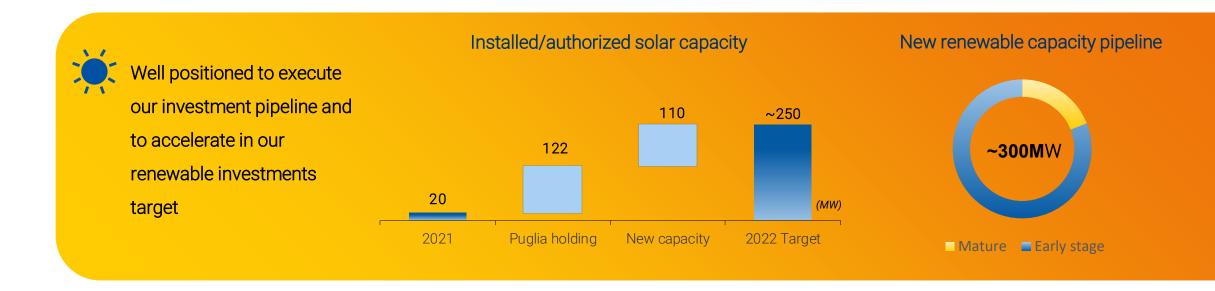
## Main takeaways from Q1 Results



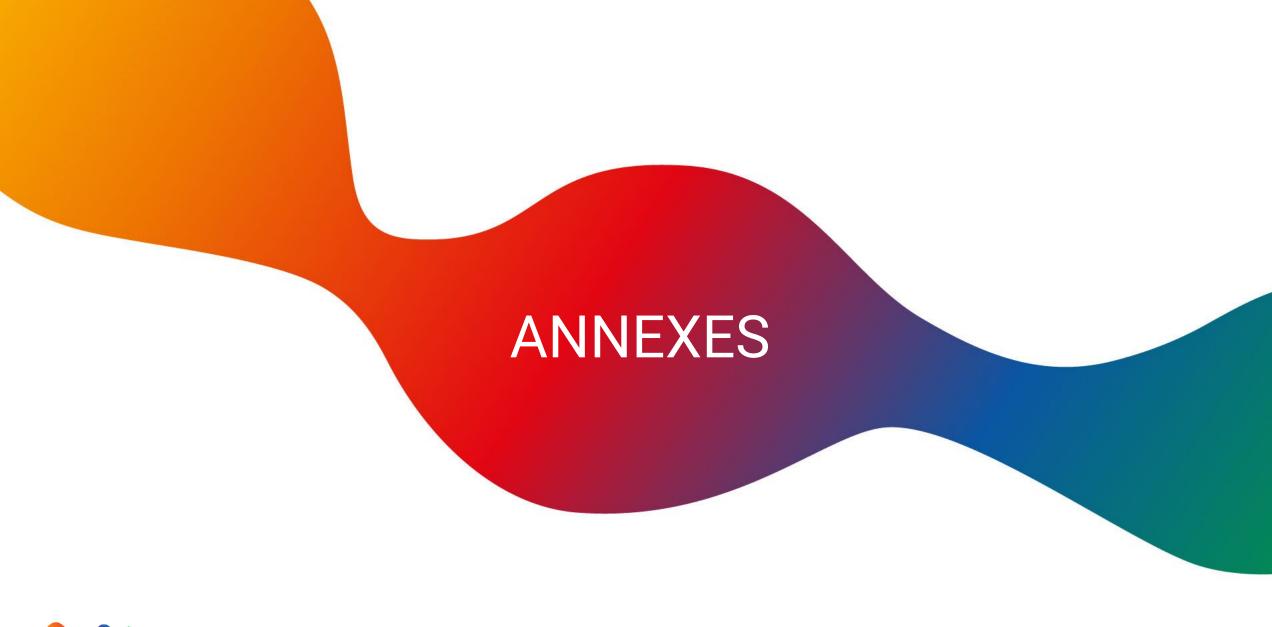




Strengthening of the integrated energy value chain strategy to tackle the scenario volatility



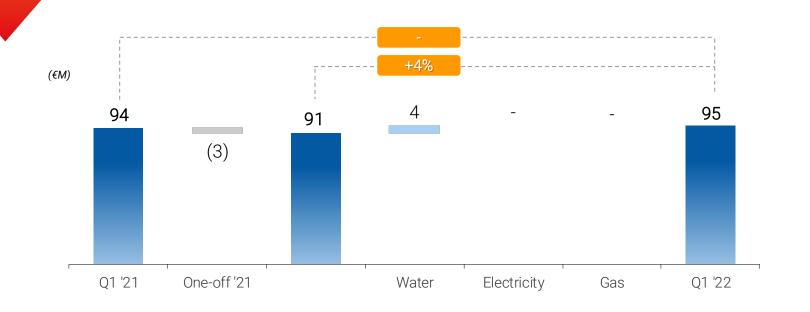
FY 2022 guidance confirmed





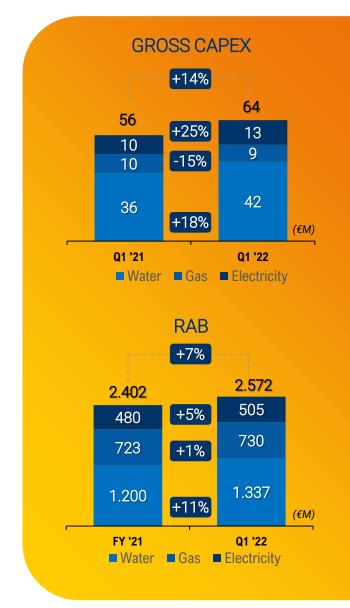
## RAB expansion fully offsetting WACC reduction







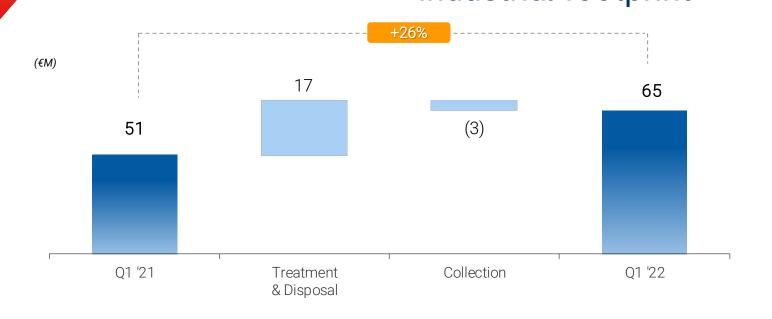
- RAB increased by 7% in line with the development plan outlined in our 2030 Strategic Plan for water and electricity; gas RAB yoy evolution consistent with our strategy of maintaining stable RAB over time
- Investments increased by 14%
- Districtization activities on water cycle continued, reaching 60%+ of the grid

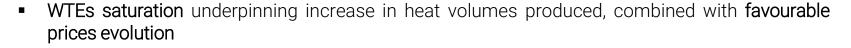


**WASTE** 

Favourable market conditions combined with optimized industrial footprint







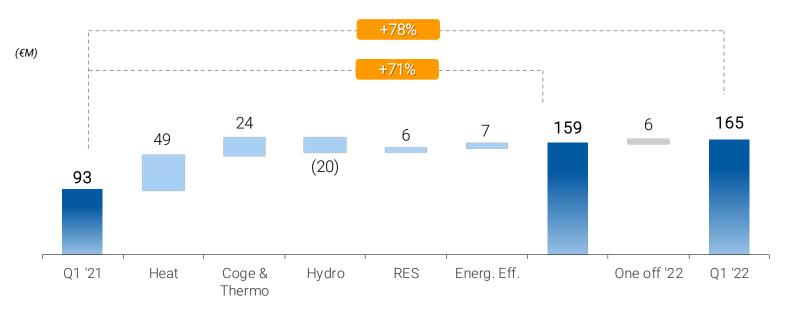
- Profitability growth in recoverable waste
- Full contribution of biomethane new plants phased in during 2021
- Higher waste volumes delivered to landfills
- Higher operational costs on collection activities to improve service quality

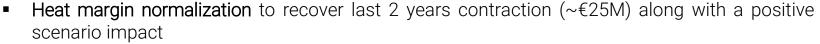




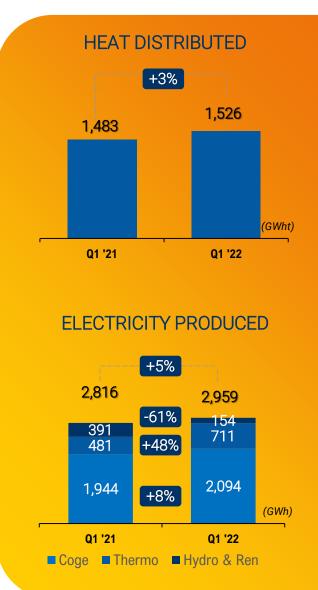
# Strong Thermoelectric and Heat performance along with new RES capacity





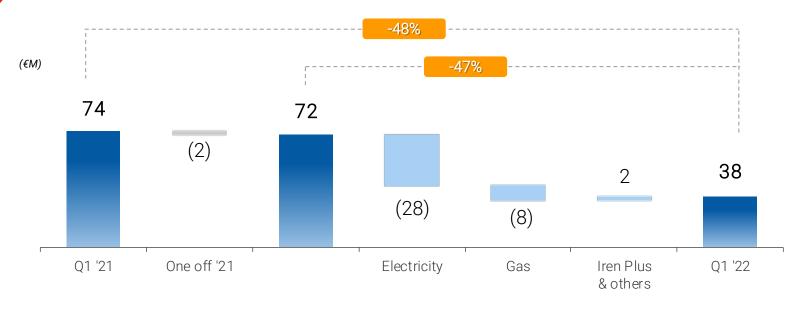


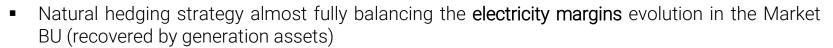
- Effective management of our thermo facilities, leveraging robust clean spark spread, sound ancillary services and the Capacity Market kick-off (€17M)
- Lower Hydro profitability led by severe drought (volumes down by 60%, worth €-20M)
- Photovoltaic assets acquisition contributing for €6M (Puglia Holding)
- Growth in Iren Smart Solutions activities (energy efficiency) in the wake of incentives



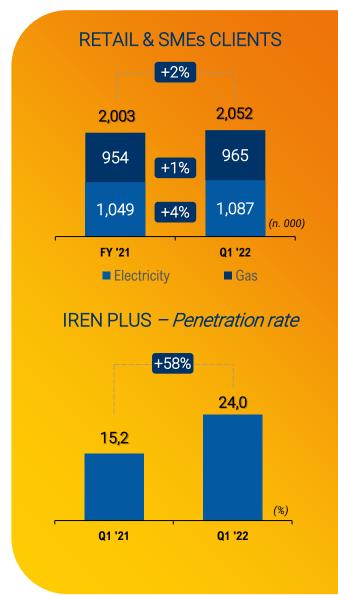
## Lower supply profitability driven by natural hedging management







- Gas profitability impacted by a spike in volumes due to climate conditions, combined with exceptionally high prices in the quarter
- Strong customer base growth vs end of 2021, with +50k retail & SMEs clients
- Iren Plus positive results highlighted by the increase in penetration rate



## EBITDA to Group Net Profit reconciliation



Q1 '21	Q1 '22	Δ	Δ%
312.3	362.8	50.5	16.2%
-112.0	-121.2		
-2.0	-1.6		
-14.6	<i>-14.3</i>		
183.7	225.8	42.1	22.9%
-16.3	-16.5		
-0.2	2.9		
12.3	1.4		
179.5	213.5	34.0	19.0%
-52.1	-86.4		
-7.0	-8.8		
120.4	118.3	-2.1	-1.7%
111.9	142.3	30.4	27.2%
	312.3 -112.0 -2.0 -14.6 183.7 -16.3 -0.2 12.3 179.5 -52.1 -7.0 120.4	312.3 362.8  -112.0 -121.2  -2.0 -1.6  -14.6 -14.3  183.7 225.8  -16.3 -16.5  -0.2 2.9  12.3 1.4  179.5 213.5  -52.1 -86.4  -7.0 -8.8  120.4 118.3	312.3       362.8       50.5         -112.0       -121.2         -2.0       -1.6         -14.6       -14.3         183.7       225.8       42.1         -16.3       -16.5         -0.2       2.9         12.3       1.4         179.5       213.5       34.0         -52.1       -86.4         -7.0       -8.8         120.4       118.3       -2.1



Higher depreciations linked to increased investments



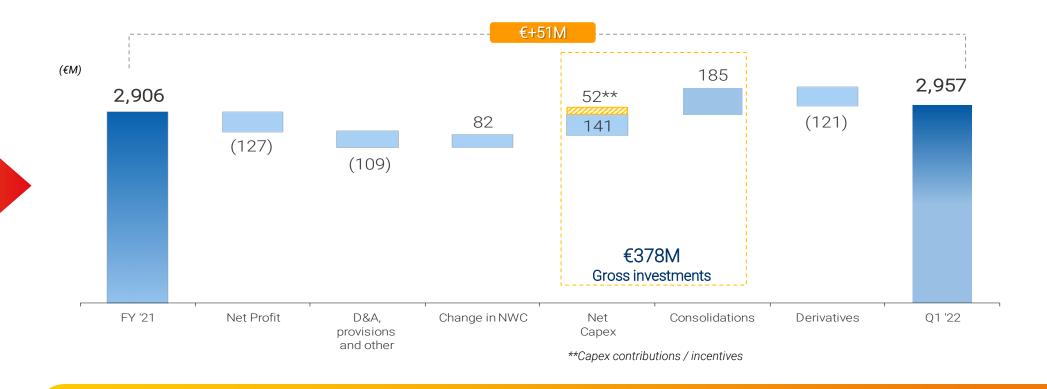
- Decrease in average cost of debt (1.7% in Q1 2022 vs 1.8% in Q1 2021)
- 2021 affected by extraordinary element worth €12M (pre-tax)



- €24M estimated impact of "Contributo di solidarietà" decree (ex art. 37 DL Taglia Prezzi)
- Ordinary tax rate at 29.2%

## Net Financial Position Evolution (Q1 2022 vs FY2021)





- Investments increase largely offset by the strong cash generation in the quarter
- Effective working capital management allows to overcome the increase in trade receivables linked to doubling in revenues, seasonality and the impact of government measures (bill instalment payments)
- Positive contribution from derivatives mainly related to commodities

# Regulatory Framework



	Gas distribution	Electricity distribution	Water service	Integrated waste collection service & regulated plants <sup>1</sup>
Regulatory period	6 years (2020 – 2025)	8 years (2016 – 2023)	4 years (2020 – 2023)	4 years (2022-2025)
WACC methodology update	6 years (2022 – 2027)	6 years (2022 – 2027)	4 years (2020 – 2023)	6 years (2022-2027)
WACC parameters update	Every three years for general parameters (2025); specific parameters <sup>2</sup> in 2023	Every three years for general parameters (2025); specific parameters <sup>2</sup> in 2024	Every two years (2024)	General and specific parameters every three years (2025)
WACC	5.6%	5.2%	4.8%	5.6%

<sup>1.</sup> Regulated Plants: methodology applied from 2022

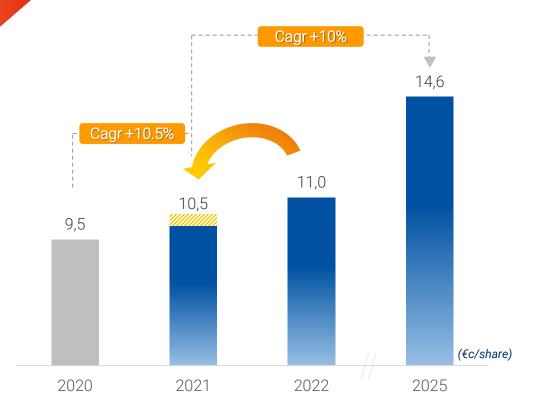
<sup>2.</sup> Specific Parameters: Beta and Gearing

## Dividend policy



Having closed 2021 ahead of our Plan, we are proposing to pull-ahead the dividend per share growth initially forecasted for the next year

### DPS IMPROVED +10.5%





IREN reported solid 2021 results despite a very challenging market environment, thanks to the resilience of its business model & integrated energy value-chain and to the effectiveness of the measures taken during the year to counter the unexpected volatility of the energy scenario



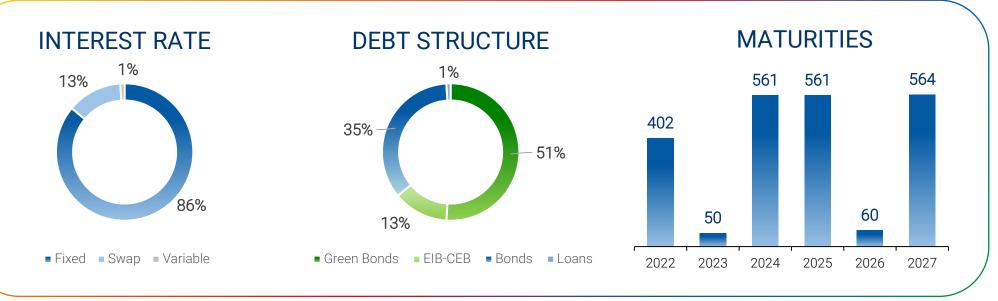
Our 2021 achievements combined with the actions executed in the first few months of 2022, confirm the validity of our strategic framework and its consistency vis-à-vis the current sector mainstreams



Continuous organic development combined with the planned additional consolidations / acquisitions will be the main catalysts of our growth in the next year, further sustained by an acceleration in our target renewable investments

## **Debt Structure**





- 99% of gross debt at fixed interest rate
- Average long-term debt duration of about 5.4 years vs 5..9 years in Q1 2021
- Reduction in the average cost of debt (1.7% vs. 1.8% in Q1 '21)
- 64% of the Iren total debt is composed of green and assimilated instruments
- € 1,328 Mln liquidity position, of which:
  - € 553 Mln cash
  - € 775 Mln committed bank facilities

- New Sustainability Financing Framework published
- New credit rating from S&P and confirmed of rating Fitch

### **Outstanding Bonds**

Issuer	Cpn (%)	Issue Date	Maturity	Amount (EUR)		
IREN SPA	2.750	11/2/2015	11/2/2022	359,634,000		
IREN SPA	0.875	11/2/2016	11/4/2024	500,000,000		
IREN SPA	1.950	9/19/2018	9/19/2025	500,000,000		
IREN SPA	1.500	10/24/2017	10/24/2027	500,000,000		
IREN SPA	0.875	10/14/2019	10/14/2029	500,000,000		
IREN SPA	1.000	7/1/2020	7/1/2030	500,000,000		
IREN SPA	0.250	12/17/2020	1/17/2031	500,000,000		

Green bond in green

# Key Rating Agencies Messages

Sensitivities

Rating

# Overview of Iren Rating Positioning





### Standard & Poor's (BBB- / Positive Outlook)

### **S&P Global**

Ratings

- Iren's credit quality reflects its solid position in Italy as one of the largest multi-utilities and its high share of regulated activities
- The positive outlook on Iren reflects our expectation that it will continue to strengthen its position in the regulated segment, thanks to its ambitious capex plan, while improving its credit metrics
- If Iren successfully executes its plan, we believe it can maintain adjusted FFO to debt of about 20% over 2021-2023, with debt to EBITDA not increasing substantially above 4.0x

### Factors that could lead to a positive Rating Action/ Upgrade:

- Adjusted FFO to debt increase above 20%
- Adjusted debt to EBITDA trends below 4.0x

### Factors that could lead to a negative Rating Action/ Downgrade:

- Adjusted FFO to debt remains below 20%
- Adjusted debt to EBITDA does not decline below 4.0x

### Fitch (BBB / Stable Outlook)

### **Fitch**Ratings

- The affirmation of Iren S.p.A.'s Issuer Default Rating (IDR) reflects the company's updated business plan up to 2026-2030 that is broadly in line with its historical strategic pattern and has a focus on regulated and quasi-regulated activities
- Overall, the business plan's financial targets renew Iren's commitment towards a capital structure that is consistent with the current rating. Fitch Ratings deems Iren fairly placed for a 'BBB' rating, as Fitch expects funds from operations (FFO) net leverage to remain at 4.5x on average until 2026

### Factors that could lead to a positive Rating Action/ Upgrade:

- FFO net leverage declining below 4.3x
- FFO interest coverage sustained above 5.0x

### Factors that could lead to a negative Rating Action/ Downgrade:

- FFO net leverage above 5.0x
- FFO interest coverage below 4.0x over a sustained period
- Growing exposure to unregulated activities

### Disclaimer



The Manager in charge of drawing up the corporate accounting documents and the Chief Financial Officer of IREN S.p.A., Ms. Anna Tanganelli, hereby declares, pursuant to paragraph 2 of article 154 bis of the Consolidated Finance Act (Legislative Decree No 58/1998), that the accounting information contained in this presentation is consistent with the accounting documents, records and books.

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