



# A2A-LGH Partnership

Milan, September 8<sup>th</sup>, 2016

Borsa Italiana  
Italian Infrastructure Day



# Partnership Rationale

## PARTNERSHIP CRITERIA



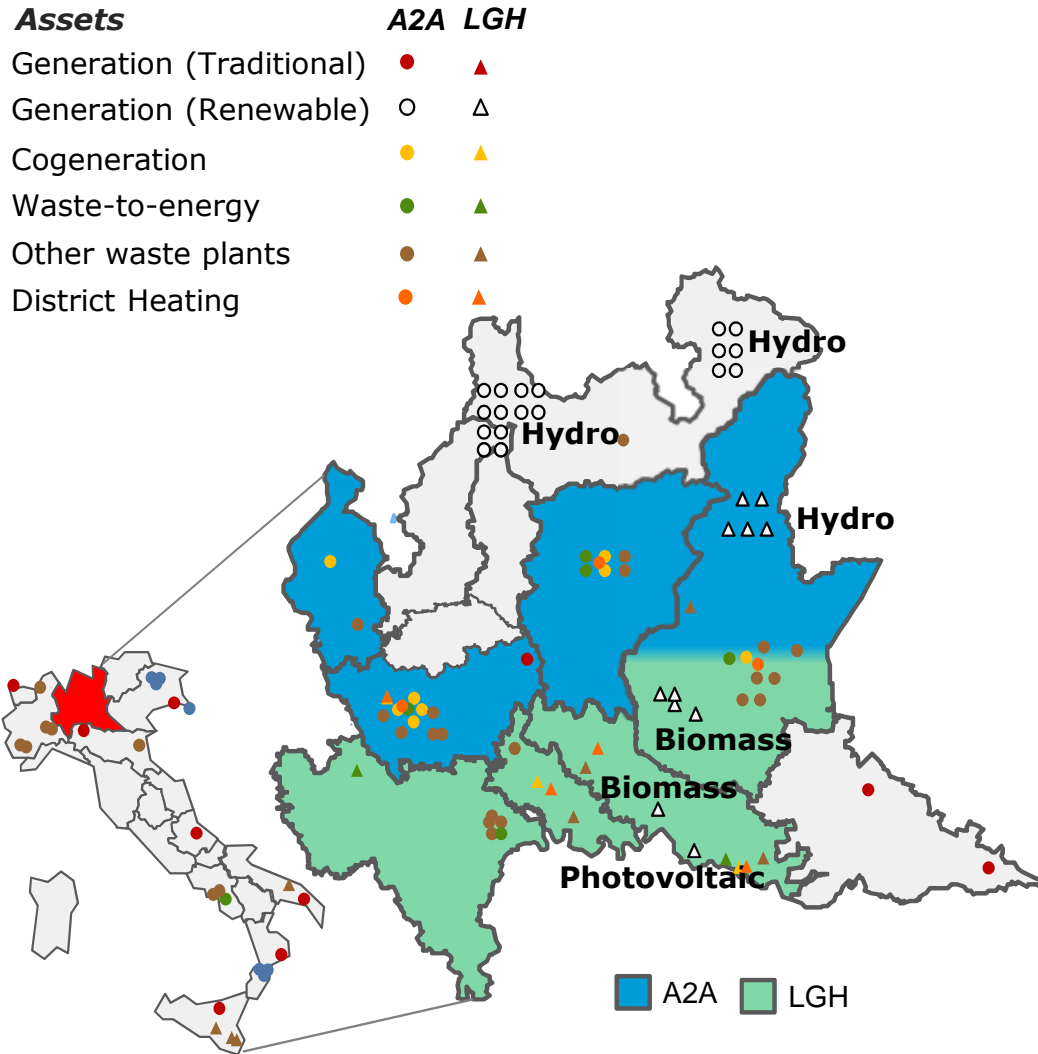
## PARTNERSHIP OPPORTUNITIES

- Optimization of the presence in Lombardy
- Financial, industrial and operative synergies
- Stronger positioning in all businesses
- Investments optimization
- 1<sup>st</sup> project of “Multi-utility dei Territori” model



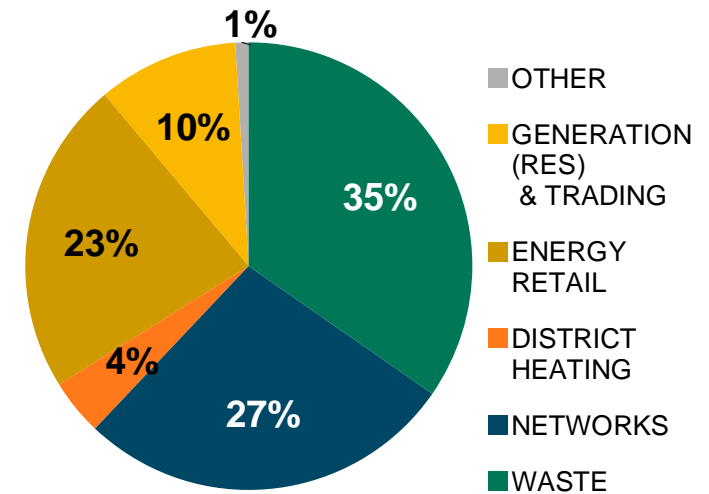
# Geographical presence and activities

## GEOGRAPHICAL PRESENCE



**Sizable presence in Lombardy**

## LGH 2015 EBITDA BY BUSINESS

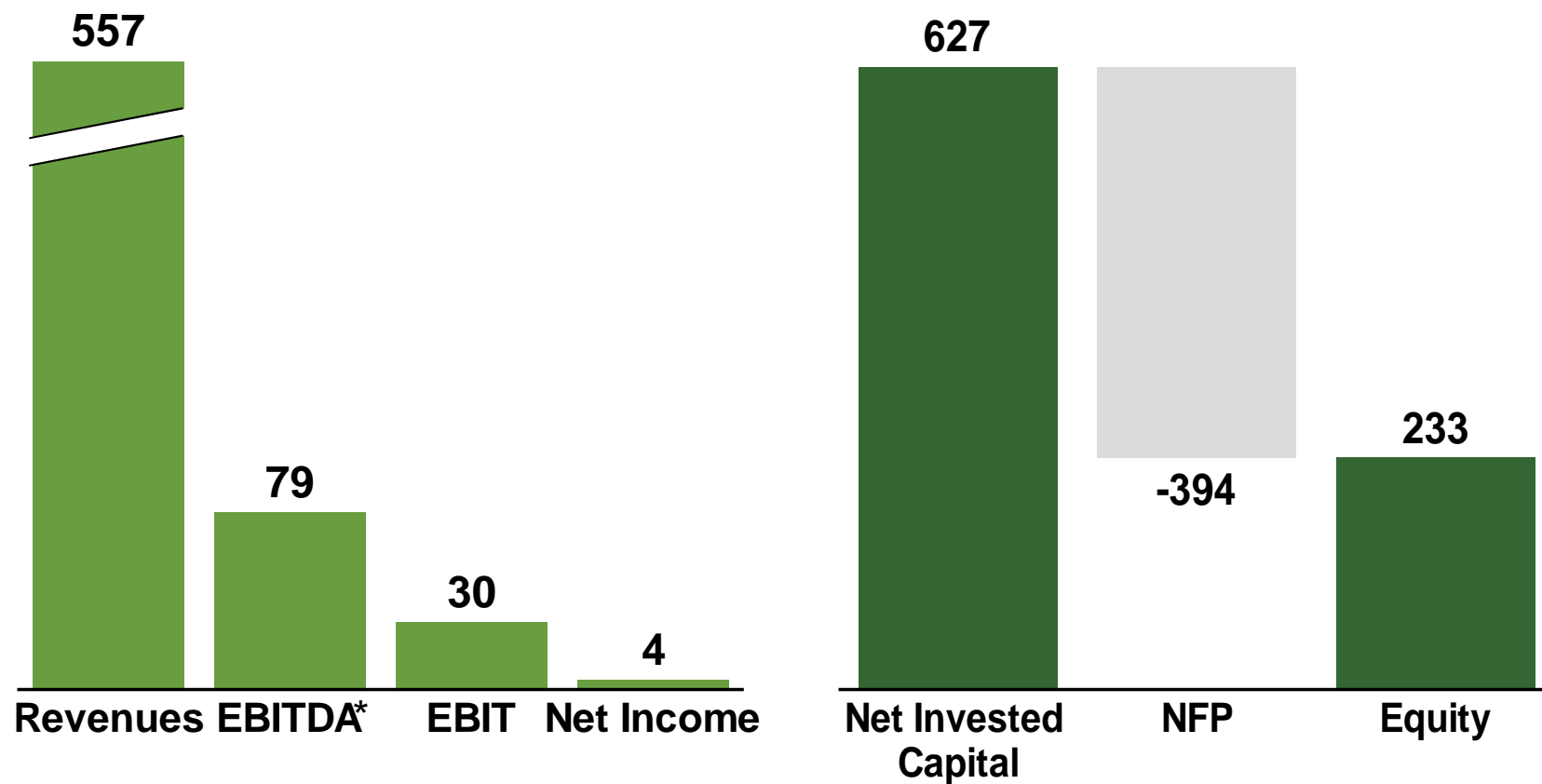


## LGH KEY NUMBERS

- **250 Municipalities** served
- **1 Million inhabitants** served
- **Second largest Multiutility** in Lombardy
- **265k PDR** in Gas Distribution
- **45k Pod** in Electricity Distribution
- **Over 600k** inhabitants served in **collection**
- **280k** customers in **Gas and Electricity Sale**

# LGH Main Financial Highlights 2015

€M

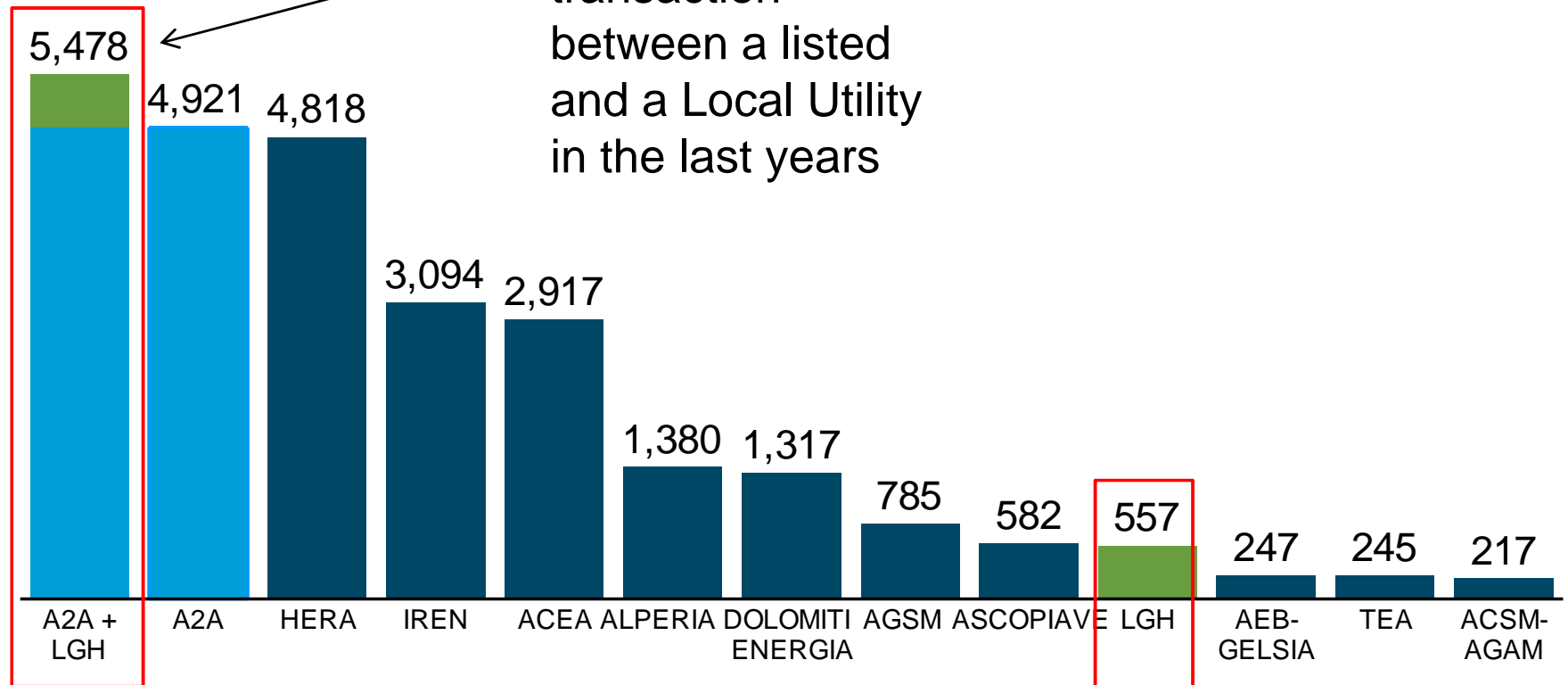


\* includes business to be divested for 1,9 €M

# A2A – LGH: A significant step in the new consolidation wave

## Revenues

€M

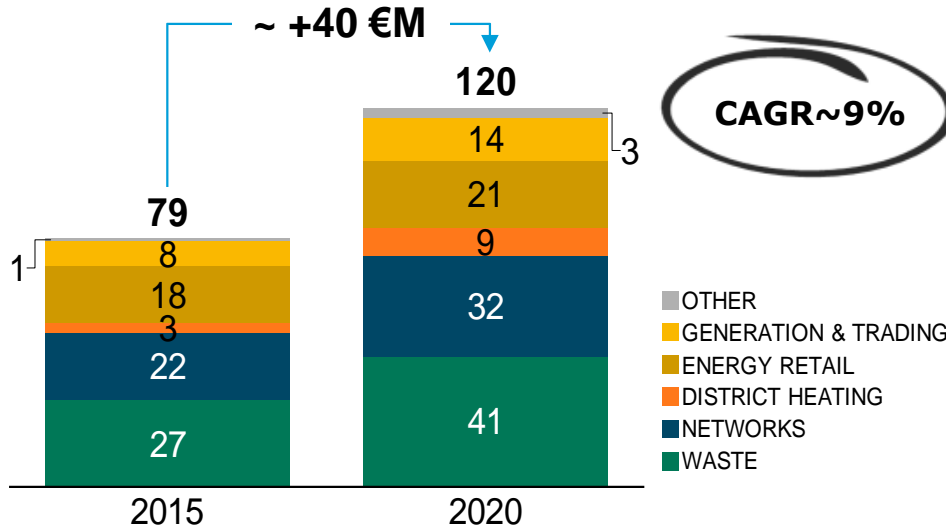


EBITDA	1,127	1,048	885	678	732	200	174	82	81	79	30	39	44

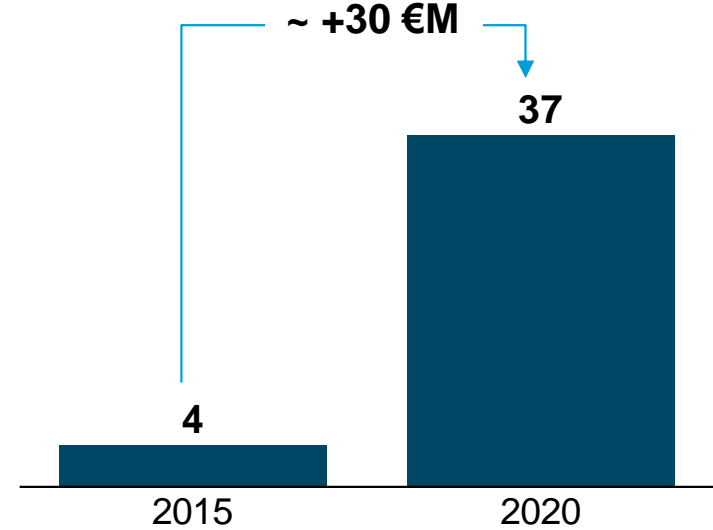
# Key numbers of LGH Plan @2020

€M

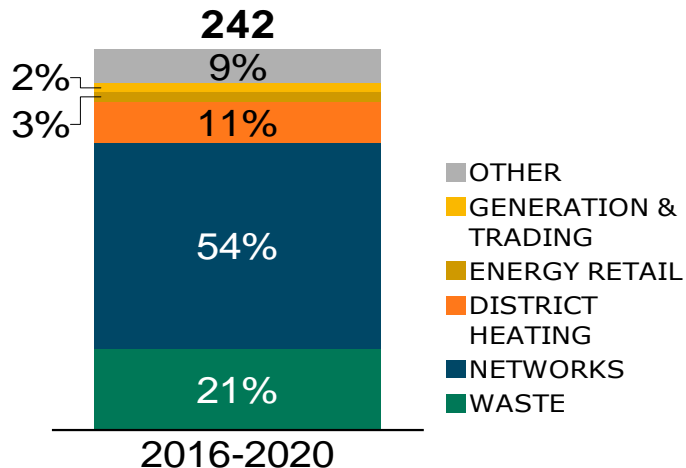
## EBITDA



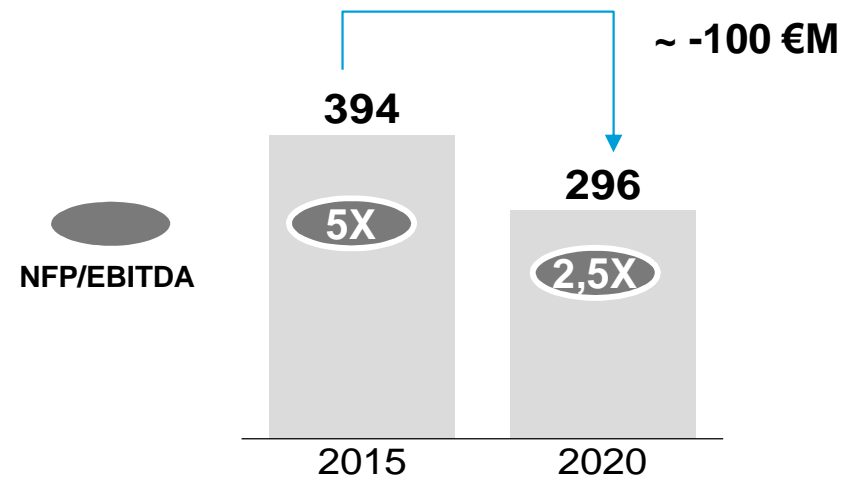
## NET INCOME



## CAPEX (cumulated)

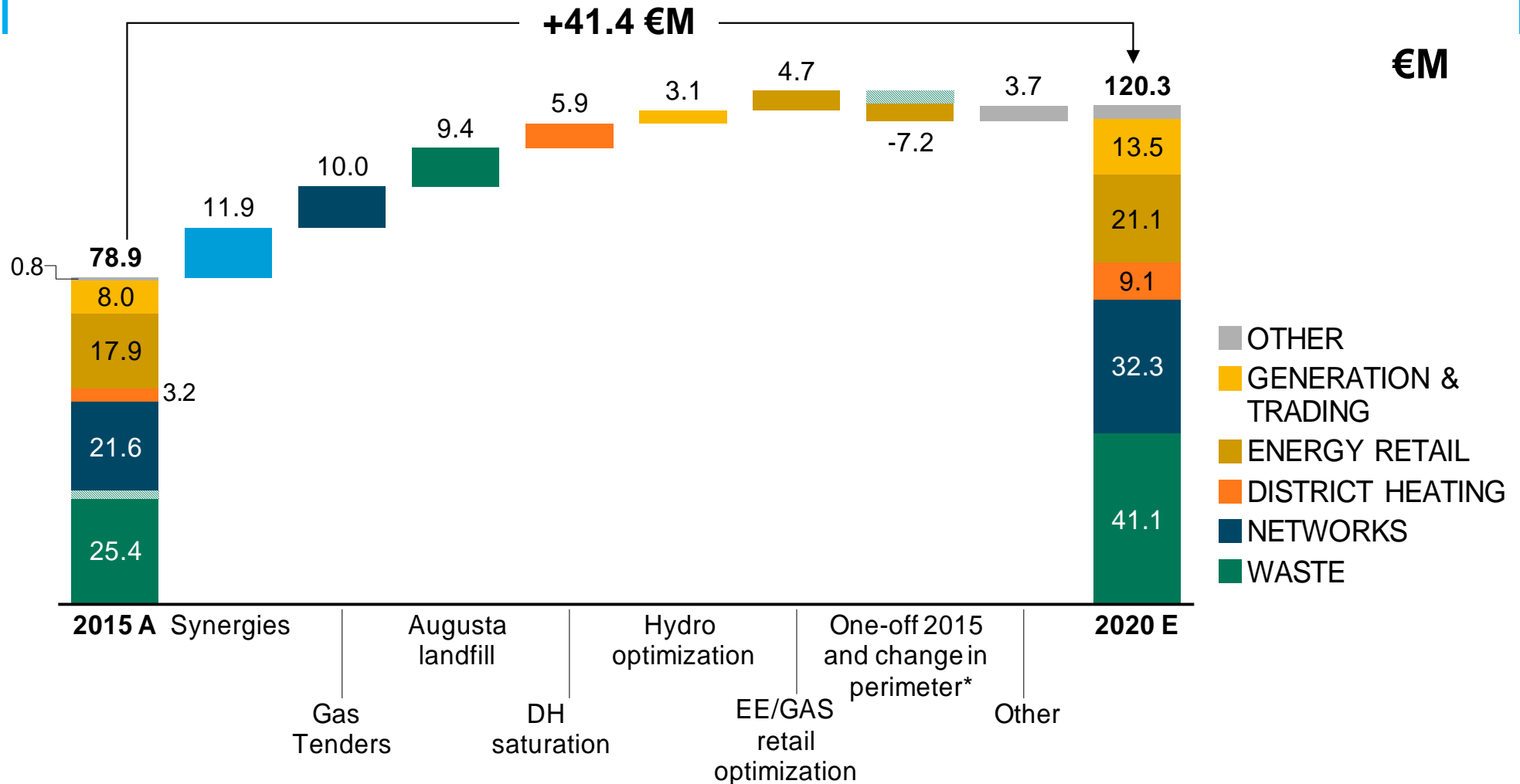


## NET FINANCIAL POSITION



Note: 2015 EBITDA includes available for sale business for 1,9 €M

# 2015-2020 EBITDA evolution



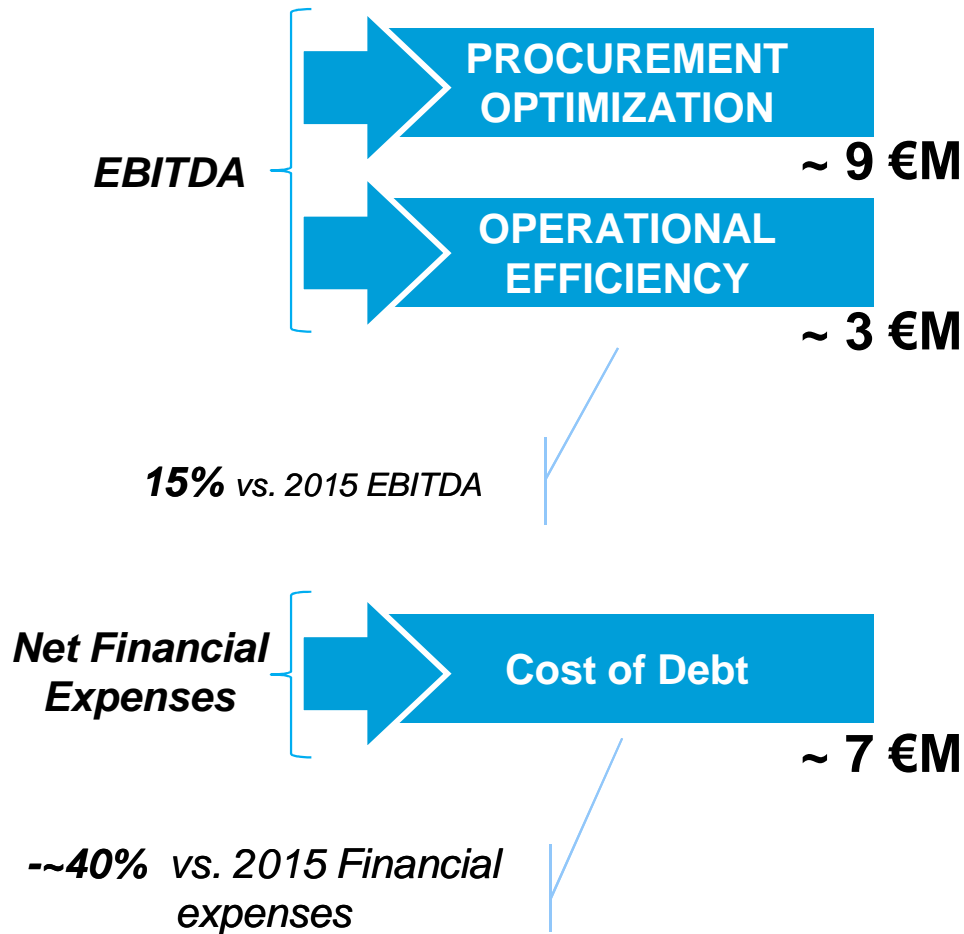
## Additional Projects not included in financials for ~20 €M

Note: 2015 EBITDA includes available for sale business for 1,9 €M

\*APR and Lodi Waste collection business branch

# Expected synergies

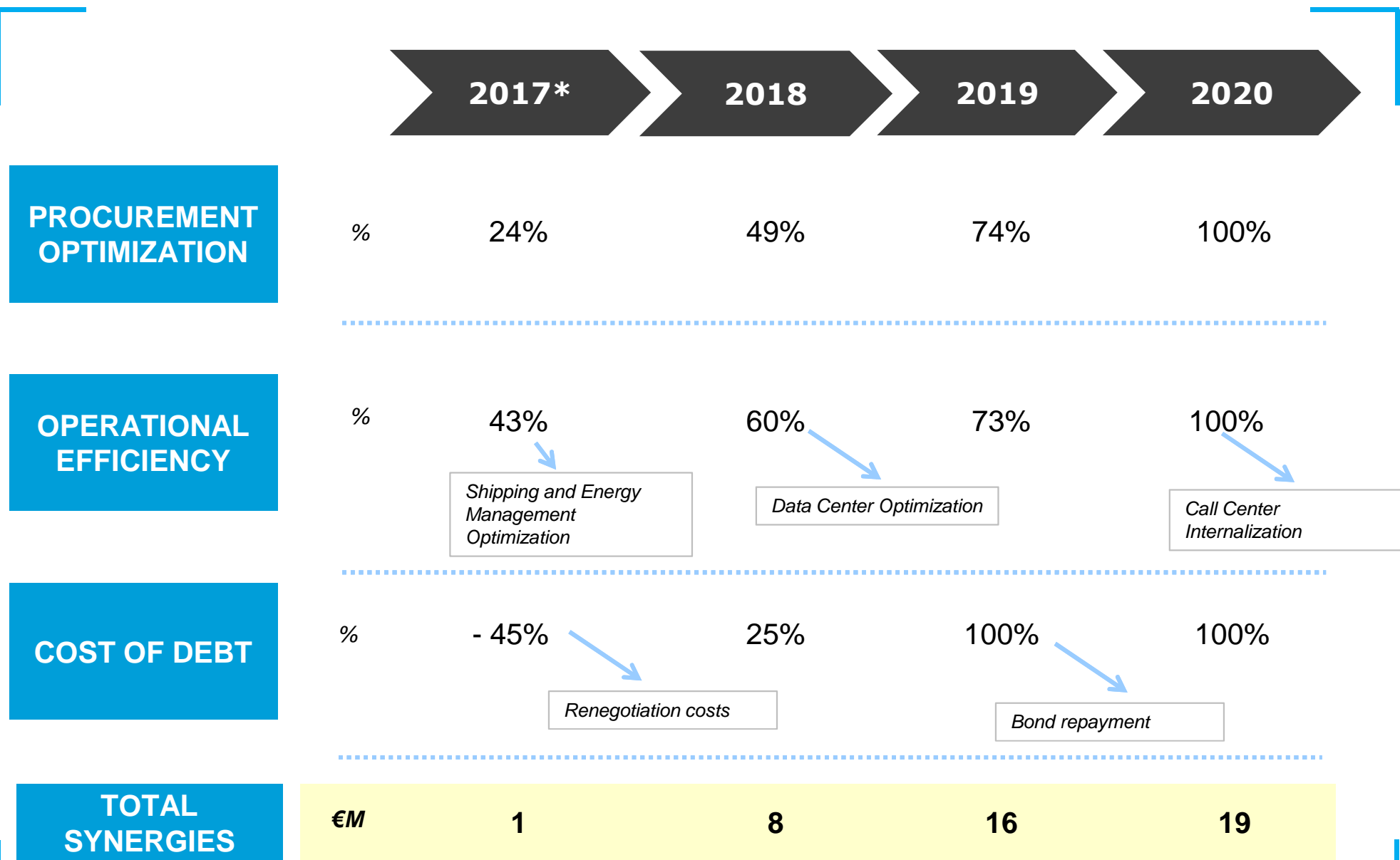
(Yearly data – fully on stream)



- Additional Contribution of **~19 €M per year** by 2020
- **Low execution risk**
- Other **potential upsides not included**
- **7%** Synergies in annual **Capex**

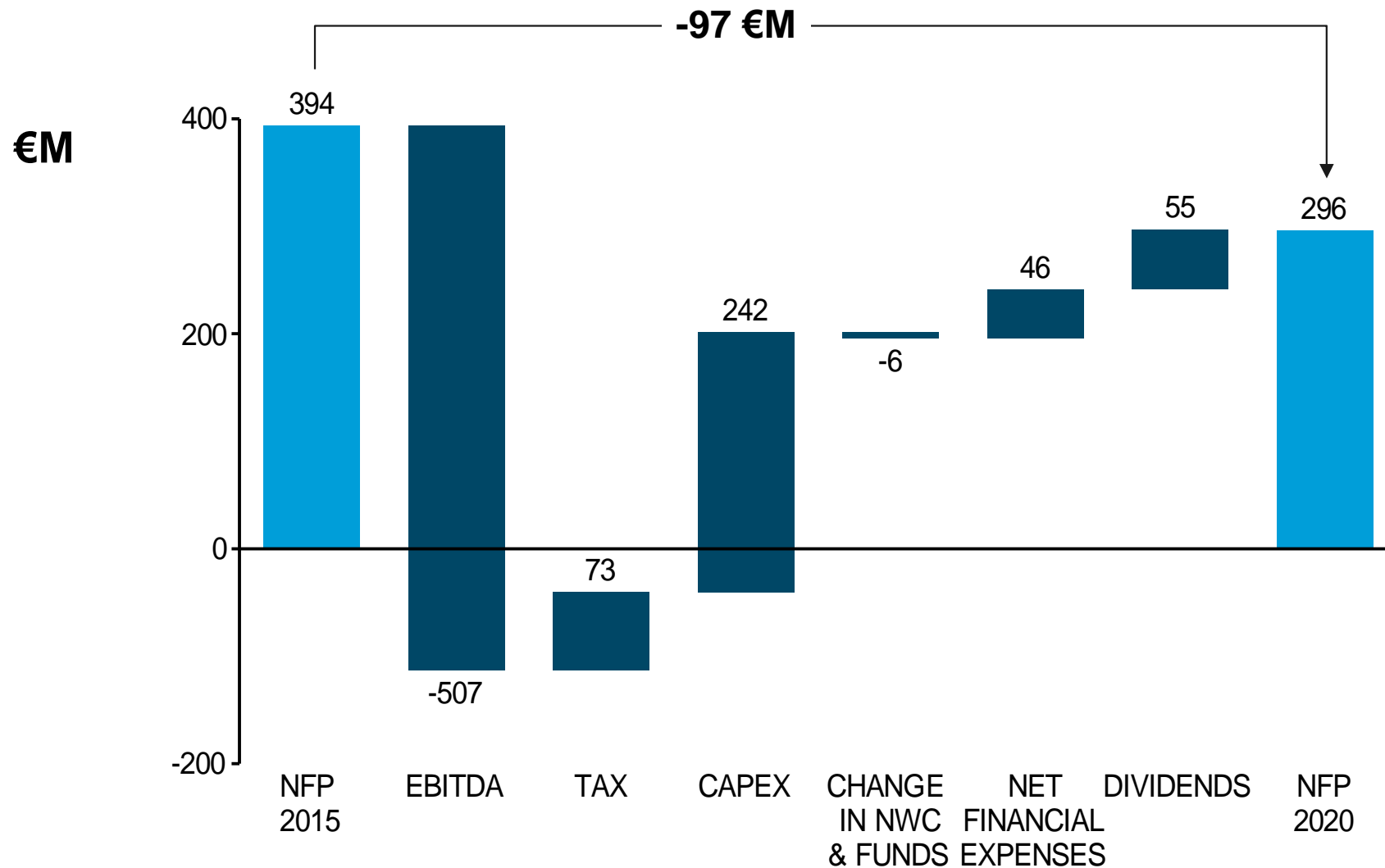


# Synergies time-table



\*2017 synergies include small components related to 2016

# Cash Flow Generation

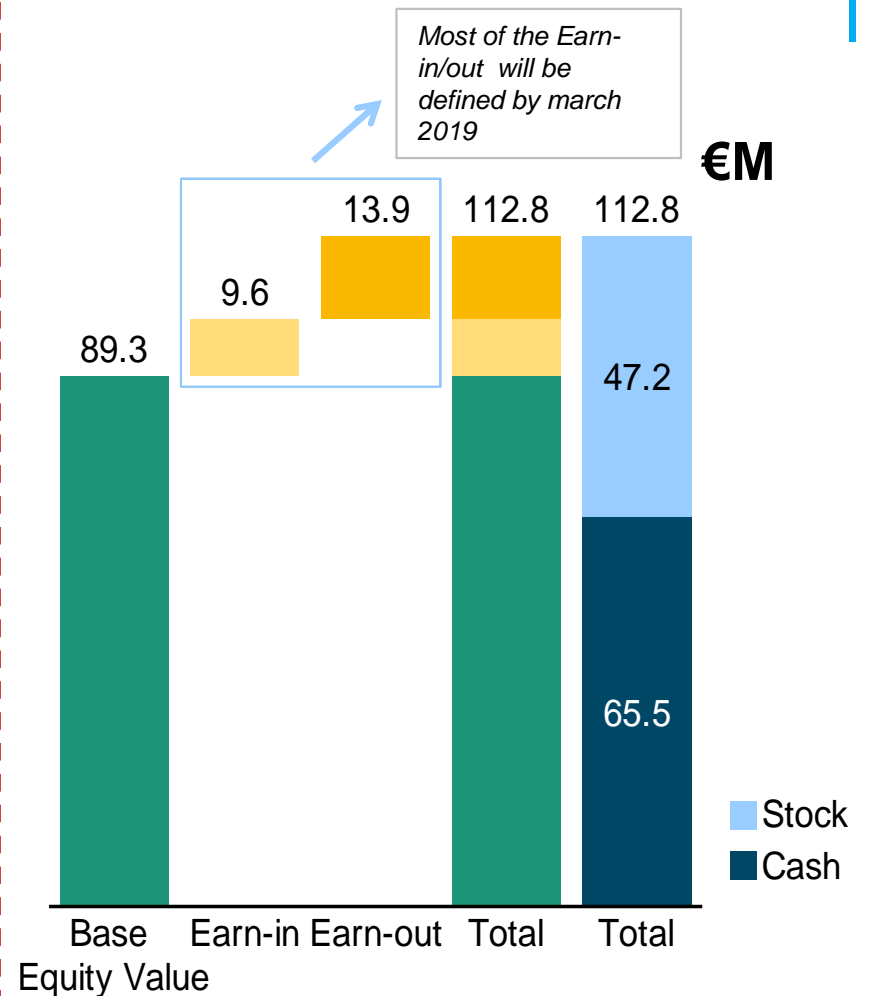


**~ 100 €M NFP reduction**

*\* assumption of 50% pay-out of Group Ordinary net income*

# Transaction financials

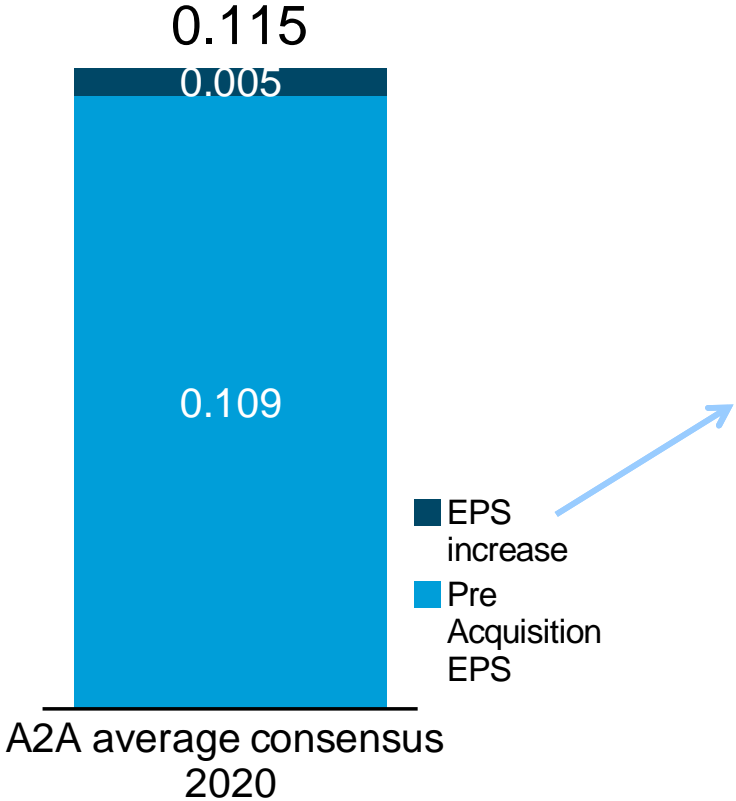
€M	100%	51%
Base Equity Value	175.2	89.3
Earn-in	18.8	9.6
<b>TOT. UPFRONT</b>	<b>193.9</b>	<b>98.9</b>
Earn-out	27.2	13.9
<b>MAXIMUM EQUITY VALUE</b>	<b>221.1</b>	<b>112.8</b>



# EPS Accretion

## ACCRETION/DILUTION ANALYSIS – Adjusted

€/share

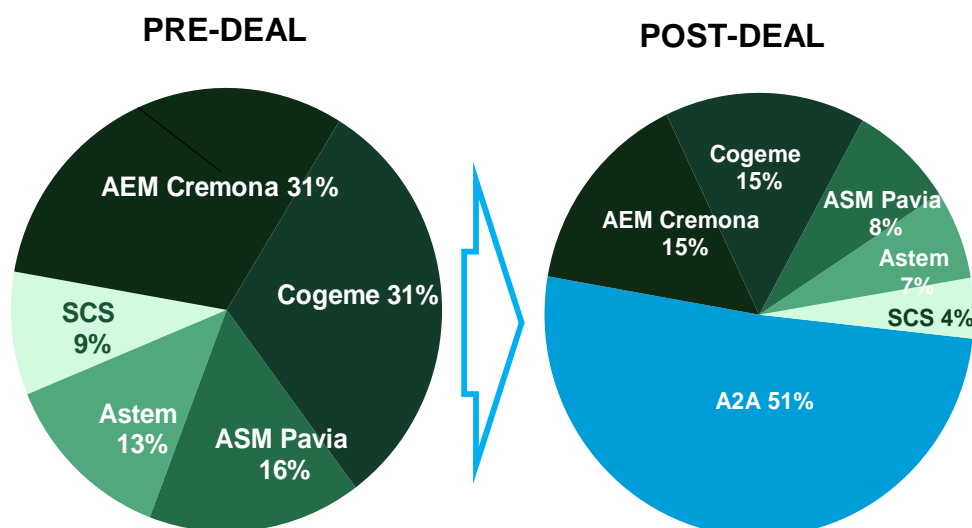


- 1) Net of non-recurring incomes due to gas tenders
- 2) Calculated assuming fully paid earn in/out

**Increase of ~ 5% in EPS per year by 2020**

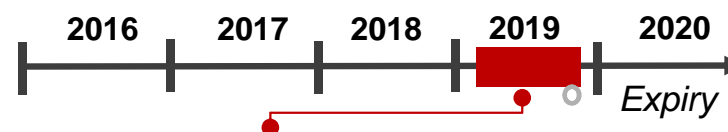
# Governance and future steps

## SHAREHOLDERS STRUCTURE



## SHAREHOLDERS AGREEMENT

The Agreement between A2A and the other LGH shareholders : 4-year duration and expires in 2020



### Way-Out Scenarios

- Three years after closing (2019), the parties, will determine the **future of LGH** giving priority to:
  - a **merger** between **A2A** and **LGH**

*or, alternatively*

  - the **renewal** of the Shareholders agreement
- The agreements also foresees additional safeguards for the Partners

# Key take-aways

- Lower business risk profile of the new combined entity
- Significant synergies with low execution risk
- Defined way-out scenarios and partnership evolution
- Landmark transaction for local aggregations in Italy
- Antitrust remedies to be offset by part of efficiency measures

***Delivery on A2A Strategic Plan execution goes on***

## **Contacts:**

### **A2A Investor Relations Team**

**Mail: [ir@a2a.eu](mailto:ir@a2a.eu)**

**Phone: +39 02 77203974**

**<http://www.a2a.eu/en/investor/>**

This document has been prepared by A2A solely for investors and analysts. This document does not constitute an offer or invitation to purchase or subscribe any shares or other securities and neither it nor any part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. Some information contained herein and other material discussed at the meetings may include forward-looking information based on A2A's current beliefs and expectations. These statements are based on current plans, estimates, projections, and projects and therefore you should not place undue reliance on them. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to changes in global economic business, changes in the price of certain commodities including electricity, gas and coal, the competitive market and regulatory factors. Moreover, forward-looking statements are current only at the date on which they are made.