



## Press Release

### ERG's Board of Directors approves the 2024-2026 Business Plan and ESG Plan

**The Group will continue its growth in the renewable energy market with a flexible “Value over Volume” approach and with the aim of achieving an installed capacity of approximately 4.5 GW in 2026, up to 5 GW in 2028**

**“Value over Volume”**: a new competitive growth strategy in a context of extreme volatility, with the aim of increasing installed capacity by 1.2 GW in the period and reaching 4.5 GW in 2026 (5 GW in 2028). Objective: value creation of 200-400 bps on the WACC.

**5 GW pipeline**: selective approach to investments based on the projects available within the pipeline. A solid, visible pipeline that has grown to 5 GW between organic development, greenfield, repowering and co-development agreements to better respond to market challenges. M&A activity remains a flexible axis of the strategy for accelerating growth.

**Consolidation of the international presence**: focus on growth in the countries where ERG is already present. Development in the USA as a central element of the Plan: we aim to achieve 0.5 - 0.7 GW of installed renewable capacity in the United States. Asset Rotation remains a strategic leverage to be opportunistically optioned for value creation.

**Technological diversification**: solar and on-shore wind power are supported by the development of storage and hybridisation projects to increase the flexibility of the asset portfolio. Greater digitisation to optimise the performance of our plants.

**Investments and EBITDA**: EUR 1.2 billion of investments in the period and EBITDA expected in the range between EUR 600 million and EUR 650 million in 2026.

**Route-to-Market**: the target of 85-90% of EBITDA secured through incentives, CFDs and PPAs is confirmed, fundamental instruments in a volatile scenario.

**ESG at the centre of our strategy**: ESG remains a concrete choice at the basis of ERG's business plan, starting from the results achieved in the period 2021-2023. New challenging objectives in all four pillars of the Plan: Planet, Engagement, People and Governance.

**Financial Strategy**: commitment to maintaining the Investment Grade rating, with a leverage objective over the plan period not exceeding 4 times the expected gross operating margin. Debt capital market as the main funding instrument. The highly competitive cost of debt as a distinctive factor of the ERG Group.

**The remuneration of shareholders policy has been enhanced**: flexible annual remuneration with a floor of EUR 1.0 per share as dividend, up to EUR 1.3 per share that can also be achieved through share buyback.

**Genoa, 15 May 2024** – ERG's Board of Directors, that met today, has examined and approved the 2024-2026 Business Plan and ESG Plan.

**Paolo Merli, Chief Executive Officer, commented:** *“After the successful completion of the Group's industrial transformation as a renewable operator, the new Business Plan projects us into a new phase that, on the one hand, consolidates the industrial positioning achieved, and on the other, continues to develop the asset portfolio. Growth will be pursued through a strategy that we have called “Value over Volume”, an extremely selective approach in the choice of investments, through organic development and M&A, with more challenging IRR targets but consistent with the current market context, marked by highly volatile prices and regulatory uncertainty. The goal is to reach 4.5 GW of installed capacity by 2026. Over the next three years, we will focus on the countries we are already in, with a particular focus on the USA where we aim to achieve an installed wind and solar capacity of 0.5 - 0.7 GW. Another objective will be to increase the flexibility of our asset portfolio, with accumulation and hybridisation projects. Sustainability and financial soundness will continue to be the foundations on which we will build our path for growth and value creation to inspire change towards the energy of the future. We have introduced a more rewarding remuneration policy for our shareholders, guaranteeing a minimum distribution of EUR 1 per share but with the flexibility to increase to EUR 1.3 if the results of the year allow it.”*

### **The market scenario**

The renewable energy market is booming and remains central to the energy transition process: in Europe and the United States, high growth is estimated for RES, with double-digit increases in the coming years.

Nevertheless, the scenario remains challenging, with a constantly changing risk profile linked to a number of factors such as the still evolving regulatory framework, the volatile electricity prices, the cost of raw materials and investments in grid connection and development systems.

Within this context ERG has continued to demonstrate resilience, financial soundness and the validity of its business model. Faced with new market challenges and in line with industry trends, our goal is to continue to grow by adopting a “Value over Volume” strategy to enhance our investments by seizing new opportunities in a flexible and selective manner.

### **Strategy and objectives for the period 2024-2026**

The Business Plan aims to achieve an installed capacity of 4.5 GW by 2026 (with a projection of 5 GW by 2028), i.e. a growth of 1.2 GW in the three-year period 2024 - 2026 of which over 50% guaranteed by projects already finalised or under construction. This target will be pursued with a “Value over Volume” strategy, i.e. by targeting the most challenging return investment goals but consistent with current market conditions.

The “Value over Volume” approach is based on a number of pre-established basic criteria:

- focus on core countries with a clear regulatory framework;
- route-to-market path defined in advance;
- value creation target above the WACC of 200-400bps.

Our 5 GW pipeline is solid and to date includes:

- + 340 MW already under construction including wind, solar and storage;
- + 350 MW of greenfield at an advanced stage of development including wind and solar;
- +750 MW of wind power repowering in Italy, France and Germany;
- + 1 GW of projects in the United States through the cooperation agreement with Apex;
- + 1.25 GW of solar co-development agreements in Spain;
- + 1.3 GW of “early stage” greenfield wind, solar, storage and hybrid.

### **Leadership in repowering**

Repowering is confirmed as one of the fundamental pillars of our growth and of our business plan. Through this activity of total technological renewal, we are improving the efficiency of wind farms by replacing obsolete turbines with new, more powerful high-performance turbines. This doubles capacity, triples production and halves the number of wind turbines with the same amount of land occupied.

We have been the pioneers of repowering, and for this reason we can count on a solid pipeline of 750 MW in a very advanced phase of authorisation, of which 82 MW is under construction and 193 MW is already in operation. In this case as well, the pipeline will be activated in an opportunistic manner with a flexible approach based on market dynamics and the evolution of regulatory requirements.

### **Consolidation of our international presence**

The Group's internationalisation process continues, aiming to consolidate ERG's presence in the geographic areas where it is already present, with a focus on the development of US assets, where the goal is to reach 0.5 - 0.7 GW of installed capacity in the plan period. Asset rotation represents an additional lever of growth that can be flexibly activated with a view to maximising value.

### **Technological diversification**

Through a greater boost to battery storage (BESS) projects as well as the wind and solar hybridisation of our plants, we aim to increase the flexibility of our plant portfolio to integrate the generation of energy from the sun and wind with systems capable of balancing their production and increasing their effectiveness.

As regards battery storage, our first 12.5 MW project under construction in Italy is located in Vicari, whose start-up is estimated in 2025. We also rely on a 200 MW pipeline between Italy, Spain, France and the United Kingdom.

Through hybridisation projects, we aim to increase the energy production of our assets, making the most of current connections. Digitalisation will also play a fundamental role, with the goal of optimising the performance of our assets.

### **Route-to-Market**

We want to leverage our energy management expertise to optimise our market access strategy. The confirmed target is to reach 85-90% of EBITDA secured through CFDs and PPAs with leading corporate counterparties in the various geographic areas in which we operate.

PPAs are confirmed as a fundamental tool in our overall plan which are capable of providing a concrete response to persistent market volatility.

### **Investments and EBITDA**

Investments relating to the outlined strategy total approximately EUR 1.2 billion in Italy, Europe and the United States (with about EUR 2 billion forecast to 2028).

The EBITDA is confirmed and expected in the range between EUR 600 and 650 million in 2026.

### **Financial strategy**

ERG has a very solid financial structure that is capable of sustainably supporting growth and shareholders' remuneration with the aim of maintaining the Investment Grade rating, with a leverage target over the plan period of approximately 4 times the expected gross operating margin and with a highly competitive cost of debt in the context in which we operate.

### **For ERG, ESG is a matter that is central to its strategy**

Leveraging the important results achieved in the 2021-2023 period, ERG's commitment remains focused on creating sustainable value for all of our stakeholders. Our plan is always structured on the 4 pillars of Planet, People, Engagement and Governance.

- In **Planet**, the main objective is our decarbonisation strategy (Net zero by 2040 approved by the Science Based Target initiative), confirmed by the important results achieved in 2023, where we almost completely eliminated direct (Scope 1) and indirect (Scope 2) emissions. This is accompanied by the objectives regarding Circular Economy and Natural Capital Preservation to minimise impacts on the environment and biodiversity.
- For **Engagement**, our goal is to share the creation of value at the group level in the territories where we operate, but also in developing areas (e.g. African countries) by supporting Non-Profit Organisations with projects for reusing our panels that are in excellent working order.
- The ERG Academy project cuts across the **People** and **Engagement** pillars. Launched in 2023, it promotes both the internal training of our people and those of the next generation to accompany a cultural evolution on the energy transition and achieve a more international size in line with ERG's growth. In addition, our attention has always been focused on guaranteeing the highest standards in the **HSE** area with regard to the safety of our people and all those who are employed at our plants. It is for this reason that we continue to define and monitor specific HSE objectives also linked to the incentive systems of all company management.
- **Governance** plays a fundamental role. Over the years we have always worked on strengthening, and in this plan we are aiming for improvement both in terms of tax transparency and the supply chain, and in IT, where we are aiming to obtain certification of our ICT systems.

### **Strengthening shareholder remuneration**

Minimum guaranteed cash dividend of EUR 1 per share, up to a maximum of EUR 1.3, to be defined year by year on the basis of the Group's economic and financial performance and future investment prospects. The upside may also be distributed through the buyback on treasury shares.

The Business Plan will be presented tomorrow, May 16<sup>th</sup>, at 2:30 p.m. (CEST), during a meeting with analysts and investors and a conference call with a webcast that can be followed by connecting to the Company's website ([www.erg.eu](http://www.erg.eu)); the presentation will be made available on the same website in the "Investor Relations/Presentations" section, at Borsa Italiana S.p.A. and on the authorised storage mechanism eMarket Storage ([www.emarketstorage.com](http://www.emarketstorage.com)) 15 minutes before the conference call.

*This Press Release, issued on 15 May 2024, is available to the public at Borsa Italiana S.p.A., on the authorised storage mechanism eMarket Storage ([www.emarketstorage.com](http://www.emarketstorage.com)), and on the Company website ([www.erg.eu](http://www.erg.eu)) in the "Media/Press Releases" section.*

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