A Work Project, presented as part of the requirements for the Award of a Master's degree in Finance from the NOVA – School of Business and Economics.

Iberic Green Powerhouse

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A Project carried out on the Master's in Finance Program, under the supervision of:

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Abstract
The energy sector is currently changing due to new regulations, commitments to address climate change, and evolving energy consumption habits. As a result, there is increasing investment in renewable energy and improvements to the power grid. Iberdrola is in a strong position to take advantage of these changes since it has made significant investments in renewable energy and network infrastructure. These initiatives are likely to enhance its position in the market and its ability to adapt, while also contributing to the global movement towards reducing carbon emissions.

Keywords

Equity Research
Iberdrola
Energy
Renewable

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This report is part of the Iberdrola equity research report, developed by Tiago Mendonça and Gonçalo Pedroso and should be read has an integral part of it.

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"IBERDROLA S.A."

COMPANY REPORT

"POWER GENERATION"

17 DECEMBER 2024

STUDENTS:
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Iberic Green Powerhouse

Global Renewable Expansion

- The energy sector is currently changing due to new regulations, commitments to address climate change, and evolving energy consumption habits. As a result, there is increasing investment in renewable energy and improvements to the power grid. Iberdrola is in a strong position to take advantage of these changes since it has made significant investments in renewable energy and network infrastructure. These initiatives are likely to enhance its position in the market and its ability to adapt, while also contributing to the global movement towards reducing carbon emissions.

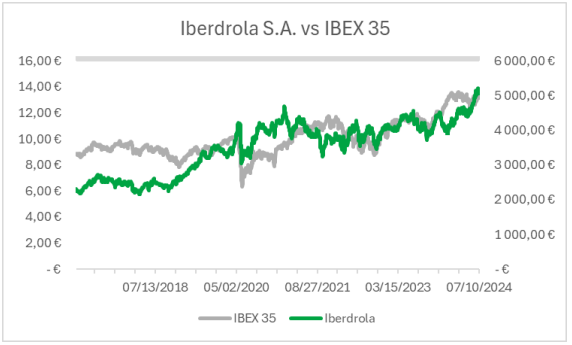
- As of December 15, 2024, our analysis sets a price target at €13.89, offering a modest upside of 5.7%. Valuation through multiples reveals Iberdrola's undervaluation compared to its peers, particularly in sales and cash flow, indicating solid prospects for cash generation from its regulated networks and renewable energy streams. However, given external market factors that may introduce volatility, we give a "HOLD" recommendation, recognizing Iberdrola's strong growth potential while accounting for near-term uncertainties.

Recommendation:	**HOLD**
Vs Previous Recommendation	-
Price Target FY25:	**13.89 €**
Vs Previous Price Target	-
Price (as of 16-Dec-24)	**13.14 €**

Source: Bloomberg

52-week range (€)	11.01-15.85
Market Cap (€m)	89 230
Outstanding Shares (m)	6.423

Source: Bloomberg



Source: Equity research valuation model

(Values in € millions)	2023	2024E	2026F
Revenues	€49 335	€46 083	€52 277
EBIT	€7 025	€7 829	€5 900
FCF	€8 417	€1 420	€867
EPS	€0.86	€0.85	€0.61
P/E	-	15.78x	22.42x
Core g	0.09	2.3%	12.2%
RONIC	-	-0.03	0.16
WACC	-	-	5.46%

Source: Company data, Analysts estimates, Bloomberg

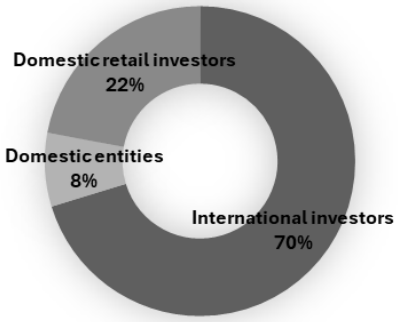
Company description

Iberdrola S.A. is a major energy company based in Spain, focusing on generating and distributing renewable energy. It ranks among the largest producers of electricity globally, particularly from wind and solar sources, and plays a key role in advancing clean energy initiatives. The company has a varied portfolio of energy assets, which includes both onshore and offshore wind farms, hydroelectric plants, and solar facilities. As a well-established leader in the market, with operations in both Europe and America, Iberdrola has a vertically integrated structure that encompasses generation, distribution, and energy marketing. This positions Iberdrola as a crucial player in the ongoing global shift toward renewable energy expansion.

Company Overview

1.1 Legal Structure

Graph 1: Shareholders Structure, 2024

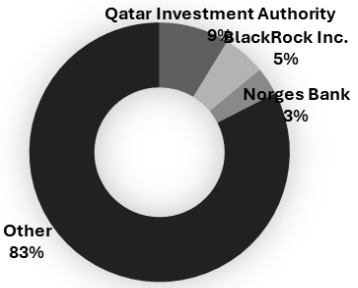


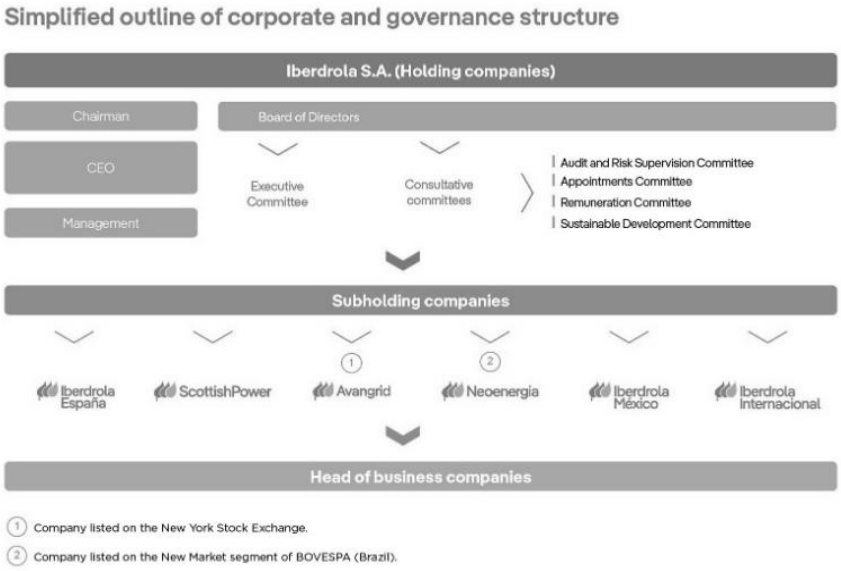
Iberdrola has three significant major shareholders. The largest is the Qatar Investment Authority, holding 8.71% of total voting rights, followed by BlackRock Inc., with 5.30%, and Norges Bank, with 3.45%.

As of the end of 2023, Iberdrola's shareholder structure is composed as follows:
70.7% International investors
7.73% Domestic entities
22.20% Domestic retail investors

The Iberdrola Group is structured into three levels:
1.Holding Company
2.Country Subholding Companies
3.Head of Business Companies

Graph 2: Major Shareholders, 2024





Graph 1.1: Corporate Structure

Key subsidiaries include:
-Iberdrola España, S.A.U.: The country subholding company for operations in Spain.
-ScottishPower, Ltd.: The country subholding company for the United Kingdom.
-Avangrid: The sub holding company in the United States, with Iberdrola, S.A. holding 81.50% of its shares.
-Neoenergia, S.A.: The Brazilian country sub holding company, listed on the Brazilian Stock Exchange.
-Iberdrola México, S.A. de C.V.: The subholding company for Mexico.
-Iberdrola Energía Internacional, S.A.U.: The country sub holding company for the remaining Iberdrola's energy businesses
-There is also Iberdrola Ingeniería y Construcción and Iberdrola Inmobiliaria

In its internationalization activities, Iberdrola adopts a transnational strategy by establishing subholding companies in key geographical markets. This strategy enables the organization to be responsive to local demands while keeping central control over operations to ensure efficiency.

1.2 Board of directors

Iberdrola's Board of Directors comprises 14 members, with notable figures including:

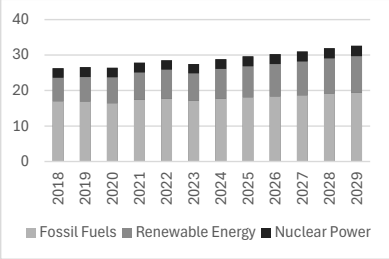
José Ignacio Sánchez Galán:

Galán was appointed Iberdrola's executive vice-chairman and CEO in 2001, and he became executive chairman in 2006. During his tenure, he oversaw Iberdrola's transition to renewable energy and global expansion through strategic investments and acquisitions, which included ScottishPower (2007), Avangrid (2015), and Infigen (2022). His concept for utility consolidation and targeted acquisitions in important geographic markets considerably increased Iberdrola's global reach. Recognizing the development potential of the US renewable energy sector, Galán has shifted a significant portion of the company's focus and resources to this market in recent years.

Armando Martínez Martínez:
Mr. Martínez was appointed by Galán in 2022. He has over 25 years of experience in the energy business, including 14 years in Iberdrola's Mexico division, where he held high managerial posts such as director of operations and general director. While his nomination is unlikely to change Iberdrola's short-term strategy, it raises the possibility of a future succession plan for Galán.

Sector Overview

Graph 3: Total energy production by segment, 2024



The global energy sector is undergoing a significant transformation, driven by evolving regulations, technological innovation, and changing consumer preferences. Key trends include a rapid shift toward renewable energy, efforts to decarbonize the economy, and the growing electrification of transportation and heating. While fossil fuels still dominate the global energy mix, their share is steadily declining, particularly in developed economies.

According to Statista[1], global energy production is projected to grow at a CAGR of 2.0% from 2018 to 2029, with energy trade output expected to reach 39.69 billion kWh by 2024, of which 8,386.41 billion kWh (28%) will be renewable. The renewable energy sector is forecasted to grow at CAGR of 4.07% (2024–2029), reflecting the accelerating transition toward cleaner energy solutions. Below we analyse external trends that further influence this industry.

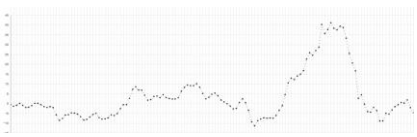
External Analysis

2.1 Demographic Segment

Graph 4: Energy Inflation in the US, 2004 - 2024

Between 2013 and 2023[2], the total number of households in the EU increased by 7%, rising from 187 million to 200 million, according to Eurostat. In the U.S., household growth was reported at 9% between the 2010 census and 2020[3], growing from 116.7 million to 126.8 million. The UK saw a similar trend, with a 6% increase in households from 2012 to 2022[4], rising from 19.4 million to 20.4 million families.
Since households represent Iberdrola's primary customer base, this steady annual growth of the company's main geographic segments presents a consistent opportunity for the company to expand its presence in the power industry and capitalize on the increasing demand for energy.

Graph 5: Energy Inflation in Europe, 2013 - 2024



2.2 Economic Segment

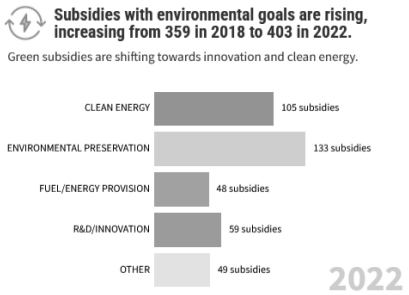
According to Eurostat[5], energy inflation has slowed in 2024, with an average negative inflation rate of -1.3% since the start of the year. Over the past 11 years (2013 to September 2024), energy inflation averaged 4% per month, but since 2020, it surged to an average of 9%—the highest recorded in the revised period. This sharp increase is mainly driven by the pandemic's effect on energy

[1] "Energy - Worldwide." December 2024. https://www-statista-com.eu1.proxy.openathens.net/outlook/io/energy/worldwide?currency=EUR
[2] "Statistics Explained." n.d. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Household_composition_statistics.
[3] Blazina, Carrie. 2024. "U.S. Household Growth Over Last Decade Was the Lowest Ever Recorded." *Pew Research Center*, April 14, 2024. https://www.pewresearch.org/short-reads/2021/10/12/u-s-household-growth-over-last-decade-was-the-lowest-ever-recorded/.
[4] Cobb, Amanda Sharfman, and Pamela. 2023. "Families and Households in the UK - Office for National Statistics." May 17, 2023. https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2022.
[5] "Statistics | Eurostat." n.d. https://ec.europa.eu/eurostat/databrowser/view/prc_hicp_manr__custom_13208018/default/table?lang=en.

consumption and the ongoing Russia-Ukraine conflict, as Russia is a key exporter of gas and liquefied natural gas (LNG) to Europe[6].
In the United States[7], energy inflation has also cooled this year, averaging -0.8% since January. Over the longer term, since 2013, U.S. energy inflation has been more modest compared to Europe, averaging 1.9%. Since 2020, however, it rose to 7%, reflecting a similar pattern to Europe, though less pronounced. The U.S. has been less impacted by the Russia-Ukraine war due to its lower dependence on Russian energy exports.

The cooling of energy prices is largely attributed to the diminishing effects of the pandemic, which continue to ease, and Europe's efforts to diversify its energy sources, reducing its reliance on Russian energy. While this stabilization is positive for consumers, it could pose challenges for energy companies like Iberdrola, which depend heavily on energy pricing for revenue growth

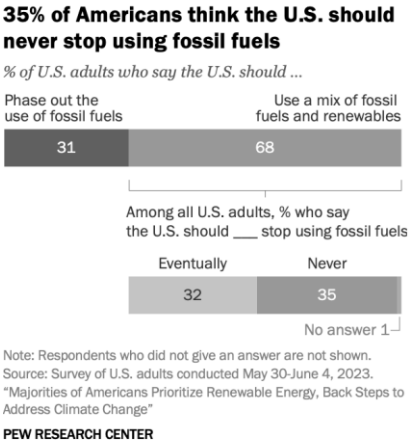
Graph 6: Environmental Subsidies, 2022



2.3 Political/Legal Segment

Over the last decade[8], governments around the world have increased their subsidies for green technology in response to rising geopolitical conflicts caused by climate change, national security concerns, and a desire to acquire a competitive advantage in developing technologies. China and the United States have the most government subsidies, followed by Australia, Canada, and the European Union.
However, there is some concern regarding the future of these subsidies. Future President Donald Trump promised to reduce green subsidies in favor of increasing fossil fuel production and cutting energy prices[9]. If successful in enacting these policies, the growth and expansion of the clean energy industry may be hampered. This shift could spark similar behaviour in other industrialized countries, resulting in lower investments in green energy. Such a tendency would have serious ramifications for companies like Iberdrola, as it relies on government subsidies to fuel technological innovation and expansion in the green energy sector.

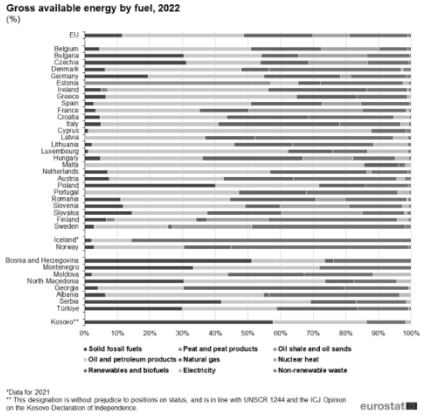
Graph 7: Fossil Fuel Questionnaire, 2022



2.4 Sociocultural Segment

In Europe, most consumers want more renewable energy to combat both climate change and affordability issues. According to the Statkraft Energy Perception Report[10], three-quarters of the over 18,000 respondents were concerned about the harmful effects of climate change and supported expanding renewable energy to address these important challenges.
In the United States[11], prioritizing renewable energy is also a hot topic. Most Americans feel the US should prioritize renewable energy sources over fossil fuels. However, many people are still not ready to completely abandon fossil fuels, with a sizable proportion stating that the United States should never do so. This reflects a more cautious approach to energy transition than Europe. An overall positive movement for Iberdrola.

Graph 8: Gross energy available, 2022



2.5 Technological Segment

Recent advances in renewable energy technology have resulted in considerable gains in efficiency, scalability, and cost-effectiveness. Photovoltaic cell advancements, such as multi-junction and perovskite-silicon hybrids, are improving energy conversion in solar power, while concentrated solar power (CSP) benefits from improved storage methods such as molten salt. Offshore

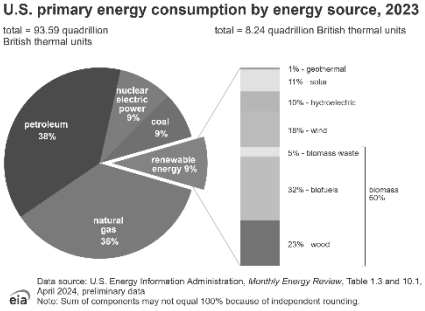
[6] Raghunandan, Vaibhav. 2024. "February 2024 — Monthly Analysis of Russian Fossil Fuel Exports and Sanctions." Centre for Research on Energy and Clean Air. March 14, 2024. https://energyandcleanair.org/february-2024-monthly-analysis-of-russian-fossil-fuel-exports-and-sanctions/.
[7] "12-month Percentage Change, Consumer Price Index, Selected Categories." n.d. Bureau of Labor Statistics. https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category-line-chart.htm.
[8] Signoret, Jose, and Milla Cieszkowsky. 2024. "To Tackle Climate Change, Governments Increasingly Turn to Green Subsidies." *World Bank Blogs* (blog). June 4, 2024. https://blogs.worldbank.org/en/trade/to-tackle-climate-change--governments-increasingly-turn-to-green.
[9] Chu, Amanda, and Alexandra White. 2024. "Trump Policies Would Put US at a 'Competitive Disadvantage', Warns Clean Energy Boss." *Financial Times*, September 26, 2024. https://www.ft.com/content/a09c2307-6d25-498b-9cac-eded26bac725.
[10] "Energy Perception Report." n.d. https://www.statkraft.com/newsroom/multimedia-and-publications/energy-perception-report/.
[11] Beshay, and Beshay. 2024. "1. What Americans Think About an Energy Transition from Fossil Fuels to Renewables." Pew Research Center. October 25, 2024. https://www.pewresearch.org/science/2023/06/28/what-americans-think-about-an-energy-transition-from-fossil-fuels-to-renewables/.

wind technology, such as larger turbines, floating wind farms, and vertical axis wind turbines, are increasing energy capture while lowering environmental effect. In energy storage, lithium-ion batteries are improving in terms of energy density and safety, while flow batteries and hydrogen storage provide promising long-term, scalable options.[12]These kinds of technological breakthroughs help Iberdrola increase its effectiveness and profit margins.

2.6 Global Segment

Geopolitical concerns, such as the conflict between Russia and Ukraine, as well as current instability in the Middle East, have emphasized the vulnerability of Western nations' reliance on fossil fuel imports. In contrast, renewable energy can be produced locally in almost every country, providing a solution to lessen reliance on imported energy and mitigate the impact of foreign political disputes.[13]It gives alternative energy solutions, like Iberdrola renewable's, an opportunity to increase its presence in the market.

Graph 9: Primary Energy consumption, 2022



2.7 Sustainable Physical Segment

Renewable energy sources are physically sustainable because they are numerous, naturally replenished, and release few greenhouse gases or pollutants[14]. Energy from the sun, wind, water, waste, and geothermal heat is a cleaner alternative to fossil fuels. However, satisfying global energy consumption remains a challenge for renewable sources. Many countries continue to rely on fossil fuels to meet their necessities. Nonetheless, promising advances, such as Portugal running totally on renewable energy for four days in a row[15], offer a glimpse of a possible future in which renewables may reliably deliver electricity on a bigger scale.

Overall, positive factors such as population growth, increased environmental awareness, and subsidies for green energy development may offset the challenges posed by a deflationary industry and uncertainties surrounding recent energy policy promises from the incoming U.S. president. While the macro trend has been favourable for the renewable energy sector in recent years, it is essential to remain cautious about the potential impact of these evolving policy dynamics.

SWOT Analysis

3.1 Strengths

Extensive Global Footprint: Iberdrola operates in Europe, America, Oceania, and parts of Asia, giving it a broad customer base and significant international reach.
Leadership in Green Energy: The company is a recognized leader in green energy, particularly in wind power, cementing its reputation in renewable energy markets.

3.2 Weaknesses

Limited Reach in Asia: Iberdrola's main operations are concentrated in Europe and America, while its presence in Asia, which constitutes over 50% of the global population, remains limited, representing a gap in market potential.
Vulnerability to Market Volatility: With 70% of its production coming from nuclear and renewable sources, Iberdrola is vulnerable to market volatility and public debate surrounding these energy segments.

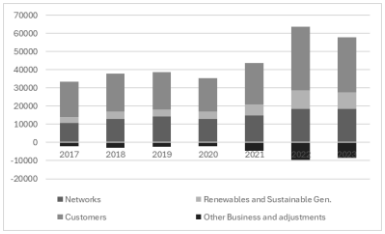
[12] https://enerdatics.com/blog/shaping-the-future-emerging-technologies-in-renewable-energy-projects/
[13] Yadav, Aneet, and Mantu Kumar Mahalik. 2024. "Does Renewable Energy Development Reduce Energy Import Dependency in Emerging Economies? Evidence From CS-ARDL and Panel Causality Approach." *Energy Economics* 131 (February): 107356. https://doi.org/10.1016/j.eneco.2024.107356.
[14] United Nations. n.d. "Renewable Energy – Powering a Safer Future | United Nations." https://www.un.org/en/climatechange/raising-ambition/renewable-energy.
[15] Neslen, Arthur. 2018. "Portugal Runs for Four Days Straight on Renewable Energy Alone." *The Guardian*, February 14, 2018. https://www.theguardian.com/environment/2016/may/18/portugal-runs-for-four-days-straight-on-renewable-energy-alone.

3.3 Opportunities

Growing Demand for Renewables: The global focus on renewable energy continues to grow, particularly in developed countries seeking solutions to mitigate climate change. This provides Iberdrola with the chance to lead and expand in a critical sector.

Expansion Potential in Asia: There is considerable potential for growth in the Asian market, which has a comparatively low supply of renewable energy, presenting a valuable opportunity for Iberdrola to establish a stronger presence.

Graph 10: Revenue per Segment

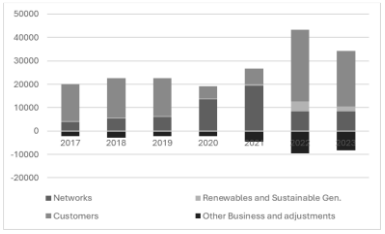


3.4 Threats

Scepticism Around Green Initiatives: Rising scepticism among countries and investors about the authenticity and impact of green initiatives may lead to reputational risks for companies perceived as overstating their environmental commitments.

Competitive Pressure from Fossil Fuels: The declining price of crude oil and increased exploration in the US could lure consumers back to fossil fuels, challenging the cost-competitiveness of renewables and reducing demand for green energy solutions.

Graph 11: COGS per Segment

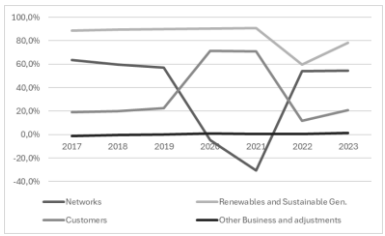


Financial Analysis

4.1 Revenues and Operating margins

Revenues: Over the last seven years, Iberdrola has shown impressive growth. Its revenues have increased at an average annual rate of 7.9%, rising from €31 billion in 2017 to €50 billion in 2023 (Graph 10). This growth is mainly due to the strong expansion in its renewable energy and sustainable generation sectors, which experienced an outstanding average annual growth rate of 19.67% during this time (Graph 10). Notable investments include the addition of 3,250 MW of renewable capacity in 2023, raising the total to 42,187 MW. Important projects completed during this period include the Saint Brieuc offshore wind farm in France and the Vineyard Wind project in the United States[16].

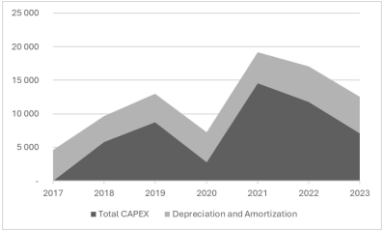
Graph 12: Operating margin per Segment



Other areas of the business have also played a role in this strong performance. The Networks division saw a compound annual growth rate (CAGR) of 9.43%, thanks to strategic investments that brought its regulated asset base up to €42.21 billion. Likewise, the Customers segment achieved a CAGR of 7.43%, benefiting from better regulatory conditions in important markets like the U.S., the U.K., and Brazil[17].

As a result of these efforts, Iberdrola reported impressive financial outcomes: its EBITDA rose by 9% to €14.42 billion in 2023, and net profit climbed 10.7% to €4.8 billion, underscoring the effectiveness of its business model[18].

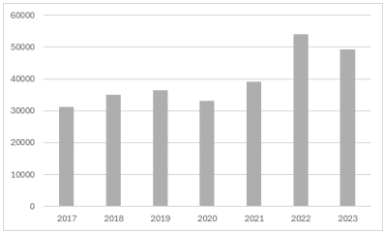
Graph 13: D&A and CAPEX



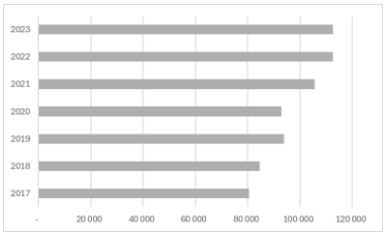
Operating margins (**Graph 11 & 12**)**:** Iberdrola's cost structure has undergone significant shifts across its key business segments from 2017 to 2023, reflecting its strategic focus and operational dynamics. The Networks segment saw substantial investment growth, with costs rising to €19,414 million in 2021, driven by infrastructure expansion and regulatory changes. However, this was followed by a sharp 56.5% decline in 2022, stabilizing in 2023 at €8,387 million. This shift aligns with the completion of major projects and improved efficiency. Similarly, the Renewables and Sustainable Generation segment demonstrated a dramatic rise, with costs at €4,165 million in 2022, showing Iberdrola's commitment to green energy. The subsequent 51.1% decrease in 2023 highlights a potential shift in capital allocation or project completion phases.

[16] Corporative, Iberdrola. n.d. "Iberdrola Exceeds 42,000 MW Renewables and Consolidates Its Position as One of the Cleanest Companies in the World." Iberdrola. https://www.iberdrola.com/press-room/news/detail/iberdrola-exceeds-42000-mw-renewables-and-consolidates-its-position-as-one-of-the-cleanest-companies-in-the-world.
[17] Corporative, Iberdrola. n.d. "Ignacio Galán Speaks at the Results Presentation." https://www.iberdrola.com/press-room/news/detail/iberdorla-sets-a-new-investment-record-1138-billion-driving-net-profit-of-48-billion-107.
[18] Iberdrola 2023 Annual Report

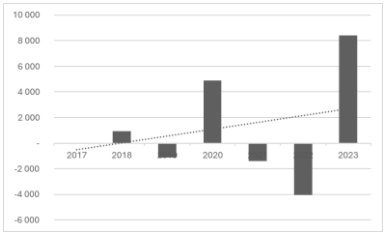
Graph 14: Revenue since 2017



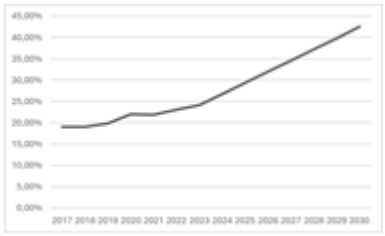
Graph 15: Core Invested Capital



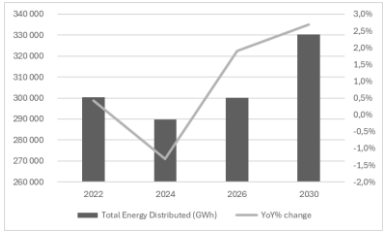
Graph 16: FCF



Graph 17: Renewable Energy Production Share



Graph 18: Networks Revenues



In the Customers segment, costs initially remained stable before a pandemic-induced drop of 67% in 2020, reflecting reduced energy demand[19]. A strong recovery followed, with an increase in 2022, likely fuelled by rising energy prices and increased demand[20], though costs eased slightly in 2023. Total supply costs mirrored these trends, peaking at €33,750 million in 2022 before declining to €26,033 million in 2023. These fluctuations reflect Iberdrola's evolving focus on strategic investments, market dynamics, and operational efficiencies, which are pivotal in driving its long-term value creation.

Furthermore, The Networks segment saw operating margins drop sharply from 63.5% in 2017 to -30.4% in 2021, due to rising costs and regulatory impacts due to the pandemic[21]. However, profitability rebounded to 54.3% by 2023, reflecting operational recovery and investment payoffs (Graph 12). In Renewables, margins stayed above 88% until 2021, peaking at 90.9%, but fell to 59.6% in 2022 before partially recovering to 78.1% in 2023, likely driven by evolving project economics (Graph 12). The Customer's segment was highly volatile, with margins at 71.1% in 2020 due to demand recovery, then dropping to 11.9% in 2022 and stabilizing at 20.7% in 2023 (Graph 19), reflecting pricing pressures and market adjustments[22].

4.2 Free Cash Flows

Iberdrola's free cash flow (FCF) has shown significant volatility over the past seven years, reflecting its heavy investment cycles and operational shifts. Positive FCF of €932 million in 2018 jumped to €4,885 million in 2020, supported by stable operations and cash generation. However, large capital expenditures and increased financing requirements led to negative FCF in multiple years, including -€1,108 million in 2019, -€1,390 million in 2021, and a substantial -€4,055 million in 2022 (Graph 24).

The company continued this trend with a record-high FCF of €8,417 million in 2023 (Graph 24), underscoring improved cash flow management and strong operational performance. The data highlights Iberdrola's commitment to capital-intensive growth, particularly in renewables and networks, while maintaining resilience in cash generation during key phases of its investment strategy.

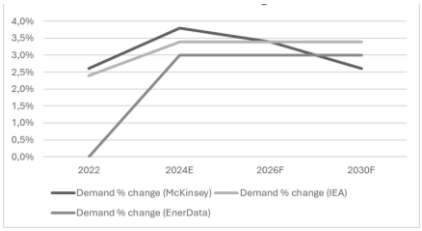
Costumers

We have chosen to take a unified approach to forecast the energy retail performance of Iberdrola, rather than analysing each country individually. This decision reflects the limited availability of detailed data from Iberdrola's reports on a country-by-country basis. In our forecast, we consider the energy retail segment. The projected energy demand figures are based on research from McKinsey[23], the International Energy Agency[24], and Ener Data[25]. These organizations provide predictions for global energy demand, which serve as the foundation for our assumptions regarding Iberdrola's future performance in this area.

Demand: Iberdrola's installed capacity is expected to grow in most of its key markets, powered by the company's aggressive plans and significant investments in renewable energies. This growth also aligns with the strategic plans of Iberdrola across several regions. In contrast, although installed capacity refers to the highest-possible output level, the level of energy retailed relies on energy demand that Iberdrola is bound to meet. The energy demand will continue to increase

[19] Jiang, Peng, Yee Van Fan, and Jiří Jaromír Klemeš. 2021. "Impacts of COVID-19 on Energy Demand and Consumption: Challenges, Lessons and Emerging Opportunities." *Applied Energy* 285 (January): 116441. https://doi.org/10.1016/j.apenergy.2021.116441.
[20] Eurostat. 2023. "Electricity and Gas Prices Stabilise in 2023." *Eurostat*, October 26, 2023. https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20231026-1.
[21] "Regulatory Impacts Pandemic - Pesquisa Google." n.d. https://www.google.com/search?q=regulatory+impacts+pandemic&oq=regulatory+impacts+pandemic&gs_lcrp=EgZjaHJvbWUyBggAEEUYOTIHCAEQIRigAdIBCDUxMzBqMGo0qAIAsAIB&sourceid=chrome&ie=UTF-8.
[22] Corporative, Iberdrola. n.d. "Iberdrola Exceeds 42,000 MW Renewables and Consolidates Its Position as One of the Cleanest Companies in the World." Iberdrola. https://www.iberdrola.com/press-room/news/detail/iberdrola-exceeds-42000-mw-renewables-and-consolidates-its-position-as-one-of-the-cleanest-companies-in-the-world.
[23] Chen, Patrick, Tamara Grünewald, Jesse Noffsinger, and Eivind Samseth. 2024. "Global Energy Perspective 2023: Power Outlook." McKinsey & Company. January 16, 2024. https://www.mckinsey.com/industries/oil-and-gas/our-insights/global-energy-perspective-2023-power-outlook.
[24] "Executive Summary – Electricity 2024 – Analysis - IEA." n.d. IEA. https://www.iea.org/reports/electricity-2024/executive-summary.
[25] "Global 2050 Projections for Total Electricity Generation | Enerdata." n.d. https://eneroutlook.enerdata.net/total-electricity-generation-projections.html.

Graph 19: Demand change



steadily, starting at a growth rate of 3.4% in 2024 and slowing to 3.0% by 2030 (Graph 19). In fact, according to global trends, while electrification is on the rise, there is moderated growth because energy efficiency improves in key markets. Among Iberdrola's operational regions, the United States will take centre stage for future growth in energy demand.

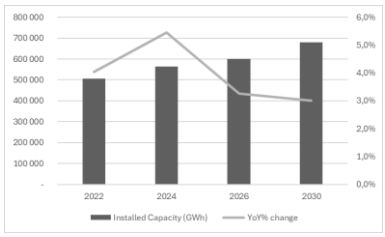
Through its subsidiary, Iberdrola is developing more projects, including wind farms and utility-scale solar installations, with a large part of the group's total investment falling to the U.S. This will be a substantial contributor to energy demand and retail. In Brazil, the company is also expanding its capacity, especially in hydro and wind, and this is contributing to both its installed capacity and demand growth[26]. As a result, we anticipate that the installed capacity will increase at an annual growth rate of 3.17%. This projection considers the ongoing shift of clients from traditional energy sources to renewable energy alternatives that was addressed in the last section[27] (Graph 16).

Table 1: Price unit of MWh of Energy

Costumers	2022	2024	2026	2030
Price unit of MWh of Energy Producted	69€	50€	54€	63€
Total change	*22*	*- 6*	*2*	*2*
Total change driven by Inflation	*6*	*2*	*1*	*1*
Real Change	*16*	*- 7*	*1*	*1*

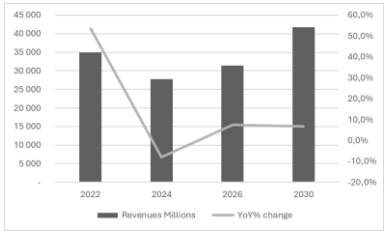
Prices: Energy prices are one of the major variables used in the calculation of retail revenues, and their performance will not be very different from that in the networks segment. Energy prices for Iberdrola are likely to rise due to inflationary pressures and real price adjustments to reach a CAGR of 3.76%[28] (Table 7). This growth in price will further be aided by the regulated mechanisms in the markets of Spain and the UK, among others, which have a link with inflation for tariff increases.

Graph 20: Costumers Installed Capacity



Overall: Factoring in growth in energy demand and forecasted increase in installed capacity (Graph 20), we estimate Iberdrola's customer revenues to achieve a CAGR of 7.05% through 2030 (Graph 21). This is due to stable growth in demand, price increases on a regulated basis, and the ability of Iberdrola to expand its renewable energy portfolio in key regions. These projections correspond to a balanced approach in view of future growth, with the support of robust energy demand forecasts and Iberdrola's strategic investments in infrastructure and renewable energy projects worldwide.

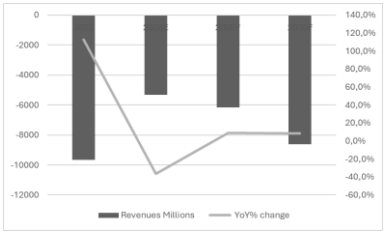
Graph 21: Costumers Revenues



Other Business and Corporation

The revenues for Business and Other would also be in line with general growth of Iberdrola's main business areas, as shown in Graph 22. Since this segment plays an important strategic function in the support and maintenance of Iberdrola's core business activities, it should correspondingly increase. This parallels the fact that the firm is engaged in making corporate functions and operations capable of supporting the larger size and greater intricacy related to its networks, renewables, and liberalized markets.

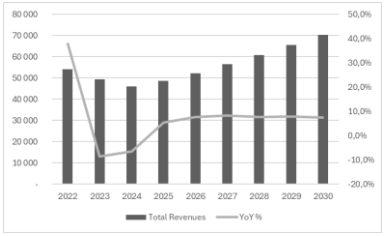
Graph 22: Other Business and Corporation Revenues



Overview

Iberdrola's revenue is expected to grow at a compound annual growth rate (CAGR) of 7.31%, rising from €46 billion in 2024 to €70 billion by 2030 (Graph 23). This growth outlook is consistent with current trends in the energy market and the increasing adoption of renewable energy. The transition from traditional energy sources to renewables, spurred by regulatory support and a greater global emphasis on sustainability, plays a significant role in this forecast.

Graph 23: Total Revenues

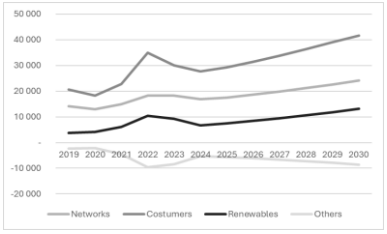


The renewable energy sector is likely to see accelerated revenue growth due to falling costs associated with technologies like wind and solar, along with advancements in energy storage[29]. According to current trends on energy transition, companies that embrace early adoption can capture a larger market share as they benefit from economies of scale, which lower operational costs and

[26] Corporative, Iberdrola. n.d. "Iberdrola's Renewable Energy Production Sets All-time Highs in the First Half of the Year." Iberdrola. https://www.iberdrola.com/press-room/news/detail/iberdrolas-renewable-energy-production-sets-all-time-highs-in-the-first-half-of-the-year.
[27] See note 34
[28] See note 35
[29] Hassan, Qusay, Sameer Algburi, Aws Zuhair Sameen, Hayder M. Salman, and Marek Jaszczur. 2023. "A Review of Hybrid Renewable Energy Systems: Solar and Wind-powered Solutions: Challenges, Opportunities, and Policy Implications." *Results in Engineering* 20 (November): 101621. https://doi.org/10.1016/j.rineng.2023.101621.

enhance competitive positioning[30]. Iberdrola is anticipated to see its revenue share from renewables increase from 15% to nearly 20% (Graph 24), reflecting this trend.

Graph 24: Total Revenues per Segment



Additionally, Iberdrola's Networks and Customers segments are projected to evolve positively. For instance, the expansion of smart grid systems improves operational efficiency and facilitates the integration of distributed renewable energy[31], ultimately leading to increased revenue potential. In the Customers segment, the growing demand for value-added services like energy management solutions suggest rising revenues as consumer preferences shift towards personalized and sustainable energy options[32].

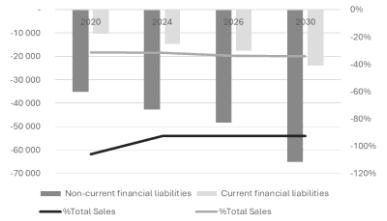
These forecasts are backed by significant trends in the energy market, such as global commitments to achieve net-zero emissions, increased electrification in various sectors, and a broader push for decarbonization[33]. Iberdrola's diverse portfolio enables it to take advantage of these trends, positioning the company for steady revenue growth through 2030.

Valuation

5.1 Debt

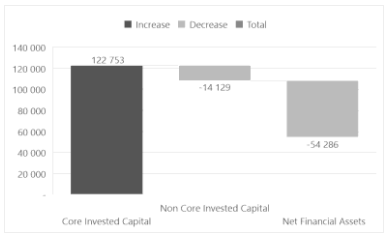
Iberdrola's debt structure is integral to its capital-intensive growth strategy, particularly as the company engages in substantial investments in renewable energy and grid modernization across various operational regions. The projected trajectory of Iberdrola's debt over the forthcoming decade encompasses both non-current and current financial liabilities, with anticipated compound annual growth rates (CAGR) reflecting strategic adjustments undertaken by the company in response to evolving market conditions.

Graph 25: Financial Liabilities



Non-current Financial Liabilities: This segment is predominantly comprised of long-term bonds, notes, and other structured debt instruments issued to finance capital-intensive projects. In recent years, Iberdrola has progressively increased its debt levels to support extensive investments in renewable energy and essential infrastructure. This is particularly evident in markets such as Spain, the United States, and the United Kingdom, where grid enhancements are necessary to meet regulatory requirements and sustainability objectives. The anticipated CAGR of 5.94% for non-current liabilities indicates a gradual ascent, consistent with the company's projected capital requirements[34]. Furthermore, recent analyses suggest a focus on debt rollover strategies, comparable to practices observed in other capital-intensive firms. Iberdrola has capitalized on the prevailing low-interest-rate environment concerning its long-term debt; this favourable trend is expected to continue, despite mild increases in borrowing costs projected by 2030 due to anticipated shifts in monetary policy. Such a stable outlook on debt facilitates the execution of long-term projects without imposing substantial increases in annual interest expenses[35] (Graph 25).

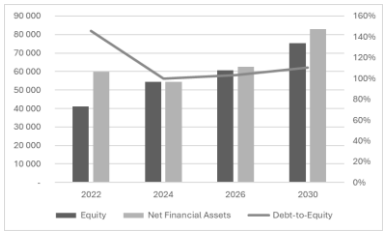
Graph 26: Equity 2025F



Current Financial Liabilities: These shorter-term obligations comprise revolving credit facilities and bank loans commonly utilized for working capital and liquidity management purposes. The forecast for Iberdrola suggests a stable yet marginally decreasing ratio of current liabilities to total sales, indicating a focus on efficient cash management practices and a gradual shift toward long-term financing solutions for ongoing projects. Recent financial statements signify that Iberdrola has sustained a diversified portfolio of debt, characterized by strategic

[30] "Leverage Economies of Scale for Business Growth | Mailchimp." n.d. Mailchimp. https://mailchimp.com/resources/economies-of-scale/.
[31] Khalid, Muhammad. 2024. "Smart Grids and Renewable Energy Systems: Perspectives and Grid Integration Challenges." *Energy Strategy Reviews* 51 (January): 101299. https://doi.org/10.1016/j.esr.2024.101299.
[32] Nebey, Abraham Hizkiel. 2024. "Recent Advancement in Demand Side Energy Management System for Optimal Energy Utilization." *Energy Reports* 11 (May): 5422–35. https://doi.org/10.1016/j.egyr.2024.05.028.
[33] "World Energy Transitions Outlook 2023." n.d. https://www.irena.org/Digital-Report/World-Energy-Transitions-Outlook-2023.
[34] Corporative, Iberdrola. n.d. "Financial Strategy and Key Data." Iberdrola. https://www.iberdrola.com/shareholders-investors/investors/fixed-income/financial-strategy.
[35] Iberdrola 2023 Annual Report

Graph 27: Capital Structure



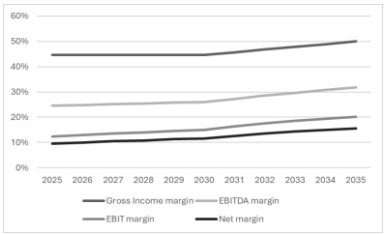
renewals and short-term loan arrangements that can be adapted in line with cash flow requirements. The projections imply that Iberdrola will persist in employing these short-term financial instruments, albeit with a slight reduction as certain obligations are refinanced into longer-term debt structures when conditions are favourable[36] (Graph 25).

Sustainability and Debt Financing: As the company has shifted its focus to issuing green bonds to finance its renewable projects, Iberdrola's dedication to sustainability is also apparent in its debt strategy[37]. In the 2023 annual report it was cited that Iberdrola is one of the world's top issuers of green bonds. As the business aligns its debt-raising efforts with sustainable finance frameworks, which might offer more favourable terms, this trend is expected to continue. Iberdrola has also laid out plans to keep its investment-grade credit rating high, which facilitates access to affordable capital and permits more adaptable financial planning[38] (Graph 27).

Interest Rate Outlook and Capital Structure: Iberdrola's debt estimates are influenced by the expected mid-term decline in interest rates, which makes borrowing more affordable and encourages higher debt levels. However, power generation is a capital-intensive industry, requiring substantial investments in infrastructure and renewable capacity. In this context, maintaining high levels of debt, such as those already held by Iberdrola, could become increasingly risky, particularly if market conditions change unexpectedly. Recognizing this, Iberdrola has adopted a balanced strategy, gradually reducing its leverage over time. This approach is expected to result in a slight decline in the debt-to-equity ratio, reaching 110% by 2030F (Graph 26 & 27). The company’s efforts to balance capital efficiency with its ambitious renewable capacity targets align with this cautious financial strategy, ensuring it can sustain growth without disproportionately increasing financial risk.

5.2 Operating margins

Graph 28: Operating margins



Iberdrola’s operational margins are expected to reflect the inherent challenges of operating within a capital-intensive sector yet will also benefit from the company's strategic emphasis on renewable energy initiatives and the modernization of its grid infrastructure[39]. Specifically, the Gross Income Margin is projected to decline from 49% in 2024 to 45% during the period of 2025 to 2030, after which it is expected to trend upwards to reach 50% by 2035, due to operational efficiency as referred in the cost chapter (Graph 28).

Furthermore, the EBITDA Margin is likely to encounter some initial decreases, decreasing from 30% in 2024 to 25% by 2025, with stability maintained until 2028. From 2029 onwards, this margin is forecasted to gradually rise to 32% by 2035, driven by enhanced cost efficiency and increased utilization of renewable energy assets. Similarly, the EBIT Margin is projected to decline from 18% in 2024E to 12% in 2025, followed by a recovery to 20% by 2035. This fluctuation reflects the impact of significant capital investments, particularly in wind, solar, and grid infrastructure (Graph 28).

Finally, the net Margin, which starts at 14% in 2024, is expected to decline to 10% by 2025, maintaining that level until 2027, before gradually improving to 16% by 2035 (Graph 28). This progression shows the financial pressures associated with Iberdrola's ambitious growth strategy in the short term, which translate to decreased margins in the short-term, while simultaneously highlighting the prospective long-term advantages of such investments[40].

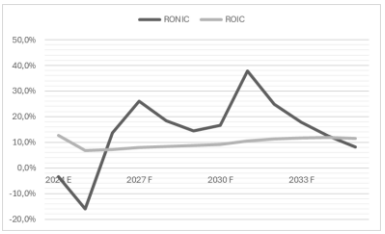
[36] Myers, Stewart C., and Nicholas S. Majluf. 1984. “Corporate Financing and Investment Decisions When Firms Have Information That Investors Do Not Have.” Journal of Financial Economics 13 (2): 187–221. https://doi.org/10.1016/0304-405x(84)90023-0.
[37] See note 65
[38] S&P Global. (2023). Credit Ratings and Market Conditions. Retrieved from https://www.spglobal.com
[39] Porter, M. E. (1980). Competitive Strategy: Techniques for Analyzing Industries and Competitors. Free Press.
[40] Drury, C. (2013). *Management and Cost Accounting* (9th ed.). Cengage Learning.

5.3 Value Creation

Table 2: LT Value Creation

	2022	2024 E	2026 F	2030 F	2035 F
Core Business					
Core Result	5 717	6 400	5 222	8 171	13 582
Growth rate	*29,3%*	*2,3%*	*12,2%*	*10,6%*	*6,0%*
RONIC	*10,2%*	*216,5%*	*8,9%*	*8,9%*	*6,6%*
Invested Capital	112 552	122 753	136 414	170 525	226 187
ROIC	*5,4%*	*5,7%*	*4,0%*	*5,1%*	*6,4%*
IR New Capital	*286,5%*	*1,1%*	*136,7%*	*118,8%*	*91,4%*
Payout Rate	*-186,5%*	*98,9%*	*-36,7%*	*-18,8%*	*8,6%*
Non Core Business					
Core Result	1 450	1 208	1 417	1 905	2 309
Growth rate	*-75,2%*	*-41,4%*	*8,7%*	*7,1%*	*2,0%*
RONIC	*435,4%*	*527,2%*	*20,9%*	*43,1%*	*56,5%*
Invested Capital	- 11 594	- 14 129	- 13 352	- 12 231	- 11 682
ROIC	*-9,1%*	*-10,3%*	*-10,4%*	*-15,2%*	*-19,7%*
IR New Capital	*-17,3%*	*-7,9%*	*41,4%*	*16,5%*	*3,5%*
Payout Rate	*117,3%*	*107,9%*	*58,6%*	*83,5%*	*96,5%*
Total Business					
Total Result	4 885	5 463	4 191	6 651	11 698
Growth rate	*-43,0%*	*-1,2%*	*14,3%*	*12,0%*	*6,4%*
RONIC	*-72,7%*	*-3,3%*	*15,9%*	*27,3%*	*8,3%*
Invested Capital	41 119	52 926	59 602	73 662	110 149
ROIC	*12,1%*	*12,7%*	*7,5%*	*9,5%*	*11,7%*
IR New Capital	*59,1%*	*36,0%*	*90,4%*	*43,8%*	*76,7%*
Payout Rate	*40,9%*	*64,0%*	*9,6%*	*56,2%*	*23,3%*

Graph 29: Forecasted ROIC and RONIC



Core Business Value Creation: As said before**,** the core business, driven by Iberdrola's renewable and regulated activities, shows a strong increasing core result, that averages approximately 8% (Table 2), and is expected to converge to 6% by 2035F due to increasing investments in renewable energy infrastructure and grid modernization projects[41]. These assumptions align with Iberdrola long-term strategy, where major investments in wind, solar, and transmission networks are critical to maintaining competitive advantage and achieving regulatory targets.

Core invested capital has increased substantially, with a compound annual growth rate expected to align with the company's ongoing investments in renewables and network expansion across key regions, including Spain, the UK, and the U. S[42] (Graph 15).

Furthermore, Core Business ROIC[43] and RONIC[44] show strong returns, indicating efficient capital allocation and operational productivity. The ROIC for the core business, averaging around 5-6%, highlights the profitability of Iberdrola's core investments despite the capital-intensive nature of the energy sector. Furthermore, the RONIC is converging to 6.6% for the core business. Given this, Iberdrola's capital recycling strategy, which involves asset rotation and divestiture in non-core assets, aligns and complements its investment approach by ensuring that capital remains directed toward high-return and sustainable assets.

Non-Core Business Value Creation: The RONIC for this segment has shown significant fluctuations, with notable declines in recent years, partially due to the strategic divestment of certain assets and the prioritization of high-growth core businesses. Although ROIC remains lower compared to core activities, Iberdrola's non-core business investments have served as important diversification measures, providing stability to the portfolio and mitigating risks associated with market and regulatory shifts in core geographies.

Projected rates reflect a moderate forecast, with a forecasted average growth rate stabilizing around 2% annually in 2035F (Table 2). This segment is expected to contribute modestly to overall company growth, acting as a buffer during periods of high capital expenditures in core segments.

Total Business Value Creation: Total Business that results for Iberdrola's core and non-core segments indicate a strong growth trajectory (Graph 60), with total invested capital anticipated to increase at a steady rate as Iberdrola capitalizes on the global energy transition. Projected ROIC and RONIC for the total business, is deemed to be around 11.7% and 8.3% in the long-term respectively (Table 10), this reflects the balanced profitability of the portfolio, supported by high-margin renewable projects and cost-effective network operations and Iberdrola's disciplined capital allocation strategy that has led to little fluctuations in payout rates, which provides consistent returns to shareholders.

5.4 Multiples Valuation

In addition to utilizing the Discounted Cash Flow (DCF) method, an analysis utilizing the multiples approach was also conducted to evaluate the valuation of Iberdrola in comparison to its industry peers. The selection of peer companies was based on several criteria. Firstly, industry relevance was a critical factor, as all chosen companies are active in the utilities sector, particularly within the energy industry. While some focus on renewable energy, like Iberdrola, others are more conventional energy providers, enabling a pertinent comparison within Iberdrola's

[41] Majeed, Y., Khan, M. U., Waseem, M., Zahid, U., Mahmood, F., Majeed, F. F., Sultan, M., & Raza, A. (2023). Renewable energy as an alternative source for energy management in agriculture. Energy Reports.

[42] Iberdrola 2023 Annual Report

[43] We used the following formula for ROIC computation $\frac{Core\ Result_t}{Invested\ Capital_{t-1}}$, Equity Research Team

[44] We used the following formula for RONIC computation $\frac{Core\ Result_t - Core\ Result_{t-1}}{Invested\ Capital_{t-1} - Invested\ Capital_{t-2}}$, Equity Research Team

renewable energy segment. Secondly, geographic relevance was considered to ensure that peer companies operate in regions with similar market conditions, risks, and fluctuations, leading to a more precise and accurate analysis. Lastly, the selection process aimed at maintaining a balance in terms of size and scale, acknowledging Iberdrola's status as a mature, market-leading entity. Consequently, peers were selected across various sizes to gain insights into the performance of companies of different scales within the industry.

Table 3: Multiples Peers

Company	Ticker
Iberdrola	IBE.MC
Endesa	ELE.MC
Enel	ENEL.MI
Duke Energy	DUK
Next Era Energy	NEE
National Grid	NGG
The Southern Company	SO

The multiples analysed include **EV/Revenue**, **EV/EBITDA**, **Trailing P/E**, and **Forward P/E**, all based on the Trailing Twelve Months (TTM) data as of November 8, 2024, extracted using the yfinance API.

The **EV/Revenue** ratio, which is often used to minimize the impact of different capital structures, taxes, and accounting processes, suggests that Iberdrola may be undervalued in comparison to its industry peers. Iberdrola's ratio is 2.9x, significantly lower than the sector average of 4.5x. This difference can be ascribed to Iberdrola's higher revenue generating when compared to its competitors. Interestingly, while Iberdrola appears inexpensive when compared to US corporations, its ratio is roughly double that of European competitors. This disparity may reflect the tendency for American corporations to be overvalued, as they are frequently priced with higher growth expectations than their European counterparts.

A similar pattern is seen with the **EV/EBITDA** multiple, which acts as a proxy for a company's cash operating profitability. Iberdrola's 9.3x multiple is lower than the industry average of 11.3x, indicating potential undervaluation. Like the EV/Revenue multiple, Iberdrola's multiple is greater than European peers but lower than US peers, albeit the gap between Iberdrola and European corporations is narrower in this case.

Table 4: Multiple Evaluation

Valuation			
EV/Revenue	EV/EBITDA	Trailling P/E	ForwardP/E
2.9x	9.3x	13.2x	18.6x
1.5x	9.0x	32.7x	11.4x
1.7x	6.8x	13.5x	10.3x
5.6x	11.9x	19.3x	16.9x
8.8x	15.8x	21.6x	19.8x
5.0x	14.5x	22.7x	12.1x
5.8x	11.8x	19.1x	19.0x
8.8x	15.8x	32.7x	19.8x
5.8x	14.5x	22.7x	19.0x
4.5x	**11.3x**	**20.3x**	**15.4x**
5.0x	**11.8x**	**19.3x**	**16.9x**
1.7x	9.0x	13.5x	11.4x
1.5x	6.8x	13.2x	10.3x

Before analysing the **Trailing P/E** and **Forward P/E** ratios, it is critical to understand their limits. The Price-to-Earnings (P/E) ratio provides a fast snapshot of how the market values a company's earnings, but its application in in-depth equity research is restricted. One major concern is its vulnerability to variances in capital structure; companies with higher leverage have higher interest expenses, which can reduce earnings and result in a higher P/E ratio. As a result, two otherwise comparable companies may have drastically different P/E ratios due to changes in leverage. Nonetheless, while the P/E ratio is not as insightful as other valuation multiples, it is still a useful indicator of market perception of Iberdrola.

Table 5: Multiples predictions

EV/Revenue	EV/EBITDA	Trailling P/E	ForwardP/E
202,180,468,344	157,703,256,898		
46,212,000,768	46,212,000,768		
155,968,467,576	111,491,256,130		
6,362,059,776	6,362,059,776		
24.52	**17.52**	**20.29**	**10.96**

Looking at the **Trailing P/E** ratio, which shows the market's previous sentiment toward a company's earnings, Iberdrola's 13.1x multiple is significantly lower than the market average of 20.3x. This suggests that the market had relatively low expectations for Iberdrola's previous growth, which is understandable considering the company's established leadership in the renewable energy sector.

In contrast, Iberdrola's **Forward P/E** ratio is 18.5x, higher than the peer average of 15.4x. This shows that the market expects faster future growth in Iberdrola's earnings or improved profitability. The rise in Iberdrola's Forward P/E ratio suggests that investors expect the firm to outperform its peers in the next years.

Overall, the multiples study shows that Iberdrola is now undervalued compared to its peers, particularly in terms of sales and cash flow creation. Furthermore, the market's optimistic opinion on Iberdrola's future performance, as evidenced by its higher Forward P/E ratio, suggests that the company will improve over time. Based on this study, a **BUY** recommendation is justified, indicating that Iberdrola's value is likely to improve in the future.

5.5 Montecarlo Simulation

In addition to the risk assessment, a Monte Carlo simulation was conducted to estimate Iberdrola's likely future performance and the uncertainty surrounding its stock. The simulation relied on three key inputs: the weighted average cost of capital (WACC), the long-term growth rate (LT growth), and the return on new invested capital (RONIC), as these are the primary components of the discounted cash flow calculation.

Each input's mean was aligned with the values used in the original DCF model. The WACC's standard deviation was derived from historical data (2022–2024) provided by Alpha Insights[45]. The long-term growth rate, based on an academic approach to the industry, was assumed to have limited variation, given the essential and relatively non-disruptive nature of the energy sector. However, RONIC, being the most uncertain input, was assigned a higher standard deviation to stress-test potential future outcomes.

The simulation (Appendix 3) produced an expected mean value close to the original DCF calculation, with low positive skewness suggesting a tendency toward lower valuations. Additionally, the platykurtic distribution indicated a relatively high degree of uncertainty. Given the current high risk-free rate, the simulation underscores the challenges of holding Iberdrola's stock. The elevated level of uncertainty, coupled with a relatively low expected payout, increases the risk and makes the investment less appealing under these projections.

Table 6: Monte Carlo Inputs

MonteCarlo Simulation		
Inputs	**Mean**	**Std Dev**
WACC	5.46%	0.35%
Long Term growth rate	2.4%	0.20%
RONIC 2035	8.32%	1.50%

Table 7: Monte Carlo Results

MonteCarlo Simulation	
Mean	13.89 €
Median	13.49 €
Std Dev	5.19 €
Skewness	0.54
Kurtosis	1.41
Minimum	- 5.21
25th percentile	10.53 €
75th percentile	16.83 €
Maximum	36.94 €

Risks and ESG

6.1.1 External Risks

Deflationary Trend

Level: Medium
Inflation has remained negative since the start of the year, primarily due to declining crude oil prices, which have dropped from $86.91 on May 4th to $71.29 as of December 13th[46]. This decline impacts the renewables sector, as cheaper fossil fuels may encourage buyers to opt for these alternatives over renewables.

Graph 30: Light Crude Oil Futures (CL1) YtD

Subsidies Cut

Level: Medium
The potential rollback of green energy subsidies under former President Donald Trump's policy proposals is unlikely to significantly impact Iberdrola in the short term. As an established player in the industry, the company is less reliant on subsidies for its day-to-day operations. However, such cuts could pave the way for more aggressive anti-green measures, posing a longer-term risk.

"Drill, Baby, Drill"

Level: High
Donald Trump's vocal support for the oil and gas industry signals a high-risk environment for renewable energy[47]. His plans to boost fossil fuel production and reverse regulations aimed at reducing U.S. carbon emissions could intensify competition for renewables and hinder progress in climate-focused policies.

[45] "Iberdrola SA (Mad: Ibe)." AlphaSpread.com. December 2024. https://www.alphaspread.com/security/mad/ibe/discount-rate
[46] Hormuzdengineer, Shalvisharma5, TradeStation, SamanFx0, SpinnakerFX_LTD, RT_Money, TreyHighPwr, Sony97, EdgeClear, and Wovenvoids. "Crude Oil WTI Futures Price - CL Chart & Quotes." TradingView. December 2024. https://www.tradingview.com/symbols/NYMEX-CL1!/.

[47] Martínez, A, and H.J. Mai. "Trump Wants to 'drill, Baby, Drill.' What Does That Mean for Climate Concerns?" NPR, November 15, 2024. https://www.npr.org/2024/11/13/nx-s1-5181963/trump-promises-more-drilling-in-the-u-s-to-boost-fossil-fuel-production.

6.2 Environmental Sustainability Governance (ESG)

Iberdrola prioritizes ESG initiatives due to its position as a global leader in renewable energy. According to Sustainalytics[48], the company holds an ESG Risk Rating score of 16.3, categorizing it as low risk. This ranks Iberdrola 53rd out of 648 companies in the utility industry group, highlighting its strong commitment to sustainability.

6.2.1 Environmental

Iberdrola has consistently reduced its greenhouse gas (GHG) emissions over the past three years[49], achieving CO_2 emissions per MWh among the lowest in the domestic and international energy sectors in 2023. These reductions align with its climate action plan and decarbonization targets for 2030, as evidenced by the stable and continuous improvement shown in metrics such as Kg CO_2/MWh and Kg CO_2/EUR (Table 10).

The group has also optimized its energy emission and distribution networks to minimize losses and enhance efficiency. Key measures include reducing fuel consumption and implementing initiatives to improve energy efficiency, as detailed in Appendices 4 and 5.

These efforts have resulted in an Environmental Risk Score of 5.1, the lowest among evaluated peers, placing Iberdrola in the "negligible" risk category.

6.2.2 Sustainability

Iberdrola demonstrated its commitment to sustainability through initiatives focused on workforce diversity, equality, and development. Out of a total of 42,276 employees, one in four are women. The company has achieved near parity in compensation, with the ratio of men's average salary to women's at 94.6%. Employees, regardless of gender, have equal access to benefits such as life insurance, medical insurance, maternity leave, and pension funds (Appendices 6 & 7).

Iberdrola also prioritizes employee development, with an average of 77.9 training hours for men and 59.7 hours for women in 2023 (Appendix 8).

These efforts have earned the company a Sustainability Risk Score of 6.8, the second lowest among its peers, categorizing Iberdrola as "negligible" in terms of sustainability risk.

6.2.3 Governance

Iberdrola's corporate governance metrics reflected a mix of progress and challenges. At the consolidated level, the annual remuneration ratio of the highest-paid employee to the median employee salary was 45.67, translating to approximately €2.6 million for the highest-paid individual. This ratio has generally increased across most regions, except for Spain and Mexico, where it has remained stable (Appendix 9).

Regarding ethics and compliance, internal investigations confirmed 10 cases of corruption reported through the ethics mailboxes in 2023. On political contributions, the company saw a significant increase in spending, particularly in the U.S., where contributions rose from €45,000 to €560,000—a dramatic 11.5x jump.

Despite these concerns, Iberdrola achieved a Governance Risk Score of 4.4, the third highest among its peers but still within the "negligible" risk category.

Table 8: ESG ratings peers

Company	Ticker
Iberdrola	IBE.MC
Endesa	ELE.MC
Enel	ENEL.MI
Duke Energy	DUK
Next Era Energy	NEE
National Grid	NGG
The Southern Company	SO

Table 9: ESG ratings results

Total score	Environmental Score	Social Score	Government Score
16.3	5.1	6.8	4.4
14.7	6.5	4.8	3.4
18.4	6.1	8.7	3.6
26.8	13.9	10	2.9
25	11.3	8.9	4.8
N/A	N/A	N/A	N/A
28.1	11.3	10	6.9

Table 10: Intensity of CO2 emissions

2023	2022[10]	2021
77	83	96
0.204	0.198	0.316

[48] "Company ESG Risk Rating - Sustainalytics." sustainalytics.com. December 2024. https://www.sustainalytics.com/esg-rating/iberdrola-sa/1008395546.
[49] See Statement of Non- Financial Information. Sustainability Report

Appendix

1.Financial Statements

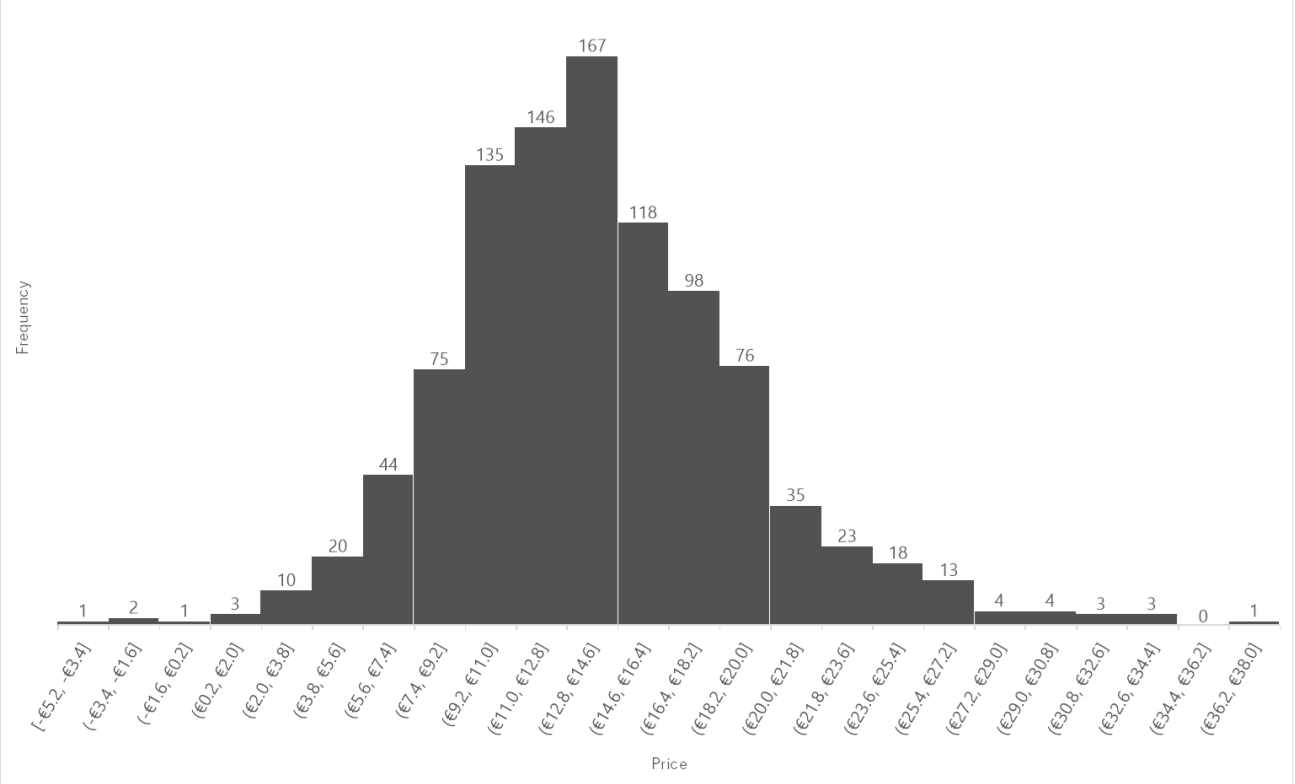
Forecasted Income Statement

Millions of Euros	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Core Business																			
Revenue	**31 263**	**35 076**	**36 438**	**33 145**	**39 114**	**53 949**	**49 335**	**46 083**	**48 533**	**52 241**	**56 500**	**60 789**	**65 561**	**70 361**	**74 821**	**78 826**	**82 269**	**85 054**	**87 095**
YoY change (%)		*12%*	*4%*	*-9%*	*18%*	*38%*	*-9%*	*-7%*	*5%*	*8%*	*8%*	*8%*	*8%*	*7%*	*6%*	*5%*	*4%*	*3%*	*2%*
Supplies	-17 899	-19 641	-20 175	-17 000	-22 052	-33 750	-26 033	-23 521	-26 854	-28 906	-31 263	-33 636	-36 276	-38 932	-40 602	-41 934	-42 889	-43 434	-43 547
% of Revenues	*57%*	*56%*	*55%*	*51%*	*56%*	*63%*	*53%*	*51%*	*55%*	*55%*	*55%*	*55%*	*55%*	*55%*	*54%*	*53%*	*52%*	*51%*	*50%*
Gross Income	**13 364**	**15 435**	**16 263**	**16 145**	**17 062**	**20 199**	**23 302**	**22 562**	**21 679**	**23 335**	**25 238**	**27 154**	**29 285**	**31 429**	**34 219**	**36 891**	**39 380**	**41 620**	**43 547**
Gross Income margin	*43%*	*44%*	*45%*	*49%*	*44%*	*37%*	*47%*	*49%*	*45%*	*45%*	*45%*	*45%*	*45%*	*45%*	*46%*	*47%*	*48%*	*49%*	*50%*
Personnel Expense	-2 172	-2 020	-2 146	-2 149	-2 286	-2 518	-2 960	-3 159	-3 350	-3 547	-3 753	-3 969	-4 195	-4 430	-4 675	-4 929	-5 193	-5 466	-5 748
% of Revenues	*7%*	*6%*	*6%*	*6%*	*6%*	*5%*	*6%*	*7%*	*7%*	*7%*	*7%*	*7%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*7%*
Personnel Numbers	*34255*	*34078*	*35374*	*37127*	*39955*	*40721*	*42276*	*43785*	*45329*	*46908*	*48522*	*50170*	*51854*	*53572*	*55324*	*57110*	*58929*	*60781*	*62665*
YoY change (%)		*-1%*	*4%*	*5%*	*8%*	*2%*	*4%*	*3,6%*	*3,5%*	*3,5%*	*3,4%*	*3,4%*	*3,4%*	*3,3%*	*3,3%*	*3,2%*	*3,2%*	*3,1%*	*3,1%*
Personnel costs per employee	*0,06*	*0,06*	*0,06*	*0,06*	*0,06*	*0,06*	*0,07*	*0,07*	*0,07*	*0,08*	*0,08*	*0,08*	*0,08*	*0,08*	*0,08*	*0,09*	*0,09*	*0,09*	*0,09*
YoY change (%)		*-6,5%*	*2,3%*	*-4,6%*	*-1,2%*	*8,1%*	*13,2%*	*3,0%*	*2,4%*	*2,3%*	*2,3%*	*2,3%*	*2,3%*	*2,2%*	*2,2%*	*2,1%*	*2,1%*	*2,0%*	*2,0%*
External services (Admnistrative costs	-2 579	-2 797	-2 843	-2 841	-2 936	-3 602	-4 000	-3 613	-3 724	-3 921	-4 147	-4 360	-4 592	-4 811	-4 990	-5 125	-5 212	-5 246	-5 226
% of Revenues	*8,2%*	*8,0%*	*7,8%*	*8,6%*	*7,5%*	*6,7%*	*8,1%*	*8%*	*8%*	*8%*	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*	*6%*	*6%*	*6%*
Selling, general and administrative costs	-4 751	-4 817	-4 989	-4 990	-5 222	-6 120	-6 960	-6 772	-7 074	-7 468	-7 900	-8 329	-8 787	-9 241	-9 665	########	########	########	-10 974
YoY change (%)		*1,4%*	*3,6%*	*0,0%*	*4,6%*	*17,2%*	*13,7%*	*-2,7%*	*4,5%*	*5,6%*	*5,8%*	*5,4%*	*5,5%*	*5,2%*	*4,6%*	*4,0%*	*3,5%*	*2,9%*	*2,4%*
Taxes other than income tax	-1 874	-1 931	-1 829	-1 821	-829	-1 762	-2 749	-5 499	-2 678	-2 882	-3 117	-3 354	-3 617	-3 882	-4 128	-4 349	-4 539	-4 692	-4 805
% of Revenues	*6%*	*6%*	*5%*	*5%*	*2%*	*3%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*
EBITDA	**6 739**	**8 687**	**9 445**	**9 334**	**11 011**	**12 317**	**13 593**	**13 904**	**11 927**	**12 985**	**14 221**	**15 471**	**16 881**	**18 307**	**20 426**	**22 488**	**24 437**	**26 216**	**27 769**
EBITDA margin	*22%*	*25%*	*26%*	*28%*	*28%*	*23%*	*28%*	*30%*	*25%*	*25%*	*25%*	*25%*	*26%*	*26%*	*27%*	*29%*	*30%*	*31%*	*32%*
D&A Costs	-4 606	-3 910	-4 227	-4 474	-4 663	-5 244	-5 444	-5 629	-5 909	-6 234	-6 578	-6 944	-7 331	-7 742	-8 179	-8 642	-9 134	-9 655	-10 209
% of Revenues	*15%*	*11%*	*12%*	*13%*	*12%*	*10%*	*11%*	*12%*	*12%*	*12%*	*12%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*12%*
Core Results Before Tax	**2 133**	**4 777**	**5 218**	**4 860**	**6 348**	**7 073**	**8 149**	**8 274**	**6 018**	**6 751**	**7 643**	**8 528**	**9 550**	**10 564**	**12 247**	**13 845**	**15 303**	**16 561**	**17 560**
EBIT margin	*7%*	*14%*	*14%*	*15%*	*16%*	*13%*	*17%*	*18%*	*12%*	*13%*	*14%*	*14%*	*15%*	*15%*	*16%*	*18%*	*19%*	*19%*	*20%*
Statutory Taxes	-533	-1 194	-1 305	-1 215	-1 587	-1 768	-2 037	-2 069	-1 505	-1 688	-1 911	-2 132	-2 388	-2 641	-3 062	-3 461	-3 826	-4 140	-4 390
Statutory Tax rate	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
Tax Adjustments	1 904	127	285	180	-339	412	146	194	141	159	180	200	224	248	288	325	360	389	413
in % of core result before taxes	*89%*	*3%*	*5%*	*4%*	*-5%*	*6%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Taxes	1 370	-1 067	-1 020	-1 035	-1 926	-1 356	-1 891	-1 874	-1 363	-1 529	-1 731	-1 931	-2 163	-2 393	-2 774	-3 136	-3 466	-3 751	-3 977
Effective tax rate	*-64%*	*22%*	*20%*	*21%*	*30%*	*19%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*
Core Result	**3 503**	**3 710**	**4 198**	**3 825**	**4 422**	**5 717**	**6 258**	**6 400**	**4 655**	**5 222**	**5 912**	**6 596**	**7 387**	**8 171**	**9 473**	**10 710**	**11 837**	**12 810**	**13 582**
Net margin	*11%*	*11%*	*12%*	*12%*	*11%*	*11%*	*13%*	*14%*	*10%*	*10%*	*10%*	*11%*	*11%*	*12%*	*13%*	*14%*	*14%*	*15%*	*16%*
Non Core Business																			
Other operating income	580	662	659	704	995	911	824	894	941	1 013	1 096	1 179	1 272	1 365	1 451	1 529	1 596	1 650	1 689
% of Revenues	*2%*	*2%*	*2%*	*2%*	*3%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Result of equity-accounted investees	250	65	217	480	-39	146	239	243	255	275	297	320	345	370	394	415	433	448	458
% of Revenues	*1%*	*0%*	*1%*	*1%*	*0%*	*0%*	*0%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*
Finance income	922	840	864	1 038	1 265	1 204	1 535	1 279	1 347	1 450	1 568	1 687	1 819	1 952	2 076	2 187	2 283	2 360	2 417
% of Revenues	*3%*	*2%*	*2%*	*3%*	*3%*	*2%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*
Non-Core Results Before Tax	**1 752**	**1 567**	**1 740**	**2 222**	**2 221**	**2 261**	**2 598**	**2 415**	**2 544**	**2 738**	**2 961**	**3 186**	**3 436**	**3 688**	**3 921**	**4 131**	**4 312**	**4 458**	**4 565**
Statutory Taxes	-438	-392	-435	-556	-555	-565	-650	-604	-636	-684	-740	-796	-859	-922	-980	-1 033	-1 078	-1 114	-1 141
Statutory Tax rate	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
Total other comprehensive (loss)/income	-2 301	-321	-76	-3 852	4 591	-597	333	-579	-579	-610	-657	-710	-764	-824	-885	-941	-991	-1 034	-1 069
% of Revenues	*-7%*	*-1%*	*0%*	*-12%*	*12%*	*-1%*	*1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*
Tax Impact	-74	-2	191	-48	-409	351	-219	-24	-25	-27	-29	-31	-34	-36	-38	-40	-42	-44	-45
in % of non-core result before taxes	*-4%*	*0%*	*11%*	*-2%*	*-18%*	*16%*	*-8%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*
Taxes	-2 813	-715	-320	-4 456	3 627	-811	-536	-1 207	-1 240	-1 321	-1 426	-1 538	-1 657	-1 782	-1 903	-2 014	-2 111	-2 192	-2 255
Effective tax rate	*161%*	*46%*	*18%*	*201%*	*-163%*	*36%*	*21%*	*50%*	*49%*	*48%*	*48%*	*48%*	*48%*	*48%*	*49%*	*49%*	*49%*	*49%*	*49%*
Non-Core Results	**-1 061**	**852**	**1 420**	**-2 234**	**5 848**	**1 450**	**2 063**	**1 208**	**1 303**	**1 417**	**1 535**	**1 648**	**1 779**	**1 905**	**2 018**	**2 117**	**2 201**	**2 265**	**2 309**
Financials																			
Finance expense	-1 859	-1 996	-2 164	-2 029	-2 268	-3 042	-3 722	-2 861	-3 057	-3 263	-3 507	-3 897	-4 302	-4 567	-4 748	-5 018	-5 245	-5 438	-5 592
in % of non-core result before taxes	*-106%*	*-127%*	*-124%*	*-91%*	*-102%*	*-135%*	*-143%*	*-118%*	*-120%*	*-119%*	*-118%*	*-122%*	*-125%*	*-124%*	*-121%*	*-121%*	*-122%*	*-122%*	*-123%*
Financials Results Before Tax	**-1 859**	**-1 996**	**-2 164**	**-2 029**	**-2 268**	**-3 042**	**-3 722**	**-2 861**	**-3 057**	**-3 263**	**-3 507**	**-3 897**	**-4 302**	**-4 567**	**-4 748**	**-5 018**	**-5 245**	**-5 438**	**-5 592**
Statutory Taxes	465	499	541	507	567	761	931	715	764	816	877	974	1 075	1 142	1 187	1 255	1 311	1 360	1 398
Statutory Tax rate	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
Financial Results	**-1 394**	**-1 497**	**-1 623**	**-1 522**	**-1 701**	**-2 282**	**-2 792**	**-2 145**	**-2 293**	**-2 447**	**-2 630**	**-2 923**	**-3 226**	**-3 426**	**-3 561**	**-3 764**	**-3 934**	**-4 079**	**-4 194**
Total Result	**1 048**	**3 065**	**3 995**	**70**	**8 569**	**4 885**	**5 529**	**5 463**	**3 665**	**4 191**	**4 817**	**5 322**	**5 940**	**6 651**	**7 930**	**9 063**	**10 104**	**10 996**	**11 698**
YoY chg %		192,5%	30,3%	-98,2%	12141,4%	-43,0%	13,2%	-1,2%	-32,9%	14,3%	14,9%	10,5%	11,6%	12,0%	19,2%	14,3%	11,5%	8,8%	6,4%

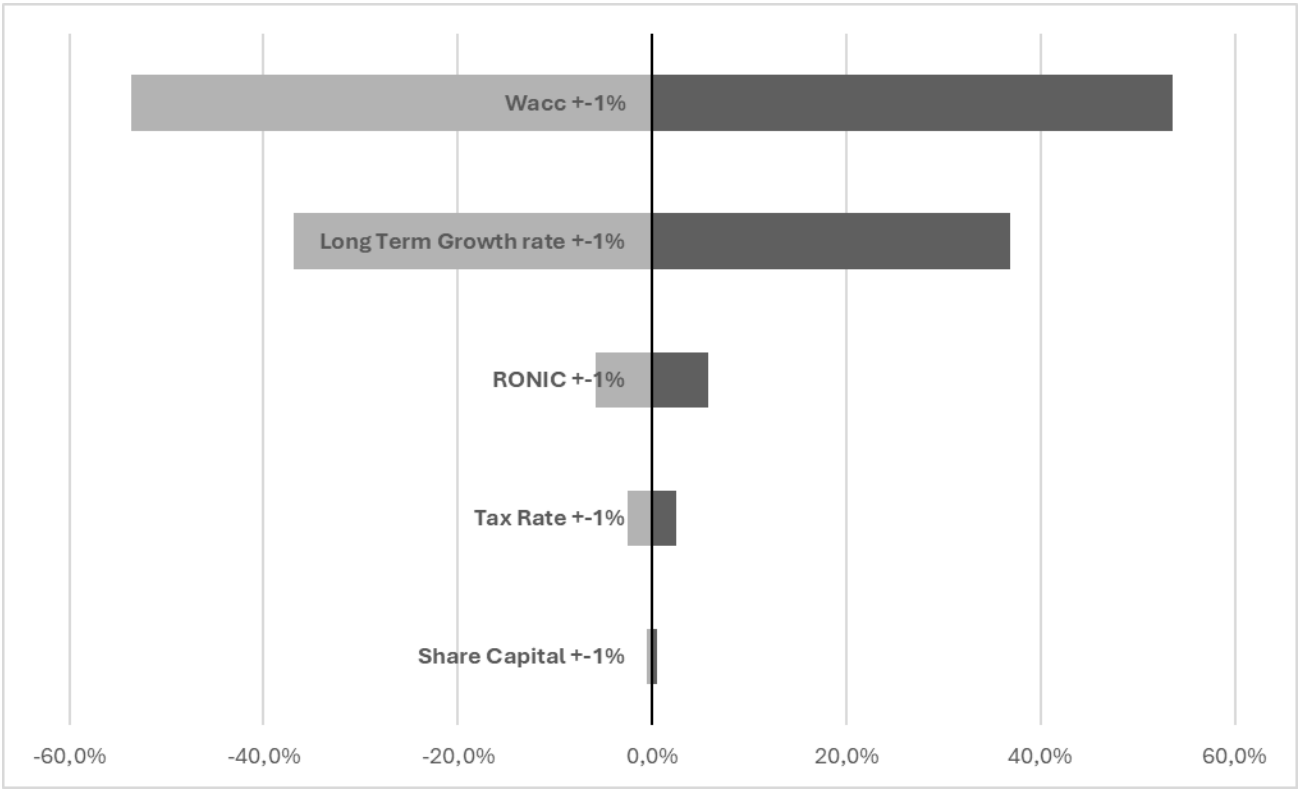
Forecasted Balance Sheet

Millions of Euros	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Core Business																			
Operating Cash	625	702	729	663	782	1 079	987	922	971	1 045	1 130	1 216	1 311	1 407	1 496	1 577	1 645	1 701	1 742
%Total Sales	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Trade Receivables *	7 560	7 668	10 350	10 825	14 720	15 834	13 382	13 247	13 951	15 017	16 241	17 474	18 846	20 067	21 171	22 127	22 909	23 493	23 862
Average Collection Period (ACP) - days	*88*	*80*	*104*	*119*	*137*	*107*	*99*	*105*	*105*	*105*	*105*	*105*	*105*	*104*	*103*	*102*	*102*	*101*	*100*
Inventories	1 870	2 174	2 542	2 443	2 639	2 159	2 550	2 575	2 940	3 165	3 423	3 683	3 972	4 352	4 632	4 881	5 091	5 255	5 369
Average Holding Period (AHP) - days	*38*	*40*	*46*	*52*	*44*	*23*	*36*	*40*	*40*	*40*	*40*	*40*	*40*	*41*	*42*	*42*	*43*	*44*	*45*
Trade Payables	- 5 308	- 5 259	- 5 098	- 5 138	- 5 964	- 5 927	- 5 112	- 3 295	- 3 762	- 4 049	- 4 379	- 4 712	- 5 082	- 5 363	- 5 497	- 5 580	- 5 606	- 5 576	- 5 488
Average Payable Period (APP) - days	*62*	*55*	*51*	*57*	*56*	*40*	*38*	*51*	*51*	*51*	*51*	*51*	*51*	*50*	*49*	*49*	*48*	*47*	*46*
Intangible Assets	21 148	21 000	20 368	18 222	19 909	20 118	20 255	20 586	20 907	21 229	21 556	21 887	22 224	22 566	22 913	23 265	23 623	23 986	24 355
%Total Sales	*68%*	*60%*	*56%*	*55%*	*51%*	*37%*	*41%*	*45%*	*43%*	*41%*	*38%*	*36%*	*34%*	*32%*	*31%*	*30%*	*29%*	*28%*	*28%*
PP&E	64 082	66 110	71 289	71 779	79 981	86 326	87 821	96 093	102 174	108 615	115 462	122 740	130 478	138 703	147 447	156 742	166 623	177 126	188 292
%Total Sales	*205%*	*188%*	*196%*	*217%*	*204%*	*160%*	*178%*	*209%*	*211%*	*208%*	*204%*	*202%*	*199%*	*197%*	*197%*	*199%*	*203%*	*208%*	*216%*
ROUA	-	-	1 782	1 974	2 260	2 370	2 488	2 706	2 944	3 202	3 483	3 789	4 122	4 483	4 877	5 305	5 771	6 277	6 828
%Total Sales	*0%*	*0%*	*5%*	*6%*	*6%*	*4%*	*5%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*7%*	*7%*	*7%*	*7%*	*8%*
Nuclear fuel	332	273	306	260	267	259	278	342	360	387	419	451	486	522	555	585	610	631	646
%Total Sales	*1%*	*1%*	*1%*	*1%*	*1%*	*0%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*
Other Liabilities	- 3 523	- 2 271	- 2 345	- 2 144	- 2 686	- 3 120	- 3 370	- 3 117	- 3 505	- 3 751	- 4 028	- 4 309	- 4 618	- 4 930	- 5 159	- 5 358	- 5 521	- 5 647	- 5 733
%Total Expenses	*12%*	*7%*	*8%*	*8%*	*8%*	*7%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*
Capital grants	- 1 481	- 1 478	- 1 399	- 1 240	- 1 261	- 1 247	- 1 136	- 1 604	- 1 690	- 1 819	- 1 967	- 2 116	- 2 282	- 2 450	- 2 605	- 2 744	- 2 864	- 2 961	- 3 032
%Total Sales	*-5%*	*-4%*	*-4%*	*-4%*	*-3%*	*-2%*	*-2%*	*-3%*	*-3%*	*-3%*	*-3%*	*-3%*	*-3%*	*-3%*	*-3%*	*-3%*	*-3%*	*-3%*	*-3%*
Facilities transferred and financed by third parties	- 4 763	- 4 823	- 4 987	- 5 043	- 5 424	- 5 673	- 6 021	- 6 219	- 6 550	- 7 051	- 7 625	- 8 204	- 8 848	- 9 496	- 10 098	- 10 638	- 11 103	- 11 479	- 11 755
%Total Sales	*-15%*	*-14%*	*-14%*	*-15%*	*-14%*	*-11%*	*-12%*	*-13%*	*-13%*	*-13%*	*-13%*	*-13%*	*-13%*	*-13%*	*-13%*	*-13%*	*-13%*	*-13%*	*-13%*
Tax Receivables/(Payables)	-	486	405	381	429	374	496	519	377	423	479	535	599	663	768	868	960	1 039	1 101
% of EBIT	*0%*	*10%*	*8%*	*8%*	*7%*	*5%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*
Core Invested Capital	**80 542**	**84 582**	**93 942**	**92 982**	**105 652**	**112 552**	**112 618**	**122 753**	**129 117**	**136 414**	**144 193**	**152 433**	**161 207**	**170 525**	**180 500**	**191 029**	**202 136**	**213 846**	**226 187**
Non Core Business																			
Investment Property	424	429	342	301	310	307	431	439	462	497	538	578	624	670	712	750	783	809	829
%Total Sales	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*
Non-Current Financial Investments	5 014	5 191	5 819	5 461	6 499	10 650	9 740	7 859	8 277	8 910	9 636	10 367	11 181	12 000	12 760	13 443	14 031	14 506	14 854
%Total Sales	*16%*	*15%*	*16%*	*16%*	*17%*	*20%*	*20%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*
Deferred tax assets	5 382	5 486	5 694	5 982	5 917	1 768	2 009	6 756	4 914	5 512	6 240	6 963	7 798	8 626	10 000	11 305	12 495	13 522	14 338
% of EBIT	*252%*	*115%*	*109%*	*123%*	*93%*	*25%*	*25%*	*82%*	*82%*	*82%*	*82%*	*82%*	*82%*	*82%*	*82%*	*82%*	*82%*	*82%*	*82%*
Assets held for sale	356	62	-	-	124	166	4 720	758	798	859	929	999	1 078	1 157	1 230	1 296	1 352	1 398	1 432
%Total Sales	*1%*	*0%*	*0%*	*0%*	*0%*	*0%*	*10%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Current financial assets	1 324	1 178	1 098	1 178	4 364	4 813	2 457	2 582	2 719	2 927	3 166	3 406	3 673	3 942	4 192	4 416	4 609	4 765	4 880
%Total Sales	*4%*	*3%*	*3%*	*4%*	*11%*	*9%*	*5%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*
Non-Current Provisions	- 5 487	- 5 268	- 5 990	- 5 836	- 5 330	- 4 225	- 4 536	- 6 403	- 6 744	- 7 259	- 7 851	- 8 447	- 9 110	- 9 777	- 10 397	- 10 953	- 11 432	- 11 819	- 12 102
%Total Sales	*-18%*	*-15%*	*-16%*	*-18%*	*-14%*	*-8%*	*-9%*	*-14%*	*-14%*	*-14%*	*-14%*	*-14%*	*-14%*	*-14%*	*-14%*	*-14%*	*-14%*	*-14%*	*-14%*
Current provisions	- 627	- 580	- 660	- 579	- 789	- 922	- 920	- 843	- 888	- 956	- 1 034	- 1 112	- 1 200	- 1 287	- 1 369	- 1 442	- 1 505	- 1 556	- 1 594
%Total Sales	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*
Deferred tax liabilities	- 8 558	- 9 042	- 9 359	- 9 607	- 11 364	- 7 129	- 7 379	- 7 916	- 5 758	- 6 459	- 7 312	- 8 159	- 9 137	- 10 107	- 11 717	- 13 246	- 14 641	- 15 844	- 16 800
% of EBIT	*-401%*	*-189%*	*-179%*	*-198%*	*-179%*	*-101%*	*-91%*	*-96%*	*-96%*	*-96%*	*-96%*	*-96%*	*-96%*	*-96%*	*-96%*	*-96%*	*-96%*	*-96%*	*-96%*
Liabilities linked to assets held for sale	- 135	- 1	-	-	-	- 27	- 1 097	- 178	- 188	- 202	- 219	- 235	- 254	- 272	- 289	- 305	- 318	- 329	- 337
%Total Sales	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*-2%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Non-controlling interests	- 7 223	- 7 394	- 9 517	- 11 806	- 15 647	- 16 995	- 17 181	- 17 181	- 17 181	- 17 181	- 17 181	- 17 181	- 17 181	- 17 181	- 17 181	- 17 181	- 17 181	- 17 181	- 17 181
%Equity	*20%*	*20%*	*25%*	*33%*	*39%*	*41%*	*40%*	*32%*	*30%*	*28%*	*27%*	*25%*	*24%*	*23%*	*22%*	*20%*	*19%*	*17%*	*15%*
Non Core Invested Capital	**- 9 530**	**- 9 939**	**- 12 573**	**- 14 906**	**- 15 916**	**- 11 594**	**- 11 756**	**- 14 129**	**- 13 588**	**- 13 352**	**- 13 088**	**- 12 820**	**- 12 527**	**- 12 231**	**- 12 059**	**- 11 917**	**- 11 806**	**- 11 728**	**- 11 682**
Net Financial Assets																			
Excess Cash	2 572	2 099	1 384	2 764	3 251	3 529	2 032	2 984	3 142	3 382	3 658	3 936	4 245	4 556	4 844	5 104	5 327	5 507	5 639
%Total Sales	*8%*	*6%*	*4%*	*8%*	*8%*	*7%*	*4%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*
Non-current financial liabilities	-30 532	-31 779	-33 639	-35 096	-37 175	-44 216	-41 775	-42 669	-44 586	-48 088	-51 986	-54 727	-58 554	-63 580	-68 217	-71 709	-74 737	-77 120	-78 804
%Total Sales	*-98%*	*-91%*	*-92%*	*-106%*	*-95%*	*-82%*	*-85%*	*-93%*	*-92%*	*-92%*	*-92%*	*-90%*	*-89%*	*-90%*	*-91%*	*-91%*	*-91%*	*-91%*	*-90%*
Current financial liabilities	- 7 542	- 8 380	- 11 496	- 10 332	- 15 333	- 19 152	- 18 008	- 14 600	- 15 900	- 17 777	- 19 440	- 21 197	- 22 455	- 23 973	- 25 233	- 26 813	- 28 132	- 29 104	- 29 780
%Total Sales	*-24%*	*-24%*	*-31%*	*-31%*	*-39%*	*-36%*	*-37%*	*-32%*	*-33%*	*-34%*	*-34%*	*-35%*	*-34%*	*-34%*	*-34%*	*-34%*	*-34%*	*-34%*	*-34%*
Net Financial Assets	**-35 502**	**-38 060**	**- 43 691**	**- 42 664**	**- 49 257**	**- 59 839**	**- 57 751**	**- 54 286**	**- 57 344**	**- 62 483**	**- 67 768**	**- 71 988**	**- 76 764**	**- 82 998**	**- 88 606**	**- 93 419**	**- 97 542**	**- 100 717**	**- 102 945**
Equity	**35 510**	**36 583**	**37 678**	**35 412**	**40 479**	**41 119**	**43 111**	**54 339**	**58 185**	**60 579**	**63 337**	**67 625**	**71 916**	**75 296**	**79 835**	**85 693**	**92 787**	**101 400**	**111 561**

2.Monte Carlo Simulation



3.Sensitivity Analysis



4. Reduction of energy consumption through the generation of renewable energy and steam

Reduction of energy consumption through the generation of renewable energy and steam (energy saved, GJ)				
Areas	Type of energy	2023	2022	2021
Renewables	Annual primary energy savings through the production of renewable energy	280,086,056	265,931,274	270,277,248
Cogeneration	Annual savings through the supply of heat energy (steam) within the group	9,651,522 [29]	10,763,904	14,093,106
Total		**289,737,578**	**276,695,178**	**284,370,354**

5. Reduction of energy consumption associated with increases in efficiency (energy saved, GJ)

Reduction of energy consumption associated with increases in efficiency (energy saved, GJ)				
Areas	Item	2023	2022	2021
Efficiency in the distribution network	Savings due to efficiency in the grid	1,472,450	1,379,273	1,522,071
Efficiency in generation	Savings due to efficiency improvement at plants	36,928 [30]	7,656	1,654
Efficiency in buildings	Savings due to efficiency in buildings	7,362	6,239	5,370
Total		**1,516,740**	**1,393,168**	**1,529,095**

6. Employees by gender, age and professional category

Employees by gender, age and professional category							
		2023		2022		2021	
		N°	%	N°	%	N°	%
By gender[40]	Men	31,939	76	31,112	76	30,672	77
	Women	10,327	24	9,603	24	9,283	23
By age group	Up to 30 years old	7,880	19	7,515	18	7,247	18
	Between 31 and 50 years old	26,107	62	25,156	62	24,163	60
	Over 50 years old	8,290	20	8,050	20	8,545	21
By professional category	Leadership	2,452	6	2,278	6	2,898	7
	Qualified technicians	17,619	42	16,610	41	14,988	38
	Skilled workers and support personnel	22,205	53	21,833	54	22,069	55
Total		**42,276**	**100**	**40,721**	**100**	**39,955**	**100**

7. Average salary by age group and gender (€)

Average salary by age group and gender (€)[42]									
	Men			Women			Total		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Up to 30 years old	35,693	31,898	25,273	34,509	31,428	26,391	35,377	31,779	25,530
Between 31 and 50 years old	50,524	48,825	42,242	58,055	55,832	49,474	52,317	50,452	43,921
Over 51 years old	89,140	86,979	78,584	84,755	81,837	70,885	88,053	85,754	76,722
Total average salary	**55,255**	**53,100**	**46,529**	**58,436**	**56,020**	**49,857**	**56,035**	**53,792**	**47,307**

8. Hours of training by professional category and gender

Hours of training by professional category and gender							
		2023[66]		2022		2021	
		Men	Women	Men	Women	Men	Women
Hours of training	Leadership	64,445	27,122	62,387	26,979	85,078	31,054
	Qualified technicians	533,641	259,545	444,229	223,312	440,433	207,835
	Skilled workers and support personnel	1,858,877	310,793	1,730,249	244,663	1,449,663	183,248
Total		**2,456,963**	**597,459**	**2,236,865**	**494,955**	**1,975,175**	**422,140**
Average hours of training by average personnel	Leadership	38.0	40.6	32.2	35.3	41.5	39.1
	Qualified technicians	48.0	43.8	43.4	41.5	46.0	42.6
	Skilled workers and support personnel	99.3	90.9	93.0	74.1	80.9	56.5
Average hours of training by average personnel		**77.9**	**59.7**	**72.7**	**52.4**	**66.8**	**47.3**

9. Annual total compensation ratio and annual total compensation percentage increase ratio

Country[79]	Highest level of remuneration	Annual total compensation ratio[80]			Total compensation percentage increase ratio		
		2023	2022	2021	2023	2022	2021
Spain	Director	23.63	23.34	23.85	-1.97	0.12	-4.20
United Kingdom	CEO	20.07	19.94	22.18	0.80	-1.23	7.31
United States	CEO[81]	19.42	11.14	12.53	10.84	N/A	11.16
Brazil	Director	31.57	29.02	28.57	1.73	0.9	N/A
Mexico	CEO	18.98	23.84	29.08	-0.32	-0.89	-31.77

"IBERDROLA S.A."

COMPANY REPORT

"POWER GENERATION"

17 DECEMBER 2024

STUDENTS:
"GONÇALO PEDROSO & TIAGO MENDONÇA"

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Iberic Green Powerhouse

Global Renewable Expansion

- The energy sector is currently changing due to new regulations, commitments to address climate change, and evolving energy consumption habits. As a result, there is increasing investment in renewable energy and improvements to the power grid. Iberdrola is in a strong position to take advantage of these changes since it has made significant investments in renewable energy and network infrastructure. These initiatives are likely to enhance its position in the market and its ability to adapt, while also contributing to the global movement towards reducing carbon emissions.

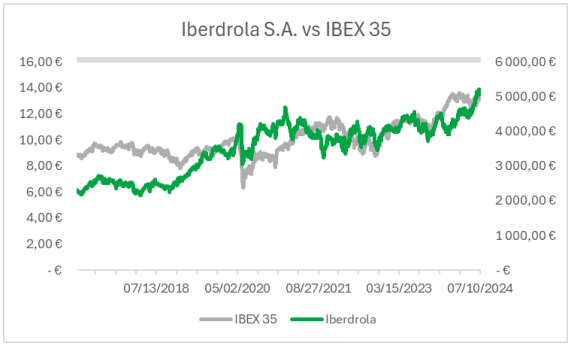
- As of December 15, 2024, our analysis sets a price target at €13.89, offering a modest upside of 5.7%. Valuation through multiples reveals Iberdrola's undervaluation compared to its peers, particularly in sales and cash flow, indicating solid prospects for cash generation from its regulated networks and renewable energy streams. However, given external market factors that may introduce volatility, we give a "HOLD" recommendation, recognizing Iberdrola's strong growth potential while accounting for near-term uncertainties.

Recommendation:	**HOLD**
Vs Previous Recommendation	-
Price Target FY25:	**13.89 €**
Vs Previous Price Target	-
Price (as of 16-Dec-24)	**13.14 €**

Source: Bloomberg

52-week range (€)	10.48-14.18
Market Cap (€m)	88 250
Outstanding Shares (m)	6.423

Source: Bloomberg



Source: Equity research valuation model

(Values in € millions)	2023	2024E	2025F
Revenues	€49 335	€46 083	€48 533
EBIT	€7 025	€7 829	€6 751
Core Result	€6 192	€6 400	€4 655
EPS	€0.86	€0.85	€0.65
P/E	-	15.5x	21.3x
Core g	0.06	0.05	0.04
ROIC	-	12.7%	6.9%
WACC	-	-	5.46%

Source: Company data, Analysts estimates, Bloomberg

Company description

Iberdrola S.A. is a leading energy firm located in Spain, dedicated to the generation and distribution of renewable energy sources. It ranks among the largest producers of electricity globally, particularly from wind and solar sources, and plays a key role in advancing clean energy initiatives. The company has a varied portfolio of energy assets, which includes both onshore and offshore wind farms, hydroelectric plants, and solar facilities. As a well-established leader in the market, with operations in both Europe and America, Iberdrola has a vertically integrated structure that encompasses generation, distribution, and energy marketing. This positions Iberdrola as a crucial player in the ongoing global shift toward renewable energy expansion.

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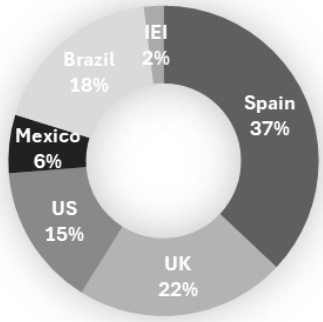
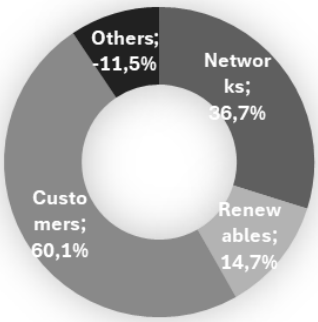
Company Overview

1.1 Overview

Graph 1: Revenues by region



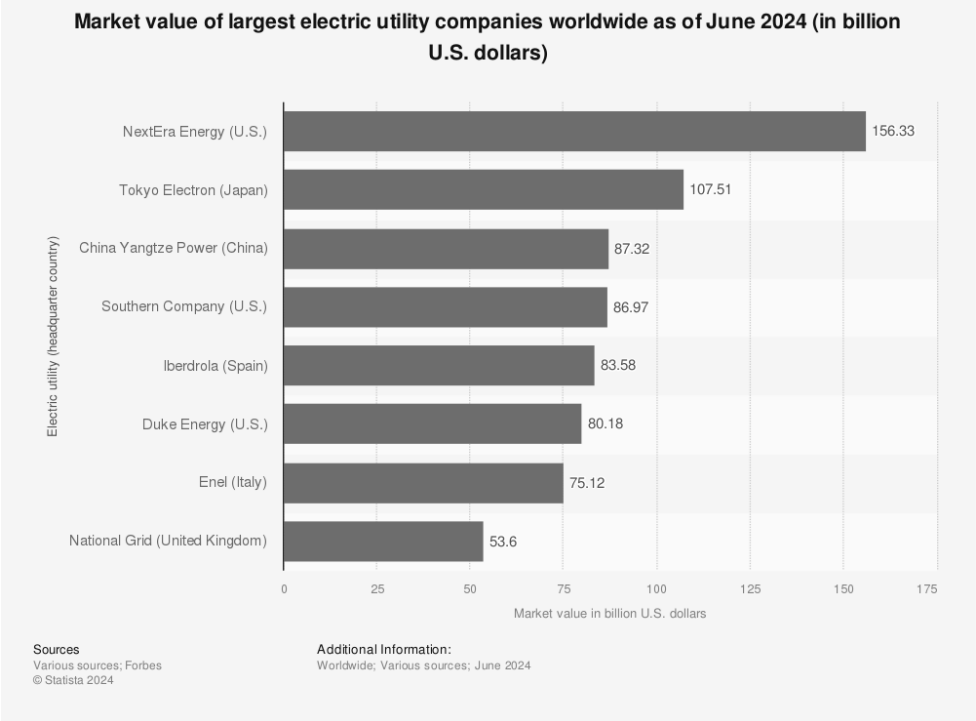
Graph 2: Revenues by Segment



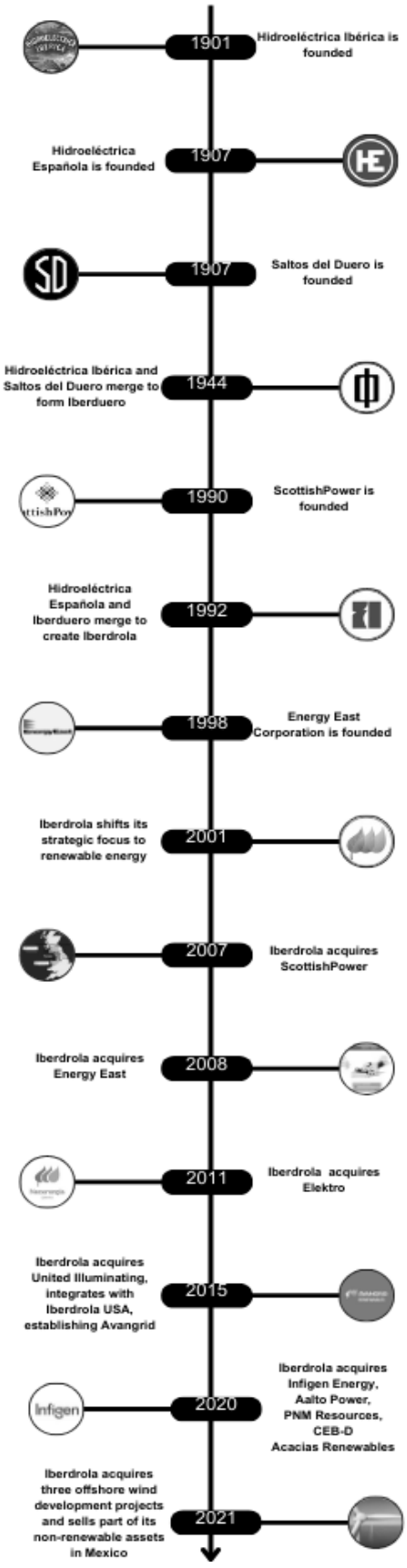
Iberdrola, S.A., headquartered in Bilbao, Spain, is a leading multinational electric utility company founded in 1992 through the merger of Hidroeléctrica Española and Iberduero. The company constructs, operates, and manages power generation plants, transmission and distribution facilities, and related assets, with a focus on both conventional and renewable energy sources.

Supplying energy to over 100 million people across multiple countries, Iberdrola employs approximately 43,000 individuals and manages assets exceeding €150 billion. As the world's largest producer of wind energy, it also ranks among the top electricity companies globally, with a market capitalization of €87 billion, making it the 13th most valuable energy company. Iberdrola ranks as the second-largest energy company by revenue. Its main activities include producing electricity and gas, trading in wholesale markets, transmitting and distributing energy, and supplying energy-related services to customers.

The company operates across five main regions: the USA, Spain, Mexico, Brazil, and the United Kingdom, with additional activities in countries such as Portugal, Ireland, France, Germany, Poland, Italy, Greece, Hungary, Romania, and Australia. Iberdrola's leadership in renewable energy and its position as one of the eight largest global electricity companies underscore its prominence in the sector.



Graph 3: Company History



1.2 History

Iberdrola, founded in 1992 as a merger of Hidroeléctrica Española (founded in 1907) and Iberduero (formed in 1944 through the unification of Hidroeléctrica Ibérica and Saltos del Duero), has constantly prioritized the energy industry. Its strategic direction has been influenced by global and domestic events, as well as forward-thinking investments in innovation and sustainable energy.

Key milestones include the acquisitions of ScottishPower (2007) and Energy East (2008), which marked the company's entry into the UK and US markets, as well as Elektro (2011), which established its footprint in Brazil. Avangrid was formed in 2015 from the merging of Iberdrola USA and UIL Holdings, which strengthened its presence in North America. More recent purchases, such as Infigen Energy in Australia and offshore wind projects in Taiwan, demonstrate the company's dedication to renewables and international expansion.

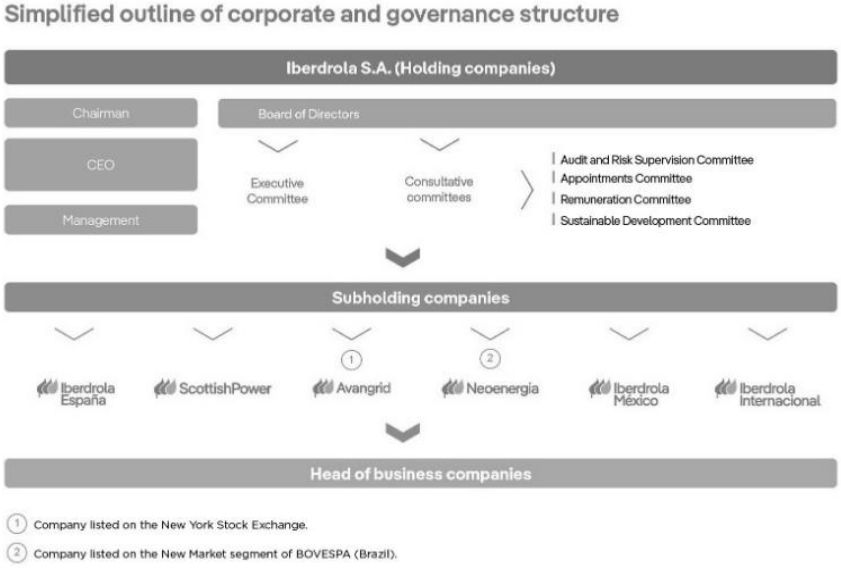
Overall, Iberdrola has depended largely on mergers and acquisitions (M&As) to grow its business in terms of scale and scope. These mergers and acquisitions, together with early investments in wind generation, have established Iberdrola as a global leader in renewable energy. Its strategy remains focused on decarbonization, electrification, and innovation, in line with global energy shifts. Iberdrola's demonstrated ability to exploit M&A for growth shows that this strategy will be critical to the company's future success.

1.3 Legal Structure

Iberdrola has three significant major shareholders. The largest is the Qatar Investment Authority, holding 8.71% of total voting rights, followed by BlackRock Inc., with 5.30%, and Norges Bank, with 3.45%.

As of the end of 2023, Iberdrola's shareholder structure is composed as follows:
70.7% International investors
7.73% Domestic entities
22.20% Domestic retail investors

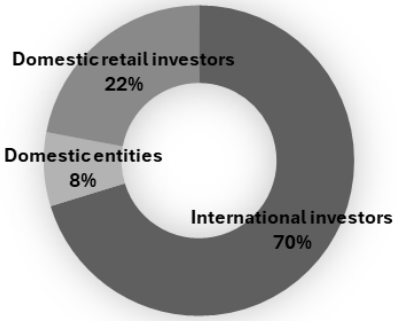
The Iberdrola Group is structured into three levels:
1.Holding Company
2.Country Subholding Companies
3.Head of Business Companies



Graph 3.1: Corporate Structure

Key subsidiaries include:
-Iberdrola España, S.A.U.: The country subholding company for operations in Spain.
-ScottishPower, Ltd.: The country subholding company for the United Kingdom.
-Avangrid: The sub holding company in the United States, with Iberdrola, S.A. holding 81.50% of its shares.
-Neoenergia, S.A.: The Brazilian country sub holding company, listed on the Brazilian Stock Exchange.
-Iberdrola México, S.A. de C.V.: The subholding company for Mexico.
-Iberdrola Energía Internacional, S.A.U.: The country sub holding company for the remaining Iberdrola's energy businesses
-There is also Iberdrola Ingeniería y Construcción and Iberdrola Inmobiliaria

Graph 4: Shareholders Structure, 2024

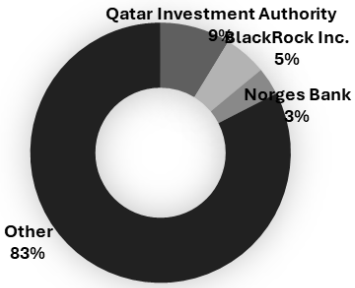


In its internationalization activities, Iberdrola adopts a transnational strategy by establishing subholding companies in key geographical markets. This strategy enables the organization to be responsive to local demands while keeping central control over operations to ensure efficiency.

1.4 Board of directors

Iberdrola's Board of Directors comprises 14 members, with notable figures including:

Graph 5: Major Shareholders, 2024

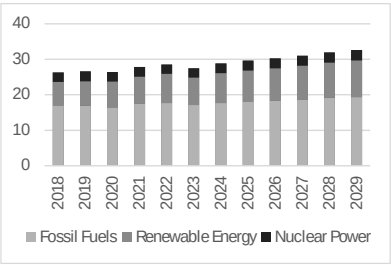


José Ignacio Sánchez Galán:
Galán was appointed Iberdrola's executive vice-chairman and CEO in 2001, and he became executive chairman in 2006. During his tenure, he oversaw Iberdrola's transition to renewable energy and global expansion through strategic investments and acquisitions, which included ScottishPower (2007), Avangrid (2015), and Infigen (2022). His concept for utility consolidation and targeted acquisitions in important geographic markets considerably increased Iberdrola's global reach. Recognizing the development potential of the US renewable energy sector, Galán has shifted a significant portion of the company's focus and resources to this market in recent years.

Armando Martínez Martínez:
Mr. Martínez was appointed by Galán in 2022. He has over 25 years of experience in the energy business, including 14 years in Iberdrola's Mexico division, where he held high managerial posts such as director of operations and general director. While his nomination is unlikely to change Iberdrola's short-term strategy, it raises the possibility of a future succession plan for Galán.

Sector Overview

Graph 6: Total energy production by segment, 2024



The global energy sector is undergoing a significant transformation, driven by evolving regulations, technological innovation, and changing consumer preferences. Key trends include a rapid shift toward renewable energy, efforts to decarbonize the economy, and the growing electrification of transportation and heating. While fossil fuels still dominate the global energy mix, their share is steadily declining, particularly in developed economies.

According to Statista[1], global energy production is projected to grow at a CAGR of 2.0% from 2018 to 2029, with energy trade output expected to reach 39.69 billion kWh by 2024, of which 8,386.41 billion kWh (28%) will be renewable. The renewable energy sector is forecasted to grow at CAGR of 4.07% (2024–2029), reflecting the accelerating transition toward cleaner energy solutions. Below we analyse external trends that further influence this industry.

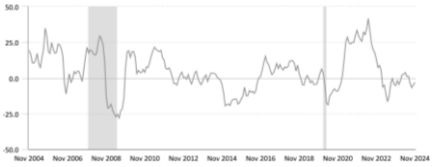
[1] "Energy - Worldwide." December 2024. https://www-statista-com.eu1.proxy.openathens.net/outlook/io/energy/worldwide?currency=EUR

External Analysis

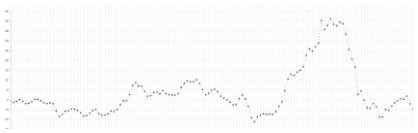
2.1 Demographic Segment

Between 2013 and 2023[2], the total number of households in the EU increased by 7%, rising from 187 million to 200 million, according to Eurostat. In the U.S., household growth was reported at 9% between the 2010 census and 2020[3], growing from 116.7 million to 126.8 million. The UK saw a similar trend, with a 6% increase in households from 2012 to 2022[4], rising from 19.4 million to 20.4 million families.
Since households represent Iberdrola's primary customer base, this steady annual growth of the company's main geographic segments presents a consistent opportunity for the company to expand its presence in the power industry and capitalize on the increasing demand for energy.

Graph 7: Energy Inflation in the US, 2004 - 2024



Graph 8: Energy Inflation in Europe, 2013 - 2024

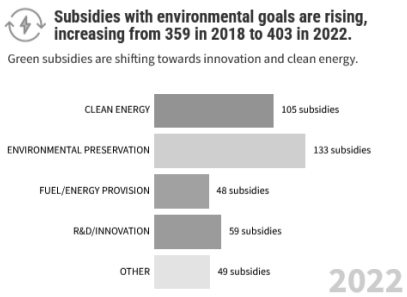


2.2 Economic Segment

According to Eurostat[5], energy inflation has slowed in 2024, with an average negative inflation rate of -1.3% since the start of the year. Over the past 11 years (2013 to September 2024), energy inflation averaged 4% per month, but since 2020, it surged to an average of 9%—the highest recorded in the revised period. This sharp increase is mainly driven by the pandemic's effect on energy consumption and the ongoing Russia-Ukraine conflict, as Russia is a key exporter of gas and liquefied natural gas (LNG) to Europe[6].
In the United States[7], energy inflation has also cooled this year, averaging -0.8% since January. Over the longer term, since 2013, U.S. energy inflation has been more modest compared to Europe, averaging 1.9%. Since 2020, however, it rose to 7%, reflecting a similar pattern to Europe, though less pronounced. The U.S. has been less impacted by the Russia-Ukraine war due to its lower dependence on Russian energy exports.

The cooling of energy prices is largely attributed to the diminishing effects of the pandemic, which continue to ease, and Europe's efforts to diversify its energy sources, reducing its reliance on Russian energy. While this stabilization is positive for consumers, it could pose challenges for energy companies like Iberdrola, which depend heavily on energy pricing for revenue growth

Graph 9: Environmental Subsidies, 2022

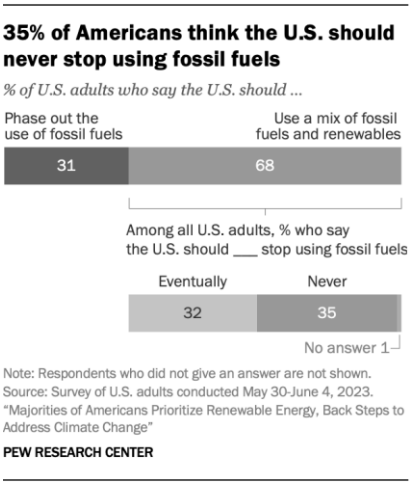


2.3 Political/Legal Segment

Over the last decade[8], governments around the world have increased their subsidies for green technology in response to rising geopolitical conflicts caused by climate change, national security concerns, and a desire to acquire a competitive advantage in developing technologies. China and the United States have the most government subsidies, followed by Australia, Canada, and the European Union.
However, there is some concern regarding the future of these subsidies. Future President Donald Trump promised to reduce green subsidies in favor of increasing fossil fuel production and cutting energy prices[9]. If successful in enacting these policies, the growth and expansion of the clean energy industry

[2] "Statistics Explained." n.d. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Household_composition_statistics.
[3] Blazina, Carrie. 2024. "U.S. Household Growth Over Last Decade Was the Lowest Ever Recorded." *Pew Research Center*, April 14, 2024. https://www.pewresearch.org/short-reads/2021/10/12/u-s-household-growth-over-last-decade-was-the-lowest-ever-recorded/.
[4] Cobb, Amanda Sharfman, and Pamela. 2023. "Families and Households in the UK - Office for National Statistics." May 17, 2023. https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2022.
[5] "Statistics | Eurostat." n.d. https://ec.europa.eu/eurostat/databrowser/view/prc_hicp_manr__custom_13208018/default/table?lang=en.
[6] Raghunandan, Vaibhav. 2024. "February 2024 — Monthly Analysis of Russian Fossil Fuel Exports and Sanctions." Centre for Research on Energy and Clean Air. March 14, 2024. https://energyandcleanair.org/february-2024-monthly-analysis-of-russian-fossil-fuel-exports-and-sanctions/.
[7] "12-month Percentage Change, Consumer Price Index, Selected Categories." n.d. Bureau of Labor Statistics. https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category-line-chart.htm.
[8] Signoret, Jose, and Milla Cieszkowsky. 2024. "To Tackle Climate Change, Governments Increasingly Turn to Green Subsidies." *World Bank Blogs* (blog). June 4, 2024. https://blogs.worldbank.org/en/trade/to-tackle-climate-change--governments-increasingly-turn-to-green.
[9] Chu, Amanda, and Alexandra White. 2024. "Trump Policies Would Put US at a 'Competitive Disadvantage', Warns Clean Energy Boss." *Financial Times*, September 26, 2024. https://www.ft.com/content/a09c2307-6d25-498b-9cac-eded26bac725.

Graph 10: Fossil Fuel Questionnaire, 2022

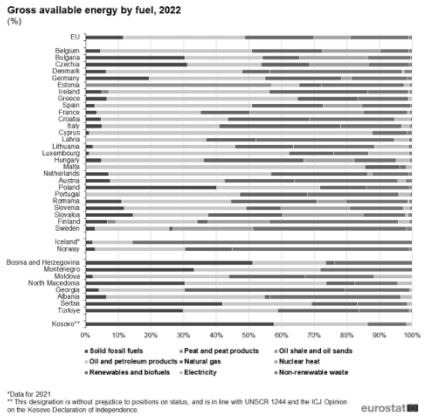


may be hampered. This shift could spark similar behaviour in other industrialized countries, resulting in lower investments in green energy. Such a tendency would have serious ramifications for companies like Iberdrola, as it relies on government subsidies to fuel technological innovation and expansion in the green energy sector.

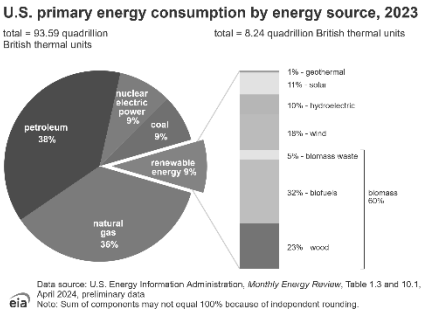
2.4 Sociocultural Segment

In Europe, most consumers want more renewable energy to combat both climate change and affordability issues. According to the Statkraft Energy Perception Report[10], three-quarters of the over 18,000 respondents were concerned about the harmful effects of climate change and supported expanding renewable energy to address these important challenges.
In the United States[11], prioritizing renewable energy is also a hot topic. Most Americans feel the US should prioritize renewable energy sources over fossil fuels. However, many people are still not ready to completely abandon fossil fuels, with a sizable proportion stating that the United States should never do so. This reflects a more cautious approach to energy transition than Europe. An overall positive movement for Iberdrola.

Graph 11: Gross energy available, 2022



Graph 12: Primary Energy consumption, 2022



2.5 Technological Segment

Recent advances in renewable energy technology have resulted in considerable gains in efficiency, scalability, and cost-effectiveness. Photovoltaic cell advancements, such as multi-junction and perovskite-silicon hybrids, are improving energy conversion in solar power, while concentrated solar power (CSP) benefits from improved storage methods such as molten salt. Offshore wind technology, such as larger turbines, floating wind farms, and vertical axis wind turbines, are increasing energy capture while lowering environmental effect. In energy storage, lithium-ion batteries are improving in terms of energy density and safety, while flow batteries and hydrogen storage provide promising long-term, scalable options.[12]These kinds of technological breakthroughs help Iberdrola increase its effectiveness and profit margins.

2.6 Global Segment

Geopolitical concerns, such as the conflict between Russia and Ukraine, as well as current instability in the Middle East, have emphasized the vulnerability of Western nations' reliance on fossil fuel imports. In contrast, renewable energy can be produced locally in almost every country, providing a solution to lessen reliance on imported energy and mitigate the impact of foreign political disputes.[13]It gives alternative energy solutions, like Iberdrola renewable's, an opportunity to increase its presence in the market.

2.7 Sustainable Physical Segment

Renewable energy sources are physically sustainable because they are numerous, naturally replenished, and release few greenhouse gases or pollutants[14]. Energy from the sun, wind, water, waste, and geothermal heat is a cleaner alternative to fossil fuels. However, satisfying global energy consumption remains a challenge for renewable sources. Many countries continue to rely on fossil fuels to meet their necessities. Nonetheless, promising advances, such as Portugal running totally on renewable energy for four days in

[10] "Energy Perception Report." n.d. https://www.statkraft.com/newsroom/multimedia-and-publications/energy-perception-report/.
[11] Beshay, and Beshay. 2024. "1. What Americans Think About an Energy Transition from Fossil Fuels to Renewables." Pew Research Center. October 25, 2024. https://www.pewresearch.org/science/2023/06/28/what-americans-think-about-an-energy-transition-from-fossil-fuels-to-renewables/.
[12] https://enerdatics.com/blog/shaping-the-future-emerging-technologies-in-renewable-energy-projects/
[13] Yadav, Aneet, and Mantu Kumar Mahalik. 2024. "Does Renewable Energy Development Reduce Energy Import Dependency in Emerging Economies? Evidence From CS-ARDL and Panel Causality Approach." *Energy Economics* 131 (February): 107356. https://doi.org/10.1016/j.eneco.2024.107356.
[14] United Nations. n.d. "Renewable Energy – Powering a Safer Future | United Nations." https://www.un.org/en/climatechange/raising-ambition/renewable-energy.

a row[15], offer a glimpse of a possible future in which renewables may reliably deliver electricity on a bigger scale.

Overall, positive factors such as population growth, increased environmental awareness, and subsidies for green energy development may offset the challenges posed by a deflationary industry and uncertainties surrounding recent energy policy promises from the incoming U.S. president. While the macro trend has been favourable for the renewable energy sector in recent years, it is essential to remain cautious about the potential impact of these evolving policy dynamics.

Industry Analysis

3.1 Threat of new entrants

Low.
New entrants to the energy sector face considerable challenges, due to the requirement for large capital investments and specialized technical skills. In addition to physical assets, businesses must establish strong brand recognition, connections, and knowledge of complex distribution networks and supply chains. High innovation and technological requirements add to the entry hurdles. Furthermore, many energy resources are controlled by the government and subject to rigorous rules, making it difficult for new competitors to enter the market.

3.2 Bargaining power of suppliers

Low.
As the world leader in wind power, Iberdrola wields considerable bargaining leverage over its suppliers. Suppliers are keen to cooperate with Iberdrola and generally comply with its terms and conditions due to the company's market dominance. Iberdrola's strong position is bolstered by its effective management of suppliers and the entire supply chain, which ensures smooth operations and maintains its leadership in the renewable energy market.

3.3 Bargaining power of buyers

Moderate - High.
In a competitive energy market, consumers have many options, therefore brand image and customer loyalty are critical. Consumers want dependability, flexibility, reasonable pricing, and high quality. Despite intense rivalry, Iberdrola has a significant advantage as the market leader in wind energy. Companies looking for wind energy frequently have limited bargaining power, providing Iberdrola a competitive advantage in this market. To sustain its leadership, Iberdrola must continue to innovate in both technology and service offerings, staying ahead of competitors and meeting changing customer needs.

3.4 Threat of substitute products

Moderate.
It could be argued that Iberdrola is positioning itself as a substitute for traditional fossil fuel energy producers by expanding its wind energy division. However, to remain competitive in the evolving energy market, Iberdrola must diversify beyond wind power. While wind energy is currently its strength, the broader energy transition suggests a growing demand for a mix of renewable sources. To avoid falling behind, Iberdrola should invest in and develop other renewable

[15] Neslen, Arthur. 2018. "Portugal Runs for Four Days Straight on Renewable Energy Alone." *The Guardian*, February 14, 2018. https://www.theguardian.com/environment/2016/may/18/portugal-runs-for-four-days-straight-on-renewable-energy-alone.

sectors, ensuring it adapts to market trends and remains a leader in the overall clean energy landscape.

3.5 Intensity of Rivalry among Competitors

High.
The energy sector is highly competitive, with numerous competitors striving for leadership in renewable energy. To maintain its leading position, Iberdrola must constantly improve and develop its technology and operating procedures. Failure to do so will result in the company losing market leadership as competitors aggressively pursue dominance in the rapidly evolving renewable energy sector.

SWOT Analysis

4.1 Strengths

Extensive Global Footprint: Iberdrola operates in Europe, America, Oceania, and parts of Asia, giving it a broad customer base and significant international reach.
Leadership in Green Energy: The company is a recognized leader in green energy, particularly in wind power, cementing its reputation in renewable energy markets.

4.2 Weaknesses

Limited Reach in Asia: Iberdrola's main operations are concentrated in Europe and America, while its presence in Asia, which constitutes over 50% of the global population, remains limited, representing a gap in market potential.
Vulnerability to Market Volatility: With 70% of its production coming from nuclear and renewable sources, Iberdrola is vulnerable to market volatility and public debate surrounding these energy segments.

4.3 Opportunities

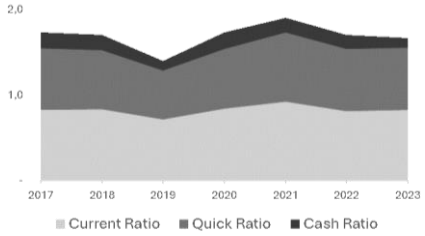
Growing Demand for Renewables: The global focus on renewable energy continues to grow, particularly in developed countries seeking solutions to mitigate climate change. This provides Iberdrola with the chance to lead and expand in a critical sector.
Expansion Potential in Asia: There is considerable potential for growth in the Asian market, which has a comparatively low supply of renewable energy, presenting a valuable opportunity for Iberdrola to establish a stronger presence.

4.4 Threats

Scepticism Around Green Initiatives: Rising scepticism among countries and investors about the authenticity and impact of green initiatives may lead to reputational risks for companies perceived as overstating their environmental commitments.
Competitive Pressure from Fossil Fuels: The declining price of crude oil and increased exploration in the US could lure consumers back to fossil fuels, challenging the cost-competitiveness of renewables and reducing demand for green energy solutions.

Financial Analysis

Graph 13: Liquidity Ratios



5.1 Liquidity Ratios

In order to evaluate the liquidity position of Iberdrola, it is necessary to review three significant financial ratios, namely, the current ratio, quick ratio, and cash ratio that give different insights into the short-term debt-paying capability of the company[16], reflected in Graph 13. The current ratio of Iberdrola has been consistent and ranged between 0.7 and 0.9 since the year 2017. This consistency shows disciplined liquidity management, but it also points out a somewhat constrained ability to meet short-term liabilities because, conventionally, a ratio above 1.5 is considered optimal for short-term coverage. However, in the context of the utilities sector, which is a capital-intensive industry with high investment demands, Iberdrola's current ratio follows industry trends where liquidity levels are lower[17] (Table 1). In Iberdrola's quick ratio, the values fluctuate between 0.6 and 0.8 (Table 1). A small decline from the current to quick ratio suggests that inventories are not a significant component of the liquid assets for Iberdrola, which is common within utilities. The quick ratio for Iberdrola is very close to the industrial average, hence indicating a similar liquidity profile exhibited by comparable companies.

Probably, the most worrisome from the liquidity position of Iberdrola begins from the cash ratio, the extent of which has ranged from 0.1 to 0.2 during these few years (Table 1). These values show that its cash balances cover just between 10% to 20% of current liabilities, which reflects liquidity restraint. The given liquidity ratios of Iberdrola indicate a prudent attitude toward short-term obligations, placed within the upper boundary of the industrial benchmark, while the cash position underlines some fragilities in managing the short-term cash flow pressures, which are normally in capital intensive industries.

Graph 14: Cash Conversion cycle 2023

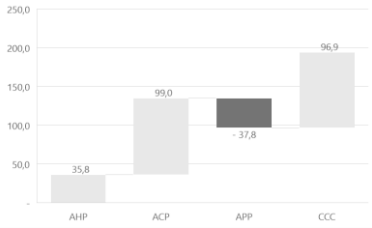


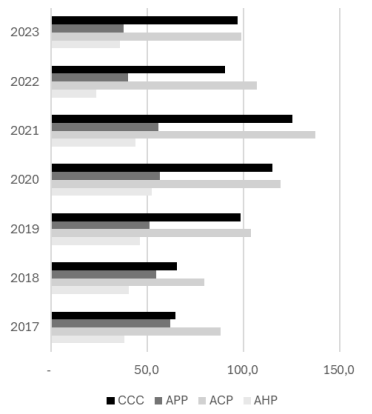
Table 1: Liquidity Ratios

Liquidity Ratios	Iberdrola			
	2020	2021	2022	2023
Current Ratio	*0,8*	*0,9*	*0,8*	*0,8*
Quick Ratio	*0,7*	*0,8*	*0,7*	*0,7*
Cash Ratio	*0,2*	*0,2*	*0,2*	*0,1*

5.2 Activity Ratios

In terms of activity ratios, Iberdrola aligns closely with industry trends, although it experiences significant fluctuations from year to year. Notably, the company's inventory holding period increased during the COVID-19 pandemic, reflecting widespread supply chain disruptions and shifts in global demand[18]. On a more positive note, as businesses around the world began to stabilize, Iberdrola demonstrated a consistent decrease in its inventory holding period (Graph 15). This trend signifies an improvement in the company's operational capabilities in managing its stock more effectively.

Graph 15: Activity Ratios



The average collection period similarly faced an upward trend through the pandemic. However, recent years have shown a consistent decline (Graph 15), underscoring Iberdrola's success in enhancing its receivables management, thus accelerating cash inflows and reinforcing liquidity.

Besides, Iberdrola's average payable period increased during the pandemic to conserve cash (Graph 15). Once conditions returned to normal, so did this metric, returning to pre-pandemic levels that indicate a stabilized approach to payables.

At the end of 2023, Iberdrola's Cash Conversion Cycle was 96.9 days (Graph 14). While this is high compared with the low CCCs in both 2017 and 2018, it is showing a very strong recovery trend in relation to pandemic-related disruptions.

[16] Team, Cfi. 2023. "Liquidity Ratio." Corporate Finance Institute. October 4, 2023. https://corporatefinanceinstitute.com/resources/accounting/liquidity-ratio/.
[17] *Utilities Sector financial strength, from the Q3 2024 to 3 Q 2023, leverage, interest, debt coverage and quick ratios. (n.d.). https://csimarket.com/Industry/industry_Financial_Strength_Ratios.php?s=1200*
[18] Corporative, I. (n.d.). We are continuing our operations for the benefit of our Stakeholders. Iberdrola. https://www.iberdrola.com/social-commitment/coronavirus-iberdrola-global-response

The continued decrease in the key components of this CCC indicates an increased efficiency in Iberdrola's working capital management and keeps the company in a good position regarding further operational improvements and increased stability.

Table 2: Activity Ratios

Activity Ratios	Iberdrola			
	2020	2021	2022	2023
AHP	*52,5*	*43,7*	*23,3*	*35,8*
ACP	*119,2*	*137,4*	*107,1*	*99,0*
APP	*56,6*	*55,7*	*40,1*	*37,8*
CCC	*115,1*	*125,4*	*90,4*	*96,9*

5.3 Capital Structure

Overview: Over the past 7 years, Iberdrola has increased its net debt and equity, reflecting a deliberate strategy of financing its expansion program[19]. During this period, net debt grew from €35.5 billion to €57.7 billion. On the other hand, equity increased from €42.7 billion to €60.3 billion (Graph 16). This financial evolution reveals the dual strategy of Iberdrola: large indebtedness, balanced with a solid equity base to support its investments in renewable energy projects and essential infrastructure improvements. The big rise in equity reflects Iberdrola's focus on maintaining a robust capital structure, even as it pursues debt-fuelled expansion.

Graph 16: Net Debt and Equity

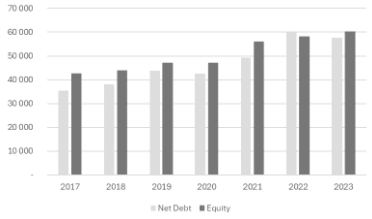


Table 3: Financial Ratios

	2020	2021	2022	2023
Short-Term Ratios				
Debt-to-Equity Ratio	0,90	0,88	1,03	0,96
Debt-to-EBITDA Ratio	4,25	4,10	4,52	4,01
Debt-to-EV Ratio	0,47	0,47	0,51	0,49
Long Term Ratios				
Solvency Ratio	0,63	0,66	0,63	0,67
Financial Autonomy	0,39	0,40	0,39	0,40

Financial Ratios: Iberdrola has seen a decline in its debt-to-EBITDA ratio over the last six years, decreasing from 4.85 in 2017 to 4.01 in 2023. This improvement is largely due to a significant rise in EBITDA, which has outpaced the growth in debt as the company expanded (Table 3). This trend reflects better financial efficiency, as Iberdrola has effectively managed its debt in relation to its operating profits, even though its total debt has increased (Graph 16). These figures highlight Iberdrola's careful approach to debt management, especially evident after the pandemic, as the company has adjusted its ratios to create a healthier balance between equity and debt.

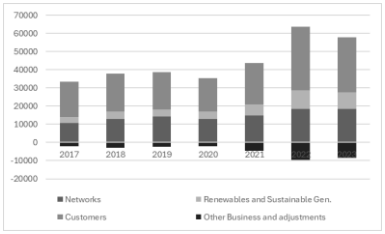
Regarding the debt-to-equity ratio, Iberdrola reached the maximum value of 1.03 in 2022 and, after increasing share capital, fell back to 0.96 in 2023 (Table 3). This decline indicates an improvement in the balance of capital for Iberdrola and reflects a company committed to maintaining not only growth but also financial stability[20].

Long-term Health Indicators: The solvency ratio of Iberdrola has seen a stable increase from 0.63 in 2017 to 0.67 by 2023, as seen in Table 3. It indicates that the company is in a good position to meet all its future obligations, despite the continuing investments. Furthermore, financial autonomy has improved, indicating that Iberdrola has maintained equity levels that are adequate to sustain the company against financial stress without high indebtedness.

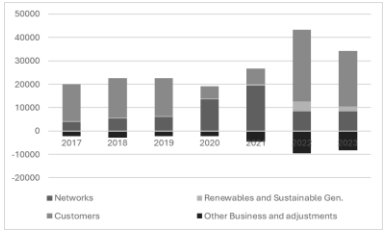
Overall, Iberdrola's capital structure between 2017 and 2023 is balanced and strategic, combining debt-financed growth with a robust equity base to underpin long-term stability. This careful management of capital has enabled Iberdrola to pursue ambitious renewable projects while maintaining a resilient financial position. Key indicators of debt-to-EBITDA, debt-to-equity, and solvency ratios all support the view that Iberdrola is sustaining a prudent financial approach in its expansion strategy, ensuring readiness for future growth while preserving financial health.

5.4 Revenues and Operating margins

Graph 17: Revenue per Segment



Graph 18: COGS per Segment



Revenues: Over the last seven years, Iberdrola has shown impressive growth. Its revenues have increased at an average annual rate of 7.9%, rising from €31 billion in 2017 to €50 billion in 2023 (Graph 17). This growth is mainly due to the strong expansion in its renewable energy and sustainable generation sectors, which experienced an outstanding average annual growth rate of 19.67% during this time (Graph 17). Notable investments include the addition of 3,250 MW of

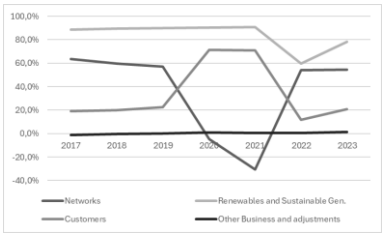
[19] Iberdrola Press Release: https://www.iberdrola.com/documents/20125/3969101/240222-iberdrola-sets-a-new-investment-record-1138-billion-driving-net-profit-of-48-billion-107.pdf
[20] Corporative, Iberdrola. n.d. "Financial Strategy and Key Data." Iberdrola. https://www.iberdrola.com/shareholders-investors/investors/fixed-income/financial-strategy.

renewable capacity in 2023, raising the total to 42,187 MW. Important projects completed during this period include the Saint Brieuc offshore wind farm in France and the Vineyard Wind project in the United States[21].

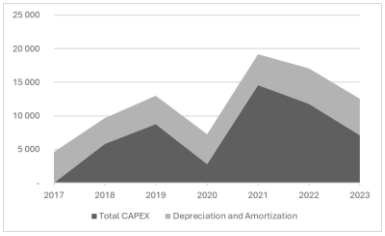
Other areas of the business have also played a role in this strong performance. The Networks division saw a compound annual growth rate (CAGR) of 9.43%, thanks to strategic investments that brought its regulated asset base up to €42.21 billion. Likewise, the Customers segment achieved a CAGR of 7.43%, benefiting from better regulatory conditions in important markets like the U.S., the U.K., and Brazil[22].

As a result of these efforts, Iberdrola reported impressive financial outcomes: its EBITDA rose by 9% to €14.42 billion in 2023, and net profit climbed 10.7% to €4.8 billion, underscoring the effectiveness of its business model[23].

Graph 19: Operating margin per Segment



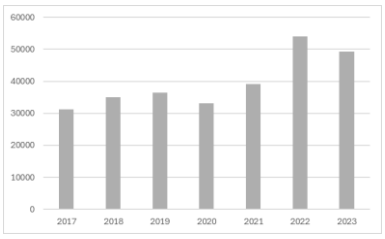
Graph 20: D&A and CAPEX



Operating margins (**Graph 18 & 19**)**:** Iberdrola's cost structure has undergone significant shifts across its key business segments from 2017 to 2023, reflecting its strategic focus and operational dynamics. The Networks segment saw substantial investment growth, with costs rising to €19,414 million in 2021, driven by infrastructure expansion and regulatory changes. However, this was followed by a sharp 56.5% decline in 2022, stabilizing in 2023 at €8,387 million. This shift aligns with the completion of major projects and improved efficiency. Similarly, the Renewables and Sustainable Generation segment demonstrated a dramatic rise, with costs at €4,165 million in 2022, showing Iberdrola's commitment to green energy. The subsequent 51.1% decrease in 2023 highlights a potential shift in capital allocation or project completion phases.

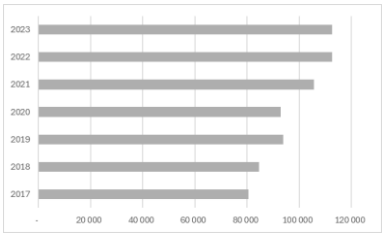
In the Customers segment, costs initially remained stable before a pandemic-induced drop of 67% in 2020, reflecting reduced energy demand[24]. A strong recovery followed, with an increase in 2022, likely fuelled by rising energy prices and increased demand[25], though costs eased slightly in 2023. Total supply costs mirrored these trends, peaking at €33,750 million in 2022 before declining to €26,033 million in 2023. These fluctuations reflect Iberdrola's evolving focus on strategic investments, market dynamics, and operational efficiencies, which are pivotal in driving its long-term value creation.

Graph 21: Revenue since 2017



Furthermore, The Networks segment saw operating margins drop sharply from 63.5% in 2017 to -30.4% in 2021, due to rising costs and regulatory impacts due to the pandemic[26]. However, profitability rebounded to 54.3% by 2023, reflecting operational recovery and investment payoffs (Graph 19). In Renewables, margins stayed above 88% until 2021, peaking at 90.9%, but fell to 59.6% in 2022 before partially recovering to 78.1% in 2023, likely driven by evolving project economics (Graph 19). The Customer's segment was highly volatile, with margins at 71.1% in 2020 due to demand recovery, then dropping to 11.9% in 2022 and stabilizing at 20.7% in 2023 (Graph 19), reflecting pricing pressures and market adjustments[27].

Graph 22: Core Invested Capital



[21] Corporative, Iberdrola. n.d. "Iberdrola Exceeds 42,000 MW Renewables and Consolidates Its Position as One of the Cleanest Companies in the World." Iberdrola. https://www.iberdrola.com/press-room/news/detail/iberdrola-exceeds-42000-mw-renewables-and-consolidates-its-position-as-one-of-the-cleanest-companies-in-the-world.
[22] Corporative, Iberdrola. n.d. "Ignacio Galán Speaks at the Results Presentation." https://www.iberdrola.com/press-room/news/detail/iberdorla-sets-a-new-investment-record-1138-billion-driving-net-profit-of-48-billion-107.
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[26] "Regulatory Impacts Pandemic - Pesquisa Google." n.d. https://www.google.com/search?q=regulatory+impacts+pandemic&oq=regulatory+impacts+pandemic&gs_lcrp=EgZjaHJvbWUyBggAEEUYOTIHCAEQIRigAdIBCDUxMzBqMGo0qAIAsAIB&sourceid=chrome&ie=UTF-8.
[27] Corporative, Iberdrola. n.d. "Iberdrola Exceeds 42,000 MW Renewables and Consolidates Its Position as One of the Cleanest Companies in the World." Iberdrola. https://www.iberdrola.com/press-room/news/detail/iberdrola-exceeds-42000-mw-renewables-and-consolidates-its-position-as-one-of-the-cleanest-companies-in-the-world.

5.5 ROE, ROIC & ROA

Table 4: ROIC Breakdown

	2020	2021	2022	2023
Core Operations				
Core Operational Margin	11,5%	11,3%	10,6%	12,7%
Turnover (Revenue/Inv Capital)	35,6%	37,0%	47,9%	43,8%
ROIC	4,1%	4,2%	5,1%	5,6%
Weight from Total IC	119%	118%	111%	112%
Core Weighted ROIC	**4,9%**	**4,9%**	**5,7%**	**6,2%**
Non-Core Operations				
ROIC	15%	-37%	-13%	-18%
Weight	-19%	-18%	-11%	-12%
Non- CoreWeighted ROIC	**-2,9%**	**6,5%**	**1,4%**	**2,0%**
Total Operations				
ROIC	**2,0%**	**11,4%**	**7,1%**	**8,2%**

ROIC: Iberdrola's ROIC performance has improved notably in recent years, signalling enhanced operational efficiency and strategic asset management. From 2017 to 2023, Iberdrola's total ROIC increased from 3.4% to 8.2% (Graph 23), showing its ability to generate substantial returns on its capital investments. The main driver behind this upward trend is the steady performance within its core operations, which remain central to capital returns. In 2023, core operations reached a weighted ROIC of 6.2%, marking the uptrend since 4.9% in 2017. In addition to such growth was the solidified core operational margin of the business, at 12.7% in 2023 according to Table 4, resulting from an increase in profitability and operation efficiency due to further stabilization and integration of new set investments. Sound turnover subsequently supported the continuance and improvement of ROIC through the core businesses of Iberdrola[28].

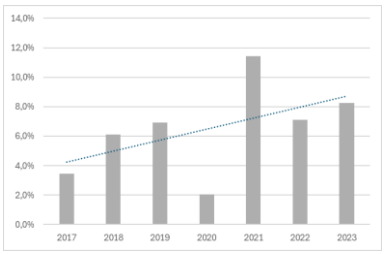
Table 5: ROE Breakdown

	2020	2021	2022	2023
Financing				
D/E	90%	88%	103%	96%
Cost of Financing * assumption	5%	5%	5%	5%
ROIC	2,0%	11,4%	7,1%	8,2%
Financing contribution	**-3,1%**	**5,3%**	**1,7%**	**2,7%**
ROE	**-1,0%**	**16,7%**	**8,8%**	**10,9%**

Non-core operations and ROIC impact: non-core operations have seen a more mixed performance during this period and have tended to lower Iberdrola's overall ROIC. Non-core business segments have contributed negatively towards the overall ROIC numbers at -18% in 2023, although at limited negative capital weight of -12% which impacts positively the ROIC (Table 4). However, there were odd years, like in 2020, that the non-core activities contributed negatively toward the total ROIC. However, they impact positively the company's invested capital returns.

Breakdown of ROE: The ROE of Iberdrola also indicates a shift in priorities regarding financial and operational strategy. From 2017 to 2023, the ROE of Iberdrola has moved from -2.0% to 6.6%, as shown in Table 5, reflecting increased profitability and sound financing that can be possibly explained by the new CEO's plan[29]. The fact that ROIC has been lower than ROE over recent years-emphasizes the effectiveness of the Iberdrola financial structuring toward shareholders' returns. In years like 2021-when ROE peaked to 16.7%-Iberdrola proved capable of creating value for its shareholders by posting returns above the cost of capital, both driven by increased profitability and efficiency gains, though against the pandemic conditions.

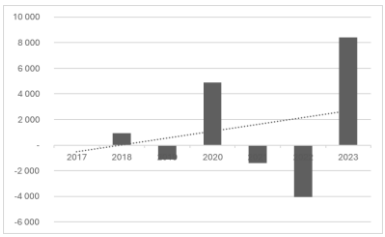
Graph 23: ROIC



5.6 Free Cash Flows

Iberdrola's free cash flow (FCF) has shown significant volatility over the past seven years, reflecting its heavy investment cycles and operational shifts. Positive FCF of €932 million in 2018 jumped to €4,885 million in 2020, supported by stable operations and cash generation. However, large capital expenditures and increased financing requirements led to negative FCF in multiple years, including -€1,108 million in 2019, -€1,390 million in 2021, and a substantial -€4,055 million in 2022 (Graph 24).

Graph 24: FCF



The company continued this trend with a record-high FCF of €8,417 million in 2023 (Graph 24), underscoring improved cash flow management and strong operational performance. The data highlights Iberdrola's commitment to capital-intensive growth, particularly in renewables and networks, while maintaining resilience in cash generation during key phases of its investment strategy.

[28] SustainabilityReports.com. 2023. "Iberdrola SA 2023 Integrated Report – SustainabilityReports.com." January 1, 2023. https://sustainabilityreports.com/reports/iberdrola-sa-2023-integrated-report-pdf/.
[29] Corporative, Iberdrola. n.d. "Ignacio Galán Discursa Na ONU." https://www.iberdrola.com/sala-comunicacao/noticia/detalhe/ignacio-galan-apresenta-o-plano-de-transicao-climatica-da-iberdrola-ao-secretario-geral-da-onu-uma-vez-que-a-empresa-e-reconhecida-como-pionera-na-cimeira-da-ambicao-climatica.

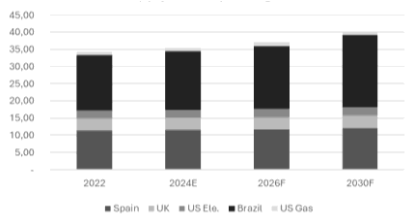
Valuation

6.1 Revenues

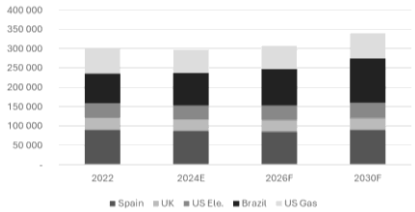
Networks

The Networks segment of Iberdrola involves regulated activities in the transmission and distribution of electricity and gas in Spain, the United Kingdom, the United States, and Brazil. We have estimated the full-year revenue for 2024E by analysing the half-year results and applying historical patterns observed between H1 and H2 in previous years[30]. Using these trends, we have extrapolated the expected annual revenue for 2024E, considering each region's conditions and supply point metrics.

Graph 25: Supply Points



Graph 26: Energy Distributed (GWh)



Graph 27: Weighted average Inflation

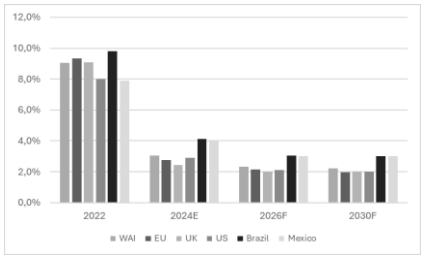
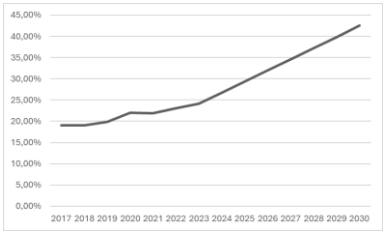


Table 6: Price unit of MWh of Energy

Networks	2022	2024	2026	2030
Price unit of MWh of Energy Dis	61,1€	58,4€	62,0€	73,0€
Total change	*11*	*- 4*	*2*	*3*
Total change driven by Inflation	*6*	*2*	*1*	*1*
Real Change	*6*	*- 6*	*1*	*1*

Graph 28: Renewable Energy Production Share



Spain: Iberdrola currently has 11.44 million supply points in Spain, as indicated in Graph 25. We assumed a year-on-year increase of less than 1% due to continued investments in the regulated asset base, this number is in line with Iberdrola's broader investment strategy in Spain, where a significant part of the €41 billion global investment plan is allocated for the expansion of renewable energy and transmission networks[31].

UK: In the UK, Iberdrola operates 3.56 million supply points under a price-controlled regime. Assuming a historical trend of slower growth, we forecast only modest increases in supply points here, of less than 1% (Graph 25). However, with a targeted 24% expansion in its UK asset base by 2026F, Iberdrola is seeking to strengthen its infrastructure in line with stable regulatory requirements. This increase in capacity positions the firm to meet future demand and sustain incremental revenue growth derived from improved network reliability, as well as potential regulatory incentives tied to performance[32].

US: Iberdrola operates in the US via Avangrid, offering services for both electricity-2.32 m supply points-and gas-more than 1 m supply points. With 35% of Iberdrola's international investment plan allotted to the US, our growth forecast is relatively higher within supply points YoY% growth of 1.1% (Graph 25). This growth could be likely underpinned by major transmission network investments coupled with good geographic diversification within Avangrid's operation area to further support steady revenue growth over time[33].

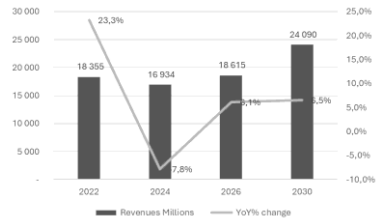
Brazil: Operating under the NEOENERGIA brand, Iberdrola manages 16.4 million supply points in Brazil. Sustained investments in Brazilian infrastructure at 15% of Iberdrola's planned investments across all regions provide a favourable growth view over supply points and energy supplied. While this places an exposure to market pricing-based risks in Brazil, our forecast of an on-year growth of 3.7% (Graph 25) should help stabilize returns from those investments[34].

Overall: Combining our regional assumptions, we anticipate a compound annual growth rate (CAGR) of 2.20% for energy distribution. We also expect the amount of energy delivered per supply point to stay consistent with the levels we've seen over the past seven years[35]. This means we project an increase from 297,570 GWh in 2024E to around 339,136 GWh by 2030F (Graph 26), simultaneously installed capacity increase at an annual compound growth rate of 2.20% (Graph 29). Additionally, we predict that the installed capacity of energy networks will

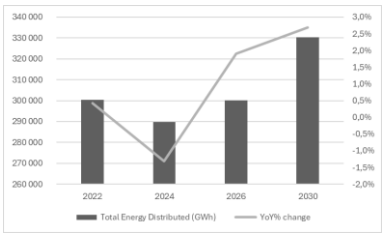
[30] Calculated ratios between half year results to calculate expected results for 2024. Equity Research Team
[31] Results Presentation First Quarter 2024 Report
[32] Corporative, Iberdrola. n.d. "Ignacio Galán:" Iberdrola. https://www.iberdrola.com/press-room/news/detail/ignacio-galan-electrification-is-the-key-to-security-of-supply-resilience-and-better-resource-use.
[33] See note 32
[34] See note 32
[35] Current Trends of energy per Iberdrola's supply point reflect that energy levels will stay at the same levels. Equity Research Team

decline by 2.3% each year. This is largely due to clients transitioning from traditional energy sources to renewable energy options[36] (Graph 28). To account for economic changes, we applied a weighted average inflation rate for regulated markets[37], which leads us to an estimated overall price CAGR of 3.76% (Graph 27). Based on these analyses, we forecast that the revenue growth of the networks will achieve a CAGR of 6.05% (Graph 30). This growth will stem from both an increase in supply points and price adjustments due to inflation.

Graph 29: Networks Installed Capacity



Graph 30: Networks Revenues



Graph 31: Demand change

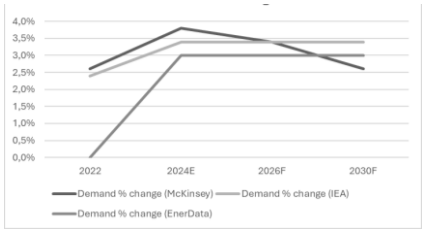
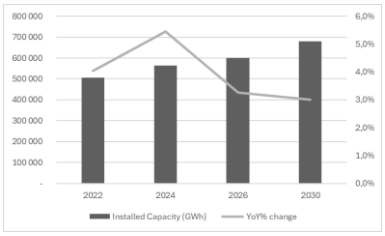


Table 7: Price unit of MWh of Energy

Costumers	2022	2024	2026	2030
Price unit of MWh of Energy Producted	69€	50€	54€	63€
Total change	*22*	*- 6*	*2*	*2*
Total change driven by Inflation	*6*	*2*	*1*	*1*
Real Change	*16*	*- 7*	*1*	*1*

Graph 32: Costumers Installed Capacity



Costumers

We have chosen to take a unified approach to forecast the energy retail performance of Iberdrola, rather than analysing each country individually. This decision reflects the limited availability of detailed data from Iberdrola's reports on a country-by-country basis. In our forecast, we consider the energy retail segment. The projected energy demand figures are based on research from McKinsey [38], the International Energy Agency[39], and Ener Data[40]. These organizations provide predictions for global energy demand, which serve as the foundation for our assumptions regarding Iberdrola's future performance in this area.

Demand: Iberdrola's installed capacity is expected to grow in most of its key markets, powered by the company's aggressive plans and significant investments in renewable energies. This growth also aligns with the strategic plans of Iberdrola across several regions. In contrast, although installed capacity refers to the highest-possible output level, the level of energy retailed relies on energy demand that Iberdrola is bound to meet. The energy demand will continue to increase steadily, starting at a growth rate of 3.4% in 2024E and slowing to 3.0% by 2030F (Graph 31). In fact, according to global trends, while electrification is on the rise, there is moderated growth because energy efficiency improves in key markets. Among Iberdrola's operational regions, the United States will take centre stage for future growth in energy demand.

Through its subsidiary, Iberdrola is developing more projects, including wind farms and utility-scale solar installations, with a large part of the group's total investment falling to the U.S. This will be a substantial contributor to energy demand and retail. In Brazil, the company is also expanding its capacity, especially in hydro and wind, and this is contributing to both its installed capacity and demand growth[41]. As a result, we anticipate that the installed capacity will increase at an annual growth rate of 3.17%. This projection considers the ongoing shift of clients from traditional energy sources to renewable energy alternatives that was addressed in the last section[42] (Graph 28).

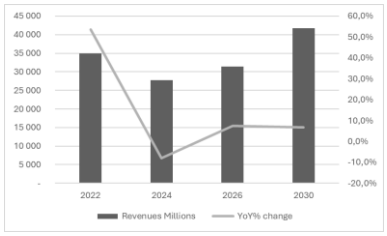
Prices: Energy prices are one of the major variables used in the calculation of retail revenues, and their performance will not be very different from that in the networks segment. Energy prices for Iberdrola are likely to rise due to inflationary pressures and real price adjustments to reach a CAGR of 3.76%[43] (Table 7). This growth in price will further be aided by the regulated mechanisms in the markets of Spain and the UK, among others, which have a link with inflation for tariff increases.

Overall: Factoring in growth in energy demand and forecasted increase in installed capacity (Graph 32), we estimate Iberdrola's customer revenues to

[36] We calculated the increase of renewable energy clients through the change of renewable energy produced "Share of Energy Consumption from Renewable Sources in Europe." 2024. European Environment Agency's Home Page. October 31, 2024. https://www.eea.europa.eu/en/analysis/indicators/share-of-energy-consumption-from.
[37] Weighted inflation as a % of revenue of the current countries where Iberdrola operates. Equity Research Team.
[38] Chen, Patrick, Tamara Grünewald, Jesse Noffsinger, and Eivind Samseth. 2024. "Global Energy Perspective 2023: Power Outlook." McKinsey & Company. January 16, 2024. https://www.mckinsey.com/industries/oil-and-gas/our-insights/global-energy-perspective-2023-power-outlook.
[39] "Executive Summary – Electricity 2024 – Analysis - IEA." n.d. IEA. https://www.iea.org/reports/electricity-2024/executive-summary.
[40] "Global 2050 Projections for Total Electricity Generation | Enerdata." n.d. https://eneroutlook.enerdata.net/total-electricity-generation-projections.html.
[41] Corporative, Iberdrola. n.d. "Iberdrola's Renewable Energy Production Sets All-time Highs in the First Half of the Year." Iberdrola. https://www.iberdrola.com/press-room/news/detail/iberdrolas-renewable-energy-production-sets-all-time-highs-in-the-first-half-of-the-year.
[42] See note 36
[43] See note 37

achieve a CAGR of 7.05% through 2030F (Graph 33). This is due to stable growth in demand, price increases on a regulated basis, and the ability of Iberdrola to expand its renewable energy portfolio in key regions. These projections correspond to a balanced approach in view of future growth, with the support of robust energy demand forecasts and Iberdrola's strategic investments in infrastructure and renewable energy projects worldwide.

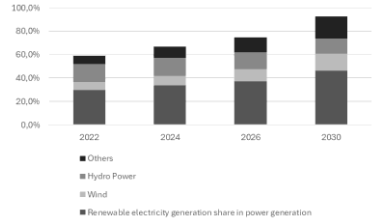
Graph 33: Costumers Revenues



Renewables

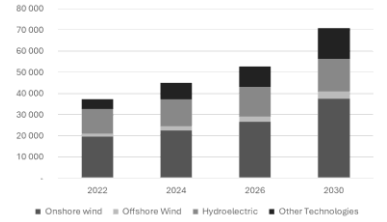
Iberdrola's renewables segment, which includes the generation of electricity from onshore and offshore wind, solar, hydroelectric power, and other energy sources, represents a key pillar of the company's future growth strategy. To understand the revenue drivers in this segment, we forecasted the installed capacity across these technologies based on Iberdrola's infrastructure expansion plans [44] and market trends [45] (Graph 34).

Graph 34: Renewables Generation



Onshore wind: This technology harnesses the wind blowing from the land, and its installed capacity has been steadily increasing. Iberdrola has continued to expand its wind power infrastructure, especially in Spain, where it is working on several projects. For example, in the Castile and León regions, Iberdrola is developing large onshore wind farms that will increase capacity by a significant amount. With the help of historic market share and growth trends, we estimate onshore wind capacity at a CAGR of 8.89% (Graph 35) due to the company's ambitious plans to be at the forefront in this technology.

Graph 35: Installed Capacity Renewables



Offshore wind: While more recent as compared to onshore, it is equally promising in growth. Iberdrola has been investing heavily in the construction of wind farms, mainly in the United Kingdom and Germany. These include major projects such as East Anglia One in the UK and the Baltic Eagle wind farm in Germany. Offshore wind is similarly expected to grow at the same CAGR of 8.89% (Graph 35), supported by Iberdrola's pipeline of offshore projects and growing market demand for clean energy solutions.

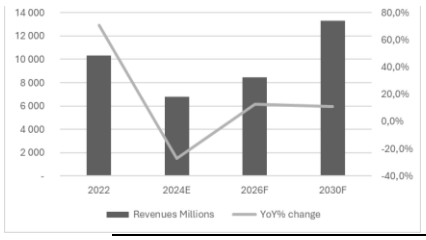
Hydropower: While being one of the oldest renewable sources, its growth will be more limited due to geographical constraints and its overall decreasing market share in the world. Nevertheless, Iberdrola still retains substantial hydropower assets in Spain and Brazil. We forecast a modest CAGR of 3.21% in the hydropower installed capacity, reflecting the lower growth expectations while ongoing investments in maintaining existing infrastructure continue (Graph 35).

Table 24: Price unit of MWh of Energy Produced

Renewables	2022	2024	2026	2030
Price unit of MWh of Energy Producte	€ 31,5	€ 16,3	€ 17,3	€ 20,3
Total change	12	- 10	1	1
Total change driven by Inflation	3	0	0	0
Real Change	9	- 10	0	0

Solar & Others: In contrast, solar power has been growing rather rapidly due to the strategy of the company for diversification in this area. The investments carried out by Iberdrola in the regions of Spain, Mexico, and others have accelerated rapidly, and we foresee a CAGR of 11.40% in the installed capacity of this section (Graph 35). These are because Iberdrola is into continuous activity for the expansion of its solar installations, especially in areas with higher sunlight and more favourable legislative conditions.

Graph 36: Renewable Revenues

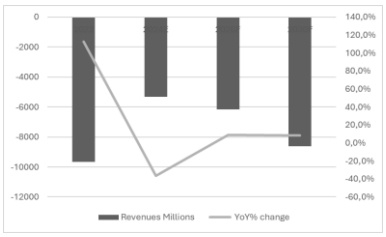


Overall: The total installed capacity of renewables is likely to reach a CAGR of 7.66% in the upcoming years, supported by the strategy of Iberdrola to switch its entire energy production portfolio toward renewables and client transition to renewable energy options[46]. The prices of energy derived from these sources are also expected to follow the same trend, with real prices increasing by 3.76% annually (Table 24)[47]. Putting together the price trends and installed capacity growth, we estimate the CAGR of revenues at 11.71% for the renewables

[44]Corporative, Iberdrola. n.d. "Ignacio Galán Speaks at the Results Presentation." https://www.iberdrola.com/press-room/news/detail/record-investments-528-Bn-and-strong-operational-performance-drive-H1-reported-net-profit-413-Bn.
[45]We calculated Installed capacity by combining three factors, Iberdrola's expansion plans, current installed capacity by renewable energy and Market Trends (Renewable energy share). Equity Research Team "Electricity – Renewables 2023 – Analysis - IEA." n.d. IEA. https://www.iea.org/reports/renewables-2023/electricity.
[46] See Note 36
[47] See Note 37

segment through 2030F, as shown in Graph 36, and supported by Iberdrola's aggressive expansion plans and favourable regulatory frameworks in its key markets.

Graph 37: Other Business and Corporation Revenues



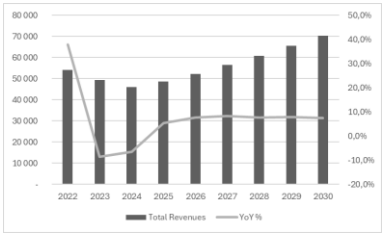
Other Business and Corporation

The revenues for Business and Other would also be in line with general growth of Iberdrola's main business areas, as shown in Graph 37. Since this segment plays an important strategic function in the support and maintenance of Iberdrola's core business activities, it should correspondingly increase. This parallels the fact that the firm is engaged in making corporate functions and operations capable of supporting the larger size and greater intricacy related to its networks, renewables, and liberalized markets.

Overview

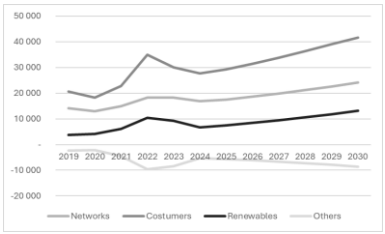
Iberdrola's revenue is expected to grow at a compound annual growth rate (CAGR) of 7.31%, rising from €46 billion in 2024E to €70 billion by 2030F (Graph 38). This growth outlook is consistent with current trends in the energy market and the increasing adoption of renewable energy. The transition from traditional energy sources to renewables, spurred by regulatory support and a greater global emphasis on sustainability, plays a significant role in this forecast.

Graph 38: Total Revenues



The renewable energy sector is likely to see accelerated revenue growth due to falling costs associated with technologies like wind and solar, along with advancements in energy storage[48]. According to current trends on energy transition, companies that embrace early adoption can capture a larger market share as they benefit from economies of scale, which lower operational costs and enhance competitive positioning[49]. Iberdrola is anticipated to see its revenue share from renewables increase from 15% to nearly 20% (Graph 39), reflecting this trend.

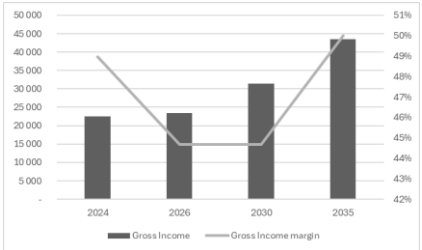
Graph 39: Total Revenues per Segment



Additionally, Iberdrola's Networks and Customers segments are projected to evolve positively. For instance, the expansion of smart grid systems improves operational efficiency and facilitates the integration of distributed renewable energy[50], ultimately leading to increased revenue potential. In the Customers segment, the growing demand for value-added services like energy management solutions suggest rising revenues as consumer preferences shift towards personalized and sustainable energy options[51].

These forecasts are backed by significant trends in the energy market, such as global commitments to achieve net-zero emissions, increased electrification in various sectors, and a broader push for decarbonization[52]. Iberdrola's diverse portfolio enables it to take advantage of these trends, positioning the company for steady revenue growth through 2030F.

Graph 40: Gross Income



6.2 Cost Structure

Cost of sales: The cost of Sales remains the most important operating cost for Iberdrola, and its trend is a key factor in assessing the future profitability of the group. For 2024E, assuming the first half results are indicative of the full year, we estimate that COGS will account for about 51% of total sales (Graph 40), slightly below historical levels. To project COGS over the next ten years, we used a similar trend to what was seen during the last seven years, where it was

[48] Hassan, Qusay, Sameer Algburi, Aws Zuhair Sameen, Hayder M. Salman, and Marek Jaszczur. 2023. "A Review of Hybrid Renewable Energy Systems: Solar and Wind-powered Solutions: Challenges, Opportunities, and Policy Implications." *Results in Engineering* 20 (November): 101621. https://doi.org/10.1016/j.rineng.2023.101621.
[49] "Leverage Economies of Scale for Business Growth | Mailchimp." n.d. Mailchimp. https://mailchimp.com/resources/economies-of-scale/.
[50] Khalid, Muhammad. 2024. "Smart Grids and Renewable Energy Systems: Perspectives and Grid Integration Challenges." *Energy Strategy Reviews* 51 (January): 101299. https://doi.org/10.1016/j.esr.2024.101299.
[51] Nebey, Abraham Hizkiel. 2024. "Recent Advancement in Demand Side Energy Management System for Optimal Energy Utilization." *Energy Reports* 11 (May): 5422–35. https://doi.org/10.1016/j.egyr.2024.05.028.
[52] "World Energy Transitions Outlook 2023." n.d. https://www.irena.org/Digital-Report/World-Energy-Transitions-Outlook-2023.

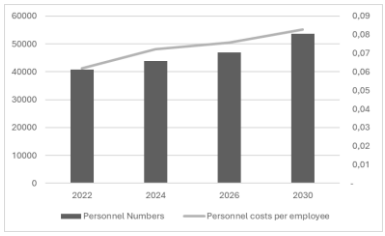
internally assumed that COGS as a percent of sales is 55% on average[53] (Table 8).

Table 8: COGS

Millions of Euros	2024	2026	2030	2035
COGS	- 23 521	- 28 906	- 38 932	- 43 547
% of Revenues	*51%*	*55%*	*55%*	*50%*

However, going forward, as Iberdrola keeps scaling up, especially in their extensive investments in renewable projects, economies of scale would gradually reduce the cost of goods sold as a percentage of revenues[54]. This assumption is supported by the business plans in several countries where Iberdrola operates. For example, large-scale wind and solar projects that the company has invested in across Spain, the United States, and Brazil are designed to increase efficiency in output, thus reducing the unit cost of production. In addition, in Brazil, under the Neoenergia brand, further renewable energy infrastructure development should, in time, lead to a reduction in operational costs by means of optimized resource utilization and energy efficiency[55].

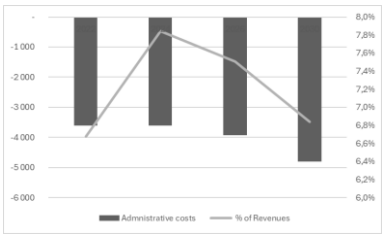
Graph 41: Personnel



Meanwhile, Iberdrola in Spain has been equally focused on enhancing grid efficiency and the measures of digitalization that will lead to reduced operational and maintenance costs over the longer term. The company's approach in the UK is similarly centred around increasing the size of its offshore wind farms, which, once operating, tend to have a much lower marginal cost than conventional means of generation. Such changes should lead to a gradual reduction in COGS over time as the operation scales up.

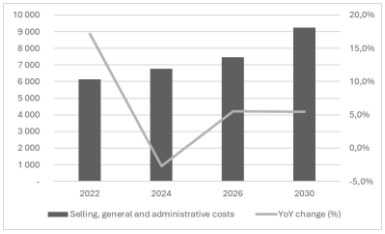
With these considerations in mind, we estimate that the cost of sales will remain at the current level of 51% of sales in the year 2024E and 55% in the following years, then gradually decrease to reflect increased operational efficiencies. By 2036, we estimate that COGS will gradually decline to 50% of revenue, as shown in Graph 40, to support margin expansion for Iberdrola and overall profitability. This reduction in COGS will be instrumental in driving long-term earnings growth as the company continues to execute on its large-scale investment strategy and reaps the benefits of economies of scale.

Graph 42: Administrative costs



SG&A: Selling expenses mainly consist of costs related to personnel, including salaries and benefits for sales staff, along with administrative costs necessary for daily operations. Two primary factors drive personnel costs[56]: the number of employees and the average cost per employee. Based on historical trends and Iberdrola's growth strategy, we expect the workforce to increase by around 3,3% per year (Graph 41). This growth is in line with Iberdrola's plans to expand in key markets, particularly as the company makes substantial investments in renewable energy projects and grid enhancements, requiring more staff.

Graph 43: SG&A



In Spain, Iberdrola's largest market, the company is expanding its renewable energy operations, leading to the need for more personnel for project development and maintenance. In the U.S., its subsidiary Avangrid is also growing, thanks to new wind and solar initiatives that further increase staffing demands. Similarly, in Brazil, Iberdrola, through Neoenergia, is engaged in significant transmission projects and renewable energy developments, which will also boost headcount.

Furthermore, we anticipate that the cost per employee will rise with inflation[57][58] (see Graph 41), following historical trends. Iberdrola operates in regions where inflationary pressures exist, especially in Brazil and Spain, and wage increases

[53] Corporative, Iberdrola. n.d. "Macroeconomic Uncertainties Will Not Halt Progress on the Energy Transition in 2024 and beyond. Here's Why." Iberdrola. https://www.iberdrola.com/press-room/news/detail/macroeconomic-uncertainties-will-not-halt-progress-on-the-energy-transition-in-2024-and-beyond-heres-why.
[54] We expect COGS to decrease as Revenues increase, Iberdrola gain cost advantages increasing their output. Equity research team
[55] Corporative, Iberdrola. n.d. "Iberdrola Will Invest €41 Billion and Hire 10,000 People by 2026 to Accelerate Electrification." Iberdrola. https://www.iberdrola.com/press-room/news/detail/iberdrola-will-invest-41-billion-and-hire-10000-people-by-2026-to-accelerate-electrification.
[56] We assumed personnel costs are a function of cost per personnel and personnel. Equity Research Team
[57] McMillan, Jennifer. 2024. "How Inflation Affects Employee Compensation." Article | Lattice. September 17, 2024. https://lattice.com/articles/how-inflation-affects-employee-compensation.
[58] We used the weighted inflation used to forecast the revenues. Equity Research Team

Table 9: Taxes

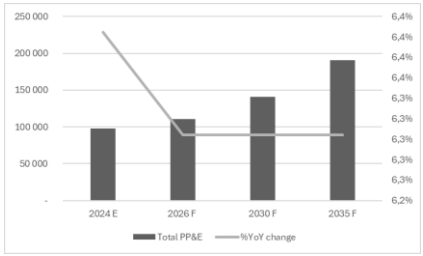
Millions of Euros	2022	2024	2026	2030
Core Results Before Tax	7 073	8 274	6 751	10 564
Statutory Taxes	- 1 768	- 2 069	- 1 688	- 2 641
Statutory Tax rate	*25%*	*25%*	*25%*	*25%*
Tax Adjustments	412	194	159	248
in % of core result before taxes	*6%*	*2%*	*2%*	*2%*
Taxes	- 1 356	- 1 874	- 1 529	- 2 393
Effective tax rate	*19%*	*23%*	*23%*	*23%*

are generally linked to inflation rates. Therefore, we project that the average cost per employee will rise at a rate similar to inflation, ensuring that employee compensation stays in line with the overall economy. Furthermore, administrative costs are expected to remain stable relative to revenue and operating expenses. We predict that these costs will decrease from 8% to 6% of revenues by 2035F, reflecting enhanced efficiency as Iberdrola's revenue grows (Graph 42).

Combining these factors, we expect Iberdrola's SG&A costs to increase by 4.48% annually (Graph 43). This growth reflects both the expansion of the workforce and inflation-driven wage increases. Iberdrola's continued investment in personnel and infrastructure across its various business segments will support this upward trend, aligning with the company's broader expansion and operational objectives.

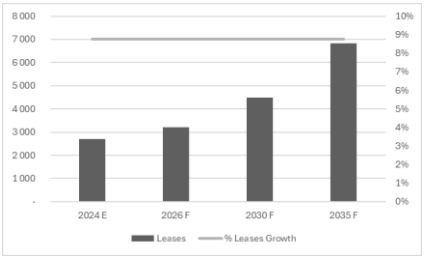
Taxes: Iberdrola is required to pay corporate taxes in all the countries where it operates, with a standard tax rate of 25% being applied to its earnings before taxes (EBT) in Spain, which is its main market. This 25% rate acts as a reference point for estimating the company's taxable earnings and reflects the corporate tax context in Spain. While this rate provides a baseline, Iberdrola also takes advantage of various tax credits and deductions related to its investments in renewable energy. Additionally, the company faces different tax rates in other markets like the United States and Brazil, where there are attractive incentives for investing in clean energy infrastructure.

Graph 44: Total PP&E



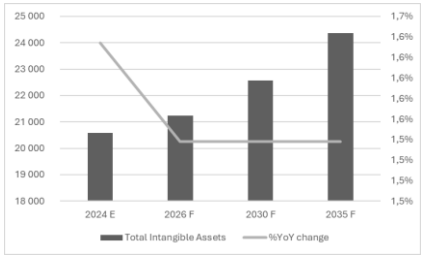
Alongside corporate income taxes, Iberdrola pays other important taxes, such as property taxes, VAT, environmental fees, and social security contributions across its global operations[59]. These non-income taxes typically make up about 2% to 4% of the company's total revenues, and we expect this trend to continue in the future. This stability can be linked to reliable regulatory environments in countries like Spain, the United States, and Brazil, where property taxes and contributions related to energy production are significant. Although these taxes can vary slightly because of local legislation, they form a crucial part of Iberdrola's overall tax responsibilities and are included in our financial projections.

Graph 45: Leases



When we consider both corporate income taxes and non-income taxes, Iberdrola's effective tax rate is estimated to be around 23%. This rate gives a clearer picture of the company's total tax commitments by incorporating statutory taxes, available tax incentives, and additional non-income tax payments. By utilizing this effective tax rate, we aim to present a thorough estimate of Iberdrola's future tax obligations and how they might affect its financial outcomes (Table 9).

Graph 46: Total Intangible Assets



6.3 Property, Plant & Equipment and Intangible Assets

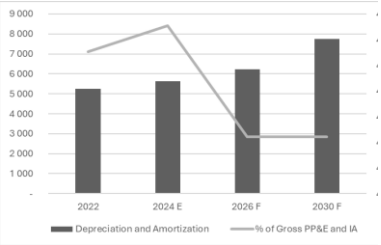
Total PP&E: Iberdrola is dedicated to a capital expenditure strategy that aligns with its major investments in renewable energy and upgrading the grid in key areas. From 2025 onwards, the company is expected to invest €47 billion, with a strong focus on expanding wind and solar energy, as well as enhancing grid infrastructure worldwide[60]. A large portion of these funds will be directed toward the U.S., the UK, Spain, and other European nations, pushing Iberdrola towards a more sustainable energy future. As a result, we expect the growth of Property, Plant, and Equipment (PP&E) to reach an approximate compound annual growth rate (CAGR) of 6.3% by 2035F, as shown in Graph 44. This projection is further

[59] "Explainer: What's the Difference Between Statutory and Effective Tax Rates?" n.d. Canadians for Tax Fairness. https://www.taxfairness.ca/en/resources/explainers/explainer-whats-difference-between-statutory-and-effective-tax-rates.
[60] *Euronews*. 2022. "Spain's Iberdrola to Invest $47 Billion in Energy Transition in 2023-25," November 9, 2022. https://www.euronews.com/next/2022/11/09/iberdrola-strategy.

supported by Iberdrola's dedication to strengthening its renewable energy capabilities, which is expected to add an extra 0.5% in annual growth due to future expansions[61].

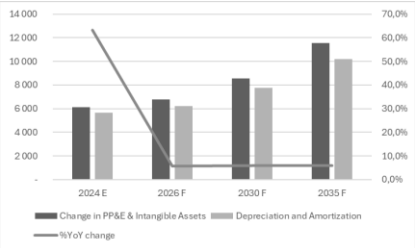
Leases: Iberdrola is expected to grow its renewable projects, leading to an increase in leases for land to support wind and solar installations. It is projected that these leases will grow at an annual rate of 8.8% (Graph 45), reflecting the rising demand for infrastructure related to renewable energy. This growth aligns with Iberdrola's ongoing commitment to expanding its renewable capacities globally, particularly in key markets like the United States and the UK, where significant opportunities exist[62].

Graph 47: Depreciation and Amortization



Intangible Assets: Intangible assets have been growing at an average annual rate of 1.04% in recent years, and we expect this trend to continue. Iberdrola is committed to investing in intellectual property, software, and other technological assets that are essential for modernizing the grid and improving operational efficiency[63] (Graph 46). These investments are crucial for the company's digital transformation, helping to integrate renewable energy sources and boost grid reliability.

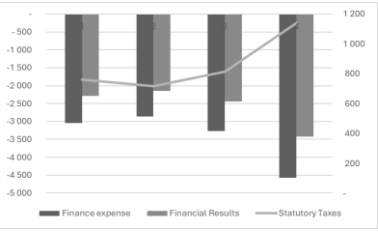
Graph 48: Total CAPEX



Looking ahead, we anticipate that expansions in these areas will lead to an additional 0.5% annual growth. This growth will be driven by the development of advanced energy management systems and innovative solutions. Iberdrola's ongoing emphasis on intangible assets, especially software and patents, highlights its dedication to enhancing technological capabilities and maintaining its leadership in sustainable energy solutions[64].

Depreciation and Amortization (D&A)[65]: D&A are anticipated to account for approximately 4.6% of the Gross LTAs, indicating a compound annual growth rate (CAGR) of 5.6% over the forecast period. This projection is deemed appropriate considering Iberdrola's increasing asset base driven by substantial capital expenditures (CAPEX). The rationale behind this assumption rests on the expected useful life and requisite maintenance of renewable energy generation facilities and grid assets, as illustrated in Graph 47.

Graph 49: Financials

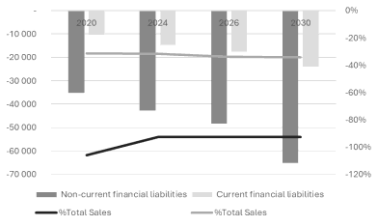


CAPEX Projections[66]: The CAPEX projection, based on the sum of long-term asset growth and D&A, is expected to grow at a CAGR of 5.8% (Graph 48). This figure reflects Iberdrola's sustained investment in green energy and infrastructure improvements across its main markets. The company aspires to further lead the renewable energy production and innovation in grids, which shall be pursued with consistent investments in pursuit of economies of scale, especially in emerging markets where Iberdrola is expanding its footprint.

6.4 Debt

Iberdrola's debt structure is integral to its capital-intensive growth strategy, particularly as the company engages in substantial investments in renewable energy and grid modernization across various operational regions. The projected trajectory of Iberdrola's debt over the forthcoming decade encompasses both non-current and current financial liabilities, with anticipated compound annual growth rates (CAGR) reflecting strategic adjustments undertaken by the company in response to evolving market conditions.

Graph 50: Financial Liabilities

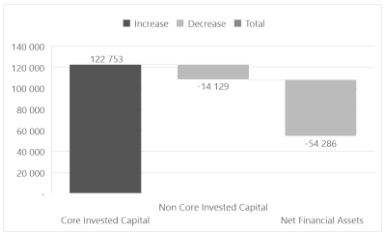


Non-current Financial Liabilities: This segment is predominantly comprised of long-term bonds, notes, and other structured debt instruments issued to finance

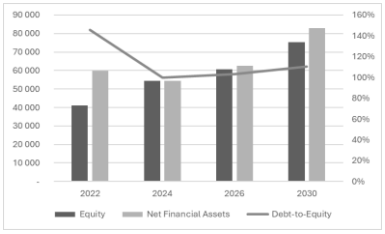
[61] Iberdrola 2023 Annual Report
[62] Iberdrola 2023 Annual Report
[63] Iberdrola 2023 Annual Report
[64] "World Energy Investment 2023 – Analysis - IEA." 2023. IEA. May 1, 2023. https://www.iea.org/reports/world-energy-investment-2023.
[65] Depreciation was estimated using the average expected lifespan of both tangible and intangible assets. Equity Research Team
[66] Capital expenditures (Capex) involved summing changes in Property, Plant, and Equipment (PP&E) along with the annual depreciation. Equity Research Team

capital-intensive projects. In recent years, Iberdrola has progressively increased its debt levels to support extensive investments in renewable energy and essential infrastructure. This is particularly evident in markets such as Spain, the United States, and the United Kingdom, where grid enhancements are necessary to meet regulatory requirements and sustainability objectives. The anticipated CAGR of 5.94% for non-current liabilities indicates a gradual ascent, consistent with the company's projected capital requirements[67]. Furthermore, recent analyses suggest a focus on debt rollover strategies, comparable to practices observed in other capital-intensive firms. Iberdrola has capitalized on the prevailing low-interest-rate environment concerning its long-term debt; this favourable trend is expected to continue, despite mild increases in borrowing costs projected by 2030F due to anticipated shifts in monetary policy. Such a stable outlook on debt facilitates the execution of long-term projects without imposing substantial increases in annual interest expenses[68] (Graph 50).

Graph 51: Equity 2025F



Graph 52: Capital Structure



Current Financial Liabilities: These shorter-term obligations comprise revolving credit facilities and bank loans commonly utilized for working capital and liquidity management purposes. The forecast for Iberdrola suggests a stable yet marginally decreasing ratio of current liabilities to total sales, indicating a focus on efficient cash management practices and a gradual shift toward long-term financing solutions for ongoing projects. Recent financial statements signify that Iberdrola has sustained a diversified portfolio of debt, characterized by strategic renewals and short-term loan arrangements that can be adapted in line with cash flow requirements. The projections imply that Iberdrola will persist in employing these short-term financial instruments, albeit with a slight reduction as certain obligations are refinanced into longer-term debt structures when conditions are favourable[69] (Graph 50).

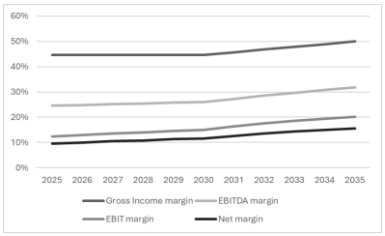
Sustainability and Debt Financing: As the company has shifted its focus to issuing green bonds to finance its renewable projects, Iberdrola's dedication to sustainability is also apparent in its debt strategy[70]. In the 2023 annual report it was cited that Iberdrola is one of the world's top issuers of green bonds. As the business aligns its debt-raising efforts with sustainable finance frameworks, which might offer more favourable terms, this trend is expected to continue. Iberdrola has also laid out plans to keep its investment-grade credit rating high, which facilitates access to affordable capital and permits more adaptable financial planning[71] (Graph 52).

Interest Rate Outlook and Capital Structure: Iberdrola's debt estimates are influenced by the expected mid-term decline in interest rates, which makes borrowing more affordable and encourages higher debt levels. However, power generation is a capital-intensive industry, requiring substantial investments in infrastructure and renewable capacity. In this context, maintaining high levels of debt, such as those already held by Iberdrola, could become increasingly risky, particularly if market conditions change unexpectedly. Recognizing this, Iberdrola has adopted a balanced strategy, gradually reducing its leverage over time. This approach is expected to result in a slight decline in the debt-to-equity ratio, reaching 110% by 2030F (Graph 51 & 52). The company's efforts to balance capital efficiency with its ambitious renewable capacity targets align with this cautious financial strategy, ensuring it can sustain growth without disproportionately increasing financial risk.

[67] Corporative, Iberdrola. n.d. "Financial Strategy and Key Data." Iberdrola. https://www.iberdrola.com/shareholders-investors/investors/fixed-income/financial-strategy.
[68] Iberdrola 2023 Annual Report
[69] Myers, Stewart C., and Nicholas S. Majluf. 1984. "Corporate Financing and Investment Decisions When Firms Have Information That Investors Do Not Have." Journal of Financial Economics 13 (2): 187–221. https://doi.org/10.1016/0304-405x(84)90023-0.
[70] See note 68
[71] S&P Global. (2023). Credit Ratings and Market Conditions. Retrieved from https://www.spglobal.com

6.5 Operating margins

Graph 53: Operating margins



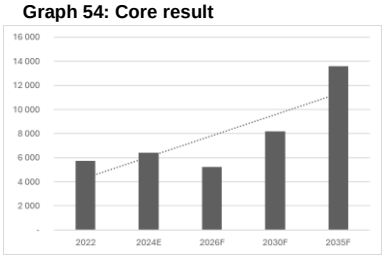
Iberdrola's operational margins are expected to reflect the inherent challenges of operating within a capital-intensive sector yet will also benefit from the company's strategic emphasis on renewable energy initiatives and the modernization of its grid infrastructure[72]. Specifically, the Gross Income Margin is projected to decline from 49% in 2024E to 45% during the period of 2025 to 2030F, after which it is expected to trend upwards to reach 50% by 2035F, due to operational efficiency as referred in the cost chapter (Graph 53).

Furthermore, the EBITDA Margin is likely to encounter some initial decreases, decreasing from 30% in 2024E to 25% by 2025, with stability maintained until 2028. From 2029 onwards, this margin is forecasted to gradually rise to 32% by 2035F, driven by enhanced cost efficiency and increased utilization of renewable energy assets. Similarly, the EBIT Margin is projected to decline from 18% in 2024E to 12% in 2025, followed by a recovery to 20% by 2035F. This fluctuation reflects the impact of significant capital investments, particularly in wind, solar, and grid infrastructure (Graph 53).

Finally, the net Margin, which starts at 14% in 2024E, is expected to decline to 10% by 2025, maintaining that level until 2027, before gradually improving to 16% by 2035F (Graph 53). This progression shows the financial pressures associated with Iberdrola's ambitious growth strategy in the short term, which translate to decreased margins in the short-term, while simultaneously highlighting the prospective long-term advantages of such investments[73].

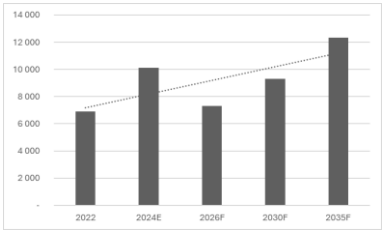
6.6 Free Cash Flows

Graph 54: Core result



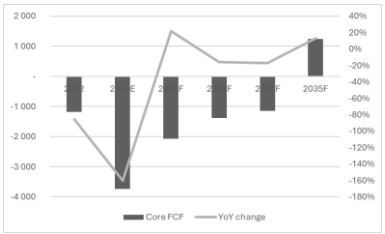
After all calculations, the projected Core Results for Iberdrola show a consistent growth trajectory, anticipated to rise from €6.4 billion in 2024E to €13. 6 billion by 2035F, corresponding to a compound annual growth rate (CAGR) of 7.08% (Graph 54). At the same time, the Change in Core Invested Capital is expected to increase from €10.1 million in 2024E to €12.3 billion by 2035F (Graph 55), reflecting an annual growth rate of nearly 2% that aligns with the company's strategic goals. Combining both, Core FCF start negative in 2024E but slowly increase over the years, showing stability from Iberdrola (Graph 56). Moreover, non-core free cash flows are anticipated to remain stable, fluctuating within the range of €1 to €2 billion (Graph 57).

Graph 55: Change in invested capital



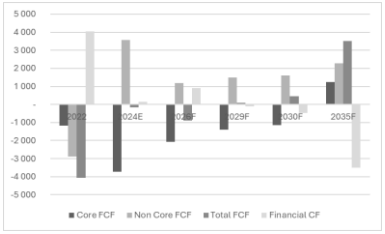
The Total Free Cash Flow (FCF) is projected to recover gradually from -€154 million in 2024E to €3.5 billion by 2035F (Graph 57). The initial period of negative total free cash flows is largely driven by significant capital expenditure associated with Iberdrola's renewable energy and infrastructure expansion. From 2025 onward, the recovery is expected due to enhanced operational performance, lower capital expenditure pressure, and the scaling up of operational renewable energy assets. Investing cash flows peak in the initial years of the forecast period but stabilize post-2027, reflecting the conclusion of major capital investment surges. Meanwhile, operating cash flows show steady growth during this period, supported by increasing revenue contributions from renewable energy projects and grid expansion successes.

Graph 56: Core FCF



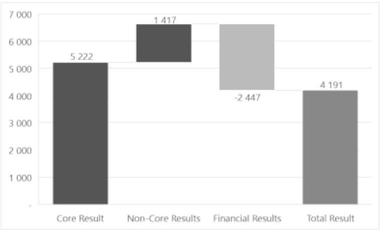
Additionally, Financing cash flows reflect adjustments that align with Iberdrola's debt repayment strategy and modifications in its capital structure. Which means that Financial Free Cash Flows are anticipated to mirror a trend that is entirely symmetrical to Total Free Cash Flow. The observed increases in debt are primarily attributed to the capital investments made during the initial periods,

Graph 57: Total FCF



[72] Porter, M. E. (1980). Competitive Strategy: Techniques for Analyzing Industries and Competitors. Free Press.
[73] Drury, C. (2013). *Management and Cost Accounting* (9th ed.). Cengage Learning.

Graph 58: Comprehensive Result 2026F



Graph 59: Comprehensive Result Forecast

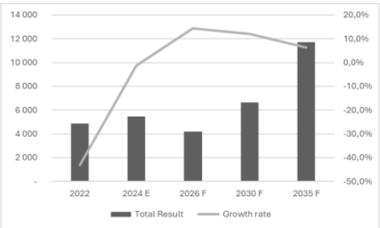
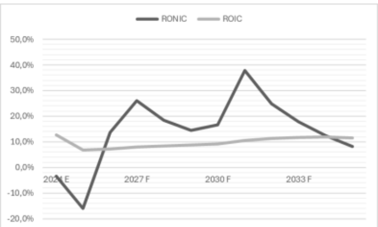


Table 10: LT Value Creation

	2022	2024 E	2026 F	2030 F	2035 F
Core Business					
Core Result	5 717	6 400	5 222	8 171	13 582
Growth rate	*29,3%*	*2,3%*	*12,2%*	*10,6%*	*6,0%*
RONIC	*10,2%*	*216,5%*	*8,9%*	*8,9%*	*6,6%*
Invested Capital	112 552	122 753	136 414	170 525	226 187
ROIC	*5,4%*	*5,7%*	*4,0%*	*5,1%*	*6,4%*
IR New Capital	*286,5%*	*1,1%*	*136,7%*	*118,8%*	*91,4%*
Payout Rate	*-186,5%*	*98,9%*	*-36,7%*	*-18,8%*	*8,6%*
Non Core Business					
Core Result	1 450	1 208	1 417	1 905	2 309
Growth rate	*-75,2%*	*-41,4%*	*8,7%*	*7,1%*	*2,0%*
RONIC	*435,4%*	*527,2%*	*20,9%*	*43,1%*	*56,5%*
Invested Capital	- 11 594	- 14 129	- 13 352	- 12 231	- 11 682
ROIC	*-9,1%*	*-10,3%*	*-10,4%*	*-15,2%*	*-19,7%*
IR New Capital	*-17,3%*	*-7,9%*	*41,4%*	*16,5%*	*3,5%*
Payout Rate	*117,3%*	*107,9%*	*58,6%*	*83,5%*	*96,5%*
Total Business					
Total Result	4 885	5 463	4 191	6 651	11 698
Growth rate	*-43,0%*	*-1,2%*	*14,3%*	*12,0%*	*6,4%*
RONIC	*-72,7%*	*-3,3%*	*15,9%*	*27,3%*	*8,3%*
Invested Capital	41 119	52 926	59 602	73 662	110 149
ROIC	*12,1%*	*12,7%*	*7,5%*	*9,5%*	*11,7%*
IR New Capital	*59,1%*	*36,0%*	*90,4%*	*43,8%*	*76,7%*
Payout Rate	*40,9%*	*64,0%*	*9,6%*	*56,2%*	*23,3%*

Graph 60: Forecasted ROIC and RONIC



reflecting a strategic reliance on financing through debt to support Iberdrola's growth and renewable energy initiatives. Meanwhile, the equity levels are expected to rise due to a well-balanced capital structure that supports financial stability and strategic flexibility. Therefore, both the financial result and the change in financial assets are expected to grow as a direct consequence of these capital investments. Finally, the core driver of the Financial Free Cash Flows is the comprehensive income, which is projected to grow annually at a rate of 7.17% from 2024E to 2035F (Graph 58 & 59).

6.7 Value Creation

Core Business Value Creation: As said before**,** the core business, driven by Iberdrola's renewable and regulated activities, shows a strong increasing core result, that averages approximately 8% (Table 10), and is expected to converge to 6% by 2035F due to increasing investments in renewable energy infrastructure and grid modernization projects[74]. These assumptions align with Iberdrola long-term strategy, where major investments in wind, solar, and transmission networks are critical to maintaining competitive advantage and achieving regulatory targets.

Core invested capital has increased substantially, with a compound annual growth rate expected to align with the company's ongoing investments in renewables and network expansion across key regions, including Spain, the UK, and the U. S[75] (Graph 22).

Furthermore, Core Business ROIC[76] and RONIC[77] show strong returns, indicating efficient capital allocation and operational productivity. The ROIC for the core business, averaging around 5-6%, highlights the profitability of Iberdrola's core investments despite the capital-intensive nature of the energy sector. Furthermore, the RONIC is converging to 6.6% for the core business. Given this, Iberdrola's capital recycling strategy, which involves asset rotation and divestiture in non-core assets, aligns and complements its investment approach by ensuring that capital remains directed toward high-return and sustainable assets.

Non-Core Business Value Creation: The RONIC for this segment has shown significant fluctuations, with notable declines in recent years, partially due to the strategic divestment of certain assets and the prioritization of high-growth core businesses. Although ROIC remains lower compared to core activities, Iberdrola's non-core business investments have served as important diversification measures, providing stability to the portfolio and mitigating risks associated with market and regulatory shifts in core geographies.

Projected rates reflect a moderate forecast, with a forecasted average growth rate stabilizing around 2% annually in 2035F (Table 10). This segment is expected to contribute modestly to overall company growth, acting as a buffer during periods of high capital expenditures in core segments.

Total Business Value Creation: Total Business that results for Iberdrola's core and non-core segments indicate a strong growth trajectory (Graph 60), with total invested capital anticipated to increase at a steady rate as Iberdrola capitalizes on the global energy transition. Projected ROIC and RONIC for the total business, is deemed to be around 11.7% and 8.3% in the long-term respectively (Table 10), this reflects the balanced profitability of the portfolio, supported by

[74] Majeed, Y., Khan, M. U., Waseem, M., Zahid, U., Mahmood, F., Majeed, F. F., Sultan, M., & Raza, A. (2023). Renewable energy as an alternative source for energy management in agriculture. Energy Reports.
[75] Iberdrola 2023 Annual Report
[76] We used the following formula for ROIC computation $\frac{Core\ Result_t}{Invested\ Capital_{t-1}}$, Equity Research Team
[77] We used the following formula for RONIC computation $\frac{Core\ Result_t - Core\ Result_{t-1}}{Invested\ Capital_{t-1} - Invested\ Capital_{t-2}}$, Equity Research Team

high-margin renewable projects and cost-effective network operations and Iberdrola's disciplined capital allocation strategy that has led to little fluctuations in payout rates, which provides consistent returns to shareholders.

Table 11: WACC Computations

WACC Computation: 2 Methods		
Raw BETA	0,76	
Beta	0,76	0,00
Standard Errors	0,01	0,00
	0,73	0,01
	5276,30	1931,00
	0,25	0,09
1st Method		
WACC		**5,57%**
Adjusted Beta		0,84
Re		**7,64%**
Rf		3,02%
Market risk premium		5,48%
Rd		**4,67%**
Loss given default		60,0%
Recovery rate		40,0%
Default Probability 2Y		0,38%
Yield Iberdrola		4,78%
D/(D+E)		0,5
Debt Beta		0,1
Corporate Tax rate		25%
2nd Method		
WACC		**5,34%**
Market Average Unlevered Beta		0,54
Levered Beta		0,76
Re		7,18%
Rd		4,67%

6.8 Weighted Average Cost of Capital

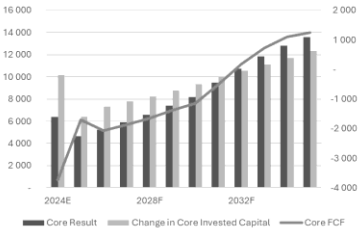
Cost of Equity (Table 11): For the risk-free rate, we used a 3.02%[78] yield, which aligns with current government bond yields, representing a relatively stable benchmark. The market risk premium was assumed to be 5.48%[79], a standard rate reflecting the excess returns investors expect over the risk-free rate for holding equities. Iberdrola's beta[80], derived from Iberdrola stock price history, reflects the company's exposure to market volatility and investor sentiment in the energy sector. This beta gives a levered cost of equity of 7.64%[81], indicating the expected return that equity investors require given Iberdrola's risk profile.

Cost of Debt (Table 11): Iberdrola's cost of debt is determined by looking at the yield to maturity of its long-term bonds, which is currently at 4.78%[82]. Given Iberdrola's credit rating of BBB+, we set the expected loss rate for unsecured debt at 60%. This aligns with industry estimates for similar credit ratings. Consequently, the effective cost of debt comes out to be 4.67%.[83]. By using the yield on longer-term bonds, we aim to capture the cost Iberdrola will likely incur for future borrowings, especially given the capital-intensive nature of its business and significant debt levels for financing projects in renewable energy and infrastructure.

Debt-to-Enterprise Value (D/EV) Ratio (Table 11): Iberdrola's long-term Debt-to-Enterprise Value ratio is estimated at 50%[84], reflecting the company's balanced capital structure between debt and equity. This ratio aligns with industry norms for utility companies, which tend to leverage debt financing due to the predictability of cash flows and lower costs compared to equity.

Final WACC Calculation (Table 11): With Iberdrola's corporate tax rate of 25% and incorporating all inputs, we arrive at a WACC of 5.46%[85]. This calculation includes two approaches: the primary method based on Iberdrola's actual capital structure and a secondary method incorporating market average unlevered betas to assess the leverage-adjusted cost of capital[86]. This rate of 5.46% serves as the discount rate for projecting and valuing the company's core free cash flows beyond the fiscal year 2024E.

Graph 61: Core Result and FCF



6.9 Discounted Free Cash Flows

To assess Iberdrola's value, we applied a Discounted Cash Flow (DCF) model for core business segments, projecting cash flows to 2035F **(Graph 61)**. From 2025F onward, we discounted these cash flows at Iberdrola's WACC of 5.46%. The Terminal Growth Rate is primarily based on the target inflation rate set by central banks, which is 2.00%[87]. Furthermore, to reflect the rapid growth and potential of the renewable energy sector, we've added an extra 0.4% to this rate.

[78] TRADING ECONOMICS. n.d. "Spain 10-Year Government Bond Yield - Quote - Chart - Historical Data - News." https://tradingeconomics.com/spain/government-bond-yield.
[79] Research on the Risk Premium and Growth Opportunities of the Chinese Green Energy Industry ——Based on CAPM and Mean-variance Analysis
[80] The raw beta was determined by analysing the weekly returns of Iberdrola's stock price from January 2017 to July 2024 and comparing these returns to the overall market performance. This raw beta shows how much Iberdrola's stock price varies in relation to the market: Our team assumed the market Beta to be 1, the adjusted Beta was calculated the following formula: $\beta_{Adjusted} = \frac{2}{3} * \beta_{Raw} + \frac{1}{3} * \beta_{Market}$
[81] $r_e = r_f + Ad_j\beta_e * MRP$
[82] Public.com. n.d. *Buy Iberdrola International BV Bond - 03/15/2025 at 4.50%. Public*. https://public.com/bonds/corporate/iberdrola-international-bv/ibe-5.81-03-15-2025-81013tac5?wpsrc=Organic+Search&wpsn=www.google.com.
[83] $r_d = YTM - P(default) * Loss\ Given\ Default$
[84] Iberdrola 2023 Annual Report
[85] $WACC = r_e * \frac{E}{EV} + r_d * \frac{D}{EV} * (1 - t)$
[86] For this second approach, we used the market unlevered beta for the renewables sector to calculate the levered beta $\beta_L = \frac{\beta_u}{1 + (1 - T) * \frac{Debt}{Equity}}$: "Betas." n.d. https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/Betas.html.
[87] We used for the terminal growth rate the worldwide target inflation to show economic stability and added the 0.4% to show renewables sector future growth prospect: Team, Investopedia. 2024. "What Is Inflation Targeting, and How Does It Work?" Investopedia. July 28, 2024. https://www.investopedia.com/terms/i/inflation_targeting.asp. / Center on Global

Non-core assets were valued at book value, avoiding a DCF approach to prevent distortions from using the core business discount rate on financial assets.

This results in an enterprise value of €173.3 billion. Subtracting net financial debt and other claims of €84 billion yields an equity value of €89.188 billion in 2025F **(Table 12)**. With 6.423 billion shares projected, the implied price target is €13.89 per share, suggesting potential growth driven by Iberdrola's renewable investments and strategic expansion.

Table 12: Summarized cash flow derivation and terminal value

	Value
PV of discounted FCFs	- 5 401
PV of Terminal Value	323 930
PV of Terminal Value	190 446
Core Value	**185 046**
Book Value Non-Core 2025	- 11 756
Enterprise Value	**173 290**
Net debt & other claims	- 84 102
Equity Value	**89 188**
Shares Outstanding	6 423
Implied Share Price (Dec-25)	**13,89 €**

6.10 Multiples Valuation

In addition to utilizing the Discounted Cash Flow (DCF) method, an analysis utilizing the multiples approach was also conducted to evaluate the valuation of Iberdrola in comparison to its industry peers. The selection of peer companies was based on several criteria. Firstly, industry relevance was a critical factor, as all chosen companies are active in the utilities sector, particularly within the energy industry. While some focus on renewable energy, like Iberdrola, others are more conventional energy providers, enabling a pertinent comparison within Iberdrola's renewable energy segment. Secondly, geographic relevance was considered to ensure that peer companies operate in regions with similar market conditions, risks, and fluctuations, leading to a more precise and accurate analysis. Lastly, the selection process aimed at maintaining a balance in terms of size and scale, acknowledging Iberdrola's status as a mature, market-leading entity. Consequently, peers were selected across various sizes to gain insights into the performance of companies of different scales within the industry.

Table 62: Multiples Peers

Company	Ticker
Iberdrola	IBE.MC
Endesa	ELE.MC
Enel	ENEL.MI
Duke Energy	DUK
Next Era Energy	NEE
National Grid	NGG
The Southern Company	SO

The multiples analysed include **EV/Revenue**, **EV/EBITDA**, **Trailing P/E**, and **Forward P/E**, all based on the Trailing Twelve Months (TTM) data as of November 8, 2024, extracted using the yfinance API.

The **EV/Revenue** ratio, which is often used to minimize the impact of different capital structures, taxes, and accounting processes, suggests that Iberdrola may be undervalued in comparison to its industry peers. Iberdrola's ratio is 2.9x, significantly lower than the sector average of 4.5x. This difference can be ascribed to Iberdrola's higher revenue generating when compared to its competitors. Interestingly, while Iberdrola appears inexpensive when compared to US corporations, its ratio is roughly double that of European competitors. This disparity may reflect the tendency for American corporations to be overvalued, as they are frequently priced with higher growth expectations than their European counterparts.

Table 13: Multiple Evaluation

Valuation			
EV/Revenue	EV/EBITDA	Trailling P/E	ForwardP/E
2.9x	9.3x	13.2x	18.6x
1.5x	9.0x	32.7x	11.4x
1.7x	6.8x	13.5x	10.3x
5.6x	11.9x	19.3x	16.9x
8.8x	15.8x	21.6x	19.8x
5.0x	14.5x	22.7x	12.1x
5.8x	11.8x	19.1x	19.0x
8.8x	15.8x	32.7x	19.8x
5.8x	14.5x	22.7x	19.0x
4.5x	**11.3x**	**20.3x**	**15.4x**
5.0x	**11.8x**	**19.3x**	**16.9x**
1.7x	9.0x	13.5x	11.4x
1.5x	6.8x	13.2x	10.3x

A similar pattern is seen with the **EV/EBITDA** multiple, which acts as a proxy for a company's cash operating profitability. Iberdrola's 9.3x multiple is lower than the industry average of 11.3x, indicating potential undervaluation. Like the EV/Revenue multiple, Iberdrola's multiple is greater than European peers but lower than US peers, albeit the gap between Iberdrola and European corporations is narrower in this case.

Before analysing the **Trailing P/E** and **Forward P/E** ratios, it is critical to understand their limits. The Price-to-Earnings (P/E) ratio provides a fast snapshot of how the market values a company's earnings, but its application in in-depth equity research is restricted. One major concern is its vulnerability to variances in capital structure; companies with higher leverage have higher interest expenses, which can reduce earnings and result in a higher P/E ratio. As

Energy Policy at Columbia University SIPA, CGEP. 2024. "Falling Interest Rates Alone May Not Imminently Boost Investments in Renewable Energy - Center on Global Energy Policy at Columbia University SIPA | CGEP %." September 19, 2024. https://www.energypolicy.columbia.edu/falling-interest-rates-alone-may-not-imminently-boost-investments-in-renewable-energy/.

a result, two otherwise comparable companies may have drastically different P/E ratios due to changes in leverage. Nonetheless, while the P/E ratio is not as insightful as other valuation multiples, it is still a useful indicator of market perception of Iberdrola.

Looking at the **Trailing P/E** ratio, which shows the market's previous sentiment toward a company's earnings, Iberdrola's 13.1x multiple is significantly lower than the market average of 20.3x. This suggests that the market had relatively low expectations for Iberdrola's previous growth, which is understandable considering the company's established leadership in the renewable energy sector.

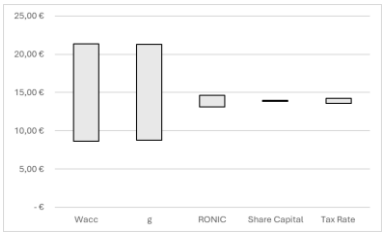
In contrast, Iberdrola's **Forward P/E** ratio is 18.5x, higher than the peer average of 15.4x. This shows that the market expects faster future growth in Iberdrola's earnings or improved profitability. The rise in Iberdrola's Forward P/E ratio suggests that investors expect the firm to outperform its peers in the next years.

Overall, the multiples study shows that Iberdrola is now undervalued compared to its peers, particularly in terms of sales and cash flow creation. Furthermore, the market's optimistic opinion on Iberdrola's future performance, as evidenced by its higher Forward P/E ratio, suggests that the company will improve over time. Based on this study, a **BUY** recommendation is justified, indicating that Iberdrola's value is likely to improve in the future.

Table 14: Multiples predictions

EV/Revenue	EV/EBITDA	Trailling P/E	ForwardP/E
202,180,468,344	157,703,256,898		
46,212,000,768	46,212,000,768		
155,968,467,576	111,491,256,130		
6,362,059,776	6,362,059,776		
24.52	**17.52**	**20.29**	**10.96**

Graph 63: Sensitivity Analysis



6.11 Sensitivity Analysis

Our team performed a sensitivity analysis by changing five important factors: the weighted average cost of capital (WACC), terminal growth rate, RONIC. We chose these factors because they directly affect the calculation of the share price (Graph 63).

Table 15: Inputs Sensitivity

Wacc		
Value	Share Price	%chg compared to base case
Original	13,89 €	
5,0%	21,41 €	54%
5,5%	13,89 €	Base Case
6,0%	8,54 €	-38%

Long Term Growth Rate		
Value	Share Price	%chg compared to base case
	13,89 €	
1,9%	8,69 €	-37%
2,4%	13,89 €	Base Case
2,9%	21,33 €	54%
RONIC		
Value	Share Price	%chg compared to base case
	13,89 €	
7,8%	13,12 €	-6%
8,3%	13,89 €	Base Case
8,8%	14,57 €	5%

Share Capital		
Value	Share Price	%chg compared to base case
	13,89 €	
6391	13,96 €	1%
6423	13,89 €	Base Case
6455	13,82 €	0%

WACC (Table 15): Our sensitivity analysis highlights the impact of WACC variations on Iberdrola's share price, which is closely tied to inflation and interest rate trends. In the base case with a WACC of 5.46%, the share price is €13.89. If WACC drops to 5.0%, the share price would increase to €21.41, a 54% boost, due to lower discounting of future cash flows. However, a rise to 6.0%—reflecting higher inflation or risk-free rates—would decrease the share price to €8.54, a 38% drop. This analysis shows the sensitivity of Iberdrola's valuation to cost of capital fluctuations, a critical consideration given its reliance on debt for growth

Long-Term growth rate (Table 15): Our analysis also evaluated Iberdrola's share price sensitivity to changes in the long-term growth rate, a key driver of its terminal value. In the base case, with a growth rate of 2.4%, the share price is estimated at €13.89. A decrease in this rate to 1.9% would drop the share price to €8.69, representing a 37% decline due to reduced expectations for future cash flow expansion. Conversely, if the growth rate rises to 2.9%, the share price would increase to €21.33, a 54% gain, reflecting higher long-term growth prospects. This highlights the importance of Iberdrola's growth trajectory and market conditions, which could significantly influence its valuation over time.

Table 16: LTGR and WACC Sensitivity

		Wacc				
		4,96%	5,21%	5,46%	5,71%	5,96%
LTGR	1,9%	14,14 €	11,25 €	8,79 €	6,66 €	4,81 €
	2,2%	17,41 €	14,01 €	11,14 €	8,69 €	6,57 €
	2,4%	21,39 €	17,32 €	13,93 €	11,07 €	8,63 €
	2,7%	26,30 €	21,33 €	17,27 €	13,89 €	11,04 €
	2,9%	32,45 €	26,26 €	21,30 €	17,25 €	13,88 €

Long-term grow rate and WACC (Table 16): Overall, the analysis of Iberdrola's weighted average cost of capital (WACC) and terminal growth rate reveals how important these factors are in determining the company's valuation across different scenarios. To maintain a competitive edge, Iberdrola needs to focus on revenue growth, which comes from strategic investments in renewable energy and trends in electrification. In the same way, Iberdrola strong position in the market and stabilized financials contribute to a lower cost of capital which would incur in a more favourable valuation and outlook. In conclusion, Long-term

revenue outlook and the cost of capital that Iberdrola is subject to are critical to achieve attractive returns

RONIC (Table 15): For Iberdrola, the Return on New Invested Capital (RONIC) directly affects the company's ability to grow through reinvested earnings. In the base case, with a RONIC of 8.3%, the share price is valued at €13.89. If RONIC declines to 7.8%, the share price would fall to €13.12, representing a 6% decrease, as weaker returns on reinvested capital suggest limited value creation. Conversely, if RONIC increases to 8.8%, the share price rises to €14.57, reflecting an 5% upside. This variation shoes the importance of Iberdrola's reinvestment efficiency, especially in capital-intensive sectors, where higher RONIC indicates stronger future growth potential.

6.12 Montecarlo Simulation

In addition to the risk assessment, a Monte Carlo simulation was conducted to estimate Iberdrola's likely future performance and the uncertainty surrounding its stock. The simulation relied on three key inputs: the weighted average cost of capital (WACC), the long-term growth rate (LT growth), and the return on new invested capital (RONIC), as these are the primary components of the discounted cash flow calculation.

Table 17: Monte Carlo Inputs

MonteCarlo Simulation		
Inputs	**Mean**	**Std Dev**
WACC	5.46%	0.35%
Long Term growth rate	2.4%	0.20%
RONIC 2035	8.32%	1.50%

Table 18: Monte Carlo Results

MonteCarlo Simulation	
Mean	13.89 €
Median	13.49 €
Std Dev	5.19 €
Skewness	0.54
Kurtosis	1.41
Minimum	- 5.21
25th percentile	10.53 €
75th percentile	16.83 €
Maximum	36.94 €

Each input's mean was aligned with the values used in the original DCF model. The WACC's standard deviation was derived from historical data (2022–2024) provided by Alpha Insights[88]. The long-term growth rate, based on an academic approach to the industry, was assumed to have limited variation, given the essential and relatively non-disruptive nature of the energy sector. However, RONIC, being the most uncertain input, was assigned a higher standard deviation to stress-test potential future outcomes.

The simulation (Appendix 3) produced an expected mean value close to the original DCF calculation, with low positive skewness suggesting a tendency toward lower valuations. Additionally, the platykurtic distribution indicated a relatively high degree of uncertainty. Given the current high risk-free rate, the simulation underscores the challenges of holding Iberdrola's stock. The elevated level of uncertainty, coupled with a relatively low expected payout, increases the risk and makes the investment less appealing under these projections.

Risks and ESG

7.1 Risks

It is essential to address certain risks, both internal and external, that could impact Iberdrola's future performance. While the company is currently performing well within the industry, ongoing expansion projects and potential policy changes in the U.S.—its most significant current expansion market—pose uncertainties that could disrupt its growth trajectory.

7.1.1 Internal Risks

Execution Risk in Capital Projects
Level: High
Iberdrola is actively working to grow its renewable energy projects and update its power grid. However, these efforts can be complicated and often encounter significant challenges. For example, the Wikinger offshore wind farm in the Baltic Sea faced delays because of bad weather and logistical issues, which led to higher costs. These delays or cost overruns can negatively impact profits and schedules. To minimize these risks, Iberdrola uses various strategies. They

[88] "Iberdrola SA (Mad: Ibe)." AlphaSpread.com. December 2024. https://www.alphaspread.com/security/mad/ibe/discount-rate

partner with specialized contractors, utilize digital tools for project monitoring, and diversify their suppliers to enhance efficiency and tackle challenges more effectively.

Debt Management
Level: Medium
Iberdrola relies heavily on debt to finance its large capital projects, including a €47 billion investment plan for 2023-2025. While the company has access to low-cost funding, such as the €1 billion in green bonds issued in early 2024 on attractive terms, rising interest rates could significantly raise its financing costs, which may affect Iberdrola's ability to refinance its debt at low rates. Additionally, if credit conditions become tighter, similar to what happened during the 2008 financial crisis, it could strain cash flows and limit Iberdrola's financial flexibility for new projects or dividend distributions.

Regulatory Compliance
Level: High
Iberdrola operates in multiple regions, which means it has to navigate a variety of complex and changing regulations. For instance, in the United States, the company experienced delays in developing offshore wind farms due to new permitting requirements. If Iberdrola does not adhere to rules regarding environmental protection, safety, or financial matters, it risks penalties, damage to its reputation, and disruptions in its operations. Additionally, the company's reliance on government incentives for renewable energy introduces the risk of unfavourable regulatory changes, which could have a significant effect on Iberdrola's profitability.

7.1.2 External Risks

Deflationary Trend
Level: Medium
Inflation has remained negative since the start of the year, primarily due to declining crude oil prices, which have dropped from $86.91 on May 4th to $71.29 as of December 13th[89]. This decline impacts the renewables sector, as cheaper fossil fuels may encourage buyers to opt for these alternatives over renewables.

Graph 64: Light Crude Oil Futures (CL1) YtD

Subsidies Cut
Level: Medium
The potential rollback of green energy subsidies under former President Donald Trump's policy proposals is unlikely to significantly impact Iberdrola in the short term. As an established player in the industry, the company is less reliant on subsidies for its day-to-day operations. However, such cuts could pave the way for more aggressive anti-green measures, posing a longer-term risk.

"Drill, Baby, Drill"
Level: High
Donald Trump's vocal support for the oil and gas industry signals a high-risk environment for renewable energy[90]. His plans to boost fossil fuel production and reverse regulations aimed at reducing U.S. carbon emissions could intensify competition for renewables and hinder progress in climate-focused policies.

[89] Hormuzdengineer, Shalvisharma5, TradeStation, SamanFx0, SpinnakerFX_LTD, RT_Money, TreyHighPwr, Sony97, EdgeClear, and Wovenvoids. "Crude Oil WTI Futures Price - CL Chart & Quotes." TradingView. December 2024. https://www.tradingview.com/symbols/NYMEX-CL1!/.
[90] Martínez, A, and H.J. Mai. "Trump Wants to 'drill, Baby, Drill.' What Does That Mean for Climate Concerns?" NPR, November 15, 2024. https://www.npr.org/2024/11/13/nx-s1-5181963/trump-promises-more-drilling-in-the-u-s-to-boost-fossil-fuel-production.

7.2 Environmental Sustainability Governance (ESG)

Iberdrola prioritizes ESG initiatives due to its position as a global leader in renewable energy. According to Sustainalytics[91], the company holds an ESG Risk Rating score of 16.3, categorizing it as low risk. This ranks Iberdrola 53rd out of 648 companies in the utility industry group, highlighting its strong commitment to sustainability.

7.2.1 Environmental

Iberdrola has consistently reduced its greenhouse gas (GHG) emissions over the past three years[92], achieving CO_2 emissions per MWh among the lowest in the domestic and international energy sectors in 2023. These reductions align with its climate action plan and decarbonization targets for 2030, as evidenced by the stable and continuous improvement shown in metrics such as Kg CO_2/MWh and Kg CO_2/EUR (Table 21).

The group has also optimized its energy emission and distribution networks to minimize losses and enhance efficiency. Key measures include reducing fuel consumption and implementing initiatives to improve energy efficiency, as detailed in Appendices 4 and 5.

These efforts have resulted in an Environmental Risk Score of 5.1, the lowest among evaluated peers, placing Iberdrola in the "negligible" risk category.

7.2.2 Sustainability

Iberdrola demonstrated its commitment to sustainability through initiatives focused on workforce diversity, equality, and development. Out of a total of 42,276 employees, one in four are women. The company has achieved near parity in compensation, with the ratio of men's average salary to women's at 94.6%. Employees, regardless of gender, have equal access to benefits such as life insurance, medical insurance, maternity leave, and pension funds (Appendices 6 & 7).

Iberdrola also prioritizes employee development, with an average of 77.9 training hours for men and 59.7 hours for women in 2023 (Appendix 8).

These efforts have earned the company a Sustainability Risk Score of 6.8, the second lowest among its peers, categorizing Iberdrola as "negligible" in terms of sustainability risk.

7.2.3 Governance

Iberdrola's corporate governance metrics reflected a mix of progress and challenges. At the consolidated level, the annual remuneration ratio of the highest-paid employee to the median employee salary was 45.67, translating to approximately €2.6 million for the highest-paid individual. This ratio has generally increased across most regions, except for Spain and Mexico, where it has remained stable (Appendix 9).

Regarding ethics and compliance, internal investigations confirmed 10 cases of corruption reported through the ethics mailboxes in 2023.

On political contributions, the company saw a significant increase in spending, particularly in the U.S., where contributions rose from €45,000 to €560,000—a dramatic 11.5x jump.

Table 19: ESG ratings peers

Company	Ticker
Iberdrola	IBE.MC
Endesa	ELE.MC
Enel	ENEL.MI
Duke Energy	DUK
Next Era Energy	NEE
National Grid	NGG
The Southern Company	SO

Table 20: ESG ratings results

Total score	Environmental Score	Social Score	Government Score
16.3	5.1	6.8	4.4
14.7	6.5	4.8	3.4
18.4	6.1	8.7	3.6
26.8	13.9	10	2.9
25	11.3	8.9	4.8
N/A	N/A	N/A	N/A
28.1	11.3	10	6.9

Table 21: Intensity of CO2 emissions

2023	2022[10]	2021
77	83	96
0.204	0.198	0.316

[91] "Company ESG Risk Rating - Sustainalytics." sustainalytics.com. December 2024. https://www.sustainalytics.com/esg-rating/iberdrola-sa/1008395546.
[92] See Statement of Non- Financial Information. Sustainability Report

Despite these concerns, Iberdrola achieved a Governance Risk Score of 4.4, the third highest among its peers but still within the "negligible" risk category.

Final Remarks

Table 22: Equity research analyst's view

Publish Date	Company	Opinion	Price Target
01/08/2024	JP Morgan	HOLD	13,50€
01/10/2024	Goldman Sachs	BUY	15,30€
23/10/2024	Barclays	HOLD	13,90€
16/10/2024	Deutsche Bank	HOLD	13,00€
24/09/2024	Oddo BHF	HOLD	15,30€
17/09/2024	Morgan Stanley	BUY	15,00€
24/07/2024	CFRA	BUY	14,00€

Table 22 shows the market consensus on Iberdrola's stock price target for December 2025[93], with 57% of analysts assigning a "HOLD" rating. This cautious consensus is determined by challenges in the company's near-term outlook, specifically for 2024, which reflect broader industry conditions, regulatory pressures, and competitive dynamics. Key analyst concerns are regulatory uncertainties related to continuously changing environmental policy and the competitive environment for renewable energy, where Iberdrola is actively responding to shifts toward greener solutions amid fluctuating demand and continuous policy development.

Nevertheless, Iberdrola shows a favourable long-term growth outlook. The company has been committed to investments in the sustainable energy business, where it strategically develops renewable energy and network infrastructure so it can take advantage of the growing global focus on decarbonization[94]. Its significant capital expenditures, planned for the networks segment and green energy projects, would mean that the company is likely to benefit by strengthening its market position and operational resilience regarding exposure to increasingly favourable global energy policies towards renewables[95].

Table 23: Capital Gain and Dividend Yield

Implied Share Price (Dec-25)	13,89€
Iberdrola, S.A. (IBE:MC) 17/12/2024	13,14€
Expected Capital Gain	**5,68%**
Expected Capital Gain + Dividen Yield	**6,09% HOLD**
Transactions with Shareholders 2025	352
Shares Outstanding	6423
Cash Gain per share	0,05
Share Price	13,14€
Dividend Yield	**0,42%**

As of the latest information on December 15, 2024, Iberdrola's projected capital gain stands at 5.68%, while the stock's dividend yield offers an anticipated cash gain of 0.42%. A thorough sensitivity analysis has been applied to these metrics, setting a price target at €13.89, which presents a modest upside potential of 6.09% (Table 23).

The valuation through multiples shows a strong growth sentiment, with Iberdrola showing undervaluation against the peer group mainly in sales and cash flow metrics. That is to suggest that Iberdrola remains relatively well-placed within its sector, despite the pressures, on account of its appealing prospects for cash generation from its regulated networks and renewable streams. However, we did not incorporate the multiples valuation into our target price, as the relative multiples are skewed due to the inclusion of U.S.-based peers. Instead, the multiples analysis was utilized solely to support our investment recommendation.

In conclusion, considering the mentioned industry factors, external factors that may affect market sentiment and our analysis, our investment recommendation for Iberdrola remains a **"HOLD".**

[93] Bloomberg Terminal, November 2024
[94] Corporative, Iberdrola. n.d. "Total Presidente De Iberdrola Sobre Las Claves Para Salir De La Crisis Y Reactivar La Economía Y El Empleo." https://www.iberdrola.com/press-room/news/detail/iberdrola-launches-billion-investment-plan-2025-firm-commitment-economic-recovery.
[95] Corporative, Iberdrola. n.d. "Iberdrola Progress Its Renewable Energy Strategy: The Company Installs Almost 3,000 MW in the Last Twelve Months." Iberdrola. https://www.iberdrola.com/press-room/news/detail/iberdrola-progress-its-renewable-energy-strategy-the-company-installs-almost-3000-mw-in-the-last-twelve-months.

Appendix

1.Financial Statements

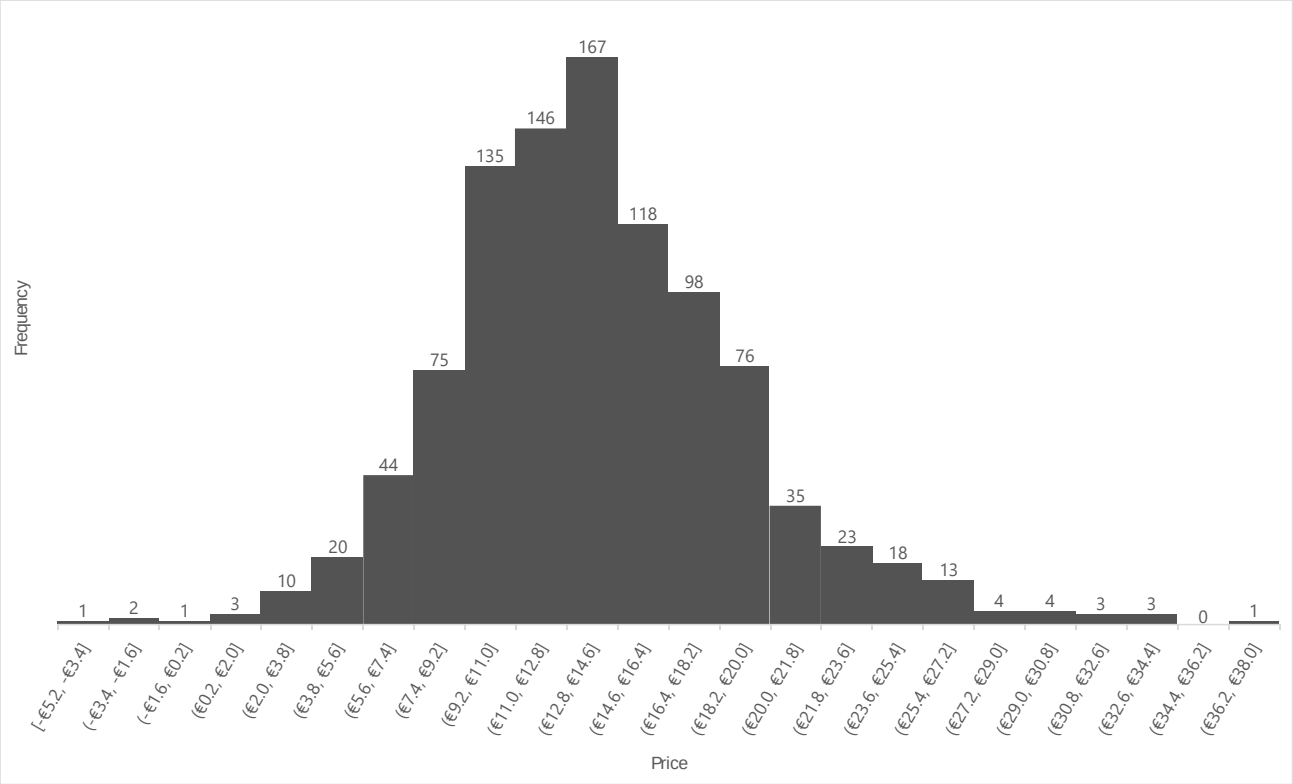
Forecasted Income Statement

Millions of Euros	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Core Business																			
Revenue	**31 263**	**35 076**	**36 438**	**33 145**	**39 114**	**53 949**	**49 335**	**46 083**	**48 533**	**52 241**	**56 500**	**60 789**	**65 561**	**70 361**	**74 821**	**78 826**	**82 269**	**85 054**	**87 095**
YoY change (%)		*12%*	*4%*	*-9%*	*18%*	*38%*	*-9%*	*-7%*	*5%*	*8%*	*8%*	*8%*	*8%*	*7%*	*6%*	*5%*	*4%*	*3%*	*2%*
Supplies	- 17 899	- 19 641	- 20 175	- 17 000	- 22 052	- 33 750	- 26 033	- 23 521	- 26 854	- 28 906	- 31 263	- 33 636	- 36 276	- 38 932	- 40 602	- 41 934	- 42 889	- 43 434	- 43 547
% of Revenues	*57%*	*56%*	*55%*	*51%*	*56%*	*63%*	*53%*	*51%*	*55%*	*55%*	*55%*	*55%*	*55%*	*55%*	*54%*	*53%*	*52%*	*51%*	*50%*
Gross Income	**13 364**	**15 435**	**16 263**	**16 145**	**17 062**	**20 199**	**23 302**	**22 562**	**21 679**	**23 335**	**25 238**	**27 154**	**29 285**	**31 429**	**34 219**	**36 891**	**39 380**	**41 620**	**43 547**
Gross Income margin	*43%*	*44%*	*45%*	*49%*	*44%*	*37%*	*47%*	*49%*	*45%*	*45%*	*45%*	*45%*	*45%*	*45%*	*46%*	*47%*	*48%*	*49%*	*50%*
Personnel Expense	- 2 172	- 2 020	- 2 146	- 2 149	- 2 286	- 2 518	- 2 960	- 3 159	- 3 350	- 3 547	- 3 753	- 3 969	- 4 195	- 4 430	- 4 675	- 4 929	- 5 193	- 5 466	- 5 748
% of Revenues	*7%*	*6%*	*6%*	*6%*	*6%*	*5%*	*6%*	*7%*	*7%*	*7%*	*7%*	*7%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*7%*
Personnel Numbers	*34255*	*34078*	*35374*	*37127*	*39955*	*40721*	*42276*	*43785*	*45329*	*46908*	*48522*	*50170*	*51854*	*53572*	*55324*	*57110*	*58929*	*60781*	*62665*
YoY change (%)		*-1%*	*4%*	*5%*	*8%*	*2%*	*4%*	*3,6%*	*3,5%*	*3,5%*	*3,4%*	*3,4%*	*3,4%*	*3,3%*	*3,3%*	*3,2%*	*3,2%*	*3,1%*	*3,1%*
Personnel costs per employee	*0,06*	*0,06*	*0,06*	*0,06*	*0,06*	*0,06*	*0,07*	*0,07*	*0,07*	*0,08*	*0,08*	*0,08*	*0,08*	*0,08*	*0,08*	*0,09*	*0,09*	*0,09*	*0,09*
YoY change (%)		*-6,5%*	*2,3%*	*-4,6%*	*-1,2%*	*8,1%*	*13,2%*	*3,0%*	*2,4%*	*2,3%*	*2,3%*	*2,3%*	*2,3%*	*2,2%*	*2,2%*	*2,1%*	*2,1%*	*2,0%*	*2,0%*
External services (Admnistrative costs	- 2 579	- 2 797	- 2 843	- 2 841	- 2 936	- 3 602	- 4 000	- 3 613	- 3 724	- 3 921	- 4 147	- 4 360	- 4 592	- 4 811	- 4 990	- 5 125	- 5 212	- 5 246	- 5 226
% of Revenues	*8,2%*	*8,0%*	*7,8%*	*8,6%*	*7,5%*	*6,7%*	*8,1%*	*8%*	*8%*	*8%*	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*	*6%*	*6%*	*6%*
Selling, general and administrative costs	- 4 751	- 4 817	- 4 989	- 4 990	- 5 222	- 6 120	- 6 960	- 6 772	- 7 074	- 7 468	- 7 900	- 8 329	- 8 787	- 9 241	- 9 665	########	########	########	- 10 974
YoY change (%)		*1,4%*	*3,6%*	*0,0%*	*4,6%*	*17,2%*	*13,7%*	*-2,7%*	*4,5%*	*5,6%*	*5,8%*	*5,4%*	*5,5%*	*5,2%*	*4,6%*	*4,0%*	*3,5%*	*2,9%*	*2,4%*
Taxes other than income tax	- 1 874	- 1 931	- 1 829	- 1 821	- 829	- 1 762	- 2 749	- 5 499	- 2 678	- 2 882	- 3 117	- 3 354	- 3 617	- 3 882	- 4 128	- 4 349	- 4 539	- 4 692	- 4 805
% of Revenues	*6%*	*6%*	*5%*	*5%*	*2%*	*3%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*
EBITDA	**6 739**	**8 687**	**9 445**	**9 334**	**11 011**	**12 317**	**13 593**	**13 904**	**11 927**	**12 985**	**14 221**	**15 471**	**16 881**	**18 307**	**20 426**	**22 488**	**24 437**	**26 216**	**27 769**
EBITDA margin	*22%*	*25%*	*26%*	*28%*	*28%*	*23%*	*28%*	*30%*	*25%*	*25%*	*25%*	*25%*	*26%*	*26%*	*27%*	*29%*	*30%*	*31%*	*32%*
D&A Costs	- 4 606	- 3 910	- 4 227	- 4 474	- 4 663	- 5 244	- 5 444	- 5 629	- 5 909	- 6 234	- 6 578	- 6 944	- 7 331	- 7 742	- 8 179	- 8 642	- 9 134	- 9 655	- 10 209
% of Revenues	*15%*	*11%*	*12%*	*13%*	*12%*	*10%*	*11%*	*12%*	*12%*	*12%*	*12%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*12%*
Core Results Before Tax	**2 133**	**4 777**	**5 218**	**4 860**	**6 348**	**7 073**	**8 149**	**8 274**	**6 018**	**6 751**	**7 643**	**8 528**	**9 550**	**10 564**	**12 247**	**13 845**	**15 303**	**16 561**	**17 560**
EBIT margin	*7%*	*14%*	*14%*	*15%*	*16%*	*13%*	*17%*	*18%*	*12%*	*13%*	*14%*	*14%*	*15%*	*15%*	*16%*	*18%*	*19%*	*19%*	*20%*
Statutory Taxes	- 533	- 1 194	- 1 305	- 1 215	- 1 587	- 1 768	- 2 037	- 2 069	- 1 505	- 1 688	- 1 911	- 2 132	- 2 388	- 2 641	- 3 062	- 3 461	- 3 826	- 4 140	- 4 390
Statutory Tax rate	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
Tax Adjustments	1 904	127	285	180	- 339	412	146	194	141	159	180	200	224	248	288	325	360	389	413
in % of core result before taxes	*89%*	*3%*	*5%*	*4%*	*-5%*	*6%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Taxes	1 370	- 1 067	- 1 020	- 1 035	- 1 926	- 1 356	- 1 891	- 1 874	- 1 363	- 1 529	- 1 731	- 1 931	- 2 163	- 2 393	- 2 774	- 3 136	- 3 466	- 3 751	- 3 977
Effective tax rate	*-64%*	*22%*	*20%*	*21%*	*30%*	*19%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*
Core Result	**3 503**	**3 710**	**4 198**	**3 825**	**4 422**	**5 717**	**6 258**	**6 400**	**4 655**	**5 222**	**5 912**	**6 596**	**7 387**	**8 171**	**9 473**	**10 710**	**11 837**	**12 810**	**13 582**
Net margin	*11%*	*11%*	*12%*	*12%*	*11%*	*11%*	*13%*	*14%*	*10%*	*10%*	*10%*	*11%*	*11%*	*12%*	*13%*	*14%*	*14%*	*15%*	*16%*
Non Core Business																			
Other operating income	580	662	659	704	995	911	824	894	941	1 013	1 096	1 179	1 272	1 365	1 451	1 529	1 596	1 650	1 689
% of Revenues	*2%*	*2%*	*2%*	*2%*	*3%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Result of equity-accounted investees	250	65	217	480	- 39	146	239	243	255	275	297	320	345	370	394	415	433	448	458
% of Revenues	*1%*	*0%*	*1%*	*1%*	*0%*	*0%*	*0%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*
Finance income	922	840	864	1 038	1 265	1 204	1 535	1 279	1 347	1 450	1 568	1 687	1 819	1 952	2 076	2 187	2 283	2 360	2 417
% of Revenues	*3%*	*2%*	*2%*	*3%*	*3%*	*2%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*
Non-Core Results Before Tax	**1 752**	**1 567**	**1 740**	**2 222**	**2 221**	**2 261**	**2 598**	**2 415**	**2 544**	**2 738**	**2 961**	**3 186**	**3 436**	**3 688**	**3 921**	**4 131**	**4 312**	**4 458**	**4 565**
Statutory Taxes	- 438	- 392	- 435	- 556	- 555	- 565	- 650	- 604	- 636	- 684	- 740	- 796	- 859	- 922	- 980	- 1 033	- 1 078	- 1 114	- 1 141
Statutory Tax rate	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
Total other comprehensive (loss)/income	- 2 301	- 321	- 76	- 3 852	4 591	- 597	333	- 579	- 579	- 610	- 657	- 710	- 764	- 824	- 885	- 941	- 991	- 1 034	- 1 069
% of Revenues	*-7%*	*-1%*	*0%*	*-12%*	*12%*	*-1%*	*1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*
Tax Impact	- 74	- 2	191	- 48	- 409	351	- 219	- 24	- 25	- 27	- 29	- 31	- 34	- 36	- 38	- 40	- 42	- 44	- 45
in % of non-core result before taxes	*-4%*	*0%*	*11%*	*-2%*	*-18%*	*16%*	*-8%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*
Taxes	- 2 813	- 715	- 320	- 4 456	3 627	- 811	- 536	- 1 207	- 1 240	- 1 321	- 1 426	- 1 538	- 1 657	- 1 782	- 1 903	- 2 014	- 2 111	- 2 192	- 2 255
Effective tax rate	161%	*46%*	*18%*	201%	-163%	*36%*	*21%*	*50%*	*49%*	*48%*	*48%*	*48%*	*48%*	*48%*	*49%*	*49%*	*49%*	*49%*	*49%*
Non-Core Results	**- 1 061**	**852**	**1 420**	**- 2 234**	**5 848**	**1 450**	**2 063**	**1 208**	**1 303**	**1 417**	**1 535**	**1 648**	**1 779**	**1 905**	**2 018**	**2 117**	**2 201**	**2 265**	**2 309**
Financials																			
Finance expense	- 1 859	- 1 996	- 2 164	- 2 029	- 2 268	- 3 042	- 3 722	- 2 861	- 3 057	- 3 263	- 3 507	- 3 897	- 4 302	- 4 567	- 4 748	- 5 018	- 5 245	- 5 438	- 5 592
in % of non-core result before taxes	*-106%*	*-127%*	*-124%*	*-91%*	*-102%*	*-135%*	*-143%*	*-118%*	*-120%*	*-119%*	*-118%*	*-122%*	*-125%*	*-124%*	*-121%*	*-121%*	*-122%*	*-122%*	*-123%*
Financials Results Before Tax	**- 1 859**	**- 1 996**	**- 2 164**	**- 2 029**	**- 2 268**	**- 3 042**	**- 3 722**	**- 2 861**	**- 3 057**	**- 3 263**	**- 3 507**	**- 3 897**	**- 4 302**	**- 4 567**	**- 4 748**	**- 5 018**	**- 5 245**	**- 5 438**	**- 5 592**
Statutory Taxes	465	499	541	507	567	761	931	715	764	816	877	974	1 075	1 142	1 187	1 255	1 311	1 360	1 398
Statutory Tax rate	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
Financial Results	**- 1 394**	**- 1 497**	**- 1 623**	**- 1 522**	**- 1 701**	**- 2 282**	**- 2 792**	**- 2 145**	**- 2 293**	**- 2 447**	**- 2 630**	**- 2 923**	**- 3 226**	**- 3 426**	**- 3 561**	**- 3 764**	**- 3 934**	**- 4 079**	**- 4 194**
Total Result	**1 048**	**3 065**	**3 995**	**70**	**8 569**	**4 885**	**5 529**	**5 463**	**3 665**	**4 191**	**4 817**	**5 322**	**5 940**	**6 651**	**7 930**	**9 063**	**10 104**	**10 996**	**11 698**
YoY chg %		192,5%	30,3%	-98,2%	12141,4%	-43,0%	13,2%	-1,2%	-32,9%	14,3%	14,9%	10,5%	11,6%	12,0%	19,2%	14,3%	11,5%	8,8%	6,4%

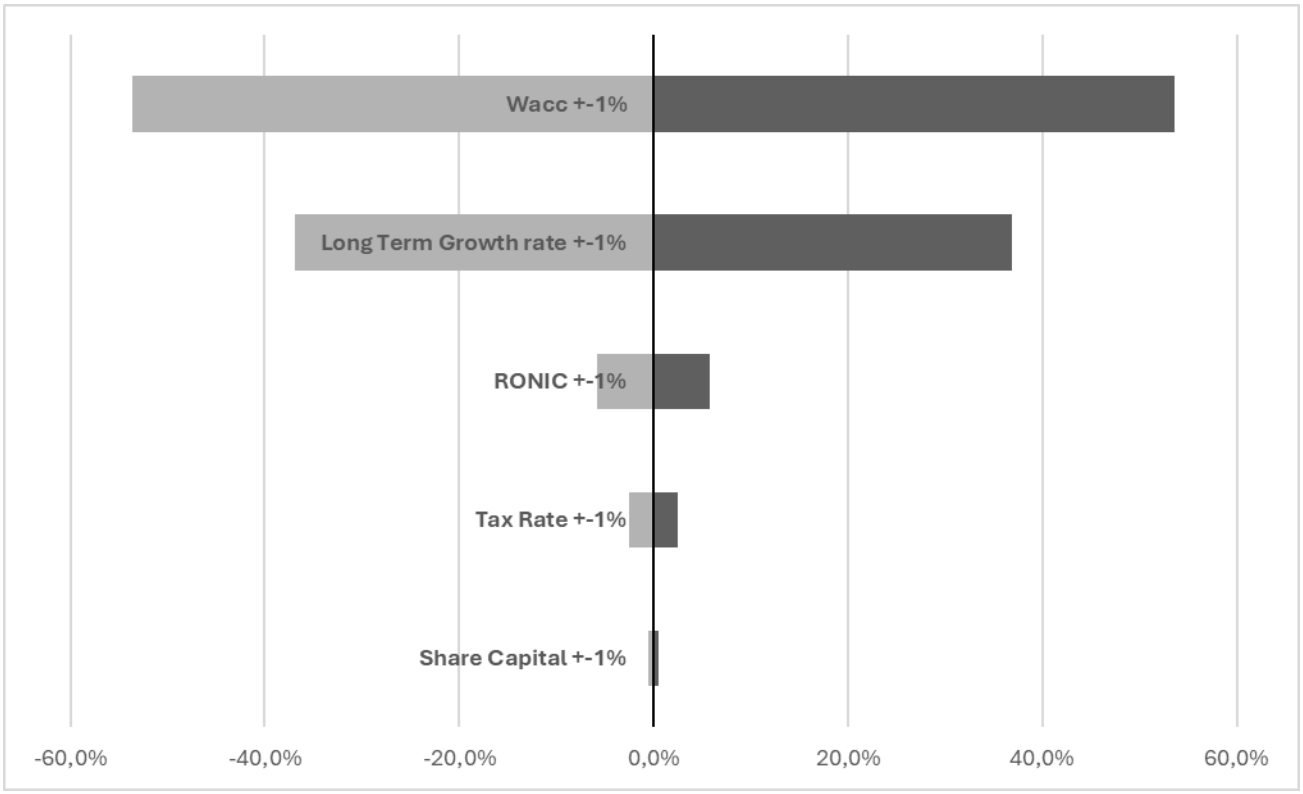
Forecasted Balance Sheet

Millions of Euros	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Core Business																			
Operating Cash	625	702	729	663	782	1 079	987	922	971	1 045	1 130	1 216	1 311	1 407	1 496	1 577	1 645	1 701	1 742
%Total Sales	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Trade Receivables *	7 560	7 668	10 350	10 825	14 720	15 834	13 382	13 247	13 951	15 017	16 241	17 474	18 846	20 067	21 171	22 127	22 909	23 493	23 862
Average Collection Period (ACP) - days	*88*	*80*	*104*	*119*	*137*	*107*	*99*	*105*	*105*	*105*	*105*	*105*	*105*	*104*	*103*	*102*	*102*	*101*	*100*
Inventories	1 870	2 174	2 542	2 443	2 639	2 159	2 550	2 575	2 940	3 165	3 423	3 683	3 972	4 352	4 632	4 881	5 091	5 255	5 369
Average Holding Period (AHP) - days	*38*	*40*	*46*	*52*	*44*	*23*	*36*	*40*	*40*	*40*	*40*	*40*	*40*	*41*	*42*	*42*	*43*	*44*	*45*
Trade Payables	- 5 308	- 5 259	- 5 098	- 5 138	- 5 964	- 5 927	- 5 112	- 3 295	- 3 762	- 4 049	- 4 379	- 4 712	- 5 082	- 5 363	- 5 497	- 5 580	- 5 606	- 5 576	- 5 488
Average Payable Period (APP) - days	*62*	*55*	*51*	*57*	*56*	*40*	*38*	*51*	*51*	*51*	*51*	*51*	*51*	*50*	*49*	*49*	*48*	*47*	*46*
Intangible Assets	21 148	21 000	20 368	18 222	19 909	20 118	20 255	20 586	20 907	21 229	21 556	21 887	22 224	22 566	22 913	23 265	23 623	23 986	24 355
%Total Sales	*68%*	*60%*	*56%*	*55%*	*51%*	*37%*	*41%*	*45%*	*43%*	*41%*	*38%*	*36%*	*34%*	*32%*	*31%*	*30%*	*29%*	*28%*	*28%*
PP&E	64 082	66 110	71 289	71 779	79 981	86 326	87 821	96 093	102 174	108 615	115 462	122 740	130 478	138 703	147 447	156 742	166 623	177 126	188 292
%Total Sales	*205%*	*188%*	*196%*	*217%*	*204%*	*160%*	*178%*	*209%*	*211%*	*208%*	*204%*	*202%*	*199%*	*197%*	*197%*	*199%*	*203%*	*208%*	*216%*
ROUA	-	-	1 782	1 974	2 260	2 370	2 488	2 706	2 944	3 202	3 483	3 789	4 122	4 483	4 877	5 305	5 771	6 277	6 828
%Total Sales	0%	0%	5%	6%	6%	4%	5%	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*7%*	*7%*	*7%*	*7%*	*8%*
Nuclear fuel	332	273	306	260	267	259	278	342	360	387	419	451	486	522	555	585	610	631	646
%Total Sales	*1%*	*1%*	*1%*	*1%*	*1%*	*0%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*
Other Liabilities	- 3 523	- 2 271	- 2 345	- 2 144	- 2 686	- 3 120	- 3 370	- 3 117	- 3 505	- 3 751	- 4 028	- 4 309	- 4 618	- 4 930	- 5 159	- 5 358	- 5 521	- 5 647	- 5 733
%Total Expenses	*12%*	*7%*	*8%*	*8%*	*8%*	*7%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*
Capital grants	- 1 481	- 1 478	- 1 399	- 1 240	- 1 261	- 1 247	- 1 136	- 1 604	- 1 690	- 1 819	- 1 967	- 2 116	- 2 282	- 2 450	- 2 605	- 2 744	- 2 864	- 2 961	- 3 032
%Total Sales	*-5%*	*-4%*	*-4%*	*-4%*	*-3%*	*-2%*	*-2%*	*-3%*	*-3%*	*-3%*	*-3%*	*-3%*	*-3%*	*-3%*	*-3%*	*-3%*	*-3%*	*-3%*	*-3%*
Facilities transferred and financed by third parties	- 4 763	- 4 823	- 4 987	- 5 043	- 5 424	- 5 673	- 6 021	- 6 219	- 6 550	- 7 051	- 7 625	- 8 204	- 8 848	- 9 496	- 10 098	- 10 638	- 11 103	- 11 479	- 11 755
%Total Sales	*-15%*	*-14%*	*-14%*	*-15%*	*-14%*	*-11%*	*-12%*	*-13%*	*-13%*	*-13%*	*-13%*	*-13%*	*-13%*	*-13%*	*-13%*	*-13%*	*-13%*	*-13%*	*-13%*
Tax Receivables/(Payables)	-	486	405	381	429	374	496	519	377	423	479	535	599	663	768	868	960	1 039	1 101
% of EBIT	*0%*	*10%*	*8%*	*8%*	*7%*	*5%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*
Core Invested Capital	**80 542**	**84 582**	**93 942**	**92 982**	**105 652**	**112 552**	**112 618**	**122 753**	**129 117**	**136 414**	**144 193**	**152 433**	**161 207**	**170 525**	**180 500**	**191 029**	**202 136**	**213 846**	**226 187**
Non Core Business																			
Investment Property	424	429	342	301	310	307	431	439	462	497	538	578	624	670	712	750	783	809	829
%Total Sales	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Non-Current Financial Investments	5 014	5 191	5 819	5 461	6 499	10 650	9 740	7 859	8 277	8 910	9 636	10 367	11 181	12 000	12 760	13 443	14 031	14 506	14 854
%Total Sales	*16%*	*15%*	*16%*	*16%*	*17%*	*20%*	*20%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*
Deferred tax assets	5 382	5 486	5 694	5 982	5 917	1 768	2 009	6 756	4 914	5 512	6 240	6 963	7 798	8 626	10 000	11 305	12 495	13 522	14 338
% of EBIT	*252%*	*115%*	*109%*	*123%*	*93%*	*25%*	*25%*	*82%*	*82%*	*82%*	*82%*	*82%*	*82%*	*82%*	*82%*	*82%*	*82%*	*82%*	*82%*
Assets held for sale	356	62	-	-	124	166	4 720	758	798	859	929	999	1 078	1 157	1 230	1 296	1 352	1 398	1 432
%Total Sales	*1%*	*0%*	*0%*	*0%*	*0%*	*0%*	*10%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Current financial assets	1 324	1 178	1 098	1 178	4 364	4 813	2 457	2 582	2 719	2 927	3 166	3 406	3 673	3 942	4 192	4 416	4 609	4 765	4 880
%Total Sales	*4%*	*3%*	*3%*	*4%*	*11%*	*9%*	*5%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*
Non-Current Provisions	- 5 487	- 5 268	- 5 990	- 5 836	- 5 330	- 4 225	- 4 536	- 6 403	- 6 744	- 7 259	- 7 851	- 8 447	- 9 110	- 9 777	- 10 397	- 10 953	- 11 432	- 11 819	- 12 102
%Total Sales	*-18%*	*-15%*	*-16%*	*-18%*	*-14%*	*-8%*	*-9%*	*-14%*	*-14%*	*-14%*	*-14%*	*-14%*	*-14%*	*-14%*	*-14%*	*-14%*	*-14%*	*-14%*	*-14%*
Current provisions	- 627	- 580	- 660	- 579	- 789	- 922	- 920	- 843	- 888	- 956	- 1 034	- 1 112	- 1 200	- 1 287	- 1 369	- 1 442	- 1 505	- 1 556	- 1 594
%Total Sales	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*
Deferred tax liabilities	- 8 558	- 9 042	- 9 359	- 9 607	- 11 364	- 7 129	- 7 379	- 7 916	- 5 758	- 6 459	- 7 312	- 8 159	- 9 137	- 10 107	- 11 717	- 13 246	- 14 641	- 15 844	- 16 800
% of EBIT	*-401%*	*-189%*	*-179%*	*-198%*	*-179%*	*-101%*	*-91%*	*-96%*	*-96%*	*-96%*	*-96%*	*-96%*	*-96%*	*-96%*	*-96%*	*-96%*	*-96%*	*-96%*	*-96%*
Liabilities linked to assets held for sale	- 135	- 1	-	-	-	- 27	- 1 097	- 178	- 188	- 202	- 219	- 235	- 254	- 272	- 289	- 305	- 318	- 329	- 337
%Total Sales	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*-2%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Non-controlling interests	- 7 223	- 7 394	- 9 517	- 11 806	- 15 647	- 16 995	- 17 181	- 17 181	- 17 181	- 17 181	- 17 181	- 17 181	- 17 181	- 17 181	- 17 181	- 17 181	- 17 181	- 17 181	- 17 181
%Equity	*20%*	*20%*	*25%*	*33%*	*39%*	*41%*	*40%*	*32%*	*30%*	*28%*	*27%*	*25%*	*24%*	*23%*	*22%*	*20%*	*19%*	*17%*	*15%*
Non Core Invested Capital	**- 9 530**	**- 9 939**	**- 12 573**	**- 14 906**	**- 15 916**	**- 11 594**	**- 11 756**	**- 14 129**	**- 13 588**	**- 13 352**	**- 13 088**	**- 12 820**	**- 12 527**	**- 12 231**	**- 12 059**	**- 11 917**	**- 11 806**	**- 11 728**	**- 11 682**
Net Financial Assets																			
Excess Cash	2 572	2 099	1 384	2 764	3 251	3 529	2 032	2 984	3 142	3 382	3 658	3 936	4 245	4 556	4 844	5 104	5 327	5 507	5 639
%Total Sales	*8%*	*6%*	*4%*	*8%*	*8%*	*7%*	*4%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*
Non-current financial liabilities	-30 532	-31 779	- 33 639	- 35 096	- 37 175	- 44 216	- 41 775	- 42 669	- 44 586	- 48 088	- 51 986	- 54 727	- 58 554	- 63 580	- 68 217	- 71 709	- 74 737	- 77 120	- 78 804
%Total Sales	*-98%*	*-91%*	*-92%*	*-106%*	*-95%*	*-82%*	*-85%*	*-93%*	*-92%*	*-92%*	*-92%*	*-90%*	*-89%*	*-90%*	*-91%*	*-91%*	*-91%*	*-91%*	*-90%*
Current financial liabilities	- 7 542	- 8 380	- 11 436	- 10 332	- 15 333	- 19 152	- 18 008	- 14 600	- 15 900	- 17 777	- 19 440	- 21 197	- 22 455	- 23 973	- 25 233	- 26 813	- 28 132	- 29 104	- 29 780
%Total Sales	*-24%*	*-24%*	*-31%*	*-31%*	*-39%*	*-36%*	*-37%*	*-32%*	*-33%*	*-34%*	*-34%*	*-35%*	*-34%*	*-34%*	*-34%*	*-34%*	*-34%*	*-34%*	*-34%*
Net Financial Assets	**-35 502**	**-38 060**	**- 43 691**	**- 42 664**	**- 49 257**	**- 59 839**	**- 57 751**	**- 54 286**	**- 57 344**	**- 62 483**	**- 67 768**	**- 71 988**	**- 76 764**	**- 82 998**	**- 88 606**	**- 93 419**	**- 97 542**	**- 100 717**	**- 102 945**
Equity	**35 510**	**36 583**	**37 678**	**35 412**	**40 479**	**41 119**	**43 111**	**54 339**	**58 185**	**60 579**	**63 337**	**67 625**	**71 916**	**75 296**	**79 835**	**85 693**	**92 787**	**101 400**	**111 561**

2.Monte Carlo Simulation



3.Sensitivity Analysis



4. Reduction of energy consumption through the generation of renewable energy and steam

Reduction of energy consumption through the generation of renewable energy and steam (energy saved, GJ)				
Areas	Type of energy	2023	2022	2021
Renewables	Annual primary energy savings through the production of renewable energy	280,086,056	265,931,274	270,277,248
Cogeneration	Annual savings through the supply of heat energy (steam) within the group	9,651,522 [29]	10,763,904	14,093,106
Total		**289,737,578**	**276,695,178**	**284,370,354**

5. Reduction of energy consumption associated with increases in efficiency (energy saved, GJ)

Reduction of energy consumption associated with increases in efficiency (energy saved, GJ)				
Areas	Item	2023	2022	2021
Efficiency in the distribution network	Savings due to efficiency in the grid	1,472,450	1,379,273	1,522,071
Efficiency in generation	Savings due to efficiency improvement at plants	36,928 [30]	7,656	1,654
Efficiency in buildings	Savings due to efficiency in buildings	7,362	6,239	5,370
Total		**1,516,740**	**1,393,168**	**1,529,095**

6. Employees by gender, age and professional category

Employees by gender, age and professional category							
		2023		2022		2021	
		Nº	%	Nº	%	Nº	%
By gender[40]	Men	31,939	76	31,112	76	30,672	77
	Women	10,327	24	9,603	24	9,283	23
By age group	Up to 30 years old	7,880	19	7,515	18	7,247	18
	Between 31 and 50 years old	26,107	62	25,156	62	24,163	60
	Over 50 years old	8,290	20	8,050	20	8,545	21
By professional category	Leadership	2,452	6	2,278	6	2,898	7
	Qualified technicians	17,619	42	16,610	41	14,988	38
	Skilled workers and support personnel	22,205	53	21,833	54	22,069	55
Total		**42,276**	**100**	**40,721**	**100**	**39,955**	**100**

7. Average salary by age group and gender (€)

Average salary by age group and gender (€)[42]

	Men			Women			Total		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Up to 30 years old	35,693	31,898	25,273	34,509	31,428	26,391	35,377	31,779	25,530
Between 31 and 50 years old	50,524	48,825	42,242	58,055	55,832	49,474	52,317	50,452	43,921
Over 51 years old	89,140	86,979	78,584	84,755	81,837	70,885	88,053	85,754	76,722
Total average salary	**55,255**	**53,100**	**46,529**	**58,436**	**56,020**	**49,857**	**56,035**	**53,792**	**47,307**

8. Hours of training by professional category and gender

Hours of training by professional category and gender

		2023[66]		2022		2021	
		Men	Women	Men	Women	Men	Women
Hours of training	Leadership	64,445	27,122	62,387	26,979	85,078	31,054
	Qualified technicians	533,641	259,545	444,229	223,312	440,433	207,835
	Skilled workers and support personnel	1,858,877	310,793	1,730,249	244,663	1,449,663	183,248
Total		**2,456,963**	**597,459**	**2,236,865**	**494,955**	**1,975,175**	**422,140**
Average hours of training by average personnel	Leadership	38.0	40.6	32.2	35.3	41.5	39.1
	Qualified technicians	48.0	43.8	43.4	41.5	46.0	42.6
	Skilled workers and support personnel	99.3	90.9	93.0	74.1	80.9	56.5
Average hours of training by average personnel		**77.9**	**59.7**	**72.7**	**52.4**	**66.8**	**47.3**

9. Annual total compensation ratio and annual total compensation percentage increase ratio

Country[79]	Highest level of remuneration	Annual total compensation ratio[80]			Total compensation percentage increase ratio		
		2023	2022	2021	2023	2022	2021
Spain	Director	23.63	23.34	23.85	-1.97	0.12	-4.20
United Kingdom	CEO	20.07	19.94	22.18	0.80	-1.23	7.31
United States	CEO[81]	19.42	11.14	12.53	10.84	N/A	11.16
Brazil	Director	31.57	29.02	28.57	1.73	0.9	N/A
Mexico	CEO	18.98	23.84	29.08	-0.32	-0.89	-31.77

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Buy	Expected total return (including expected capital gains and expected dividend yield) of more than 10% over a 12-month period.
Hold	Expected total return (including expected capital gains and expected dividend yield) between 0% and 10% over a 12-month period.
Sell	Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period.

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