

ACEA

Sector: Utilities

NEUTRAL

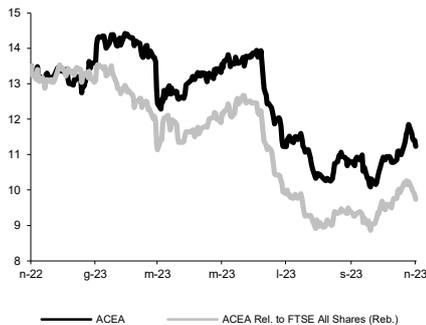
Price: Eu11.23 - Target: Eu13.00

3Q23 Results in Line, FY23 Guidance confirmed

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 13.50 to 13.00		
	2023E	2024E	2025E
Chg in Adj EPS	0.4%	3.8%	3.8%

ACEA - 12M Performance



Stock Data			
Reuters code:	ACE.MI		
Bloomberg code:	ACE IM		
Performance	1M	3M	12M
Absolute	2.7%	8.0%	-16.9%
Relative	1.9%	8.6%	-32.1%
12M (H/L)	14.42/10.09		
3M Average Volume (th):	203.30		

Shareholder Data	
No. of Ord shares (mn):	213
Total no. of shares (mn):	213
Mkt Cap Ord (Eu mn):	2,392
Total Mkt Cap (Eu mn):	2,392
Mkt Float - Ord (Eu mn):	600
Mkt Float (in %):	25.1%
Main Shareholder:	
Council of Rome	51.0%

Balance Sheet Data	
Book Value (Eu mn):	1,913
BVPS (Eu):	11.31
P/BV:	1.0
Net Financial Position (Eu mn):	-4,918
Enterprise Value (Eu mn):	8,150

- 3Q23 results very much in line.** Yesterday ACEA released a solid set of 3Q23 results that were in line with expectations at all levels. On the macro front, 3Q saw electricity and gas prices stabilise compared to the previous quarter, although the very sharp decrease on the same period last year was confirmed (-75% YoY and -82% YoY respectively) with electricity demand substantially in line with 3Q22 (-1.4% YoY) and gas demand growing by 1%. In this context, ACEA recorded EBITDA of Eu336mn, up 5.0% YoY (not far off the +4% LfL shown in 1H23 EBITDA), EBIT at Eu143mn, and net income at Eu67mn, down 10% YoY and 3% above expectations. On the balance sheet, net debt closed at Eu4,843mn (Eu4,880mn expected) on the back of Eu230mn in CapEx (-3% YoY).
- Divisional breakdown.** Sales & Trading saw EBITDA rise 35% YoY to Eu26mn (4% above exp.), primarily reflecting a normalisation of margins in energy supply; at Power generation, overall EBITDA was down 34% YoY to Eu17.4mn (20% below exp.), hit by the sharp reduction in electricity prices, while Energy infrastructure showed an 11% increase to Eu93mn thanks to continued investment and attention to cost control; at Water (EBITDA +8% YoY to Eu175mn), the impact from the consolidation of ASM Terni boosted performance, which also featured solid organic growth; at the Environment division, EBITDA declined 16% YoY to Eu21mn (in line), capped by lower electricity prices and despite the contribution from the acquisition of 70% of Tecnoservizi in October 2022.
- 2023 guidance confirmed.** Management confirmed the guidance, including EBITDA growth of +2-4% YoY to Eu1,331-1,357mn, CapEx in line with 2022, and net debt/EBITDA below 3.8x (i.e. below c.Eu5.1bn). As for net income, management is working to reach the current consensus of ca. Eu295mn.
- Main pointers from the conference call.** Business plan update: the company is counting on presenting it by the end of January: the delay does not depend on the tender for the new WTE plant in Rome but rather on the change to the management team and the wait for certain regulatory updates to finalise (i.e. Water and Electricity distribution); Rome WTE: dialogue with the city council has led to a partial revision of the project; the definitive call for tenders is expected shortly from the council, which will probably be followed by a second phase of offers and then the final award.
- Change in estimates and target price.** We have left FY23 estimates broadly unchanged (higher quality premiums in Water counterbalanced by higher financial charges) while lifting 2024-25 EPS by 4% on average, mostly on higher expected performance at the Water division. Our target moves to Eu13.00 (from Eu13.50) as the impact from higher estimates is more than counterbalanced by the higher risk-free rate used in our valuation (target still calculated as a 50/50 combination of a DCF model and market multiples).
- NEUTRAL confirmed, target Eu13.00 (from Eu13.50).** We still believe 2023 net debt guidance reflects management's caution, but also think that over the next few months leverage will continue to draw a lot of investor attention, especially in the current high interest rate environment. As we await presentation of the strategic plan update early next year, we confirm our NEUTRAL recommendation on the stock.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	3,976	5,138	4,642	4,019	4,001
EBITDA Adj (Eu mn)	1,256	1,305	1,350	1,421	1,454
Net Profit Adj (Eu mn)	313	300	298	326	334
EPS New Adj (Eu)	1.469	1.407	1.401	1.531	1.568
EPS Old Adj (Eu)	1.469	1.407	1.396	1.475	1.511
DPS (Eu)	0.851	0.851	0.851	0.876	0.902
EV/EBITDA Adj	7.1	6.4	6.0	5.8	5.7
EV/EBIT Adj	15.3	14.7	13.7	12.5	12.0
P/E Adj	7.6	8.0	8.0	7.3	7.2
Div. Yield	7.6%	7.6%	7.6%	7.8%	8.0%
Net Debt/EBITDA Adj	3.2	3.4	3.6	3.5	3.3