

ENAV

Sector: Utilities

OUTPERFORM

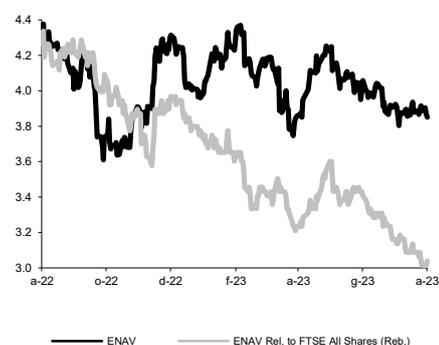
Price: Eu3.85 - Target: Eu4.70

2Q23 Numbers in Line, Business Plan Update by Year-End

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	1.0%	1.2%	1.3%

ENAV - 12M Performance



Stock Data			
Reuters code:	ENAV.MI		
Bloomberg code:	ENAV IM		
Performance	1M	3M	12M
Absolute	-1.4%	-8.8%	-9.7%
Relative	-3.7%	-16.5%	-36.4%
12M (H/L)	4.38/3.61		
3M Average Volume (th):	318.23		

Shareholder Data	
No. of Ord shares (mn):	542
Total no. of shares (mn):	542
Mkt Cap Ord (Eu mn):	2,086
Total Mkt Cap (Eu mn):	2,086
Mkt Float - Ord (Eu mn):	974
Mkt Float (in %):	46.7%
Main Shareholder:	
MEF	53.3%

Balance Sheet Data	
Book Value (Eu mn):	1,224
BVPS (Eu):	2.26
P/BV:	1.7
Net Financial Position (Eu mn):	-352
Enterprise Value (Eu mn):	2,437

- 2Q23 results broadly in line.** ENAV reported 2Q23 results that were substantially in line with expectations, with EBITDA just a touch better (higher revenues from operating activities) and net debt slightly higher due to seasonal working capital effects that will be reabsorbed in 3Q. In detail: revenues from operations closed at Eu265mn, up 8% YoY driven by some Eu184.5mn in en-route revenues on the back of a 10% increase in en-route service units (4.2% above the level reached in 4Q19). The balance for the quarter closed at Eu-15mn, while other revenues ended up at Eu9.6mn, broadly in line with our estimates and up Eu1.4mn on 2Q22 levels. On the cost front, personnel costs reached Eu144mn, up 8.4% YoY (the increase was mainly due to the renewal of the National Collective Employment Agreement, which was signed with unions in November 2022), while external costs were up 3.5% YoY. All this led to total revenues of Eu260mn (vs Eu255mn expected), EBITDA of Eu85mn (vs. Eu82mn expected), and a bottom line of Eu40mn (in line). Cash generation was slightly below our estimate (working capital effect), leading to net debt of Eu415mn.
- FY23 guidance confirmed.** Management confirmed FY23 guidance for revenues up mid-single digit vs 2022 (including revenues from the non-regulated market, up high-single digit YoY) and EBITDA foreseen up mid-single digit vs 2022, based on the expectations that the group will manage 10.6mn en-route service units, in line with the Eurocontrol forecast. Investments in 2023 are expected to be approximately Eu100mn. The guidance points to revenues at around Eu990mn and EBITDA at around Eu285mn.
- Business plan update expected by year end.** At the beginning of the call, CEO Monti commented that a strategic review of the group is currently under way and is expected to be ready before the end of the year (a presentation to the market could take place in November or December). The work of the management team is advancing on 3 main strategic fronts: 1) expansion of the non-regulated market; 2) focus on non-organic growth but in line with the company's core competencies; 3) technological upgrading. As far as M&A is concerned, Mr Monti explained that the company will be looking at both regulated and non-regulated businesses, mainly domestically but also abroad.
- Estimates and valuation.** We substantially confirm our 2023-2024 EPS estimates with a slightly higher top line (we now assume 2023 en-route units at 10.6mn, in line with management guidance and 4% above 2019 levels) counterbalanced by slightly higher labour costs. We confirm our target at Eu4.70, still calculated based on a DCF model.
- OUTPERFORM (TP Eu 4.70).** YTD, data on en-route traffic have confirmed the continuation of the very positive 2022 trend, with volumes above 2019 levels, reflecting the overall momentum in the services sector. Clearly, uncertainty still reigns regarding the overall economic outlook but the stock valuation (2023-2024E equity FCF yield of c.5.9%, vs the historical 4-6% range, and DY at 5.3% on average in 2023-2024, even above the historic peak of 5.1% seen in 2016) seems to discount that already.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	837	944	993	1,016	1,017
EBITDA Adj (Eu mn)	222	272	288	302	301
Net Profit Adj (Eu mn)	78	105	109	123	128
EPS New Adj (Eu)	0.145	0.194	0.201	0.227	0.235
EPS Old Adj (Eu)	0.145	0.194	0.199	0.225	0.233
DPS (Eu)	0.108	0.197	0.203	0.209	0.217
EV/EBITDA Adj	11.6	9.6	8.5	7.8	7.4
EV/EBIT Adj	26.4	17.7	14.4	12.8	12.1
P/E Adj	26.6	19.9	19.1	17.0	16.3
Div. Yield	2.8%	5.1%	5.3%	5.4%	5.6%
Net Debt/EBITDA Adj	2.2	1.5	1.2	0.9	0.5