Milan, 16 March 2023

Italian Equity Research – 4Q22 Results

ENAV

OUTPERFORM

Sector: Utilities

Price: Eu3.89 - **Target: Eu4.70**

4Q22 and FY23 Guidance Broadly in Line with Expectations

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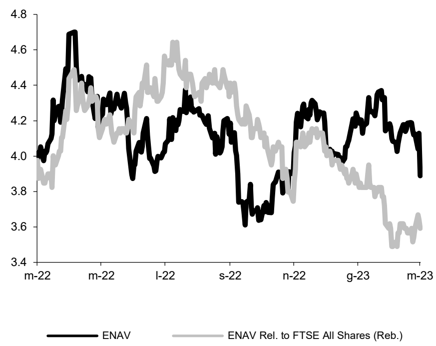
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	0.2%	0.4%	1.1%

ENAV - 12M Performance



Stock Data			
Reuters code:			ENAV.MI
Bloomberg code:			ENAV IM
Performance	**1M**	**3M**	**12M**
Absolute	-6.7%	-4.3%	-2.2%
Relative	0.4%	-11.7%	-10.0%
12M (H/L)			4.70/3.61
3M Average Volume (th):			244.72

Shareholder Data	
No. of Ord shares (mn):	542
Total no. of shares (mn):	542
Mkt Cap Ord (Eu mn):	2,106
Total Mkt Cap (Eu mn):	2,106
Mkt Float - Ord (Eu mn):	984
Mkt Float (in %):	46.7%
Main Shareholder:	
MEF	53.3%

Balance Sheet Data	
Book Value (Eu mn):	1,223
BVPS (Eu):	2.26
P/BV:	1.7
Net Financial Position (Eu mn):	-349
Enterprise Value (Eu mn):	2,455

- **4Q22 results broadly in line.** Enav reported 4Q22 results that were broadly in line with our estimates and consensus at all levels. Revenues from operations closed at Eu215mn, up 32% YoY driven by some Eu148mn in en-route revenues on the back of a 19% increase in en-route service units (1% above the level reached in the fourth quarter of 2019). The balance for the quarter closed at Eu2mn, while other revenues ended up at Eu13mn, broadly in line with our estimates and with 3Q22 levels. On the cost side, personnel costs reached Eu143mn, up 4.9% YoY, while external costs were down 6.5% YoY. All this led to total revenues of Eu230mn, EBITDA of Eu52.4mn (vs. Eu53.8mn expected), and a bottom line of Eu12.3mn (vs. Eu11.2mn expected). Cash generation was also in line with forecasts, leading to net debt of Eu308mn, down c.Eu25mn from the 9M22 figure. The 2022 DPS was proposed at Eu0.1967, slightly above our expectations and consensus (dividend to be distributed on 25 October 2023).
- **2023 guidance.** For 2023, Enav "expects to manage 10.3mn en-route service units and to report low single-digit growth in revenues compared to 2022, including revenues from the non-regulated market, up high-single digit YoY. EBITDA is also expected to show a low-to-mid single-digit growth compared to 2022. Investments in 2023 are expected to be approximately Eu100mn." The new guidance therefore points to revenues at around Eu970mn and EBITDA at around Eu280-285mn.
- **Main messages from the conference call.** Personnel costs: the renewal of the labour contract that expired in 2019 pushed up fixed remuneration (+Eu20.9mn for the FY), including the recovery of inflation for 2020, 2021 and 2022; Bonus/malus: Enav is entitled to receive a 2022 performance bonus, reaching 0.07 average minutes of en-route delay per flight vs. the target of 0.11 minutes. Still, the bonus was just Eu6mn vs. Eu12mn expected due to some delays, on which Enav disagrees (the difference could be recognised in 2023 depending on the final outcome of dispute). Next regulatory period: management does not expect changes to the overall regulatory framework; clarity on this and the first negotiations on European targets should come by YE23, with performance plan to be sent to the Commission by the summer and approved by YE24.
- **Confirming estimates and valuation.** We are confirming our 2023-2024 traffic assumptions (we assume 2023 en-route traffic 2.5% above 2019 levels, in line with management's assumptions) and also broadly 2023-2024 EPS estimates, with the less negative balance offset by higher financial charges. We are also slightly lifting our 2023 and 2024 DPS to Eu0.203 and Eu0.209 respectively, while confirming our target at Eu4.70.
- **OUTPERFORM (TP Eu 4.70).** Over the last few weeks, data on en-route traffic have confirmed the continuation of the very positive 2022 trend, with volumes above 2019 levels, partly reflecting the overall momentum in the services sector, which is continuing beyond the booming 2022 summer. The stock is trading at a 2023-2024E equity FCF yield of c.5.9%, at the top end of the historical 4-6% range (although admittedly in a higher interest rate environment), and the dividend yield (5.3% on average in 2023-2024) is even beyond the historic peak of 5.1% seen in 2016 (annual average).

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	837	944	976	1,009	996
EBITDA Adj (Eu mn)	222	272	285	303	299
Net Profit Adj (Eu mn)	78	105	108	122	126
EPS New Adj (Eu)	0.145	0.194	0.199	0.225	0.233
EPS Old Adj (Eu)	0.145	0.191	0.199	0.224	0.230
DPS (Eu)	0.108	0.197	0.203	0.209	0.217
EV/EBITDA Adj	11.6	9.6	8.6	7.8	7.5
EV/EBIT Adj	26.4	17.7	14.8	12.7	12.4
P/E Adj	26.9	20.1	19.5	17.3	16.7
Div. Yield	2.8%	5.1%	5.2%	5.4%	5.6%
Net Debt/EBITDA Adj	2.2	1.5	1.2	0.9	0.4