

ENAV

Sector: Utilities

OUTPERFORM

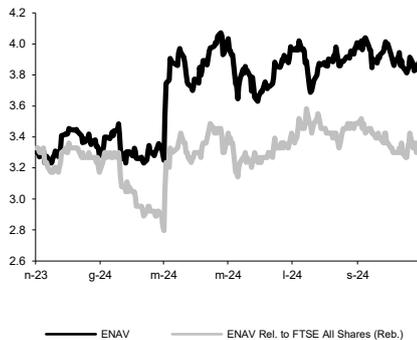
Price: Eu3.89 - Target: Eu4.50

No Surprises From 3Q24; Focus Turns to New Dividend Policy

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.0%	0.0%	4.8%

ENAV - 12M Performance



Stock Data			
Reuters code:	ENAV.MI		
Bloomberg code:	ENAV IM		
Performance	1M	3M	12M
Absolute	-2.7%	0.8%	16.2%
Relative	1.3%	-1.3%	2.1%
12M (H/L)	4.07/3.23		
3M Average Volume (th):	414.41		

Shareholder Data	
No. of Ord shares (mn):	542
Total no. of shares (mn):	542
Mkt Cap Ord (Eu mn):	2,110
Total Mkt Cap (Eu mn):	2,110
Mkt Float - Ord (Eu mn):	986
Mkt Float (in %):	46.7%
Main Shareholder:	
MEF	53.3%

Balance Sheet Data	
Book Value (Eu mn):	1,227
BVPS (Eu):	2.27
P/BV:	1.7
Net Financial Position (Eu mn):	-270
Enterprise Value (Eu mn):	2,380

- No surprises from 3Q24 results.** ENAV reported 3Q24 results that were very much in line with our expectations and consensus at all levels. Revenues from operations closed at Eu334.6mn, up 6.6% YoY driven by some Eu242mn of en-route revenues on the back of a 10.6% increase in en-route service units (c.15% above the level reached in 3Q19), a 26% YoY rise in non-regulatory revenues, and a balance that was negative by over Eu34mn (Eu-33mn expected) with the negative impact from the reversal of previous years' tariff balance only partly counteracted by the balance for higher inflation. Finally, other revenues ended up at Eu8.6mn, a touch below 3Q23 levels. On the cost front, personnel costs reached Eu151.0mn, flat YoY despite the higher headcount, while other costs were up c.Eu7mn, partly on the back of lower capitalisations. All this led to EBITDA of Eu122.8mn (-2% YoY and 1% above est.) and a bottom line of Eu66.4mn (-2.5% YoY and broadly in line with expectations). Cash generation was also substantially in line with expectations, leading to net debt of Eu332mn (vs. Eu325mn in our estimates).
- FY24 guidance confirmed.** In view of the traffic volumes expected in the final quarter of the year, the group's traffic estimates for the current year were revised upwards (en-route service units +10.8% YoY vs. previous guidance of +6.7%); on the other hand, the 2024 outlook on total revenues, non-regulated market revenues, EBITDA and CapEx remained unchanged (i.e. revenues up mid-single-digit vs. 2023 including revenues from the non-regulated market, up double-digit YoY, EBITDA up mid-single-digit, pointing to revenues at c.Eu1,050mn and EBITDA at c.Eu315mn).
- Key pointers from the conference call.** 2024 guidance: during the call it was explained that the new assumptions for en-route units are broadly aligned to the latest Eurocontrol estimates (+11.1%), while the fact that guidance on revenues and EBITDA has not been raised depends - beyond the regulatory mechanism that only allows Enav to keep 30% of the stronger than expected volumes - on a higher inflation balance than expected at the start of the year (a non-cash item) and on higher personnel costs; Bonus/malus: management explained that this year high traffic levels have caused some delays which could have an impact on the level of the bonus (Eu11mn in 2023). Discussions with the regulator on how to consider this traffic impact on delays are ongoing - the final calculations will emerge in the coming months; RP4: process is ongoing but management hinted that Eu74 could be a reasonable level in terms of the 2025 en-route tariff (value of balance not specified, confirmation is expected in the next few weeks).
- OUTPERFORM confirmed (target Eu4.50).** Traffic momentum is continuing, with en-route volumes well above 2019 levels, partly helped by Enav's operating excellence. The next few weeks will see the finalisation of the details for the RP4, after which we expect management to outline a new, more generous dividend policy, as anticipated at the time of the presentation of the strategic guidelines and based on "pure" FCF vs. the current "normalised" FCF. The stock is trading at a 2024-2025E equity FCF yield of ca.6% vs. the historical 4-6% range. Among the main risks, we highlight the potential disposal of a stake by the government in the context of its privatisation efforts (according to press rumours in previous months). OUTPERFORM confirmed.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	944	1,000	1,055	1,071	1,101
EBITDA Adj (Eu mn)	272	300	317	320	335
Net Profit Adj (Eu mn)	105	113	124	132	142
EPS New Adj (Eu)	0.194	0.208	0.229	0.243	0.261
EPS Old Adj (Eu)	0.194	0.208	0.229	0.243	0.249
DPS (Eu)	0.197	0.230	0.253	0.261	0.268
EV/EBITDA Adj	9.6	7.9	7.5	7.0	6.4
EV/EBIT Adj	17.7	13.8	12.5	11.7	10.4
P/E Adj	20.1	18.7	17.0	16.0	14.9
Div. Yield	5.1%	5.9%	6.5%	6.7%	6.9%
Net Debt/EBITDA Adj	1.5	1.1	0.9	0.4	0.1

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- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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- BUY: stock expected to outperform the market by over 25% over a 12 month period;
- OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
- NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;
- UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;
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Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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