

ENEL

Sector: Utilities

OUTPERFORM

Price: Eu6.10 - Target: Eu7.20

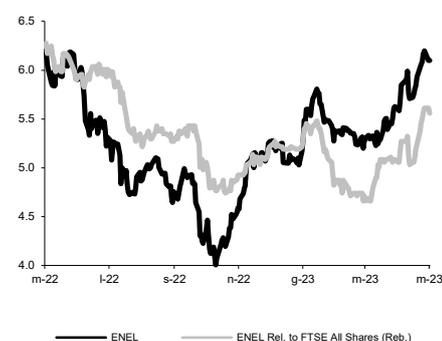
Robust Results, 2023 Guidance Confirmed

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 6.50 to 7.20		
	2023E	2024E	2025E
Chg in Adj EPS	1.7%	1.8%	1.7%

ENEL - 12M Performance



Stock Data

Reuters code:	ENEI.MI
Bloomberg code:	ENEL IM

Performance	1M	3M	12M
Absolute	8.9%	13.7%	-2.4%
Relative	10.2%	14.5%	-11.8%
12M (H/L)	6.20/4.00		
3M Average Volume (th):	28,026.66		

Shareholder Data

No. of Ord shares (mn):	10,167
Total no. of shares (mn):	10,167
Mkt Cap Ord (Eu mn):	62,009
Total Mkt Cap (Eu mn):	62,009
Mkt Float - Ord (Eu mn):	42,662
Mkt Float (in %):	68.8%
Main Shareholder:	
Italian treasury	31.2%

Balance Sheet Data

Book Value (Eu mn):	30,365
BVPS (Eu):	2.99
P/BV:	2.0
Net Financial Position (Eu mn):	-52,445
Enterprise Value (Eu mn):	133,058

■ **1Q23 results: P&L supported by strong recovery in supply margins.** On the macro front, 1Q saw a further reduction in electricity and gas prices, after the dramatic spikes recorded in August last year (PUN at Eu157/MWh, -35% QoQ, PSV at Eu57/MWh, -41% QoQ). Electricity demand in Italy remained under pressure, down 4% YoY, with ENEL's production broadly flat (thermal gas -21%, coal +15%, hydro +6%). As for ForEx, the dollar weakened against the euro, while among LatAm currencies, the Brazilian real was broadly stable. Against this backdrop, ENEL's 1Q23 results showed very solid figures, thanks primarily to a very strong recovery in supply margins. Ordinary group EBITDA closed at Eu5,463mn (+22% YoY, vs. exp. Eu5,426mn), with integrated portfolio management allowing the group to reap the benefits from gradual normalisation of the macro scenario after the extreme conditions suffered in Europe in 2022. At geographical level, Iberia was particularly strong, up 82% YoY, LatAm was up 18%, while Italy was down 7%, hit by the still-negative performance from trading activities. At bottom line, ordinary net income closed at Eu1,512mn (+1% YoY, vs. exp. Eu1,463mn), with higher-than-expected net financial charges offset by lower taxes.

■ **Robust FFO, net debt down slightly further.** On the balance sheet, net debt came down slightly further to Eu58.9bn (vs. exp. Eu58.5bn) from Eu60.1bn as at the end of December and Eu69.7bn at the end of September. FFO reached Eu3.7bn in the quarter (vs. Eu-0.6bn in 1Q22) supported by a gradual normalisation of working capital dynamics (Eu2.2bn reabsorption of government and regulatory measures in the quarter, from Eu5.4bn at YE22 to Eu3.2bn, further reduction expected in 2H23).

■ **2023 guidance confirmed.** ENEL confirmed guidance for ordinary EBITDA of Eu20.4-21.0bn and ordinary net income of Eu6.1-6.3bn. FY23 net financial charges are seen at around Eu3.1bn, while the weight of FY23 minorities on total net income is seen at 15% (vs. 26% in 1Q23). On the financial side, 2023 FFO is expected in the Eu14-15bn range, CapEx was confirmed at around Eu13bn, with YE23 net debt still seen falling to Eu51-52bn.

■ **Updated estimates and valuation.** We are updating our 2023 projections to reflect slightly lower margins in Italy, more than offset by higher ones in Iberia. At group level we are raising 2023 EBITDA and ordinary net income by around 2%. We are also factoring in total disposals for Eu12bn in 2023, up from our previous assumption of Eu9bn. Our new updated projections are now towards the upper end of the guidance ranges for EBITDA and net income. As for the valuation, we are lifting our target price from Eu6.50ps to Eu7.20ps to reflect our new, slightly higher projections, disposal assumptions, and target market multiples.

■ **Investment case.** 1Q23 results highlighted a strong recovery in Supply margins, while on the balance sheet net debt came down slightly further, after the robust reduction recorded in 4Q22. We confirm our positive view on the stock, based on an improved macro scenario, the supportive newsflow expected on disposals, and the Group's growth potential in Renewables.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	88,006	140,517	105,223	101,447	102,670
EBITDA Adj (Eu mn)	19,210	19,683	20,941	21,472	22,256
Net Profit Adj (Eu mn)	5,593	5,391	6,253	6,837	7,270
EPS New Adj (Eu)	0.550	0.530	0.615	0.672	0.715
EPS Old Adj (Eu)	0.550	0.530	0.605	0.661	0.703
DPS (Eu)	0.380	0.400	0.430	0.430	0.430
EV/EBITDA Adj	7.8	6.8	6.4	6.1	6.0
EV/EBIT Adj	19.4	12.0	10.3	9.3	9.1
P/E Adj	11.1	11.5	9.9	9.1	8.5
Div. Yield	6.2%	6.6%	7.1%	7.1%	7.1%
Net Debt/EBITDA Adj	2.7	3.1	2.5	2.3	2.3

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