Intermonte

Milan, 07 November 2024

Italian Equity Research – 3Q24 Results

ENEL

OUTPERFORM

Sector: Utilities

Price: Eu6.82 - **Target: Eu7.80**

Solid Quarter, In Line. Focus on Next CMD

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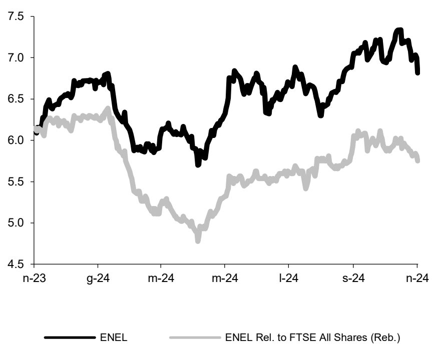
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	0.4%	-0.4%	-0.8%

Next Event
CMD on 18 November

ENEL - 12M Performance



Stock Data			
Reuters code:			ENEI.MI
Bloomberg code:			ENEL IM
Performance	**1M**	**3M**	**12M**
Absolute	-2.0%	8.2%	10.9%
Relative	-2.8%	-0.3%	-7.4%
12M (H/L)			7.34/5.70
3M Average Volume (th):			19,909.91

Shareholder Data	
No. of Ord shares (mn):	10,167
Total no. of shares (mn):	10,167
Mkt Cap Ord (Eu mn):	69,288
Total Mkt Cap (Eu mn):	69,288
Mkt Float - Ord (Eu mn):	47,670
Mkt Float (in %):	68.8%
Main Shareholder:	
Italian treasury	31.2%

Balance Sheet Data	
Book Value (Eu mn):	34,285
BVPS (Eu):	3.37
P/BV:	2.0
Net Financial Position (Eu mn):	-55,358
Enterprise Value (Eu mn):	148,713

- **3Q24 results.** On the macro front, both electricity and gas prices rose further QoQ in 3Q24, with EU CO_2 prices dropping slightly. Focusing on the domestic market, the electricity PUN averaged Eu119/MWh (+26% QoQ, +5% YoY), while on the production side, hydro remained strong and thermal showed some signs of recovery. In this context, ENEL reported solid figures, as in the previous two quarters, primarily supported this time by higher figures in Iberia. In Italy margins continued to benefit from higher Renewables (increased hydro production), while both Conventional Generation and Market (Supply) reported lower figures YoY, aligned to more 'normalised' levels. LatAm reported sound figures, despite the deconsolidation of assets in Peru. At Group level ordinary EBITDA closed at Eu5,768mn (+2% YoY, vs. exp. Eu5,732mn) and ordinary net income at Eu1,890mn (+8% YoY, vs. exp. Eu1,699mn). On the balance sheet, net debt increased slightly to Eu58.15bn (vs. exp. Eu58.10bn) from Eu57.4bn at the end of June, with a further Eu2bn still to be cashed-in from asset disposals (electricity distribution network to A2A and Solar assets in Spain) in 4Q24. Interim dividend set at Eu0.215ps (in line), ex-div date 20 January 2025.
- **2024 guidance confirmed.** ENEL confirmed its 2024 guidance, with ordinary EBITDA seen at Eu22.1-22.8bn, ordinary net income at Eu6.6-6.8bn and YE24 net debt at Eu53-54bn (2.4-2.5x net debt/EBITDA ratio). ENEL confirmed that the results posted in 9M24 and the visibility on 4Q24 place the Company towards the high end of the guidance range and cash neutrality, enabling it to pay a dividend above the fixed minimum of Eu0.43ps (update at next CMD on 18 November).
- **New 2025-27 business plan: What We Expect.** With the strengthening of the balance sheet successfully achieved (YE24 net debt/EBITDA expected at 2.4x), we expect ENEL's new 2025-27 business plan to be focused on three pillars: a renewed CapEx acceleration (still focused on Grids), further cost cutting/efficiency extraction and a potential new more linear dividend policy based on a fixed CAGR or a fixed payout. In terms of financial targets, we believe ENEL could offer slightly more aggressive EBITDA targets for 2025 and the following years, benefitting from the expected CapEx increase. On the bottom line we believe there could be room for a potential 4-5% EPS CAGR, driving expected dividend growth. On the financial side this could translate into gradual re-leverage, but we do not expect the net debt/EBITDA ratio to exceed 2.7-2.8x over the plan period.
- **Updated estimates and valuation.** Following 3Q24 results, we are simply fine-tuning our 2024 projections, which remain a touch above the upper end of the 2024 guidance ranges for both EBITDA and net income. As for the valuation, we confirm our target price of Eu7.80.
- **Investment case.** While we do not rule out potential further pressure on European Utilities in the short-term following Trump's election victory, we confirm our positive view on the stock. We continue to believe the industrial outlook for the sector is solid, with appealing investment opportunities, especially in Networks, while the stock is trading at undemanding valuations given the Group's well-balanced business and geographical mix. Focus now turns to the upcoming CMD.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	140,517	95,565	91,494	92,809	94,180
EBITDA Adj (Eu mn)	19,683	21,969	22,898	23,412	23,803
Net Profit Adj (Eu mn)	5,391	6,508	6,878	6,835	7,077
EPS New Adj (Eu)	0.530	0.640	0.677	0.672	0.696
EPS Old Adj (Eu)	0.530	0.640	0.674	0.675	0.702
DPS (Eu)	0.400	0.430	0.450	0.470	0.480
EV/EBITDA Adj	7.1	6.5	6.5	6.4	6.3
EV/EBIT Adj	12.5	13.3	9.2	9.8	9.6
P/E Adj	12.9	10.6	10.1	10.1	9.8
Div. Yield	5.9%	6.3%	6.6%	6.9%	7.0%
Net Debt/EBITDA Adj	3.1	2.7	2.4	2.3	2.3

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- 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;
SELL: stock expected to underperform the market by over 25% over a 12 month period.
Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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

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Emittente	%	Long/Short

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