

ENEL

Sector: Utilities

OUTPERFORM

Price: Eu6.51 - Target: Eu7.80

Very Solid 1Q24 Results Increase Visibility on FY24 Targets

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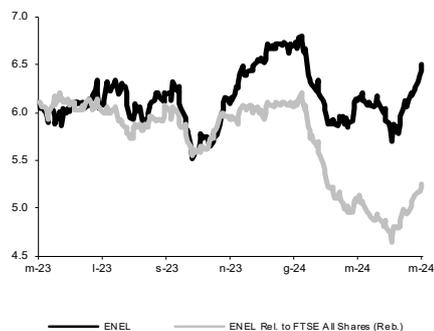
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	2.3%	2.3%	2.1%

Next Event

1H24 results on 25 July

ENEL - 12M Performance



Stock Data

 Reuters code: ENEL.MI
 Bloomberg code: ENEL IM

Performance	1M	3M	12M
Absolute	11.7%	10.8%	6.5%
Relative	10.5%	0.9%	-17.3%
12M (H/L)	6.81/5.52		
3M Average Volume (th):	25,815.04		

Shareholder Data

No. of Ord shares (mn):	10,167
Total no. of shares (mn):	10,167
Mkt Cap Ord (Eu mn):	66,167
Total Mkt Cap (Eu mn):	66,167
Mkt Float - Ord (Eu mn):	45,523
Mkt Float (in %):	68.8%
Main Shareholder:	
Italian treasury	31.2%

Balance Sheet Data

Book Value (Eu mn):	33,975
BVPS (Eu):	3.34
P/BV:	1.9
Net Financial Position (Eu mn):	-55,141
Enterprise Value (Eu mn):	139,400

■ **1Q24 results.** Enel reported very solid figures, above expectations, underpinned primarily by very strong margins in Italy. Group ordinary EBITDA closed at Eu6,094mn (+12% YoY, vs. exp. Eu5,803mn), ordinary net income at Eu2,180mn (+44% YoY, vs. exp. Eu1,743mn). At divisional level, the Integrated business (EBITDA Eu4.1bn, +24% YoY) benefitted from: i) strong renewables growth driven by 2.8TWh higher production and a supportive hedging strategy; ii) the end of mandatory requirements on coal and stronger hydro output that reduced the contribution of thermal generation; iii) improved profitability in retail in Italy and Iberia. Grids (EBITDA Eu2.1bn) benefitted from: i) improved remuneration and new investments in Italy; and ii) tariff indexation in Argentina. Eu0.3bn cost reduction already achieved in 1Q24 (around 30% of the total Eu1bn efficiency target at 2026). FFO reached Eu4.4bn (Eu4.9bn, excl. the Eu0.5bn cash-out for Endesa LNG arbitration) up Eu0.8bn vs 1Q23 (Eu3.7bn), representing roughly 70% EBITDA cash conversion. On the balance sheet, net debt was just slightly up QoQ, closing at Eu60.7bn (vs. exp. Eu60.5bn) from Eu60.1bn as at YE23. Pro-forma net debt stands at around Eu54bn, including Eu6.3bn in disposals already agreed but not yet cashed-in (bulk expected by the end of 1H24).

■ **Divisional results.** Looking at the various geographical areas, Italy closed with ordinary EBITDA of Eu3,204mn (+69% YoY, vs. exp. Eu2,795mn), with Generation & Trading closing at Eu652mn (+313% YoY, exp. Eu320mn), Networks at Eu983mn (+8% YoY, vs. exp. Eu960mn), Renewable Energies at Eu523mn (vs. Eu-19mn in 1Q23, vs. exp. Eu480mn) and Market at Eu1,025mn (+25% YoY, vs. exp. Eu965mn). In Spain, Endesa closed with EBITDA of Eu1,256mn (-24% YoY, tough comp, 1Q23 benefitting from a positive gas mark-to-market one-off, vs. exp. Eu1,250mn). LatAm closed at Eu1,449mn (-1% YoY, vs. exp. Eu1,490mn).

■ **2024 guidance confirmed.** ENEL confirmed the 2024 guidance released in November, 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). High visibility on 2024 targets offers upside potential for shareholder remuneration in line with CMD guidance (minimum DPS of Eu0.43 for 2024-26, with a potential increase up to a payout of 70% of net ordinary income, if cash flow neutrality is achieved)

■ **Updated estimates and valuation.** Following the stronger-than-expected results recorded in 1Q24, we have revised our projections upward for 2024 for the domestic activities. Our updated Group projections are now in the upper part 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.** After a very tough first quarter, share performances of Power Generators started benefitting in recent weeks from improving electricity prices, supported by recovering gas and CO2 prices. We continue to believe ENEL is trading at unjustified undemanding valuations, taking its well-balanced business and geographical mix into account. We believe the increasing exposure to regulated Infrastructure & Network activities, coupled to ongoing deleverage, should drive a deserved re-rating in the coming months. We confirm our positive view on the stock.

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	22,734	23,263	23,756
Net Profit Adj (Eu mn)	5,391	6,508	6,841	6,848	7,119
EPS New Adj (Eu)	0.530	0.640	0.673	0.674	0.700
EPS Old Adj (Eu)	0.530	0.640	0.658	0.659	0.685
DPS (Eu)	0.400	0.430	0.450	0.470	0.480
EV/EBITDA Adj	6.8	6.3	6.1	6.0	5.9
EV/EBIT Adj	12.0	12.8	9.5	9.2	9.0
P/E Adj	12.3	10.2	9.7	9.7	9.3
Div. Yield	6.1%	6.6%	6.9%	7.2%	7.4%
Net Debt/EBITDA Adj	3.1	2.7	2.4	2.4	2.3

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- 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)

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Frequency of research: quarterly.

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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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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emitente	%	Long/Short
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