

# ENEL

Sector: Utilities

# OUTPERFORM

Price: Eu5.30 - Target: Eu6.50

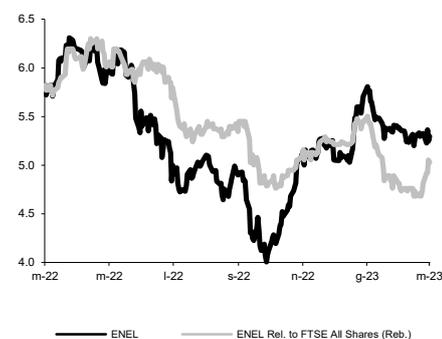
## Ordinary Net Income Slightly Better, 2023 Guidance Confirmed

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### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 6.30 to 6.50		
	2023E	2024E	2025E
Chg in Adj EPS	0.1%	0.1%	1.8%

### ENEL - 12M Performance



### Stock Data

Reuters code:	ENEL.MI		
Bloomberg code:	ENEL IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	-1.5%	4.9%	-9.1%
Relative	5.3%	-4.3%	-14.8%
12M (H/L)	6.31/4.00		
3M Average Volume (th):	26,472.41		

### Shareholder Data

No. of Ord shares (mn):	10,167
Total no. of shares (mn):	10,167
Mkt Cap Ord (Eu mn):	53,844
Total Mkt Cap (Eu mn):	53,844
Mkt Float - Ord (Eu mn):	37,045
Mkt Float (in %):	68.8%
Main Shareholder:	
Italian treasury	31.2%

### Balance Sheet Data

Book Value (Eu mn):	30,741
BVPS (Eu):	3.02
P/BV:	1.8
Net Financial Position (Eu mn):	-54,386
Enterprise Value (Eu mn):	127,073

■ **FY22 results.** After releasing preliminary results in mid-February (ordinary EBITDA Eu19.7bn, net debt Eu60.1bn), ENEL has unveiled full 2022 figures. EBITDA closed at Eu19,918mn, ordinary EBITDA at Eu19,683mn (+2% YoY), Net income at Eu1,682mn and ordinary net income at Eu5,391mn (-4% YoY, vs. exp. Eu5,246mn). Looking at quarterly figures, 4Q22 ordinary EBITDA closed at Eu7,012mn (+7% YoY), with ordinary net income at Eu2,414mn (+5% YoY, vs. exp. Eu2,269mn). On the balance sheet, net debt closed at Eu60,068mn, in line with the preliminary figure. Dividend confirmed at Eu0.40ps.

■ **Divisional results.** Looking at ENEL's three key markets, Italy closed with FY22 ordinary EBITDA of Eu6,500mn (-19% YoY, vs. exp. Eu6,269mn), with Generation & Trading closing at Eu2,735mn (vs. Eu464mn in 2021, exp. Eu3,119mn), Networks at Eu3,707mn (-3% YoY, vs. exp. Eu3,746mn), Renewable Energies at Eu-562mn (vs. Eu1,184mn in 2021, exp. Eu-620mn), and Market at Eu448mn (vs. Eu2,311mn in 2021, exp. Eu-143mn). In Spain, Endesa reported FY22 EBITDA of Eu5,247mn (+25% YoY, vs. exp. Eu5,438mn). LatAm EBITDA was Eu5,997mn (+41% YoY, vs. exp. Eu5,764mn).

■ **Renewable capacity additions and decarbonisation process.** In 2022 Enel Green Power built more than 5.2GW of new capacity and generated 124TWh (66TWh Wind and Solar, 52TWh Hydro, 6TWh Geothermal), strengthening its global leadership in Renewables, allowing the ENEL group to speed up its decarbonisation process.

■ **2023 guidance confirmed.** ENEL confirmed its 2023 targets and the implementation of the strategic drivers outlined in the 2023-25 business plan. For 2023 in particular, even though the market scenario for power generation remains very volatile, and hydro reservoir levels in Italy and Spain are poor, ENEL confirmed guidance for ordinary EBITDA of Eu20.4-21.0bn and ordinary net income of Eu6.1-6.3bn. The company also confirmed the 2.4-2.5x net debt/EBITDA ratio target for YE23, as well as the Eu0.43ps dividend.

■ **Updated estimates and valuation.** We have fine-tuned our 2023 projections to reflect lower hydro production, partly offset by slightly higher margins in Market. Our new updated projections are now at the bottom end of the guidance ranges for EBITDA and net income. As for the valuation, we are slightly lifting our target price from Eu6.30 to Eu6.50, primarily to reflect slightly stronger cash flow generation.

■ **Investment case.** 4Q22 results highlighted stronger-than-expected figures in Italy and LatAm, while Spain was weaker. On the balance sheet, net debt was finally down, benefitting from a robust working capital reduction. We confirm our positive view on the stock, based primarily on the group's growth potential in Renewables. ENEL's new 2023-25 strategic plan presented in November focused on portfolio streamlining and asset disposals to navigate a macro scenario that remains highly volatile. Despite the reduced asset base, the last plan's P&L targets were broadly confirmed, thanks to higher volumes and selling prices and growing Renewables capacity. While visibility on sales margin trends is still quite limited, we appreciate the rapid de-leverage strategy and confirmation of the dividend.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	88,006	140,517	125,273	101,447	102,670
EBITDA Adj (Eu mn)	19,210	19,683	20,483	21,331	22,376
Net Profit Adj (Eu mn)	5,593	5,391	6,150	6,718	7,150
EPS New Adj (Eu)	0.550	0.530	0.605	0.661	0.703
EPS Old Adj (Eu)	0.550	0.516	0.604	0.660	0.691
DPS (Eu)	0.380	0.400	0.430	0.430	0.430
EV/EBITDA Adj	7.8	6.8	6.2	5.9	5.8
EV/EBIT Adj	19.4	12.0	9.8	9.2	8.8
P/E Adj	9.6	10.0	8.8	8.0	7.5
Div. Yield	7.2%	7.6%	8.1%	8.1%	8.1%
Net Debt/EBITDA Adj	2.7	3.1	2.7	2.5	2.4