

# ENEL

Sector: Utilities

## OUTPERFORM

Price: Eu6.23 - Target: Eu7.20

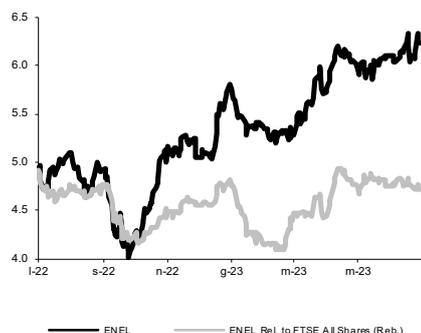
### 2Q Expected to Confirm Ongoing Robust Recovery of Margins

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| Stock Rating       |           |       |       |
|--------------------|-----------|-------|-------|
| Rating:            | Unchanged |       |       |
| Target Price (Eu): | Unchanged |       |       |
|                    | 2023E     | 2024E | 2025E |
| Chg in Adj EPS     | 0.0%      | 0.0%  | 0.0%  |

 Next Event  
 2Q23 Results Out 26 July

#### ENEL - 12M Performance



| Stock Data              |           |      |       |
|-------------------------|-----------|------|-------|
| Reuters code:           | ENEI.MI   |      |       |
| Bloomberg code:         | ENEL IM   |      |       |
| Performance             | 1M        | 3M   | 12M   |
| Absolute                | 1.9%      | 8.9% | 24.6% |
| Relative                | -0.1%     | 6.5% | -8.8% |
| 12M (H/L)               | 6.34/4.00 |      |       |
| 3M Average Volume (th): | 23,048.50 |      |       |

| Shareholder Data          |        |
|---------------------------|--------|
| No. of Ord shares (mn):   | 10,167 |
| Total no. of shares (mn): | 10,167 |
| Mkt Cap Ord (Eu mn):      | 63,340 |
| Total Mkt Cap (Eu mn):    | 63,340 |
| Mkt Float - Ord (Eu mn):  | 43,578 |
| 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:                           | 2.1     |
| Net Financial Position (Eu mn): | -52,445 |
| Enterprise Value (Eu mn):       | 134,390 |

- **Enel 2Q23 results out on 26 July** with the press release to go out late afternoon and the conference call scheduled for 18.00 CEST the same day.
- **2Q23 results preview.** On the macro front, 2Q23 saw a further reduction in electricity and gas prices after the dramatic spikes recorded in August last year. The electricity PUN declined to Eu120/MWh from Eu472/MWh in 3Q22, while the gas PSV went down to Eu35/MWh from Eu198/MWh. Electricity demand in Italy continued to remain under pressure, down 5% YoY in April and May; on the production front, thermal was down 14% YoY, while among renewables, hydro was up 1% YoY, wind down 3%, and solar up 4%. In this context, we expect Enel's 2Q23 results to confirm the robust margin improvements recorded in 1Q23, mainly underpinned by a normalization of Supply activities in Italy after the sharp losses recorded last year. Moving to Group P&L figures, ordinary EBITDA is expected to close at Eu4,842mn (+27% YoY) and ordinary net income at Eu1,426mn (+114% YoY). Looking at ENEL's three key markets, we expect EBITDA of Eu2,178mn for Italy (+64% YoY, recovery in Renewable Energies and Market, partly offset by a weaker Generation & Trading); Eu1,038mn for Iberia (+2% YoY, margin normalization after the spike recorded in 1Q23); and Eu1,316mn for LatAm (+8% YoY, recovering volumes and additional Renewable capacity). By contrast, on the balance sheet net debt is expected to have increased to Eu61.8bn from Eu58.9bn as at the end of March, reflecting CapEx for Eu3.3bn and slightly higher working capital and a negative ForEx effect, coupled to the payment of taxes on extra profits. We highlight that the cash-in from Eu5bn in asset sales closed in 1H23 will take place in 2H23.
- **2023 guidance expected to be confirmed.** Alongside 1Q23 results, 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). CapEx was confirmed at around Eu13bn, with YE23 net debt still seen falling to Eu51-52bn. We expect Enel to confirm these indications, with some potential upside, in our opinion, on P&L targets related to the clawback expiry and the potential normalization of hydroelectricity production in Italy.
- **Estimates and valuation.** Ahead of 2Q23 results we are leaving our projections unchanged. As a reminder, following 1Q23 results we slightly increased margins in Iberia, with 2023 EBITDA and ordinary net income going up by around 2%. Our current projections are towards the upper end of the guidance ranges for EBITDA and net income. On our current numbers we see some potential upside on projections for domestic activities, due in particular to the clawback expiry.
- **Investment case.** After 1Q23 results highlighted a strong recovery in Supply margins, and a further reduction of net debt, we expect 2Q23 results to confirm robust figures at P&L level. On the debt front, despite a potential halt to the declining trend recorded in the last two quarters, we see room for a robust reduction in 2H23 thanks to further gradual working capital normalization and the cash-in from asset sales. We confirm our positive view on the stock.

| 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   | 0.615   | 0.672   | 0.715   |
| DPS (Eu)               | 0.380  | 0.400   | 0.430   | 0.430   | 0.430   |
| EV/EBITDA Adj          | 7.8    | 6.8     | 6.4     | 6.2     | 6.1     |
| EV/EBIT Adj            | 19.4   | 12.0    | 10.4    | 9.4     | 9.2     |
| P/E Adj                | 11.3   | 11.7    | 10.1    | 9.3     | 8.7     |
| Div. Yield             | 6.1%   | 6.4%    | 6.9%    | 6.9%    | 6.9%    |
| Net Debt/EBITDA Adj    | 2.7    | 3.1     | 2.5     | 2.3     | 2.3     |

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