Milan, 19 November 2024

Italian Equity Research – Company Update

ENEL

OUTPERFORM

Sector: Utilities

Price: Eu6.70 - **Target: Eu7.80**

Improved Earnings Visibility Coupled to High Financial Flexibility

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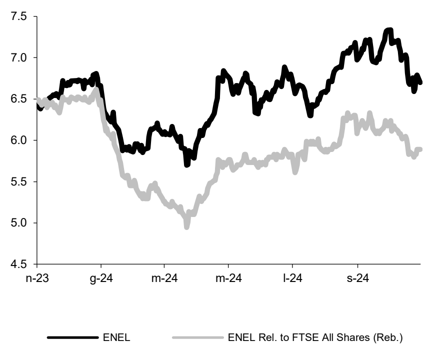
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-0.9%	0.1%	-0.5%

ENEL - 12M Performance



Stock Data			
Reuters code:			ENEI.MI
Bloomberg code:			ENEL IM
Performance	**1M**	**3M**	**12M**
Absolute	-8.6%	2.0%	4.6%
Relative	-4.7%	-0.1%	-9.6%
12M (H/L)			7.34/5.70
3M Average Volume (th):			20,678.57

Shareholder Data	
No. of Ord shares (mn):	10,167
Total no. of shares (mn):	10,167
Mkt Cap Ord (Eu mn):	68,109
Total Mkt Cap (Eu mn):	68,109
Mkt Float - Ord (Eu mn):	46,859
Mkt Float (in %):	68.8%
Main Shareholder:	
Italian treasury	31.2%

Balance Sheet Data	
Book Value (Eu mn):	34,226
BVPS (Eu):	3.37
P/BV:	2.0
Net Financial Position (Eu mn):	-55,375
Enterprise Value (Eu mn):	147,551

- **New 2025-27 business plan.** ENEL's new 2025-27 business plan confirms its focus on three strategic guidelines: i) profitability, flexibility and resilience, to generate value through selective capital allocation that optimizes the risk/return profile while maintaining a flexible approach; ii) efficiency and effectiveness, with continued optimization of processes and activities; and iii) financial and environmental sustainability, to maintain a solid structure, ensuring the flexibility required for growth and addressing the challenges posed by climate change.
- **CapEx: Eu43bn in 2025-27 (60% in Grids).** ENEL's total gross CapEx in 2025-27 is projected at around Eu43.0bn, up 20% vs. last year's plan (Eu35.8bn). Around Eu26bn will be invested in Grids (up 40% vs. last year's plan), of which around 78% in Italy and Spain; around Eu12bn in Renewables, adding around 12GW of capacity, with an improved technological mix that foresees over 70% of onshore wind and dispatchable technologies (hydro and batteries); around Eu2.7bn in Customers, of which around 85% in countries where the Group has an integrated presence.
- **Financial targets.** Group ordinary EBITDA is expected to reach Eu24.1-24.5bn in 2027 from Eu22.1-22.8bn in 2024 (2025 seen at Eu22.9-23.1bn). Growth is expected to be fuelled primarily by higher margins on Grids (+Eu2.0bn) and Renewables (+Eu0.8-1.0bn), partly offset by lower ones on Conventional Generation (Eu0.9-1.0bn). Efficiencies and cost-cutting target at Eu1.5bn in 2027 (vs. Eu1.0bn in last year's plan). Around 90% of the total cumulative Eu70bn EBITDA generated in the plan is expected to come from regulated or contracted activities. At bottom line, net ordinary income is projected to reach Eu7.1-7.5bn in 2027 from Eu6.6-6.8bn 2024 (2025 seen at Eu6.7-6.9bn). The net debt/EBITDA ratio is projected at 2.5x in 2025 from 2.4x in 2024. The overall cost of gross debt is expected to decrease to 3.9% in 2027.
- **Improved dividend policy.** 2024 DPS proposed at Eu0.46ps; dividend policy improved, with a new fixed minimum annual DPS of Eu0.46ps (vs. Eu0.43ps in last year's plan) and potential further upside corresponding to a payout of up to 70% on Group net ordinary income. In addition, compared to the previous dividend policy, the cash-flow neutrality gate has been removed.
- **Updated estimates and valuation.** We have updated our projections, trimming 2025 (slightly lower margins in conventional generation), while broadly confirming 2026 and increasing 2027 (higher Grids, reflecting higher CapEx). On the dividend side, we are raising our DPS projections, now based on the new 70% payout policy. In terms of the valuation, we confirm our target price of Eu7.80ps, still based on a mix of DCF, SoP, and market multiples.
- **Investment case.** ENEL's new business plan is further focused on Grids, offering higher visibility on margin evolution in our opinion. Despite higher CapEx, leverage is projected to remain well below peers, offering ample financial flexibility. While targets did not offer relevant surprises, we believe the increasing weight of regulated activities in the business mix, as well as the geographical concentration in Italy and Spain should deserve a stock re-rating. 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	22,808	23,147	23,773
Net Profit Adj (Eu mn)	5,391	6,508	6,819	6,843	7,042
EPS New Adj (Eu)	0.530	0.640	0.671	0.673	0.693
EPS Old Adj (Eu)	0.530	0.640	0.677	0.672	0.696
DPS (Eu)	0.400	0.430	0.460	0.470	0.485
EV/EBITDA Adj	7.1	6.5	6.5	6.4	6.4
EV/EBIT Adj	12.5	13.3	9.2	9.9	9.7
P/E Adj	12.6	10.5	10.0	10.0	9.7
Div. Yield	6.0%	6.4%	6.9%	7.0%	7.2%
Net Debt/EBITDA Adj	3.1	2.7	2.4	2.4	2.5

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- 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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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:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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