

# ENEL

Sector: Utilities

# OUTPERFORM

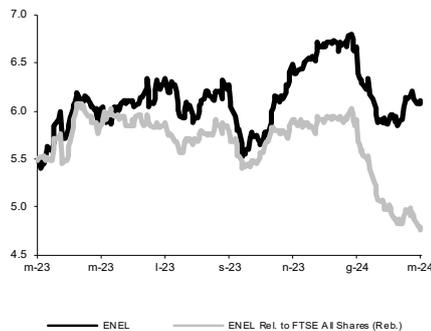
Price: Eu6.07 - Target: Eu7.80

## Strong FFO Improvement in 2023, Guidance Confirmed

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.1%	-2.9%	-2.9%

### ENEL - 12M Performance



Stock Data			
Reuters code:	ENEL.MI		
Bloomberg code:	ENEL IM		
Performance	1M	3M	12M
Absolute	1.9%	-9.1%	10.8%
Relative	-5.0%	-21.8%	-16.3%
12M (H/L)	6.81/5.39		
3M Average Volume (th):	23,424.11		

Shareholder Data	
No. of Ord shares (mn):	10,167
Total no. of shares (mn):	10,167
Mkt Cap Ord (Eu mn):	61,714
Total Mkt Cap (Eu mn):	61,714
Mkt Float - Ord (Eu mn):	42,459
Mkt Float (in %):	68.8%
Main Shareholder:	
Italian treasury	31.2%

Balance Sheet Data	
Book Value (Eu mn):	34,070
BVPS (Eu):	3.35
P/BV:	1.8
Net Financial Position (Eu mn):	-55,193
Enterprise Value (Eu mn):	135,083

- FY23 results.** ENEL's FY23 results were broadly in line with our expectations, with a continuation of the robust margin improvements posted in 9M23, primarily underpinned by a strong recovery in Renewables and Supply activities in Italy after the losses recorded in 2022. FY23 Group ordinary EBITDA closed at Eu21,969mn (+12% YoY, vs. guidance of Eu21.5-22.5bn) and ordinary net income at Eu6,508mn (+21% YoY, vs. guidance of Eu6.4-6.7bn). On the balance sheet, net debt closed at Eu60.1bn (pro-forma Eu53.5bn, including Eu6.3bn of disposals already closed but still to be cashed-in) down from the Eu63.3bn recorded at the end of September. The FFO in 2023 reached Eu14.8bn vs. Eu9.1bn in 2022 (+Eu5.7bn, +63%, +Eu3bn vs. the 2021 peak) thanks to better economic results and working capital recovery (cash conversion at 67%). The dividend was confirmed at Eu0.43ps.
- Renewable capacity additions and decarbonisation process.** In 2023 ENEL Green Power built around 4.3GW of new capacity, reaching 61.7GW, and generated around 139TWh (including managed assets), strengthening its global leadership in Renewables, allowing the ENEL group to speed up its decarbonisation process.
- 2024 guidance confirmed.** ENEL confirmed its 2024 targets and the implementation of the strategic drivers outlined in the 2024-26 business plan. For 2024 ENEL confirmed guidance for ordinary EBITDA of Eu22.1-22.8bn and ordinary net income of Eu6.6-6.8bn. The company also confirmed YE24 net debt at Eu53-54bn (2.4-2.5x net debt/EBITDA ratio). On the dividend side, ENEL confirmed the policy introduced with the last business plan in November (Eu0.43ps floor, up to 70% pay-out, with upside potential linked to cash flow neutrality), with CEO Cattaneo confirming expectations for an increase in 2024.
- Disposal plan.** ENEL highlighted that the disposal plan has almost been completed (>90%). Out of total planned disposals of Eu11.5bn, Eu3.4bn are already closed, Eu7.0bn signed and Eu1.0bn at an advanced stage. Regarding the sale of Sale of distribution & supply in Peru (Eu3.1bn), ENEL said that all the necessary authorisations have been obtained, with a potential closing announcement in the near future.
- Updated estimates and valuation.** We are updating our projections for 2024 and the following years, primarily to reflect lower electricity prices, partly offset by higher margins in Infrastructure & Networks. Our new updated projections are now at the bottom end of the 2026 guidance ranges for EBITDA and net income. As for the valuation, we are confirming our target price of Eu7.80, with the new slightly-lowered projections offset by a lower WACC.
- Investment case.** While market momentum for Power generators continues to be weak due to ongoing pressure on electricity prices, we believe ENEL is currently trading at unjustified undemanding valuations, taking its well-balanced business and geographical mix into account. We believe the increasing exposure to regulated Infrastructure & Networks activities, coupled with 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	91,591	92,809	94,180
EBITDA Adj (Eu mn)	19,683	21,969	22,402	22,907	23,523
Net Profit Adj (Eu mn)	5,391	6,508	6,687	6,695	6,969
EPS New Adj (Eu)	0.530	0.640	0.658	0.659	0.685
EPS Old Adj (Eu)	0.530	0.643	0.657	0.678	0.706
DPS (Eu)	0.400	0.430	0.450	0.470	0.480
EV/EBITDA Adj	6.8	6.3	6.0	5.9	5.8
EV/EBIT Adj	12.0	12.8	9.0	9.0	8.8
P/E Adj	11.4	9.5	9.2	9.2	8.9
Div. Yield	6.6%	7.1%	7.4%	7.7%	7.9%
Net Debt/EBITDA Adj	3.1	2.7	2.5	2.4	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.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (51 in total) is as follows:

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

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Emittente	%	Long/Short

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