

# ENEL

Sector: Utilities

# OUTPERFORM

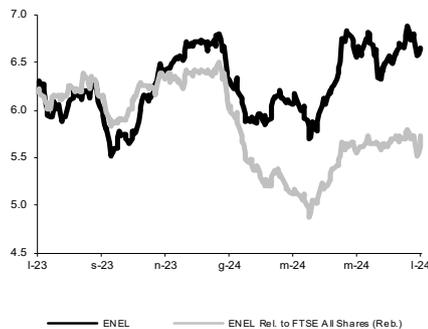
Price: Eu6.66 - Target: Eu7.80

## On Track to Achieve Top End of FY24 Guidance Range

 Paolo Citi +39-02-77115.430  
 paolo.citi@intermonte.it

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.2%	0.2%	0.2%

### ENEL - 12M Performance



Stock Data			
Reuters code:	ENEI.MI		
Bloomberg code:	ENEL IM		
Performance	1M	3M	12M
Absolute	1.2%	9.9%	7.5%
Relative	1.1%	10.2%	-8.7%
12M (H/L)	6.88/5.52		
3M Average Volume (th):	24,380.30		

Shareholder Data	
No. of Ord shares (mn):	10,167
Total no. of shares (mn):	10,167
Mkt Cap Ord (Eu mn):	67,712
Total Mkt Cap (Eu mn):	67,712
Mkt Float - Ord (Eu mn):	46,586
Mkt Float (in %):	68.8%
Main Shareholder:	
Italian treasury	31.2%

Balance Sheet Data	
Book Value (Eu mn):	34,424
BVPS (Eu):	3.39
P/BV:	2.0
Net Financial Position (Eu mn):	-55,275
Enterprise Value (Eu mn):	141,454

- 2Q24 results.** ENEL reported solid figures, slightly above our expectations at operating level, thanks to higher margins in Spain and LatAm. Domestic margins were supported by very strong Renewables margins (higher hydro production and average selling prices), only partly offset by a sequential deceleration in Conventional Generation and Market (Supply) margins. Group ordinary EBITDA closed at Eu5,587mn (+6% YoY, +12% at same scope bearing disposals in mind, exp. Eu5,555mn), and ordinary net income at Eu1,776mn (+1% YoY, exp. Eu1,807mn). On the balance sheet, net debt declined to Eu57.4bn (vs. exp. Eu56.5bn) from Eu60.7bn at the end of March, thanks to the cash-in of Eu5.0bn from asset sales, partly offset by a negative ForEx effect for Eu0.7bn and higher-than-expected working capital expansion (non-recurring items and seasonal trends), expected to be reabsorbed in 2H24 (2H24 FFO expected in excess of Eu8bn).
- Divisional results.** Looking at the various geographical areas, Italy closed with ordinary EBITDA of Eu2,778mn (-7% YoY, vs. exp. Eu2,976mn), with Generation & Trading closing at Eu431mn (-26% YoY, exp. Eu528mn), Networks at Eu957mn (+1% YoY, vs. exp. Eu977mn), Renewable Energies at Eu768mn (vs. Eu165mn in 2Q23, vs. exp. Eu517mn) and Market at Eu623mn (-49% YoY, vs. exp. Eu925mn). In Spain, Endesa closed with EBITDA of Eu1,272mn (+28% YoY, vs. exp. Eu1,144mn), while LatAm closed at Eu1,292mn (+17% YoY, vs. exp. Eu1,212mn).
- 2024 guidance confirmed (on track to achieve the top end of the range).** ENEL confirmed its 2024 guidance, 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). ENEL added that the results posted in 1H24 and the visibility on 2H24 place the Company towards the high end of the guidance range which, in compliance with the stricture of cash neutrality, would enable ENEL to pay a dividend above the fixed minimum of Eu0.43ps (update at next CMD in November).
- Disposal plan completed.** Yesterday ENEL announced the sale to Masdar of a 49.99% minority stake in EGPE Solar (a NewCo encompassing Endesa's current 2GW portfolio of already operational PV plants), for Eu817mn (Eu1.7bn EV on a 100% basis). ENEL said that with this deal the disposal plan is now completed (Eu2bn still to be cashed-in during 2H24).
- Updated estimates and valuation.** Following the solid results recorded in 2Q24, we have revised our 2024 EBITDA projections slightly further upwards, while leaving the bottom line broadly unchanged. Our updated Group projections are now a touch above the upper end 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, in April the stock performances of Power Generators started to benefit from improving electricity prices, supported by recovering gas and CO<sub>2</sub> prices. We continue to believe that ENEL is trading at unjustifiably meagre valuations, given its well-balanced business and geographical mix. 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	22,857	23,412	23,803
Net Profit Adj (Eu mn)	5,391	6,508	6,853	6,860	7,135
EPS New Adj (Eu)	0.530	0.640	0.674	0.675	0.702
EPS Old Adj (Eu)	0.530	0.640	0.673	0.674	0.700
DPS (Eu)	0.400	0.430	0.450	0.470	0.480
EV/EBITDA Adj	6.8	6.3	6.2	6.1	5.9
EV/EBIT Adj	12.0	12.8	8.8	9.3	9.1
P/E Adj	12.6	10.4	9.9	9.9	9.5
Div. Yield	6.0%	6.5%	6.8%	7.1%	7.2%
Net Debt/EBITDA Adj	3.1	2.7	2.4	2.3	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&PMB40 Index, most of those on the MIDEX 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.

Explanation of our ratings system:

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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As at 30 June 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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