

# ENEL

Sector: Utilities

# OUTPERFORM

Price: Eu6.22 - Target: Eu7.80

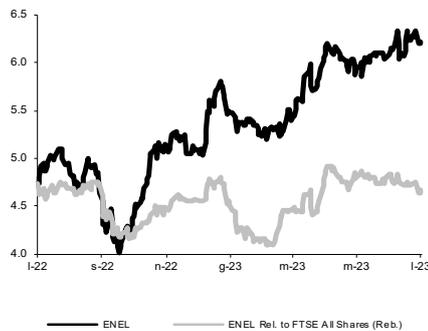
## Robust Results, Guidance Confirmed (High Visibility)

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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 7.20 to 7.80		
	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Chg in Adj EPS</b>	2.1%	2.9%	0.6%

### ENEL - 12M Performance



### Stock Data

Reuters code:	ENEI.MI		
Bloomberg code:	ENEL IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	2.3%	2.1%	31.3%
Relative	-3.5%	-3.7%	-2.0%
12M (H/L)	6.34/4.00		
3M Average Volume (th):	22,869.69		

### Shareholder Data

No. of Ord shares (mn):	10,167
Total no. of shares (mn):	10,167
Mkt Cap Ord (Eu mn):	63,239
Total Mkt Cap (Eu mn):	63,239
Mkt Float - Ord (Eu mn):	43,508
Mkt Float (in %):	68.8%
Main Shareholder:	
Italian treasury	31.2%

### Balance Sheet Data

Book Value (Eu mn):	30,496
BVPS (Eu):	3.00
P/BV:	2.1
Net Financial Position (Eu mn):	-52,046
Enterprise Value (Eu mn):	133,916

- 2023 results.** Enel's 2Q23 results were above our expectations, confirming the robust margin improvements recorded in 1Q23, mainly underpinned by a normalization of Renewables and Supply activities in Italy after the sharp losses recorded last year. Group ordinary EBITDA closed at Eu5,276mn (+38% YoY, vs. exp. Eu4,842mn) and ordinary net income at Eu1,767mn (+165% YoY, vs. exp. Eu1,426mn). Looking at ENEL's three key markets, Italy reported EBITDA of Eu2,986mn (+125% YoY, vs. exp. Eu2,178mn, strong recovery in Renewable Energies and Market); Iberia closed at Eu993mn (-3% YoY, vs. exp. Eu1,038mn, margin normalization after the spike recorded in 1Q23); LatAm at Eu1,106mn (-9% YoY, vs. exp. Eu1,316mn, asset disposals). On the balance sheet, net debt rose to Eu62.2bn (vs. exp. Eu61.8bn) from Eu58.9bn as at the end of March, reflecting CapEx for Eu3.2bn, working capital expansion for Eu1.0bn, taxes for Eu1.3bn (of which Eu0.6bn solidarity contribution) and financial expenses for Eu1.2bn. The cash-in from Eu5bn in asset sales closed in 1H23 will take place in 2H23.
- 2023 guidance confirmed (high visibility).** EBITDA continues to be seen in the Eu20.4-21.0bn range, and ordinary net income at Eu6.1-6.3bn. On the financial front, Enel confirmed YE23 net debt of Eu51-52bn. Commenting on the guidance, Enel's top management said P&L targets are highly visible. For the time being the company prefers to confirm targets, even if further margin normalization is expected in coming months in the Integrated Business, plus a higher contribution from the Stewardship model (zero contribution in 1H23, around Eu500mn expected in 2H23 according to the deals already closed). The Eu51-52bn YE23 net debt is seen as achievable, even in the event that the disposal plan is not fully completed.
- New management's top priorities.** During the call, new Enel CEO Cattaneo highlighted the new management's top priorities: i) capital allocation tailored to maximize risk-adjusted returns and secure long-term value and growth; ii) improving efficiencies across all activities to improve profitability; iii) Group streamlining to focus on core activities and geographies. The new strategic plan was confirmed in late November, with the focus on execution, efficiency, capital allocation and shareholder return. Cattaneo said there would be no changes to the dividend policy.
- Updated estimates and valuation.** Following 2Q23 results, we are updating our 2023-24 projections, increasing EBITDA by around 5%-2% respectively. This primarily reflects the clawback expiry, the potential normalization of hydroelectricity production, and higher margins in Supply in Italy. Our new projections are now slightly above the upper end of the 2023 guidance ranges for EBITDA and net income. In terms of the valuation, we are increasing our target price to Eu7.80ps from Eu7.20ps on new projections and slightly higher market multiples.
- Investment case.** 2Q23 results confirmed the robust margin improvements recorded in 1Q23, mainly underpinned by a normalization of Supply activities in Italy after the sharp losses recorded last year. On the debt front, despite a 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	21,331	21,872	22,656
Net Profit Adj (Eu mn)	5,593	5,391	6,384	7,033	7,313
EPS New Adj (Eu)	0.550	0.530	0.628	0.692	0.719
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	6.3	6.0	5.9
EV/EBIT Adj	19.4	12.0	10.2	9.0	8.8
P/E Adj	11.3	11.7	9.9	9.0	8.6
Div. Yield	6.1%	6.4%	6.9%	6.9%	6.9%
Net Debt/EBITDA Adj	2.7	3.1	2.4	2.3	2.3