ENI

NEUTRAL

Sector: Energy

Price: Eu13.36 - **Target: Eu15.00**

Robust Cash Flow Generation Expected, But Higher CapEx

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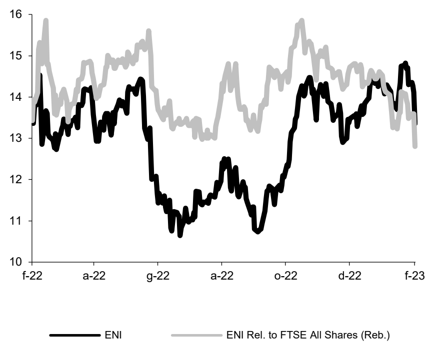
Stock Rating			
Rating:	from OUTPERFORM to NEUTRAL		
Target Price (Eu):	from 16.00 to 15.00		
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-4.9%	-6.4%	-7.9%

ENI - 12M Performance



Stock Data			
Reuters code:			ENI.MI
Bloomberg code:			ENI IM
Performance	**1M**	**3M**	**12M**
Absolute	-7.2%	-5.4%	-0.5%
Relative	-12.6%	-16.3%	-4.9%
12M (H/L)			14.83/10.64
3M Average Volume (th):			11,469.15

Shareholder Data	
No. of Ord shares (mn):	3,684
Total no. of shares (mn):	3,622
Mkt Cap Ord (Eu mn):	49,211
Total Mkt Cap (Eu mn):	49,211
Mkt Float - Ord (Eu mn):	34,300
Mkt Float (in %):	69.7%
Main Shareholder:	
Government	30.3%

Balance Sheet Data	
Book Value (Eu mn):	57,946
BVPS (Eu):	15.94
P/BV:	0.8
Net Financial Position (Eu mn):	-11,340
Enterprise Value (Eu mn):	60,458

- **4Q22 results.** ENI reported slightly weaker-than-expected operating figures, while cash flow generation remained robust. At divisional level, E&P, R&M and Plenitude & Power were slightly weaker, while GGP and Petrochemicals were slightly better. Moving to Group P&L figures, adj. EBIT closed at Eu3,587mn (-6% YoY, -38% QoQ, exp. Eu3,614mn) and adj. net income was Eu2,503mn (+19% YoY, -33% QoQ, exp. Eu2,256mn), supported by a higher contribution from net income from investments. On the balance sheet, net debt post-IFRS16 closed at Eu12.0bn (in line, D/E 0.22x, D/E pre-IFRS16 0.13x), with CFFO before WC reaching Eu4.1bn in the quarter.
- **New 2023-26 strategic business plan guidelines:** ENI's new plan is focused on: i) energy security and affordability through geographical and technological diversification; ii) emissions reduction and iii) development of new technologies for the energy transition. ENI will leverage on an agile and innovative business model, with dedicated satellite entities capable of independently accessing capital markets to fund their growth (Plenitude, Sustainable Mobility, Var Energi, Azule Energy).
- **Decarbonisation:** ENI confirmed targets for the reduction of Scope 1, 2 and 3 emissions versus 2018: -35% by 2030; -80% by 2040; and net zero by 2050. Upstream net carbon footprint (Scope 1+2): -65% by 2025 vs. 2018, remaining on track for net zero by 2030; Upstream intensity (methane emissions) well below 0.2%.
- **Financial targets.** Based on ENI's macro assumptions (Brent 2023-24 US$85/bl, 2025-26 US$80/bl, gas 2023-24: NBP US$25.7/mmbtu, PSV Eu970-900/kcm) ENI provided the following key targets: for 2023 Group adj. EBIT is seen at Eu13bn, CFFO before working capital at replacement cost of over Eu17bn, CapEx Eu9.5bn (+15% vs. 2022). Over the plan period CFFO is foreseen over Eu69bn (vs. Eu55bn, with average Brent at US$75/bl in last year's plan), cumulative CapEx at Eu37bn (vs. Eu28bn in last year's plan, +32%). Leverage (D/E) is seen in the range of 10-20% over the plan period.
- **New shareholder remuneration policy:** ENI intends to distribute between 25%-30% of annual CFFO by way of a combination of dividends and share buybacks. 2023 DPS has been raised to Eu0.94ps (+7%), while the proposed share buyback for 2023 will amount to Eu2.2bn, for an 11% total return at current prices. In upside scenarios, ENI expects to apply 35% of incremental CFFO to distribution, while in downside scenarios it will use balance sheet, CapEx and timing flexibility.
- **Updated estimates and valuation**. We have updated our projections (E&P reduced, GGP increased), that are based on assumptions for oil and gas prices that are broadly in line with current forward curves (Brent 2023-24-25 of US$85-75-70/bl). 2023 DPS and buyback aligned to the new policy. Target price trimmed to Eu15.00ps.
- **Investment conclusion. From Outperform to NEUTRAL.** ENI's new 2023-26 business plan highlighted robust CFFO targets, nevertheless based on quite aggressive macro scenario assumptions in our opinion, especially on gas prices. On the CapEx side, we were expecting growing figures vs. last year's plan, but a more contained increase. After the share price recovery recorded in recent months, we move to NEUTRAL. Upside risk mainly relates to potential commodity price spikes, with China reopening.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	76,570	132,237	119,859	102,241	86,643
EBITDA Adj (Eu mn)	17,283	27,684	21,168	18,846	19,180
Net Profit Adj (Eu mn)	4,740	13,810	8,605	6,797	6,753
EPS New Adj (Eu)	1.304	3.663	2.368	1.870	1.858
EPS Old Adj (Eu)	1.304	3.595	2.490	1.998	2.016
DPS (Eu)	0.860	0.880	0.940	0.940	0.940
EV/EBITDA Adj	3.4	2.1	2.9	3.1	3.0
EV/EBIT Adj	6.1	2.9	4.5	5.4	5.1
P/E Adj	10.2	3.6	5.6	7.1	7.2
Div. Yield	6.4%	6.6%	7.0%	7.0%	7.0%
Net Debt/EBITDA Adj	0.8	0.4	0.5	0.5	0.4