

ENI

Sector: Energy

NEUTRAL

Price: Eu13.75 - Target: Eu15.00

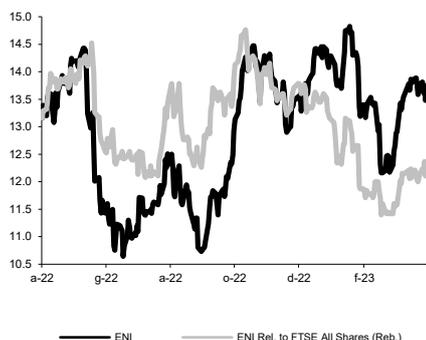
Record-High GGP; More Cautious Assumptions on Gas Prices

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	-8.2%	-4.8%	-3.5%

ENI - 12M Performance



Stock Data

Reuters code:	ENI.MI		
Bloomberg code:	ENI IM		
Performance	1M	3M	12M
Absolute	6.5%	-0.7%	2.7%
Relative	6.7%	-1.8%	-7.7%
12M (H/L)	14.83/10.64		
3M Average Volume (th):	12,928.70		

Shareholder Data

No. of Ord shares (mn):	3,684
Total no. of shares (mn):	3,622
Mkt Cap Ord (Eu mn):	50,640
Total Mkt Cap (Eu mn):	50,640
Mkt Float - Ord (Eu mn):	35,296
Mkt Float (in %):	69.7%
Main Shareholder:	
Government	30.3%

Balance Sheet Data

Book Value (Eu mn):	57,239
BVPS (Eu):	16.95
P/BV:	0.8
Net Financial Position (Eu mn):	-11,312
Enterprise Value (Eu mn):	61,835

■ **1Q23 results.** Despite a weakening scenario, Eni reported much better-than-expected figures, thanks primarily to a recovery in E&P production and very strong margins at GGP (Global Gas & LNG Portfolio). Specifically, group adj. EBIT closed at Eu4,641mn (-11% YoY, +29% QoQ, vs. exp. Eu3,508mn), while adj. net income reached Eu2,907mn (-11% YoY, -16% QoQ, vs. exp. Eu2,206mn). CFFO before WC at replacement cost reached Eu5.3bn in the quarter, while net debt post IFRS16 closed at Eu12.6bn (vs. exp. Eu12.3bn) from Eu12.0bn as at YE22, reflecting CapEx for Eu2.2bn, working capital expansion for Eu2.3bn, the dividend payment for Eu0.8bn and M&A net cash-out for Eu0.5bn.

■ **Divisional highlights.** E&P production amounted to 1,656kboed (flat YoY, +2% QoQ, ramp-up in Mozambique and Mexico, higher activity in Algeria, vs. exp. 1,640kboed), with adj. EBIT at Eu2,789mn (-36% YoY, -4% QoQ, missing contribution of Angolan Azule JV for Eu140mn, vs. exp. Eu2,513mn). Discovered resources: around 200 mboe, mainly from new discoveries in Cyprus, Mexico and Egypt. GGP closed at Eu1,372mn (+47% YoY, very robust gas trading and LNG margins, vs. exp. Eu810mn), and Plenitude & Power at Eu186mn (+1% YoY, ramp-up in renewable installed capacity, vs. exp. Eu180mn). In Downstream, R&M closed at Eu263mn (vs. Eu24mn in 1Q22 and Eu465mn in 4Q22, turnaround activity at refinery units undergoing important upgrades, vs. exp. Eu280mn), while Petrochemicals was Eu-109mn in the red (vs. Eu-115mn in 1Q22 and Eu-87mn in 4Q22, lower demand and market uncertainties, vs. exp. Eu-95mn).

■ **2023 updated guidance.** Eni trimmed 2023 guidance on updated macro scenario assumptions (Brent US\$85/bl unch., gas PSV cEu52.9/mc from cEu97.0/mc, Eu/US\$ ForEx 1.08x from 1.03x): Group adj. EBIT is now seen at Eu12bn from prev. Eu13bn; cash flow before working capital at replacement cost at over Eu16bn from prev. over Eu17bn; CapEx trimmed to Eu9.2bn from prev. Eu9.5bn. Leverage is expected to remain within the stated range of 10-20%. Eu0.94ps dividend and Eu2.2bn buy-back confirmed. Moving to the different businesses, E&P production guidance has been confirmed at 1.63-1.67mboed (slight sequential decline exp. in 2Q); GGP adj. EBIT guidance range narrowed upwards to Eu2.0-2.2bn from prev. Eu1.7-2.2bn; Plenitude EBITDA confirmed at above Eu0.7bn; Downstream adj. EBIT reduced to Eu1.0-1.1bn from prev. Eu1.2bn.

■ **Updated estimates and valuation.** Following 1Q23 results, we have updated our 2023 projections to reflect higher GGP margins offset by lower ones for E&P, R&M and Petrochemicals. At bottom line, these translate into a rough 8% EPS reduction for 2023 and 5% for 2024. Valuation-wise, we leave our target price of Eu15.00ps unchanged.

■ **Investment conclusion.** A very solid set of results, with GGP in particular well above expectations. Despite a strong start to the year, Eni trimmed FY23 EBIT and CFFO guidance to reflect lower gas prices and slightly weaker dollar assumptions. We continue to see operational execution and cash flow generation at E&P, low leverage, and growing ESG engagement as key catalysts for ENI. We confirm our NEUTRAL recommendation on the stock.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	76,570	132,237	118,131	100,434	85,073
EBITDA Adj (Eu mn)	17,283	27,684	20,489	18,629	18,986
Net Profit Adj (Eu mn)	4,740	13,810	7,898	6,469	6,513
EPS New Adj (Eu)	1.304	3.727	2.338	1.916	1.929
EPS Old Adj (Eu)	1.304	3.727	2.548	2.013	2.000
DPS (Eu)	0.860	0.880	0.940	0.940	0.940
EV/EBITDA Adj	3.4	2.1	3.0	3.3	3.1
EV/EBIT Adj	6.1	2.9	5.0	5.8	5.5
P/E Adj	10.5	3.7	5.9	7.2	7.1
Div. Yield	6.3%	6.4%	6.8%	6.8%	6.8%
Net Debt/EBITDA Adj	0.8	0.4	0.6	0.5	0.4