Intermonte

Milan, 03 February 2025

Italian Equity Research – 4Q24 Preview

ENI

OUTPERFORM

Sector: Energy

Price: Eu13.70 - **Target: Eu16.50**

Focus on New 2025-28 Business Plan

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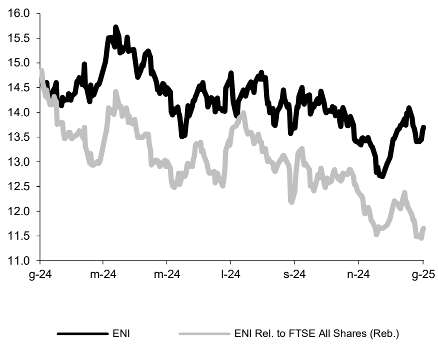
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-0.4%	-7.3%	-9.7%

Next Event

4Q24 Results and new BP on 27 February

ENI - 12M Performance



Stock Data			
Reuters code:			ENI.MI
Bloomberg code:			ENI IM
Performance	**1M**	**3M**	**12M**
Absolute	4.7%	-2.2%	-7.5%
Relative	-1.8%	-8.7%	-25.2%
12M (H/L)			15.73/12.70
3M Average Volume (th):			11,488.81

Shareholder Data	
No. of Ord shares (mn):	3,684
Total no. of shares (mn):	3,622
Mkt Cap Ord (Eu mn):	50,471
Total Mkt Cap (Eu mn):	50,471
Mkt Float - Ord (Eu mn):	31,645
Mkt Float (in %):	62.7%
Main Shareholder:	
Government	33.3%

Balance Sheet Data	
Book Value (Eu mn):	54,286
BVPS (Eu):	16.53
P/BV:	0.8
Net Financial Position (Eu mn):	-14,608
Enterprise Value (Eu mn):	64,367

- **4Q24 results preview** (results out on 27 February). On the macro front, the quarter was characterised by sequentially lower oil prices (Brent US$74/bl vs. US$79/bl in 3Q24), while gas prices rose further (TTF Eu45/MWh vs. Eu38/MWh). In Downstream, refining margins slightly recovered after the sharp contraction recorded in 3Q24 (EMC Med bench. +US$2.0/bl vs. +US$1.5/bl), while Petrochemical cracks remained in the red. In this scenario, we expect another quite 'soft' quarter for ENI, with proforma EBIT projected at Eu2,778mn (-26% YoY, -18% QoQ), adj. EBIT at Eu1,843mn (-33% YoY, -25% QoQ,), and adj. net income at Eu929mn (-43% YoY, -27% QoQ). At divisional level, for E&P we assume output of 1,695kboed (-1% YoY, +2% QoQ), with adj. EBIT expected at Eu1,877mn (-23% YoY, -19% QoQ); for GGP & Power, we expect adj. EBIT of Eu295mn (vs. Eu718mn in 4Q23, +6% QoQ); for Enilive & Plenitude Eu166mn (-11% YoY, -50% QoQ); and for Refining, Chemicals & Power Eu-273mn (vs. Eu-217mn in 4Q23 and Eu-239mn in 3Q24). Moving to the balance sheet, net debt is expected to have closed at around Eu17.2bn (D/E 0.32x, 0.22x pre IFRS16), slightly up QoQ. The CFFO before working capital is projected at Eu2.8bn (vs. Eu2.9bn in 3Q24).
- **New 2025-28 business plan.** Together with FY24 results, ENI will release its new 2025-28 business plan. We expect the new plan to mark a natural progression of the strategy presented last year based on the maximisation of portfolio integration along the value chain and the decarbonisation process, still leveraging its satellite business model (Var Energi, Azule Energy, Plenitude, Enilive). In terms of operational and financial targets, we expect the confirmation of a 2% E&P production CAGR, while cumulative 4YP proforma EBIT and CFFO targets (Eu60bn and Eu62bn respectively in last year's plan) could be trimmed if ENI opts to apply more conservative oil price assumptions (Brent $80/bl flat in last year plan, 2025/26/27 forwards currently at $74/70/69/bl). We expect that Gross Capex could be confirmed (cumulative Eu35bn), while the net cash-in target from portfolio management could be increased (Eu8bn last year). In terms of the shareholder remuneration policy, we expect confirmation of the distribution of 30-35% of annual CFFO via a combination of dividends (we project a Eu1.04 DPS for 2025) and share buybacks (we assume Eu1.5bn in 2025).
- **Updated estimates and valuation.** We have fine-tuned our 2024 projections and updated 2025 and the following years, primarily to reflect lower margins in E&P (lower volumes and price realizations) and in Downstream (in particular in Chemicals). These translate into a 6/8% downward revision of estimates for 2025/26 at operating level and 7/10% at the bottom line. In terms of the valuation, we confirm our target price of Eu16.50ps, still based on a mix of DCF and SoP.
- **Investment conclusion**. Despite a volatile macro scenario, we confirm our positive view on the stock. We continue to appreciate ENI's very strong track record in Exploration (we expect details on the recent discovery in Namibia) and value accretive 'Satellite' strategy. We continue to believe ENI is undervalued at current prices, with the stock trading at 3.2x 2025E EV/EBITDA, 8.4x P/E and offering an appealing dividend + buyback total return in excess of 11%.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	132,237	93,717	91,305	89,437	87,300
EBITDA Adj (Eu mn)	27,592	21,292	18,145	17,818	18,096
Net Profit Adj (Eu mn)	13,301	8,298	5,320	5,394	5,675
EPS New Adj (Eu)	3.725	2.458	1.620	1.642	1.728
EPS Old Adj (Eu)	3.725	2.458	1.626	1.771	1.914
DPS (Eu)	0.880	0.940	1.000	1.040	1.080
EV/EBITDA Adj	2.1	3.2	3.8	3.6	3.5
EV/EBIT Adj	2.9	4.9	6.6	6.4	6.2
P/E Adj	3.7	5.6	8.5	8.3	7.9
Div. Yield	6.4%	6.9%	7.3%	7.6%	7.9%
Net Debt/EBITDA Adj	0.4	0.8	0.9	0.8	0.8

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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&PMIB40 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.

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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:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (71 in total) is as follows:

BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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