

ENI

Sector: Energy

OUTPERFORM

Price: Eu14.17 - Target: Eu16.50

Soft Quarter Expected

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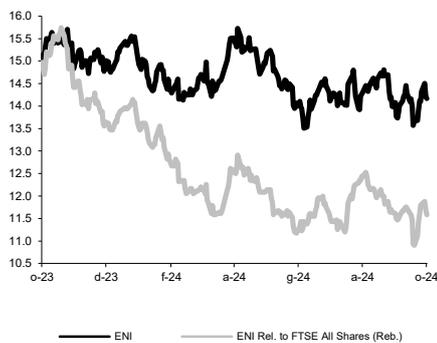
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 18.00 to 16.50		
	2024E	2025E	2026E
Chg in Adj EPS	-12.4%	-12.5%	-10.5%

Next Event

3Q24 Results Out 25 October

ENI - 12M Performance



Stock Data

Reuters code:	ENI.MI		
Bloomberg code:	ENI IM		
Performance	1M	3M	12M
Absolute	0.6%	0.4%	-5.4%
Relative	-0.5%	0.4%	-27.7%
12M (H/L)	15.73/13.51		
3M Average Volume (th):	10,688.67		

Shareholder Data

No. of Ord shares (mn):	3,684
Total no. of shares (mn):	3,622
Mkt Cap Ord (Eu mn):	52,188
Total Mkt Cap (Eu mn):	52,188
Mkt Float - Ord (Eu mn):	32,722
Mkt Float (in %):	62.7%
Main Shareholder:	
Government	33.3%

Balance Sheet Data

Book Value (Eu mn):	53,872
BVPS (Eu):	16.40
P/BV:	0.9
Net Financial Position (Eu mn):	-17,203
Enterprise Value (Eu mn):	68,650

- 3Q24 results preview.** On the macro front, the quarter was characterised by sequentially lower oil prices (Brent US\$79/bl vs. US\$85/bl in 2Q24), while gas prices rose further (TTF Eu38/MWh vs. Eu33/MWh). In Downstream, refining margins were significantly lower QoQ (EMC Med bench. +US\$1.5/bl vs. +US\$4.5/bl), while Petrochemical cracks remained in the red. In this scenario, we expect a 'soft' quarter for ENI, with almost all divisions posting sequentially declining figures. At Group level, we expect proforma EBIT at Eu3,059mn (-23% YoY, -26% QoQ), adj. EBIT at Eu2,207mn (-27% YoY, -31% QoQ), and adj. net income at Eu1,044mn (-43% YoY, -31% QoQ). At divisional level, for E&P we assume output of 1,665kboed (+2% YoY, -3% QoQ), with adj. EBIT expected at Eu2,177mn (-17% YoY, -18% QoQ); for GGP, we expect adj. EBIT of Eu230mn (vs. Eu111mn in 3Q23 and Eu343mn in 2Q24), for Enilive & Plenitude Eu305mn (-32% YoY, +7% QoQ), for Refining, Chemicals & Power Eu-210mn (vs. Eu169mn in 3Q23 and Eu-155mn in 2Q24). Moving to the balance sheet, net debt is expected to have closed at around Eu17.4bn (D/E 0.23x), flat QoQ, after Eu2.2bn CapEx, Eu0.8bn for dividend payments, Eu0.6bn for the buy-back, and a Eu0.5bn M&A cash-in (Nigeria). The CFFO before working capital is projected at Eu3.0bn (vs. Eu3.4bn in 2Q24).
- 2024 guidance.** On release of 2Q24 results at the end of July, ENI improved its 2024 pro-forma EBIT guidance to around Eu15bn vs. 'above Eu14bn' previously (with Brent at \$86/bl confirmed), while CFFO before working capital was confirmed at Eu14bn. Organic CapEx was confirmed at about Eu9bn, with CapEx net of proceeds from disposals seen below Eu6bn. Buyback confirmed at Eu1.6bn, with Eu0.5bn upside (given the lower expected debt in light of M&A progress, in 3Q24 ENI will assess a further increase in distribution, up to the maximum limit of 35% of budgeted CFFO). With current forwards pointing to a FY24 average Brent of around US\$81/bl, we expect ENI to trim its FY24 CFFO guidance, while confirming the Eu1.6bn buyback.
- Updated estimates and valuation.** Ahead of 3Q24 results, we are updating our projections, primarily to reflect lower oil price assumptions (2024E Brent of US\$82/bl from US\$85/bl previously, 2025E US\$75/bl from US\$80/bl, 2026 US\$70/bl from US\$75/bl), coupled to slightly lower refining and petrochemical margins. This translates into an EPS decrease of roughly 12% for 2024-25E and 10% for 2026-27E. In terms of the valuation, we are moving our target price to Eu16.50ps from Eu18.0ps on the back of our new, more conservative projections.
- Investment conclusion.** We upgraded the stock to OUTPERFORM at the beginning of April, with Brent approaching US\$90/bl and gas prices showing some preliminary signs of recovery. With oil prices penalised in summer by weakening crude demand in Asia, the stock has not gained momentum so far, performing substantially in line with the market. While we are not factoring into our projections potential oil price spikes caused by geopolitical tensions in the Middle East, we confirm our positive view on the stock. We continue to appreciate ENI's 'Satellite' strategy and believe ENI is undervalued at current prices, even on our lower updated estimates, with the stock trading at 8.7/7.9x 2024-25 P/E and offering an appealing dividend + buyback total return in excess of 10%.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	132,237	93,717	91,200	89,283	87,414
EBITDA Adj (Eu mn)	27,592	21,292	18,274	18,582	19,320
Net Profit Adj (Eu mn)	13,301	8,298	5,368	5,903	6,393
EPS New Adj (Eu)	3.725	2.458	1.634	1.797	1.946
EPS Old Adj (Eu)	3.725	2.458	1.865	2.055	2.174
DPS (Eu)	0.880	0.940	1.000	1.000	1.000
EV/EBITDA Adj	2.1	3.2	3.8	3.6	3.4
EV/EBIT Adj	2.9	4.9	6.4	6.2	5.7
P/E Adj	3.8	5.8	8.7	7.9	7.3
Div. Yield	6.2%	6.6%	7.1%	7.1%	7.1%
Net Debt/EBITDA Adj	0.4	0.8	0.9	0.9	0.7

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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&P500 Index, most of those on the MIBEX 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:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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