ENI

NEUTRAL

Sector: Energy

Price: Eu13.23 - **Target: Eu15.00**

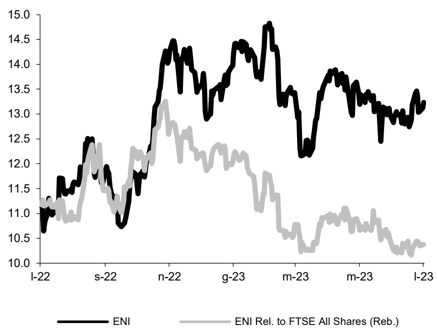
Softening Commodities Expected to Dent Margins

Paolo Citi +39-02-77115.430
paolo.citi@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event
2Q23 Results Out 28 July

ENI - 12M Performance



Stock Data			
Reuters code:			ENI.MI
Bloomberg code:			ENI IM
Performance	**1M**	**3M**	**12M**
Absolute	1.9%	-4.0%	18.2%
Relative	-0.9%	-5.3%	-9.3%
12M (H/L)			14.83/10.64
3M Average Volume (th):			11,307.34

Shareholder Data	
No. of Ord shares (mn):	3,684
Total no. of shares (mn):	3,622
Mkt Cap Ord (Eu mn):	48,754
Total Mkt Cap (Eu mn):	48,754
Mkt Float - Ord (Eu mn):	33,982
Mkt Float (in %):	69.7%
Main Shareholder:	
Government	30.3%

Balance Sheet Data	
Book Value (Eu mn):	57,240
BVPS (Eu):	16.95
P/BV:	0.8
Net Financial Position (Eu mn):	-11,312
Enterprise Value (Eu mn):	59,980

- **Eni will report 2Q23 results on 28 July**, with the press release to go out at lunchtime and the conference call scheduled for 14.00 CEST the same day.
- **2Q23 results preview.** On the macro front, the quarter was characterised by a further softening of oil and gas prices (Brent US$78/bl, -30% YoY, -5% QoQ, gas TTF Eu34.5/MWh, -66% YoY, -40% QoQ). In the Downstream, refining margins returned to 'more normalised' levels after the unprecedented spikes recorded in the previous quarters (EMC Med benchmark closing at +US$4.1/bl, from +US$10.1/bl in 1Q23 and +US$13.3/bl in 4Q22), while Petrochemicals cracks continued to be in negative territory. On the utilities side, electricity and gas prices showed a further reduction, after the dramatic spikes recorded in August last year, while on ForEx, the dollar weakened slightly further against the euro. In this scenario, we expect sequentially declining figures in all divisions, with E&P in particular penalised by exploration write-offs in Egypt and decommissioning costs. At Group level, we expect adj. EBIT to close at Eu2,715mn (-54% YoY, -41% QoQ), and adj. net income at Eu1,596mn (-58% YoY, -45% QoQ). At divisional level, for E&P we assume output of 1,600kboed (+1% YoY, -3% QoQ, seasonal maintenance), with adj. EBIT expected at Eu2,030mn (-58% YoY, -27% QoQ), for GGP at Eu650mn (vs. Eu-14mn in 2Q22 and Eu1,371mn in 1Q23). Moving to the balance sheet, net debt is expected to have closed at around Eu8.3bn (D/E 0.23x), slightly up QoQ, after Eu2.7bn of CapEx, a Eu0.7bn dividend payment, a Eu0.4bn buyback, a Eu0.4bn windfall tax payment and a Eu0.5bn cash-out for the first tranche of the St. Bernard biorefinery in Louisiana.
- **2023 guidance**. Alongside 1Q23 results ENI slightly trimmed its 2023 guidance on updated macro scenario assumptions (Brent US$85/bl unch., gas PSV Eu0.529/m^3 from Eu0.97/m^3, Eu/US$ ForEx 1.08x from 1.03x): group adj. EBIT was indicated at Eu12bn from Eu13bn previously; cash flow before working capital at replacement cost at over Eu16bn from over Eu17bn; CapEx was trimmed to Eu9.2bn from Eu9.5bn. Leverage was expected to remain within the stated range of 10-20%, with a Eu0.94ps dividend and Eu2.2bn buyback confirmed. Moving to the different businesses, E&P production guidance was confirmed at 1.63-1.67mboed; GGP adj. EBIT guidance range was narrowed towards the upper end, at Eu2.0-2.2bn from Eu1.7-2.2bn; Plenitude EBITDA was confirmed at above Eu0.7bn; Downstream adj. EBIT was reduced to Eu1.0-1.1bn from Eu1.2bn. We see potential upside on GGP guidance.
- **Updated estimates and valuation**. Following 1Q23 results, we updated our 2023 projections to reflect higher GGP margins offset by lower ones for E&P, R&M and Petrochemicals. At bottom line, these translated into EPS reductions of roughly 8% for 2023 and 5% for 2024. Ahead of 2Q23 results we are leaving our projections unchanged, based on a Brent of US$85/bl and a Eu/US$ ForEx of 1.09x. Valuation-wise, we are leaving our Eu15.00ps target price unchanged.
- **Investment conclusion**. 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, due to expectations for quite 'soft' earnings momentum and recession risks.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	76,570	132,237	118,131	100,946	85,595
EBITDA Adj (Eu mn)	17,283	27,684	20,489	18,903	19,463
Net Profit Adj (Eu mn)	4,740	13,810	7,898	6,624	6,744
EPS New Adj (Eu)	1.304	3.727	2.338	1.962	1.997
EPS Old Adj (Eu)	1.304	3.727	2.338	1.962	1.997
DPS (Eu)	0.860	0.880	0.940	0.940	0.940
EV/EBITDA Adj	3.4	2.1	2.9	3.2	3.0
EV/EBIT Adj	6.1	2.9	4.9	5.6	5.2
P/E Adj	10.1	3.6	5.7	6.7	6.6
Div. Yield	6.5%	6.6%	7.1%	7.1%	7.1%
Net Debt/EBITDA Adj	0.8	0.4	0.6	0.6	0.5