

ENI

Sector: Energy

NEUTRAL

Price: Eu15.09 - Target: Eu16.00

2023 Guidance Expected to Be Improved

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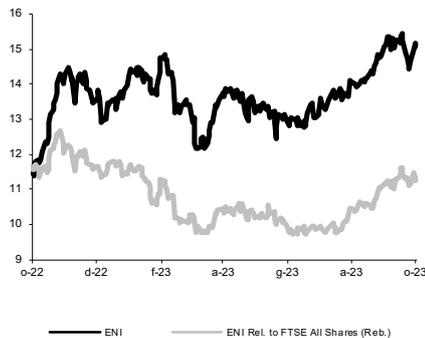
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 15.00 to 16.00		
	2023E	2024E	2025E
Chg in Adj EPS	1.9%	5.0%	6.1%

Next Event

3Q23 Results Out 27 October

ENI - 12M Performance



Stock Data

Reuters code:	ENI.MI		
Bloomberg code:	ENI IM		
Performance	1M	3M	12M
Absolute	0.2%	14.0%	30.4%
Relative	1.0%	13.5%	-3.8%
12M (H/L)	15.42/11.40		
3M Average Volume (th):	11,157.67		

Shareholder Data

No. of Ord shares (mn):	3,684
Total no. of shares (mn):	3,622
Mkt Cap Ord (Eu mn):	55,577
Total Mkt Cap (Eu mn):	55,577
Mkt Float - Ord (Eu mn):	38,737
Mkt Float (in %):	69.7%
Main Shareholder:	
Government	30.3%

Balance Sheet Data

Book Value (Eu mn):	57,447
BVPS (Eu):	17.01
P/BV:	0.9
Net Financial Position (Eu mn):	-13,308
Enterprise Value (Eu mn):	68,684

■ **3Q23 results preview.** On the macro front, the quarter was characterised by a recovery in oil prices, supported by OPEC+ cuts (Brent US\$85.9/bl vs. US\$78.0/bl in 2Q23), while gas prices were broadly flat QoQ. In the Downstream, refining margins spiked again, underpinned by very robust gasoline and diesel cracks (EMC Med benchmark +US\$12.4/bl, vs. +US\$4.2/bl in 2Q23) while Petrochemicals cracks remained under serious pressure. In this scenario, we expect sequentially increasing figures in E&P and Refining, while GGP should come back to 'more normalised' figures, after the impressive margins recorded in the previous two quarters. At Group level, we expect adj. EBIT to have closed at Eu2,830mn (-51% YoY, -16% QoQ), and adj. net income at Eu1,594mn (-57% YoY, -18% QoQ). At divisional level, for E&P we assume output of 1,630kboed (+3% YoY, +1% QoQ), with adj. EBIT expected at Eu2,424mn (-43% YoY, +17% QoQ), while adj. EBIT is expected at Eu120mn for GGP (vs. Eu1,083mn in 3Q22 and Eu1,087mn in 2Q23). Moving to the balance sheet, net debt is expected to have closed at around Eu13.2bn (D/E 0.23x), slightly up QoQ from Eu12.9bn at the end of June, after Eu2.1bn CapEx, Eu0.8bn dividend payment, Eu0.6bn buy-back and Eu0.4bn cash-out for the second tranche of the St. Bernard biorefinery in Louisiana.

■ **2023 guidance expected to be improved.** With 2Q23 results ENI broadly confirmed its 2023 guidance, despite slightly more conservative macro scenario assumptions (Brent US\$80/bl vs. prev. US\$85/bl, gas PSV cEu48/cm vs. prev. Eu53/cm). Group adj. EBIT was confirmed at Eu12bn; cash flow before working capital at replacement cost was seen at Eu15.5-16.0bn vs. 'over Eu16bn' previously; CapEx was trimmed to 'below Eu9.0bn' from Eu9.2bn. Leverage was expected to remain within the stated range of 10-20%, with the Eu0.94ps dividend and Eu2.2bn buyback confirmed. Following the oil price increase recorded in the last three months, we believe ENI could improve its adj. EBIT and cash flow targets (adj. EBIT consensus already at Eu13.5bn). We quickly recap ENI's most recent targets for the different businesses: E&P hydrocarbon production was seen at 1.64-1.67mboed; GGP adj. EBIT between Eu2.7-3.0bn; Plenitude EBITDA at Eu0.8bn and Downstream adj. EBIT at Eu0.8bn.

■ **Updated estimates and valuation.** Ahead of 3Q23 results, we are updating our projections, primarily to reflect higher oil price assumptions (2023E Brent of US\$83.5/bl from US\$82.0/bl previously, 2024E US\$80/bl from US\$75/bl, 2025 US\$75/bl from US\$70/bl, 2026E US\$70/bl unchanged). This translated into an EPS increase of roughly 2% for 2023E and 5% for 2024-25E. In terms of the valuation, we are lifting our target price from Eu15.0ps to Eu16.0ps.

■ **Investment conclusion.** Over the last three months, ENI has posted a robust share price recovery, almost entirely closing the underperformance recorded vs. the Italian FTSE Mib Index in 1H23. Rising oil prices, following Saudi Arabia's announcement of voluntary production cuts at the beginning of June, were the main driver, coupled with the positive set of results released this summer. While we appreciate ENI's solid cash flow generation and generous shareholder remuneration policy, and see supportive macro momentum for the Energy sector, we confirm our NEUTRAL recommendation on the stock, due to the limited upside to our target price.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	76,570	132,237	100,588	101,582	97,116
EBITDA Adj (Eu mn)	17,283	27,684	21,279	20,428	20,789
Net Profit Adj (Eu mn)	4,740	13,810	8,105	7,250	7,264
EPS New Adj (Eu)	1.304	3.727	2.400	2.147	2.151
EPS Old Adj (Eu)	1.304	3.727	2.356	2.045	2.028
DPS (Eu)	0.860	0.880	0.940	0.940	0.940
EV/EBITDA Adj	3.4	2.1	3.2	3.4	3.2
EV/EBIT Adj	6.1	2.9	5.0	5.5	5.3
P/E Adj	11.6	4.0	6.3	7.0	7.0
Div. Yield	5.7%	5.8%	6.2%	6.2%	6.2%
Net Debt/EBITDA Adj	0.8	0.4	0.6	0.7	0.5