

ENI

Sector: Energy

NEUTRAL

Price: Eu14.52 - Target: Eu15.50

Capital Investment Reduction to Enhance Financial Flexibility

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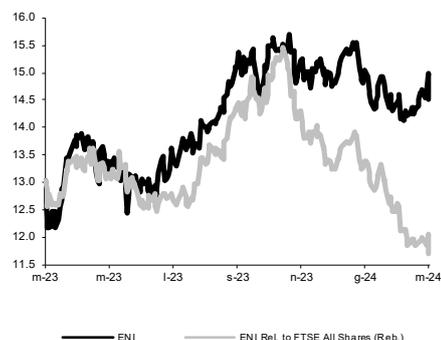
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	-12.8%	-11.9%	-4.9%

Next Event

-

ENI - 12M Performance



Stock Data

Reuters code:	ENI.MI		
Bloomberg code:	ENI IM		
Performance	1M	3M	12M
Absolute	0.1%	-2.2%	11.4%
Relative	-7.3%	-13.1%	-12.6%
12M (H/L)	15.70/12.16		
3M Average Volume (th):	9,991.50		

Shareholder Data

No. of Ord shares (mn):	3,684
Total no. of shares (mn):	3,622
Mkt Cap Ord (Eu mn):	53,499
Total Mkt Cap (Eu mn):	53,499
Mkt Float - Ord (Eu mn):	33,544
Mkt Float (in %):	62.7%
Main Shareholder:	
Government	32.4%

Balance Sheet Data

Book Value (Eu mn):	55,356
BVPS (Eu):	16.39
P/BV:	0.9
Net Financial Position (Eu mn):	-17,529
Enterprise Value (Eu mn):	70,265

- New 2024-27 Strategic Plan.** ENI's new 2024-27 plan marks 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 on its satellite business model (Var Energi, Azule Energy, Plenitude, Enilive). The main difference vs. last year's plan is represented in our opinion by more aggressive portfolio management activity (Eu8bn net cash-in projected over the next four years vs Eu1bn in last year's plan), allowing it to enhance financial flexibility and shareholder remuneration in a weaker macro scenario (lower gas prices).
- Decarbonisation:** ENI confirmed targets for the reduction of Scope 1, 2 and 3 emissions versus 2018: 35% by 2030; 80% by 2040; and net zero by 2050. Upstream net carbon footprint (Scope 1+2): -65% by 2025 vs. 2018, confirming the net zero target by 2030.
- Financial targets.** Based on ENI's new macro assumptions (Brent 2024-27 flat at US\$80/bl, gas PSV 2024 at Eu31/MWh, 2025-27 at around Eu37/MWh), it provided the following key targets: for 2024, Group pro-forma EBIT is seen at Eu13bn (vs. Eu17.8bn in 2023), CFFO at Eu13.5bn (vs. Eu16.5bn in 2023), and CapEx at Eu7-8bn. Over the plan period, CFFO is foreseen at over Eu62bn (vs. Eu69bn in last year's plan, lower oil and gas price assumptions). Cumulative 2024-27 Gross CapEx are indicated at Eu35bn (vs. Eu37bn, -5%). Taking into account the planned Eu8bn net cash-in from portfolio management activity, net CapEx are projected at Eu27bn (-20%).
- Shareholder remuneration policy improved:** ENI confirmed the shareholder remuneration policy introduced last year, based on the distribution of a percentage (30-35%, up from last year's 25-30%) of annual CFFO by way of a combination of dividends and share buybacks. The proposed 2024 DPS has been raised to Eu1.00ps (+6%), while the share buyback for 2024 will amount to Eu1.1bn for a 9% total return at current prices. In upside scenarios, ENI expects to apply 60% (up from 35% last year) of incremental CFFO to distribution.
- Updated estimates and valuation.** We have updated our projections to reflect the new Upstream production guidance, lower margins for GGP, and slightly higher ones for Plenitude and lower ones for Versalis. In terms of macro scenario assumptions, we are substantially aligned with futures curves for both oil and gas (Brent 2024/25/26 at US\$80/75/70/bl, PSV at Eu35/30/25/MWh). On the M&A front, we have included the cash-out for Neptune and the planned portfolio management activity cash-ins. All these changes translate into a rough 12% EPS downward revision for 2024-25. 2024 DPS and buyback aligned to the new shareholder remuneration policy. Target price trimmed to Eu15.50ps from previous Eu16.00ps.
- Investment conclusion.** ENI's strategy aimed at maximising capital investment reduction through portfolio management activity resulted in a weaker-than-expected Upstream production profile, balanced nevertheless by lower net CapEx. While we appreciate greater financial flexibility, allowing ENI to support a generous shareholder remuneration policy even in a weaker macro scenario, we believe ongoing pressures on gas prices could continue to penalise the share price in the short term. NEUTRAL.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	132,237	93,717	91,015	89,219	87,325
EBITDA Adj (Eu mn)	27,592	21,292	18,303	18,801	19,340
Net Profit Adj (Eu mn)	13,301	8,298	6,389	6,371	6,800
EPS New Adj (Eu)	3.725	2.458	1.892	1.886	2.013
EPS Old Adj (Eu)	3.725	2.458	2.169	2.140	2.117
DPS (Eu)	0.880	0.940	1.000	1.000	1.000
EV/EBITDA Adj	2.1	3.2	3.8	3.7	3.5
EV/EBIT Adj	2.9	4.9	6.4	6.0	5.7
P/E Adj	3.9	5.9	7.7	7.7	7.2
Div. Yield	6.1%	6.5%	6.9%	6.9%	6.9%
Net Debt/EBITDA Adj	0.4	0.8	1.0	0.9	0.7

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- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
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- 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
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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.

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UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

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OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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