Intermonte

Milan, 25 April 2024

Italian Equity Research – 1Q24 Results

ENI

OUTPERFORM

Sector: Energy

Price: Eu15.24 - **Target: Eu18.00**

Solid Results, 2024 Guidance and Buyback Increased

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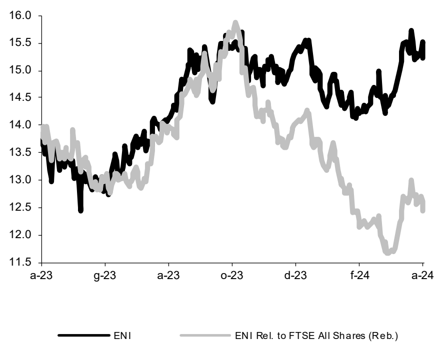
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	2.1%	2.3%	1.8%

Next Event

1H24 results on 26 July

ENI - 12M Performance



Stock Data			
Reuters code:			ENI.MI
Bloomberg code:			ENI IM
Performance	**1M**	**3M**	**12M**
Absolute	6.1%	5.1%	10.3%
Relative	6.5%	-6.9%	-12.3%
12M (H/L)			15.73/12.45
3M Average Volume (th):			10,377.96

Shareholder Data	
No. of Ord shares (mn):	3,684
Total no. of shares (mn):	3,622
Mkt Cap Ord (Eu mn):	56,129
Total Mkt Cap (Eu mn):	56,129
Mkt Float - Ord (Eu mn):	35,193
Mkt Float (in %):	62.7%
Main Shareholder:	
Government	33.3%

Balance Sheet Data	
Book Value (Eu mn):	55,924
BVPS (Eu):	17.03
P/BV:	0.9
Net Financial Position (Eu mn):	-17,435
Enterprise Value (Eu mn):	72,757

- **1Q24 results.** On the macro front, 1Q24 featured broadly stable oil prices, while gas prices fell further, after the partial seasonal recovery recorded in 4Q23. In the Downstream segment, refining margins improved, with distillates cracks supported by disruption in the Red Sea, while Chemicals cracks remained in the red. In this scenario, ENI reported better than expected operating figures, primarily benefitting from stronger results in the E&P division. In detail, adj. EBIT closed at Eu3,027mn (-35% YoY, +9% QoQ, vs. exp. Eu2,558mn) and adj. net income was Eu1,582mn (-46% YoY, -3% QoQ, vs. exp. Eu1,425mn). Cash flow was also stronger, with CFFO pre-WC closing at Eu3.9bn vs exp. Eu3.3bn. On the balance sheet, net debt increased to Eu18.3bn (D/E 0.34x, D/E pre-IFRS16 0.24x, vs. exp. Eu18.6bn) from Eu16.2bn at YE23, reflecting the dividend payment, the buyback, M&A cash-outs and a seasonal WC expansion.
- **Divisional highlights.** E&P production amounted to 1,741kboed (+5% YoY, +2% QoQ, vs. exp. 1,700kboed, benefitting from the contribution of Neptune Energy), with adj. EBIT at Eu2,328mn (-17% YoY, -4% QoQ, vs. exp. Eu2,173mn). GGP closed at Eu293mn (vs. exp. Eu280mn), Enilive, Refining & Chem. at Eu119mn (vs. exp. Eu40mn), and Plenitude & Power at Eu280mn (+51% YoY, vs. exp. Eu215mn).
- **2024 guidance and buyback increased**. ENI raised its 2024 guidance on the back of updated macro scenario assumptions (Brent US$86/bl from US$80/bl, gas PSV Eu33/MWh from Eu31/MWh, SERM refining margin US$6.8/bl from US$6.6/bl), with pro-forma EBIT and CFFO now indicated at over Eu14bn from Eu13.0bn and Eu13.5bn previously. Delivering on its commitment to share the CFFO upside with investors, ENI raised its buyback indication for 2024 to Eu1.6bn from Eu1.1bn. Looking at different businesses, E&P production was confirmed at 1.69-1.71mboed; GGP adj. EBIT at Eu0.8bn; Plenitude and Enilive pro-forma adj. EBITDA at Eu1bn each.
- **Combination of ENI's UK upstream operations with Ithaca Energy.** ENI announced an agreement for the combination of substantially all of its upstream assets in the UK, excluding East Irish Sea assets and CCUS activities, with Ithaca Energy. ENI will transfer its UK business (40-45kboed, 70% gas, 2P reserves c.100mmboe) in exchange for the issuance of new Ithaca Energy shares to ENI, with ENI holding a 38.5% in the enlarged share capital of Ithaca Energy following completion. ENI's UK business Equity Value has been set at around Eu900mn. The deal should allow fiscal benefits on new investments, as well as operational synergies (> 100kboed total production, 50% gas weighting).
- **Updated estimates and valuation**. Following 1Q24 results we are fine-tuning our 2024 projections upwards, while leaving forecasts for the following years broadly unchanged. In terms of the valuation, we are confirming our target price of Eu18.00ps.
- **Investment conclusion**. With oil prices back to the US$90/bl mark again, we upgraded the stock to OUTPERFORM two weeks ago. With gas prices also showing some early signs of a slight potential recovery, we believe ENI could benefit from sector rotation away from best-performing growth stocks and gradually close the important performance gap vs. the FTSE MIB Index that has opened up since October last year.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	132,237	93,717	93,008	90,835	88,890
EBITDA Adj (Eu mn)	27,592	21,292	19,881	19,902	20,381
Net Profit Adj (Eu mn)	13,301	8,298	7,235	7,259	7,612
EPS New Adj (Eu)	3.725	2.458	2.203	2.210	2.318
EPS Old Adj (Eu)	3.725	2.458	2.157	2.160	2.276
DPS (Eu)	0.880	0.940	1.000	1.000	1.000
EV/EBITDA Adj	2.1	3.2	3.7	3.6	3.3
EV/EBIT Adj	2.9	4.9	5.8	5.6	5.3
P/E Adj	4.1	6.2	6.9	6.9	6.6
Div. Yield	5.8%	6.2%	6.6%	6.6%	6.6%
Net Debt/EBITDA Adj	0.4	0.8	0.9	0.8	0.6

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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.
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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:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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