

# ENI

Sector: Energy

# OUTPERFORM

Price: Eu14.49 - Target: Eu18.00

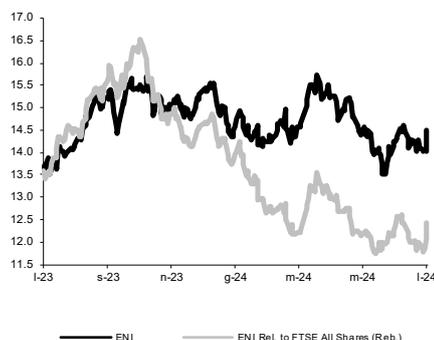
## Better than Expected Results, Potential Upside on Buyback

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### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	-15.3%	-7.0%	-6.2%

### ENI - 12M Performance



### Stock Data

Reuters code:	ENI.MI		
Bloomberg code:	ENI IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	1.7%	-5.1%	6.6%
Relative	0.9%	-4.0%	-9.7%
12M (H/L)	15.73/13.51		
3M Average Volume (th):	9,660.30		

### Shareholder Data

No. of Ord shares (mn):	3,684
Total no. of shares (mn):	3,622
Mkt Cap Ord (Eu mn):	53,374
Total Mkt Cap (Eu mn):	53,374
Mkt Float - Ord (Eu mn):	33,465
Mkt Float (in %):	62.7%
Main Shareholder:	
Government	33.3%

### Balance Sheet Data

Book Value (Eu mn):	54,629
BVPS (Eu):	16.63
P/BV:	0.9
Net Financial Position (Eu mn):	-16,100
Enterprise Value (Eu mn):	68,713

- 2024 results.** On the macro front, 2Q24 featured oil prices that were slightly higher QoQ and recovering gas prices. In Downstream, refining margins fell QoQ, suffering the reduction in diesel cracks, while Chemicals cracks remained in the red. In this scenario, ENI reported better-than-expected operating figures, primarily benefitting from stronger margins in the E&P and GGP divisions and lower corporate costs. In detail, pro-forma EBIT closed at Eu4,107mn (-3.0% YoY, flat QoQ, vs. exp. Eu3,830mn), adj. EBIT at Eu3,185mn (-6% YoY, +5% QoQ, vs. exp. Eu2,555mn) and adj. net income at Eu1,519mn (-21% YoY, -4% QoQ, vs. exp. Eu1,407mn). Cash flow was also stronger, with CFFO pre-WC closing at Eu3.9bn vs. exp. Eu3.4bn. On the balance sheet, net debt closed at Eu17.5bn (D/E 0.32x, D/E pre-IFRS16 0.22x) from Eu18.3bn at the end of March, reflecting the dividend payment, buyback and M&A cash-in (Eu0.4bn Saipem stake sale).
- Divisional highlights.** E&P production amounted to 1,712kboed (+6% YoY, -2% QoQ, vs. exp. 1,710kboed, benefitting from the contribution of Neptune Energy), with adj. EBIT at Eu2,639mn (+27% YoY, +13% QoQ, vs. exp. Eu2,457mn). GGP closed at Eu343mn (vs. exp. Eu205mn), Enilive & Plenitude at Eu284mn (-15% YoY, vs. exp. Eu320mn), Refining, Chemicals & Power at Eu-155mn (vs. Eu-28mn in 1Q24, vs. exp. Eu-110mn), CCUS, Other & Corporate at Eu74mn (vs. Eu7mn in 1Q24, exp. Eu-120mn).
- Updated 2024 guidance:** ENI improved its 2024 pro-forma EBIT guidance to around Eu15bn vs. 'above Eu14bn' previously (Brent at \$86/bl confirmed). By contrast, CFFO before working capital was confirmed at Eu14bn. E&P production is expected towards the top end of the anticipated 1.69-1.71kboed range; GGP pro-forma EBIT was lifted to Eu1.0bn (from Eu0.8-1.0bn); Enilive and Plenitude pro-forma adj. EBITDA was confirmed at around Eu1bn for each segment despite a softer market environment. Organic CapEx projected at about Eu9bn, as planned, 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).
- Updated estimates and valuation.** Following 2Q24 results we are slightly increasing our pro-forma EBIT projections for 2024 and the following years, while reducing adj. EBIT (higher JV/Associates contributions). This, along with a higher tax rate, drove a 15% reduction in our adj. net income estimate for 2024 and around 7% for 2025/26. In terms of the valuation, we are confirming our target price of Eu18.0ps.
- Investment conclusion.** We upgraded the stock to OUTPERFORM at the beginning of April, as we saw the possibility that Integrated Oils could finally come back into the limelight, with oil prices approaching the US\$90/bl mark and gas prices showing some preliminary signs of recovery. While our call has not played out so far, with oil prices penalised in the last three months by weakening crude demand in Asia, we confirm our positive view on the stock. We continue to believe ENI is undervalued at current prices, even on our lower updated estimates, with the stock trading at 7.8x/7.1x 2024/25 P/E and offering an appealing dividend + buyback total return in excess of 9%.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	132,237	93,717	92,186	90,788	88,870
EBITDA Adj (Eu mn)	27,592	21,292	18,962	19,723	20,328
Net Profit Adj (Eu mn)	13,301	8,298	6,125	6,749	7,141
EPS New Adj (Eu)	3.725	2.458	1.865	2.055	2.174
EPS Old Adj (Eu)	3.725	2.458	2.203	2.210	2.318
DPS (Eu)	0.880	0.940	1.000	1.000	1.000
EV/EBITDA Adj	2.1	3.2	3.6	3.4	3.2
EV/EBIT Adj	2.9	4.9	6.0	5.6	5.2
P/E Adj	3.9	5.9	7.8	7.1	6.7
Div. Yield	6.1%	6.5%	6.9%	6.9%	6.9%
Net Debt/EBITDA Adj	0.4	0.8	0.8	0.7	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.

Reports on all companies listed on the S&PMB40 Index, most of those on the MIDEX 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.

Explanation of our ratings system:

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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As at 30 June 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 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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