

ENI

Sector: Energy

NEUTRAL

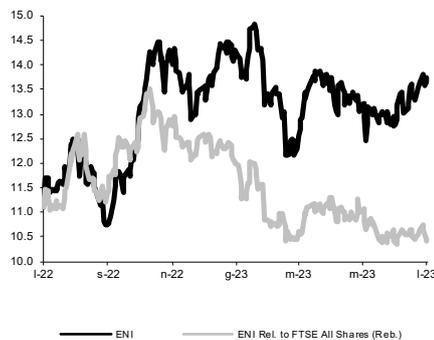
Price: Eu13.66 - Target: Eu15.00

GGP Beat, Guidance Confirmed Despite Lowered Scenario

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.7%	4.2%	1.5%

ENI - 12M Performance



Stock Data			
Reuters code:	ENI.MI		
Bloomberg code:	ENI IM		
Performance	1M	3M	12M
Absolute	6.7%	-0.6%	23.1%
Relative	0.5%	-8.4%	-8.0%
12M (H/L)	14.83/10.73		
3M Average Volume (th):	11,595.81		

Shareholder Data	
No. of Ord shares (mn):	3,684
Total no. of shares (mn):	3,622
Mkt Cap Ord (Eu mn):	50,316
Total Mkt Cap (Eu mn):	50,316
Mkt Float - Ord (Eu mn):	35,070
Mkt Float (in %):	69.7%
Main Shareholder:	
Government	30.3%

Balance Sheet Data	
Book Value (Eu mn):	57,299
BVPS (Eu):	16.96
P/BV:	0.8
Net Financial Position (Eu mn):	-11,039
Enterprise Value (Eu mn):	61,243

- 2Q23 results.** On the macro front, the quarter was characterised by a further softening of oil and gas prices, while in Downstream, refining margins returned to 'more normalized' levels after the unprecedented spikes recorded in the previous quarters. In this scenario, Eni reported sequentially declining figures, as expected. Results were nevertheless well above our projections, thanks primarily to much stronger-than-expected margins at GGP. In detail: at Group level, adj. EBIT closed at Eu3,381mn (-42% YoY, -27% QoQ, vs. exp. Eu2,715mn), and adj. net income at Eu1,935mn (-49% YoY, -33% QoQ, vs. exp. Eu1,596mn). Moving to the balance sheet, net debt closed at Eu12.9bn (D/E 0.23x, vs. exp. Eu13.2bn), just slightly higher QoQ, after Eu2.6bn CapEx, Eu1.2bn in M&A net cash-outs, Eu0.7bn in dividend payments, Eu0.4bn in buy-backs and Eu1.8mn taxes paid (of which 0.4bn windfall taxes).
- Divisional highlights.** E&P production amounted to 1,611kboed (+2% YoY, -3% QoQ, seasonal maintenance), with adj. EBIT at Eu2,066mn (-58% YoY, -26% QoQ, vs. exp. Eu2,030mn), penalized by exploration write-offs in Egypt and decommissioning costs. GGP (Global Gas & LNG Portfolio) closed at Eu1,087mn (vs. exp. Eu650mn, margins also supported by contract renegotiations). In Downstream, Sust. Mob., Refining & Chem. closed at Eu87mn (vs. exp. Eu40mn). Plenitude & Power closed at Eu165mn (vs. exp. Eu145mn).
- 2023 guidance confirmed despite a lowered scenario.** ENI substantially confirmed its 2023 guidance, despite lowered 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 is now seen at Eu15.5-16.0bn vs. prev. 'over Eu16bn'; CapEx was trimmed to 'below Eu9.0bn' from prev. Eu9.2bn. Leverage was expected to remain within the stated range of 10-20%, with the Eu0.94ps dividend and Eu2.2bn buy-back confirmed. Moving to the different businesses, E&P hydrocarbon production is expected at 1.64-1.67mboed, in line with previous guidance; GGP: guidance was increased, with the adj. EBIT range revised upwards to Eu2.7-3.0bn from prev. Eu2.0-2.2bn; Plenitude EBITDA was slightly increased to Eu0.8bn from prev. 'above Eu0.7bn'; Downstream adj. EBIT was reduced to Eu0.8bn from prev. Eu1.0-1.1bn.
- Updated estimates and valuation.** Following 2Q23 results, we have updated our 2023 projections to reflect higher GGP margins, just partly offset by slightly lower ones for E&P (Brent 2023 US\$82/bl vs. previous US\$85/bl, gas PSV cEu45/cm vs. cEu50/cm) and R&M. At bottom line, these translated into a rough 1% EPS increase for 2023 and 4% for 2024. We highlight that our numbers still do not include the contribution of Neptune Energy. Valuation-wise, we leave our target price of Eu15.00ps unchanged.
- Investment conclusion.** 2Q23 results showed very robust results in the GGP segment, while confirmation of the guidance despite lowered macro scenario assumptions highlights improved efficiencies. We continue to see operational execution and cash flow generation at E&P, low leverage, and growing ESG engagement as key catalysts for the stock. We maintain a NEUTRAL recommendation on the stock, as we continue to see highly volatile macro conditions for the coming months.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	76,570	132,237	115,829	100,946	85,595
EBITDA Adj (Eu mn)	17,283	27,684	20,748	19,217	19,525
Net Profit Adj (Eu mn)	4,740	13,810	7,957	6,906	6,848
EPS New Adj (Eu)	1.304	3.727	2.356	2.045	2.028
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	3.0	3.2	3.0
EV/EBIT Adj	6.1	2.9	4.8	5.5	5.2
P/E Adj	10.5	3.7	5.8	6.7	6.7
Div. Yield	6.3%	6.4%	6.9%	6.9%	6.9%
Net Debt/EBITDA Adj	0.8	0.4	0.5	0.5	0.4