Milan, 28 October 2024

Italian Equity Research – 3Q24 Results

ENI

OUTPERFORM

Sector: Energy

Price: Eu14.43 - **Target: Eu16.50**

Buyback Increased, New Relaunch Plan for Versalis

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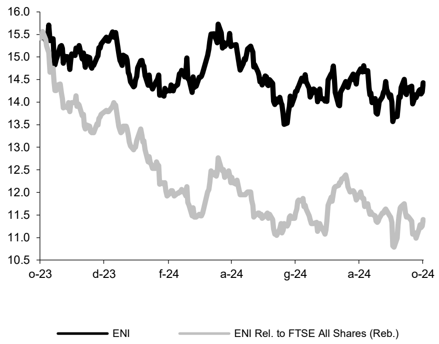
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-0.5%	-1.4%	-1.7%

ENI - 12M Performance



Stock Data			
Reuters code:			ENI.MI
Bloomberg code:			ENI IM
Performance	**1M**	**3M**	**12M**
Absolute	3.1%	2.9%	-6.4%
Relative	0.5%	0.3%	-32.9%
12M (H/L)			15.73/13.51
3M Average Volume (th):			11,196.08

Shareholder Data	
No. of Ord shares (mn):	3,684
Total no. of shares (mn):	3,622
Mkt Cap Ord (Eu mn):	53,153
Total Mkt Cap (Eu mn):	53,153
Mkt Float - Ord (Eu mn):	33,327
Mkt Float (in %):	62.7%
Main Shareholder:	
Government	33.3%

Balance Sheet Data	
Book Value (Eu mn):	53,474
BVPS (Eu):	16.28
P/BV:	0.9
Net Financial Position (Eu mn):	-16,633
Enterprise Value (Eu mn):	69,029

- **3Q24 results.** In a quarter characterised by sequentially lower oil prices and weaker downstream margins, ENI reported better-than-expected figures. Group proforma EBIT closed at Eu3,400mn (-14% YoY, -17% QoQ, vs. exp. Eu3,059mn), adj. EBIT at Eu2,442mn (-19% YoY, -23% QoQ, vs. exp. Eu2,207mn), and adj. net income at Eu1,271mn (-30% YoY, -16% QoQ, vs. exp. Eu1,044mn). Moving to the balance sheet, net debt closed at Eu16.8bn (D/E 0.23x, vs. exp. Eu17.4bn), slightly down QoQ, after Eu2.2bn CapEx, Eu0.8bn for dividend payments, Eu0.6bn for the buy-back, and a Eu0.5bn M&A cash-in (Nigeria). The CFFO before working capital reached Eu2.9bn (vs. Eu3.4bn in 2Q24, exp. Eu3.0bn).
- **2024 guidance updated, buyback raised to Eu2bn.** ENI trimmed its 2024 proforma EBIT guidance to Eu14bn from Eu15bn and CFFO before WC at Eu13.5bn from > Eu14bn, primarily to reflect lower oil price assumptions (Brent at $83/bl vs. prev. $86/bl). E&P production is confirmed at 1.70Mboed; GGP pro-forma EBIT was lifted to Eu1.1bn (from Eu1.0bn); Enilive and Plenitude pro-forma adj. EBITDA was confirmed at around Eu1bn for each segment despite organic CapEx now projected < Eu9bn (vs. prev. Eu9bn) and net CapEx reiterated < Eu6bn (pro forma). Buyback increased by Eu0.4bn to Eu2.0bn. Pro forma leverage to around 0.15 as at YE24 including the KKR deal.
- **Sale of 25% of Enilive to KKR.** Last week, ENI agreed with KKR the sale of 25% of Enilive for Eu2.94bn. The transaction will be funded through: 1) the subscription of a capital increase in Enilive reserved for KKR amounting to Eu500mn; 2) the purchase of Enilive shares from Eni for Eu2.44bn, corresponding to a post-money valuation of Eu11.75bn for 100% of Enilive share capital. According to the agreement, Eni will undertake a capital increase in Enilive for Eu500mn prior to completion of the transaction in order to make the company debt-free.
- **New relaunch plan for Versalis.** Eni announced a new relaunch plan for Versalis. The transformation plan involves about Eu2bn of investment in the next five years and aims to reduce CO2 emissions by 1mn tons, about 40% of Versalis' emissions in Italy. Eni aims to significantly reduce Versalis' exposure to basic chemicals and focus on a high-value downstream portfolio comprising compounding and specialized polymers, biochemistry and products from the circular economy. Eni targets positive EBIT in 2027 and FCF breakeven in 2028.
- **Updated estimates and valuation**. Following 3Q24 results, we are merely fine-tuning our P&L projections, while including the additional Eu400mn buyback and the KKR deal cash-in, expected in 1Q25. We note that ahead of 3Q24 results we cut EPS by around 10% to reflect lower oil price assumptions and lower refining and petrochemical margins. In terms of the valuation, we confirm our target price of Eu16.50ps.
- **Investment conclusion**. Despite a volatile macro scenario, we confirm our positive view on the stock. We continue to appreciate ENI's 'Satellite' strategy and believe ENI is undervalued at current prices, with the stock trading at 8.9/8.1x 2024-25 P/E and offering an appealing dividend + buyback total return in excess of 11%.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	132,237	93,717	90,986	89,222	87,355
EBITDA Adj (Eu mn)	27,592	21,292	18,132	18,421	19,161
Net Profit Adj (Eu mn)	13,301	8,298	5,340	5,818	6,286
EPS New Adj (Eu)	3.725	2.458	1.626	1.771	1.914
EPS Old Adj (Eu)	3.725	2.458	1.634	1.797	1.946
DPS (Eu)	0.880	0.940	1.000	1.000	1.000
EV/EBITDA Adj	2.1	3.2	3.8	3.6	3.4
EV/EBIT Adj	2.9	4.9	6.5	6.2	5.8
P/E Adj	3.9	5.9	8.9	8.1	7.5
Div. Yield	6.1%	6.5%	6.9%	6.9%	6.9%
Net Debt/EBITDA Adj	0.4	0.8	0.9	0.7	0.7

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- 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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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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NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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OUTPERFORM:	34.43 %
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UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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