

ERG

Sector: Utilities

NEUTRAL

Price: Eu20.20 - Target: Eu24.50

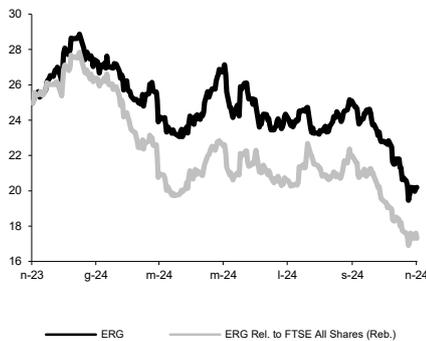
2024 Guidance Trimmed, Constructive Outlook for 2025

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 28.00 to 24.50		
	2024E	2025E	2026E
Chg in Adj EPS	-7.1%	-8.1%	-6.8%

ERG - 12M Performance



Stock Data

Reuters code:	ERG.MI		
Bloomberg code:	ERG IM		
Performance	1M	3M	12M
Absolute	-11.4%	-13.7%	-19.1%
Relative	-10.5%	-19.7%	-35.7%
12M (H/L)	28.86/19.46		
3M Average Volume (th):	402.01		

Shareholder Data

No. of Ord shares (mn):	150
Total no. of shares (mn):	150
Mkt Cap Ord (Eu mn):	3,036
Total Mkt Cap (Eu mn):	3,036
Mkt Float - Ord (Eu mn):	1,108
Mkt Float (in %):	36.5%
Main Shareholder:	
Garrone family	62.5%

Balance Sheet Data

Book Value (Eu mn):	2,159
BVPS (Eu):	14.36
P/BV:	1.4
Net Financial Position (Eu mn):	-2,037
Enterprise Value (Eu mn):	5,088

- 3Q24 results.** ERG reported slightly higher EBITDA YoY, with lower wind volumes in Italy more than offset by higher wind and solar abroad, following ongoing capacity additions. In detail, Group adj. EBITDA closed at Eu109mn (+3% YoY, vs. exp. Eu105mn), while adj. net income was Eu25mn (-30% YoY, vs. exp. Eu24mn), penalised by higher depreciation and net financial charges. Looking at the various business segments, Wind Italy reported EBITDA at Eu38mn (+3% YoY), Solar Italy at Eu33mn (+8% YoY), Wind Abroad at Eu32mn (-4% YoY) and Solar Abroad at Eu11mn (+10% YoY). Moving to the balance sheet, net debt pre-IFRS16 closed at Eu1,888mn, stable QoQ.
- New buyback programme:** as part of the Group's remuneration policy, the BoD approved a new buyback programme for up to 1.2mn shares (0.798% of the share capital), with a maximum outlay Eu22.6mn (corresponding to Eu0.15ps), for a maximum period of 3 months from yesterday.
- 2024 guidance trimmed:** due to the very weak wind conditions recorded YTD, ERG trimmed its EBITDA (post-IFRS16) guidance, now seen at Eu520-560mn (vs. Eu520-580mn previously). Looking at the different areas, for Wind Italy, ERG projects higher margins vs. 2023 (higher GRIN incentive, additional capacity, partly offset by lower load factors and lower PUN prices); for Solar Italy, margins are projected up YoY (higher volumes, higher hedged selling prices). Abroad, Wind is seen down YoY (lower average selling prices, partly offset by additional capacity in US and France), while Solar is expected to be broadly stable (additional capacity, offset by lower selling prices, primarily in Spain). CapEx is confirmed in the Eu550-600mn range, while YE24 net debt (pre-IFRS16) is now seen at the upper end of the Eu1,750-1,850mn range. On the operational side, ERG confirmed the target for an additional 0.6GW in 2024, with installed capacity expected to reach 3.9GW at YE24.
- Constructive outlook for 2025.** During the call ERG CEO Merli offered a constructive outlook on 2025, saying it is reasonable to expect an (upward) change in the earnings direction, thanks to the full contribution of the new assets acquired or under construction and expectations for higher average selling prices (current consensus for EBITDA of Eu600mn can be considered reasonable).
- Updated estimates and valuation.** Following 3Q results we are revising our projections downwards, primarily to reflect lower Wind Abroad (lower prices) and Solar in Italy (lower capacity). In terms of the valuation, we are cutting our target price to Eu24.5ps from Eu28.0ps, still based on DCF (lower long-term growth), market multiples (sector de-rating) and SOP valuations (based only on existing capacity at YE24).
- Action on the stock.** While we continue to believe ERG represents an attractive investment proposition in the Renewables arena thanks to its solid balance sheet and high-quality asset base, we do not expect the stock's current significant valuation discount to be enough to drive a reversal in the stock's performance in the short term. Unfortunately, ongoing delays on the long-awaited Fer-X Decree, coupled with Trump's recent US election victory, do not help to improve market momentum for Renewables. For these reasons we remain NEUTRAL on the stock for the time being.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	749	767	846	910	911
EBITDA Adj (Eu mn)	549	534	545	593	585
Net Profit Adj (Eu mn)	232	226	197	211	196
EPS New Adj (Eu)	1.545	1.503	1.313	1.401	1.301
EPS Old Adj (Eu)	1.545	1.503	1.413	1.524	1.396
DPS (Eu)	1.000	1.000	1.000	1.000	1.000
EV/EBITDA Adj	11.2	10.4	9.3	8.7	8.7
EV/EBIT Adj	19.9	18.1	17.6	16.2	17.2
P/E Adj	13.1	13.4	15.4	14.4	15.5
Div. Yield	5.0%	5.0%	5.0%	5.0%	5.0%
Net Debt/EBITDA Adj	2.9	3.0	3.7	3.5	3.5

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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
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

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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;

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OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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NEUTRAL:	09.83 %
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Emittente	%	Long/Short
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