

IREN

Sector: *Utilities*

NEUTRAL

Price: Eu2.56 - Target: Eu2.85

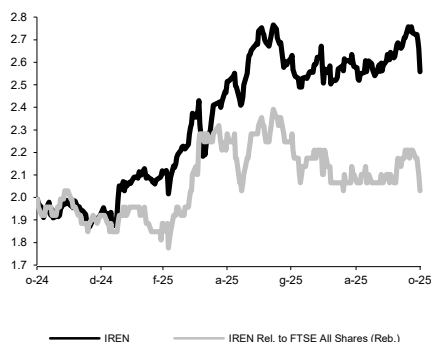
Limited Upside Ahead of 3Q25 Results and 2030 BP Update

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Stock Rating			
Rating:	from OUTPERFORM to NEUTRAL		
Target Price (Eu):	from 2.95 to 2.85		
	2025E	2026E	2027E
Chg in Adj EPS	-1.9%	-3.1%	-2.9%

Next Event
Results Out Nov-13

IREN - 12M Performance



Stock Data			
Reuters code:	IREE.MI		
Bloomberg code:	IRE IM		
Performance	1M	3M	12M
Absolute	-2.9%	2.0%	28.3%
Relative	-3.9%	-3.3%	2.5%
12M (H/L)	2.77/1.87		
3M Average Volume (th):	1,009.58		

Shareholder Data	
No. of Ord shares (mn):	1,301
Total no. of shares (mn):	1,301
Mkt Cap Ord (Eu mn):	3,328
Total Mkt Cap (Eu mn):	3,328
Mkt Float - Ord (Eu mn):	1,606
Mkt Float (in %):	48.3%
Main Shareholder:	
FSU Genoa	18.9%

Balance Sheet Data	
Book Value (Eu mn):	3,030
BVPS (Eu):	2.69
P/BV:	1.0
Net Financial Position (Eu mn):	-4,267
Enterprise Value (Eu mn):	7,861

- **2030 Business Plan Update on 13 November.** Together with the results, 13 November will also see presentation of the update to the BP to 2030, which we expect to be based on organic growth with confirmation of the focus on energy network and water cycle infrastructure and a further rationalisation of investments. We also expect substantial confirmation of the scenario as last year's plan was based on pretty reasonable assumptions, with the PUN seen at Eu99/MWh for 2027 and Eu95/MWh for 2030, and clean spark spreads at Eu3/MWh for 2027 and Eu2/MWh for 2030.
- **More realistic CapEx assumptions, especially on RES development.** At the same time, we would expect an overall downward revision of CapEx as we expect a significant reduction of investments in RES (the previous plan included some Eu1.5bn of investments) and a rationalization of CapEx in waste treatment (Eu1.0bn in previous plan). This could be partly offset by higher CapEx on networks (Eu2.8bn in the previous plan) and potentially by the non-disposal of the Turbigo thermal power generation plant as a consequence of the improved MT outlook for these types of assets, which are increasingly expected to provide flexibility for the system.
- **Some downward revision to exit EBITDA can be expected.** We believe that the CapEx reduction could lead to a revision of the Eu1.8bn 2030E EBITDA target set by management last year, although a reduction of D&A and financial charges could provide greater resilience on the bottom line, with targets not far off those in the previous plan (7% CAGR). This, in turn could also enable substantial confirmation of the current dividend policy (+8% CAGR to 2027 and 60% payout ratio in subsequent years that could possibly fall to around 55-60%). Importantly, the leverage trajectory will be under the spotlight given that the company starts from an NFP/EBITDA ratio above the peer group average (for 2025E, we expect a ratio of c.3.5x adjusted for hybrid bonds vs. 2.7x for the closest peers).
- **3Q25 preview.** We expect Iren to show EBITDA down 3.5% YoY (c.-7% at unchanged scope), characterised by a sharp decline in renewable generation results impacted by lower hydroelectric volumes, a market area characterised by normalisation of margins but slight growth of regulated assets, and a decent performance in the Environment segment. Net profit is seen at Eu30mn, down 36% vs 3Q24, while net debt is expected to close stable at Eu4.26bn.
- **Change in estimates and TP.** We have reduced P&L estimates with a -1.5% avg. impact at the EBITDA level over the 2025-2030 period and our TP moves to Eu2.85 (from Eu2.95), still obtained from a combination of DCF (risk free -50bps to 3.5%) and multiples.
- **Down to NEUTRAL, TP Eu2.85 (from Eu2.95).** Following the positive performance YtD, we see less upside for the stock and therefore move to NEUTRAL, also as we do not anticipate positive revisions to estimates from FY25 numbers and Business Plan indications. On the positive side, the stock does not looks expensive and the 5.4% DY can act as a floor to the share price.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	6,639	6,046	6,584	6,581	6,714
EBITDA Adj (Eu mn)	1,197	1,274	1,349	1,409	1,480
Net Profit Adj (Eu mn)	279	269	306	321	332
EPS New Adj (Eu)	0.214	0.206	0.235	0.247	0.255
EPS Old Adj (Eu)	0.214	0.206	0.240	0.255	0.263
DPS (Eu)	0.119	0.128	0.139	0.150	0.162
EV/EBITDA Adj	5.5	5.3	5.8	5.6	5.4
EV/EBIT Adj	14.0	13.1	13.7	13.1	12.6
P/E Adj	11.9	12.4	10.9	10.4	10.0
Div. Yield	4.6%	5.0%	5.4%	5.9%	6.3%
Net Debt/EBITDA Adj	3.3	3.2	3.2	3.1	3.0

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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)

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Frequency of research: quarterly.

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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:	32.06%
OUTPERFORM:	38.93%
NEUTRAL:	28.25%
UNDERPERFORM:	00.76%
SELL:	00.00%

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BUY:	51.32%
OUTPERFORM:	30.26%
NEUTRAL:	17.10%
UNDERPERFORM:	01.32%
SELL:	00.00%

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