

IREN

Sector: Utilities

OUTPERFORM

Price: Eu1.93 - Target: Eu2.00

A Muted Quarter Impacted by Working Capital Expansion

Federico Pezzetti +39-02-77115.268
 federico.pezzetti@intermonte.it

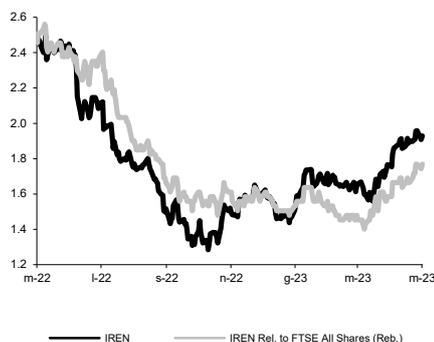
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event

Results Out on May 11

IREN - 12M Performance



Stock Data

Reuters code:	IREE.MI		
Bloomberg code:	IRE IM		
Performance	1M	3M	12M
Absolute	9.5%	16.6%	-21.5%
Relative	10.8%	17.4%	-30.9%
12M (H/L)	2.49/1.28		
3M Average Volume (th):	2,055.91		

Shareholder Data

No. of Ord shares (mn):	1,301
Total no. of shares (mn):	1,301
Mkt Cap Ord (Eu mn):	2,508
Total Mkt Cap (Eu mn):	2,508
Mkt Float - Ord (Eu mn):	1,210
Mkt Float (in %):	48.3%
Main Shareholder:	
FSU Genoa	18.9%

Balance Sheet Data

Book Value (Eu mn):	2,326
BVPS (Eu):	2.12
P/BV:	0.9
Net Financial Position (Eu mn):	-3,725
Enterprise Value (Eu mn):	6,503

- **1Q results out on 11 May.** Iren will report 1Q22 results on 11 May, with the press release to go out in the afternoon and the conference call scheduled for 3.00pm CEST the same day.
- **1Q23 results preview: a muted quarter impacted by working capital expansion.** On the macro front, 1Q saw a further reduction in electricity and gas prices (-36% YoY and -43% YoY respectively) with electricity demand in Italy still under pressure, down 4% YoY, and gas demand down by as much as 19% YoY. In terms of production, thermo volumes showed the largest decline (-14% YoY) while hydro and other renewables posted a flattish performance vs 1Q22. In this context we expect Iren to show a flattish YoY operating performance, mostly due to the exceptionally strong numbers recorded in 1Q22 (particularly for district heating activities): at divisional level, we expect a drop in Generation & Heat activities (tough comparison in district heating and lower volumes in thermo production, also due to the extraordinary stoppage at Turbigo, partly counterbalanced by better margins in hydro) but a strong improvement at the Market division, mostly thanks to the recovery in electricity supply. As far as the regulated activities are concerned, we expect broad stability, and likewise in the Waste area, where lower prices of electricity sold should be counterbalanced by the positive contribution of small M&A. Below the line, higher D&A should have contributed take net income to around Eu130mn or some 8% below 1Q22 levels in adjusted terms. As far as cash generation is concerned, we expect a negative quarter with very significant working capital absorption, above seasonal levels and due in part to some less favourable payment conditions for gas procurement.
- **We expect FY23 guidance to be confirmed:** Despite a relatively unexciting start to the year we expect management to confirm the recently provided 2023 guidance for EBITDA to rise 6% YoY to c.Eu1,120mn, NFP/EBITDA of 3.3x for net debt of c.Eu3.7bn, with technical CapEx at c.Eu0.9-1.0bn.
- **OUTPERFORM (target Eu2.00ps).** Given the stock's strong run YTD and what we expect to be an unexciting start to the year – especially compared to the peer group – we cannot rule out some share price weakness in the shorter term. With the stock trading at 2023 EV/EBITDA of 5.8x and 2023 P/E of 9.6x the company valuation remains undemanding.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	4,967	7,862	6,744	6,068	5,613
EBITDA Adj (Eu mn)	1,016	1,055	1,126	1,219	1,349
Net Profit Adj (Eu mn)	262	253	260	282	317
EPS New Adj (Eu)	0.201	0.194	0.200	0.217	0.244
EPS Old Adj (Eu)	0.201	0.194	0.200	0.217	0.244
DPS (Eu)	0.105	0.110	0.121	0.133	0.146
EV/EBITDA Adj	6.4	5.9	5.8	5.5	5.2
EV/EBIT Adj	14.4	12.7	12.8	12.8	12.7
P/E Adj	9.6	9.9	9.6	8.9	7.9
Div. Yield	5.4%	5.7%	6.3%	6.9%	7.6%
Net Debt/EBITDA Adj	2.9	3.2	3.3	3.3	3.1

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