

IREN

Sector: Utilities

OUTPERFORM

Price: Eu1.90 - Target: Eu2.20

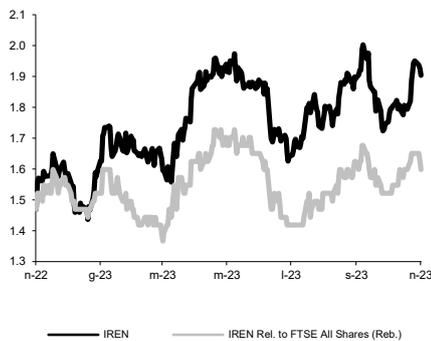
Positive 3Q23 Results; FY23 Guidance Confirmed

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	1.4%	0.7%	0.6%

IREN - 12M Performance



Stock Data

Reuters code:	IREE.MI		
Bloomberg code:	IRE IM		
Performance	1M	3M	12M
Absolute	8.6%	7.2%	29.5%
Relative	4.9%	6.3%	10.7%
12M (H/L)	2.00/1.44		
3M Average Volume (th):	1,618.02		

Shareholder Data

No. of Ord shares (mn):	1,301
Total no. of shares (mn):	1,301
Mkt Cap Ord (Eu mn):	2,476
Total Mkt Cap (Eu mn):	2,476
Mkt Float - Ord (Eu mn):	1,195
Mkt Float (in %):	48.3%
Main Shareholder:	
FSU Genoa	18.9%

Balance Sheet Data

Book Value (Eu mn):	2,323
BVPS (Eu):	2.11
P/BV:	0.9
Net Financial Position (Eu mn):	-3,787
Enterprise Value (Eu mn):	6,532

- 3Q23 results broadly in line with expectations.** Iren reported 3Q23 results that were broadly in line with our expectations at most levels. In detail, EBITDA closed at Eu251mn (+28% YoY in adjusted terms and in line with our estimate), EBIT at Eu76mn, and adj. net income at Eu34mn (+29mn vs 3Q23 and -6% vs. our estimates). On the balance sheet, net debt was stable at Eu3.9bn (in line) on the back of Eu192mn of technical investments.
- Divisional performances: strong recovery in energy supply.** Energy: EBITDA was up 47% YoY and 38% above estimates thanks to strong growth in hydroelectricity generation after notable difficulties in 3Q22, and improved margins from thermo production despite another lower contribution from MSD; Market: EBITDA closed at Eu27mn (vs. a Eu22mn loss in 3Q22 and 7% below expectations) mostly thanks to the recovery in electricity supply unit margins; Networks (including Water): EBITDA was down 3% YoY to Eu91mn despite significant RAB expansion (+7% YoY in Water and Electricity) still negatively affected by higher operating costs due to inflation, which will be recovered in tariffs as of next year; Waste: EBITDA down 23% YoY to Eu55mn (21% below estimates), as lower prices of electricity sold, lower incentives from green certificates and a Eu5mn one-off for start-up costs were only partly offset by the positive contribution of M&A in waste collection (SEI Toscana).
- 2023 EBITDA guidance confirmed.** Management confirmed its FY23 guidance, with EBITDA up +10% YoY to c.Eu1,160mn, NFP/EBITDA at 3.3x (implying net debt of c.Eu3.8bn), with total investments of Eu1.3bn, and technical CapEx at c.Eu0.9-1.0bn. On the bottom line, YoY growth is also expected to be around +10% YoY to c.Eu250mn in reported terms or c.Eu275mn adjusted for one-off provisions.
- Messages from the conference call:** Working capital: performance during 3Q23 was fairly neutral and management now expects to reabsorb some Eu100mn in the last quarter of the year. Powergen forward sales: the group is working on this, also taking into account the current very volatile gas market; Egea: Iren is finalising a deal with the banks, with signing then expected by year-end and closing by March 2024. The financial impact is estimated at around Eu100mn, allowing net debt/EBITDA to remain under control, and in any case below 3.4x. Up to Eu15mn of synergies are expected in the medium term. Gas distribution dossier: talks are ongoing with an operator (with some ups and downs). Business plan update: management will provide an update to the group's business plan in June 2024.
- Change in estimates and target price.** Following results and management indications we are broadly confirming our 2023-2024 numbers; we are now just marginally above company guidance on EBITDA for FY23. Our Eu2.20 TP is confirmed, still based 50% on DCF and 50% on sector multiples.
- OUTPERFORM confirmed (TP Eu2.20).** Following 3Q23 results we believe that FY23 guidance is increasingly visible and could even prove conservative. The company continues to be well positioned to benefit from the normalisation of energy supply margins and a more constructive outlook for hydro power generation. The stock is the among cheapest among its peer group, trading at an attractive 2023 EV/EBITDA of 5.6x and a 2023 P/E of 8.9x.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	4,967	7,886	6,708	6,050	5,584
EBITDA Adj (Eu mn)	1,016	1,055	1,168	1,230	1,348
Net Profit Adj (Eu mn)	262	253	277	285	319
EPS New Adj (Eu)	0.201	0.194	0.213	0.219	0.245
EPS Old Adj (Eu)	0.201	0.194	0.210	0.217	0.244
DPS (Eu)	0.105	0.110	0.121	0.133	0.146
EV/EBITDA Adj	6.4	5.9	5.6	5.5	5.2
EV/EBIT Adj	14.3	13.5	13.4	12.3	11.0
P/E Adj	9.4	9.8	8.9	8.7	7.8
Div. Yield	5.5%	5.8%	6.4%	7.0%	7.7%
Net Debt/EBITDA Adj	2.9	3.2	3.2	3.3	3.2