

IREN

Sector: Utilities

OUTPERFORM

Price: Eu1.93 - Target: Eu2.40

Solid 3Q24 and Outlook; Egea Consolidation in 2025

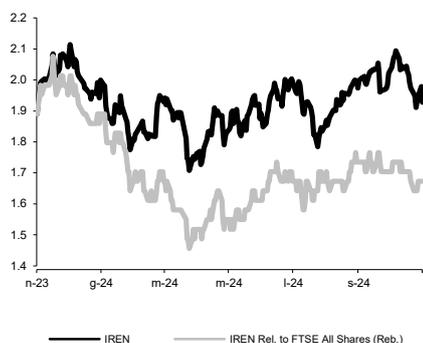
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Stock Rating

Rating: Unchanged
Target Price (Eu): Unchanged

	2024E	2025E	2026E
Chg in Adj EPS	0.0%	0.5%	0.1%

IREN - 12M Performance



Stock Data

Reuters code: IREE.MI
Bloomberg code: IRE IM

Performance	1M	3M	12M
Absolute	-4.6%	4.0%	1.4%
Relative	-2.7%	-0.9%	-16.1%
12M (H/L)	2.11/1.71		
3M Average Volume (th):	1,441.25		

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):	2,443
BVPS (Eu):	2.20
P/BV:	0.9
Net Financial Position (Eu mn):	-4,176
Enterprise Value (Eu mn):	6,860

- A good set of 3Q24 results.** On the macro front, 3Q saw a rebound by gas and electricity prices (+25% and 14% QoQ respectively) to levels slightly above 3Q23 (+2% and +12% YoY) while demand grew for electricity (+3.8% YoY) as well as gas (+2.9% YoY, impacted above all by the recovery by thermal power generation). On the production side, numbers were strong for hydroelectric (+19% YoY) and solar (+15%). In this context, Iren delivered EBITDA up 14% YoY to Eu287mn (+5% vs our estimates), featuring strong growth of regulated businesses and an excellent performance by the Environmental area. Below the operating line, D&A and financial charges not far off 3Q23 levels enabled net profit to close at circa Eu47mn, up 37% YoY, while in terms of cash generation, net debt closed at Eu4.1bn, also impacted by the cash-out for Egea (Eu85mn).
- Divisional performances: strong energy supply once again.** Energy: EBITDA was down 29% YoY and 21% below estimates while Market EBITDA closed at Eu40mn (+49% YoY and 38% above expectations) thanks to the recovery in margins in electricity and gas supply; Networks (including Water): EBITDA up 33% YoY to Eu121mn (+15% vs our estimates) thanks to increases in allowed returns and RAB, and recovery via tariffs of higher operating costs borne in 2023; Waste: EBITDA was up 25% YoY (in line) thanks to the recovery of costs in the Collection component and greater use of treatment plants which had been in the start-up phase during 1H24.
- 2024 guidance.** Management now sees EBITDA at Eu1,250mn (up from Eu1,240mn previously), and net debt/EBITDA at 3.3x (confirmed).
- Egea capital increase and consolidation from 2025.** The BoD also resolved to exercise the right to subscribe for the Egea capital increase up to a maximum of Eu20mn (to be exercised in several tranches) in order to bring Iren's shareholding in Egea up to 55.26% of capital for the purpose of financing the development of the NRRP project for the district heating system in Alessandria and aimed at consolidating the company in the Iren Group. The financial effects on Iren's FY25 will include an increase in net debt of approximately Eu170mn (including development investments) and incremental EBITDA of Eu55-60mn.
- Messages from the conference call.** Working capital: 3Q saw a significant reduction of working capital compared to 1H, but management still expects a deterioration of Eu150mn vs FY23 by year-end; 2025 outlook for the Energy division: 70% of renewable production (1.3TWh) hedged at Eu105/MW and 25% of thermal power output hedged at Eu2-3/MWh. For next year, the group expects a significant additional contribution from the capacity market (prices up to Eu45k/MW from the previous Eu33k/MW on roughly 1.9GW of capacity, while the MSD is expected to be stable).
- Change in estimates.** Following results, management indications, and the announced capital increase of Egea we confirm our 2024-2026 EPS estimates (Egea consolidation moved forward to 2025 from 2026 with a negligible impact on the bottom line). Our Eu2.40 TP is confirmed and is still 50% based on DCF and 50% on sector multiples.
- OUTPERFORM confirmed (TP Eu2.40).** In our view, Iren remains an attractive proposition thanks to an appealing valuation (2025 EV/EBITDA at 5.3x), a good dividend yield, a balanced portfolio, and a commitment to decarbonisation.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	7,886	6,639	5,918	5,693	6,562
EBITDA Adj (Eu mn)	1,055	1,197	1,253	1,351	1,418
Net Profit Adj (Eu mn)	253	278	272	301	319
EPS New Adj (Eu)	0.194	0.214	0.209	0.231	0.246
EPS Old Adj (Eu)	0.194	0.214	0.209	0.230	0.245
DPS (Eu)	0.110	0.119	0.128	0.139	0.150
EV/EBITDA Adj	5.9	5.5	5.5	5.3	5.1
EV/EBIT Adj	13.5	14.1	13.0	12.1	11.3
P/E Adj	9.9	9.0	9.2	8.3	7.9
Div. Yield	5.7%	6.2%	6.7%	7.2%	7.8%
Net Debt/EBITDA Adj	3.2	3.3	3.3	3.3	3.1

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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)

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.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

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;

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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 30 September 2024 Intermonte's Research Department covered 125 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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