

IREN

Sector: Utilities

OUTPERFORM

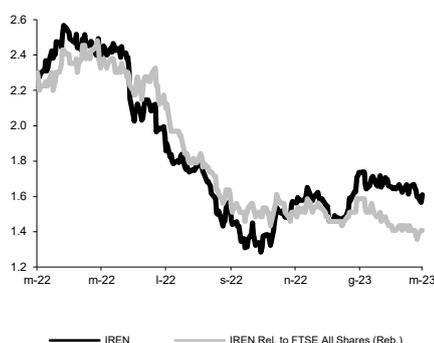
Price: Eu1.61 - Target: Eu1.90

4Q22 Results To Feature Positive Cash Flow Generation

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2022E	2023E	2024E
Chg in Adj EPS	-0.8%	0.7%	0.4%

IREN - 12M Performance



Stock Data			
Reuters code:	IREE.MI		
Bloomberg code:	IRE IM		
Performance	1M	3M	12M
Absolute	-2.2%	4.1%	-30.1%
Relative	0.4%	-4.7%	-43.2%
12M (H/L)	2.57/1.28		
3M Average Volume (th):	1,631.94		

Shareholder Data	
No. of Ord shares (mn):	1,301
Total no. of shares (mn):	1,301
Mkt Cap Ord (Eu mn):	2,092
Total Mkt Cap (Eu mn):	2,092
Mkt Float - Ord (Eu mn):	1,009
Mkt Float (in %):	48.3%
Main Shareholder:	
FSU Genoa	18.9%

Balance Sheet Data	
Book Value (Eu mn):	2,331
BVPS (Eu):	2.12
P/BV:	0.8
Net Financial Position (Eu mn):	-3,945
Enterprise Value (Eu mn):	6,237

- **4Q22 results out on 23 March.** Iren will report 4Q22 results on 23 March, with the press release to go out in the afternoon and the conference call scheduled for 3.00pm CET the same day.
- **4Q22 preview: operating environment still complex but cash flow generation better than previously expected.** On the macro front, 4Q22 was characterised by a partial reabsorption of the unprecedented spikes recorded by electricity and gas prices across Europe in 3Q22 (Italy PSV Eu96/MWh, vs. Eu94/MWh in 4Q21 and Eu198/MWh in 3Q22; Italy PUN Eu244/MWh, vs. Eu242/MWh and Eu472/MWh respectively). Moving to volumes, electricity demand in Italy declined by 7.0% YoY in the quarter. On the generation front, Renewables production was weak, with hydro down 36% YoY and wind down 24%, only partly offset by solar, up 12%. In this context, we expect Iren's quarterly operating performance to have featured: 1) a slowdown in the performance of Powergen & Heat activities due to poor volumes in hydro, lower MSD contribution due in part to a stoppage at the Turbigio thermoelectric plant, and despite strong thermo spark spreads; 2) still fairly weak performance in electricity/gas supply; 3) positive performance in the Waste business (we estimate 19% YoY growth in 4Q) boosted by high prices; 4) flattish results from network activities; 5) higher financial charges partly affected by losses on some hedges. Overall, we expect these trends to have resulted in EBITDA of Eu294mn (+3.9% YoY), EBIT of Eu140mn, and adj. net income of Eu89mn (+44% YoY), while in terms of cash generation we see net debt closing at around Eu3.4bn (better than previously forecast and corresponding to a net debt / EBITDA of 3.2x) on the back of Eu350mn in CapEx, and a significant working capital contraction mostly related to lower gas inventories. On the dividend side we expect Eu0.105 (flat YoY) vs. company guidance of Eu0.11.
- **Update to 2030 Strategic Plan.** Together with 4Q/FY22 results management will also present an update to its 2030 business plan. The previous plan presented in November 2021 had decarbonisation, electrification of consumption, the circular economy and energy efficiency as its main cornerstones; it envisaged EBITDA growing to Eu1,250mn in 2024, Eu1,450mn in 2026, and Eu1,800mn in 2030. Adj. net income was foreseen growing from Eu235mn in 2020 to Eu330mn in 2024, Eu380mn in 2026 and Eu500mn in 2030. The capital structure was expected to remain solid throughout the plan period with the net debt/EBITDA ratio expected to peak at 3.3x in 2024 and drop to 2.5x in 2030. In terms of dividend policy the group planned to reach a DPS of Eu0.146 in 2025, while for the following years a 50-55% payout should be expected.
- **OUTPERFORM (target Eu1.90).** Short-term headwinds continue to include the water crisis and an energy environment that remains uncertain despite the recent drop in gas/electricity prices, but we believe the company remains attractive thanks to an appealing valuation, a good dividend yield, a balanced portfolio, and a strong commitment to decarbonisation. The stock is trading at a 2023 EV/EBITDA of 5.6x and a 2023 P/E of 8.1x.

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	3,726	4,956	7,917	6,713	6,039
EBITDA Adj (Eu mn)	927	1,016	1,053	1,118	1,215
Net Profit Adj (Eu mn)	235	262	258	259	279
EPS New Adj (Eu)	0.181	0.201	0.198	0.199	0.215
EPS Old Adj (Eu)	0.181	0.201	0.200	0.198	0.214
DPS (Eu)	0.095	0.105	0.105	0.105	0.115
EV/EBITDA Adj	6.8	6.4	5.9	5.6	5.4
EV/EBIT Adj	15.1	14.4	12.7	12.3	12.4
P/E Adj	8.9	8.0	8.1	8.1	7.5
Div. Yield	5.9%	6.5%	6.5%	6.5%	7.2%
Net Debt/EBITDA Adj	3.2	2.9	3.2	3.5	3.5

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