

IREN

Sector: Utilities

OUTPERFORM

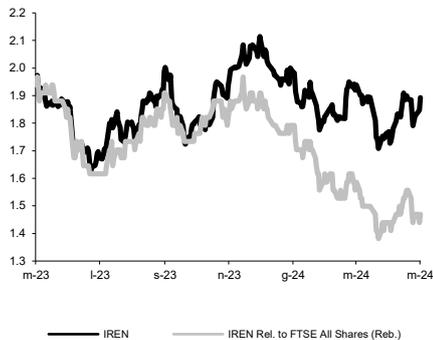
Price: Eu1.89 - Target: Eu2.20

A Solid 1Q24 and a Slight Improvement to FY24 Guidance

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

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	1.0%	1.1%	0.9%

IREN - 12M Performance



Stock Data			
Reuters code:	IREE.MI		
Bloomberg code:	IRE IM		
Performance	1M	3M	12M
Absolute	6.9%	3.5%	-2.4%
Relative	2.8%	-7.7%	-30.3%
12M (H/L)	2.11/1.63		
3M Average Volume (th):	2,861.91		

Shareholder Data	
No. of Ord shares (mn):	1,301
Total no. of shares (mn):	1,301
Mkt Cap Ord (Eu mn):	2,463
Total Mkt Cap (Eu mn):	2,463
Mkt Float - Ord (Eu mn):	1,188
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):	-4,048
Enterprise Value (Eu mn):	6,748

- A solid set of 1Q24 results in line with estimates.** On the macro front, 1Q saw a further drop in gas and electricity prices (-39% YoY and -49% YoY respectively) with Italian electricity demand recovering slightly (+1% YoY) and gas demand falling c.4% YoY. As for generation, thermoelectric volumes showed a further sharp decline (-18% YoY), while hydroelectric volumes were very strong (+76% YoY). In this context, Iren delivered growing operating results with EBITDA up 4% YoY to Eu383mn (in line), featuring: 1) strong growth in hydroelectricity generation, more than offset by the impact of falling prices on Electricity and Heat Cogeneration and a drop in activities related to Energy Efficiency; 2) a further improvement in the Market area due to the normalisation of electricity margins; 3) strong growth in regulated activity. Below the operating line, higher D&A and provisions helped bring net profit to Eu122mn, or down c.10% YoY on an adjusted basis, while in terms of cash generation, net debt closed unchanged at Eu3.9bn (in line and helped by the disposal of fiscal credits for ca. Eu70mn).
- Divisional performances: strong recovery in energy supply.** Energy: EBITDA was down 32% YoY and 24% below estimates due to the significant effect of falling prices on Electricity and Heat Cogeneration and the drop in activities related to Energy Efficiency; Market: EBITDA closed at Eu100mn (+42% YoY and 18% above expectations), mostly thanks to the recovery in electricity supply unit margins; Networks (including Water): EBITDA up 29% YoY to Eu124mn thanks to increases in allowed returns and RAB, and recovery via tariffs of higher operating costs borne in 2023; Waste: EBITDA flat YoY (9% above estimates) as the improved result of collection activities was offset by the contraction in the margin from treatment and disposal activities, which was also negatively affected by planned extraordinary maintenance activities at the Turin WTE.
- 2024 guidance.** Management increased guidance for 2024, forecasting EBITDA of Eu1,230-1,240mn vs the previous Eu1,220-1,230mn and net profit of Eu260-270mn, with net debt /EBITDA confirmed at 3.3x (net debt confirmed at ca. Eu4.1bn).
- Messages from the conference call:** Waste: a Eu5mn impact from extraordinary maintenance on the WTE turbine while the positive contribution from the consolidation of Sienambiente added Eu3mn; Networks: in 1Q24 there was an extraordinary recovery of inflation for Eu9mn which will not be replicated in the coming quarters as well as a positive contribution from the consolidation of Acquaenna (Eu3mn); Dividend policy. For 2024 the floor is a payout ratio of 60% while the policy for future years will be announced with the plan. Governance: in June the shareholder meeting could appoint a new CEO but as of today operational leadership is in the hands of a chairman who knows the business well. Among the actions taken is the suspension of 2 contracts that had been assigned by the CEO and an internal audit of an oversight body.
- Change in estimates and target price.** Following results and management indications we have only tweaked our 2024-2025 numbers. Our Eu2.20 TP is confirmed and still 50% based on DCF and 50% on sector multiples.
- OUTPERFORM confirmed (TP Eu2.20).** In our view Iren remains an attractive proposition thanks to an appealing valuation, a good dividend yield, a balanced portfolio, and a commitment to decarbonisation. The plan update in June will be an important catalyst including news on capital allocation and – potentially – on governance.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	7,886	6,639	5,527	5,465	5,545
EBITDA Adj (Eu mn)	1,055	1,197	1,238	1,308	1,381
Net Profit Adj (Eu mn)	253	278	269	291	298
EPS New Adj (Eu)	0.194	0.214	0.206	0.224	0.229
EPS Old Adj (Eu)	0.194	0.214	0.204	0.221	0.227
DPS (Eu)	0.110	0.119	0.125	0.131	0.138
EV/EBITDA Adj	5.9	5.5	5.5	5.4	5.2
EV/EBIT Adj	13.5	14.1	12.7	12.2	11.9
P/E Adj	9.7	8.8	9.2	8.5	8.3
Div. Yield	5.8%	6.3%	6.6%	6.9%	7.3%
Net Debt/EBITDA Adj	3.2	3.3	3.3	3.3	3.3

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- 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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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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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emitente	%	Long/Short

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