IREN

OUTPERFORM

Sector: Utilities

Price: Eu1.68 - **Target: Eu2.00**

2030 Plan: Strategic Vision and Main Targets Confirmed

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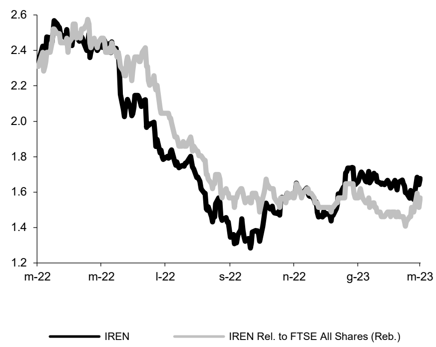
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 1.90 to 2.00
	2023E	**2024E**	**2025E**
Chg in Adj EPS	0.5%	1.1%	0.3%

Next Event
1Q23 Results Out May 11

IREN - 12M Performance



Stock Data			
Reuters code:			IREE.MI
Bloomberg code:			IRE IM
Performance	**1M**	**3M**	**12M**
Absolute	3.3%	13.3%	-27.4%
Relative	6.3%	2.6%	-35.3%
12M (H/L)			2.57/1.28
3M Average Volume (th):			1,813.10

Shareholder Data	
No. of Ord shares (mn):	1,301
Total no. of shares (mn):	1,301
Mkt Cap Ord (Eu mn):	2,182
Total Mkt Cap (Eu mn):	2,182
Mkt Float - Ord (Eu mn):	1,053
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:	0.8
Net Financial Position (Eu mn):	-3,725
Enterprise Value (Eu mn):	6,141

- **2022-2030 business plan update: strong commitment on decarbonisation confirmed.** Iren's new business plan envisages Eu10.5bn of gross investments, through which the group intends to consolidate a position as key partner for its reference communities. The plan's cornerstones remain decarbonisation, electrification of consumption, circular economy and energy efficiency. Group EBITDA is expected to increase to Eu1.45bn in 2026 and Eu1.87bn in 2030.
- **CapEx plan broadly confirmed at Eu1.3bn per year.** The plan lays out overall gross investments of Eu10.5bn, corresponding to Eu1.3bn of annual investments on average, slightly up from Eu1.27bn in the previous ten-year plan. Around 70% of cumulative investments are destined for regulated or semi-regulated sectors, while external investments amount to 12% of the total, or Eu1.2bn, destined for the consolidation of associate companies, participation in gas tenders and completion of the ATOs in which Iren is incumbent. Around Eu2.0bn, or 20% of total CapEx, comes in the form of external funding through subsidies or investments by minority parties (net CapEx c.Eu8.5bn).
- **Financial targets and capital structure.** The plan envisages EBITDA growth from Eu1,055mn in 2022 to Eu1,450mn in 2026 (confirmed from previous plan and equal to an 8% CAGR), and Eu1,870mn in 2030 (from Eu1,800mn; 7% CAGR). Net income is foreseen growing from Eu226mn in 2022 to Eu330mn in 2026 (down from Eu380mn in the 2021 plan) and Eu460mn in 2030 (down from Eu500mn). The capital structure is expected to remain solid throughout the plan period, with net debt/EBITDA expected to remain below 3.4x and drop to 2.7x in 2030 (from 2.5x in the old plan).
- **Dividend policy confirmed.** Iren confirmed the previous policy, with a dividend of Eu0.11/share for 2022 and 10% annual growth until 2025. In the second part of the plan, the DPS will be 50-60% of the group's net profit (vs. 50-55% in the previous plan).
- **2023 guidance.** Management 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.
- **4Q/FY22 results broadly in line.** Iren also reported its 4Q/FY22 results, with EBITDA at Eu296mn (+4% YoY and 1% above our estimate), EBIT at Eu140mn (in line), adj. net income at Eu84mn vs. our Eu89mn estimate and net debt at Eu3,347mn vs. our Eu3,413mn, a Eu500mn improvement vs. 9M22 thanks to the sale of the gas warehouse and on the back of Eu341mn of CapEx (+17% YoY).
- **Change in estimates and TP.** We are mostly confirming our 2023-2025 EBITDA and EPS numbers, while reducing net debt by around Eu200mn on average thanks to the very solid 2022 performance. Our TP moves from Eu1.90 to Eu2.00, mostly on the back of the lower net debt, and is still calculated as an average of DCF and market multiples.
- **OUTPERFORM confirmed; target Eu2.00ps (from Eu1.90ps).** We welcome Iren's strategic review which confirms a strong commitment to decarbonisation, boosting growth in sustainable, low-risk activities. We also believe that the plan manages to combine growth with reasonable financial discipline (only 30% of planned investments are mandatory), and we consider visibility to be on the high side. OUTPERFORM confirmed.

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	0.198	0.199	0.215	0.243
DPS (Eu)	0.105	0.110	0.121	0.133	0.146
EV/EBITDA Adj	6.4	5.9	5.5	5.2	4.9
EV/EBIT Adj	14.4	12.7	12.1	12.1	12.1
P/E Adj	8.3	8.6	8.4	7.7	6.9
Div. Yield	6.3%	6.6%	7.2%	7.9%	8.7%
Net Debt/EBITDA Adj	2.9	3.2	3.3	3.3	3.1