

IREN

Sector: Utilities

OUTPERFORM

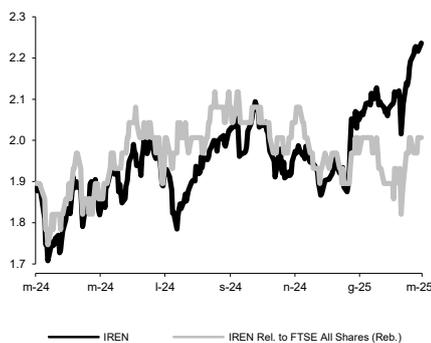
Price: Eu2.24 - Target: Eu2.60

Positive 4Q24 Results, M&A to Boost EPS Growth

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 2.40 to 2.60		
	2025E	2026E	2027E
Chg in Adj EPS	3.4%	3.7%	3.5%

IREN - 12M Performance



Stock Data			
Reuters code:	IREE.MI		
Bloomberg code:	IRE IM		
Performance	1M	3M	12M
Absolute	7.2%	17.5%	19.1%
Relative	6.0%	2.7%	6.3%
12M (H/L)	2.24/1.71		
3M Average Volume (th):	1,677.43		

Shareholder Data	
No. of Ord shares (mn):	1,301
Total no. of shares (mn):	1,301
Mkt Cap Ord (Eu mn):	2,909
Total Mkt Cap (Eu mn):	2,909
Mkt Float - Ord (Eu mn):	1,404
Mkt Float (in %):	48.3%
Main Shareholder:	
FSU Genoa	18.9%

Balance Sheet Data	
Book Value (Eu mn):	3,035
BVPS (Eu):	2.70
P/BV:	0.8
Net Financial Position (Eu mn):	-4,272
Enterprise Value (Eu mn):	7,412

- A good set of 4Q24 results.** Yesterday Iren reported a set of 4Q24 results that was better than expected at operating level and broadly in line on bottom line and cash flow generation. In detail: EBITDA was up 3% YoY to Eu351mn (+6% vs our estimates), featuring strong growth of regulated businesses and a good performance by the Environmental area. Below the operating line, higher D&A and financial charges not far off 3Q23 levels enabled net profit to close at circa Eu76mn, broadly flat YoY and in line with expectations, while in terms of cash generation, net debt closed at Eu4.1bn, slightly below our estimates but broadly in line with consensus (gross CapEx closed at Eu382mn vs Eu397mn expected). The board proposed a DPS of Eu0.1238, an increase of 8% YoY in line with guidance/market expectations and equal to a 62% pay-out.
- Divisional performances: strong growth of regulated activities.** Energy: EBITDA was down 16% YoY in line with estimates, while Market EBITDA closed at Eu78mn (flat YoY and 11% above expectations) thanks to the recovery of margins in electricity supply; Networks (including Water): EBITDA up 26% YoY to Eu120mn (+9% 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 6% YoY (in line) thanks to the recovery of costs in the Collection component and greater use of treatment plants that had been in the start-up phase during 1H24.
- 2025 guidance.** Management provided FY25 guidance, with EBITDA seen in a Eu1,340-1,360mn range, NFP/EBITDA at 3.2x (implying net debt of c.Eu4.3bn including the Eu500mn hybrid bond), with total investments of Eu1.4bn (o/w Eu0.5bn for M&A).
- Messages from the conference call.** Hedging of electricity production: for 2025, 80% of renewable production hedged at Eu105-110/MWh and 30% of thermal power output hedged at Eu2-3/MWh. For next year, 30% of renewable production hedged at Eu105-110/MWh but still nothing in terms of thermal production as spark spreads are currently not attractive. Purchase of the remaining 47% of Egea: the company has decided to exercise the call option to acquire the remaining 47.2% of Egea on March 31st; the consideration offered by Iren is Eu75mn. Asset rotation: the disposal of a minority stake in some PV assets is currently on hold pending FER X (renewables) auctions and regulations for BESS, as these could have a positive impact on asset values.
- Change in estimates and target price.** Following results, management indications, the acquisition of the 40% of Iren Acqua and the remaining 47% of Egea (as well as the issuance of the Eu500mn hybrid back in January), we have broadly confirmed EBITDA while increasing 2025-2026 EPS by 3.5% on average. Our target moves from Eu2.40 to Eu2.60 as a result of the change in estimates and the rolling of the DCF (TP still 50% based on DCF and 50% on sector multiples).
- OUTPERFORM confirmed, TP Eu2.60 (from Eu2.40).** Following 4Q24 results and the constructive outlook from management, we confirm our positive view on the stock as we believe that in 2025 the company will benefit from solid operating trends as well as a nice boost to growth from M&A. The stock is still trading at undemanding valuations compared to history (2025E EV/EBITDA of 5.5x vs. LT avg. of 6.4x) and offers an appealing return (6.2% dividend yield). The main risk to our investment case remains stickier-than-expected inflation, driving interest rates further up.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	6,639	6,045	6,590	6,598	6,733
EBITDA Adj (Eu mn)	1,197	1,274	1,356	1,424	1,501
Net Profit Adj (Eu mn)	278	269	311	331	342
EPS New Adj (Eu)	0.214	0.206	0.239	0.255	0.263
EPS Old Adj (Eu)	0.214	0.209	0.231	0.246	0.254
DPS (Eu)	0.119	0.128	0.139	0.150	0.162
EV/EBITDA Adj	5.5	5.3	5.5	5.2	5.0
EV/EBIT Adj	14.1	13.1	12.8	12.0	11.5
P/E Adj	10.4	10.8	9.4	8.8	8.5
Div. Yield	5.3%	5.7%	6.2%	6.7%	7.2%
Net Debt/EBITDA Adj	3.3	3.2	3.2	3.0	2.9

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Share Price Performance and Valuation Multiples

Utilities Sector: Market Multiples Comparison

Company	Price	Mkt. cap (Eu mn)	Abs. Perf. (%)				YTD	P/E adj.			EV/EBITDA			Div. Yield (%)		
			-1m	-3m	-6m	-12m		2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Integrated Utilities																
Enel	7.21	74,278	7%	7%	5%	20%	6%	9.4	10.5	10.2	6.5	6.7	6.6	6.5%	6.7%	6.8%
A2A	2.18	6,939	3%	5%	8%	37%	3%	7.4	9.9	9.8	6.0	6.3	6.4	5.2%	4.8%	5.0%
Hera	3.91	5,854	10%	17%	11%	21%	15%	11.6	12.8	12.7	6.4	6.6	6.6	4.3%	3.8%	4.0%
Acea	18.65	3,970	8%	2%	6%	19%	0%	11.7	11.6	11.1	6.6	6.9	6.7	5.2%	5.3%	5.5%
Iren	2.24	2,883	7%	19%	12%	19%	15%	9.3	9.4	8.8	5.3	5.5	5.2	6.7%	6.2%	6.7%
Average		94,619	7%	8%	5%	22%	6%	9.5	10.7	10.4	6.4	6.6	6.6	6.2%	6.3%	6.4%
Renewable Utilities																
Erg	17.68	2,694	-4%	-9%	-25%	-23%	-9%	20.6	14.3	14.1	10.7	8.5	8.3	5.7%	5.7%	5.7%
Average		2,694	-4%	-9%	-25%	-23%	-9%	20.6	14.3	14.1	10.7	8.5	8.3	5.7%	5.7%	5.7%
Regulated Utilities																
Snam	4.63	15,594	4%	9%	3%	8%	8%	11.5	11.5	11.0	10.1	10.8	10.3	6.6%	6.5%	6.8%
Terna	8.05	16,176	3%	6%	0%	5%	6%	14.8	16.1	15.5	11.4	12.2	12.0	5.1%	4.6%	4.8%
Italgas	6.40	5,178	8%	19%	18%	23%	18%	8.3	10.0	9.8	8.3	8.9	8.7	7.8%	6.4%	6.6%
Enav	3.59	1,950	6%	-11%	-9%	2%	-12%	16.5	14.8	13.7	7.3	6.5	5.9	6.7%	7.3%	7.5%
Average		38,899	4%	9%	3%	9%	8%	12.7	13.4	12.8	10.3	10.9	10.6	6.1%	5.8%	6.0%
Italian Utilities Avg.		136,211	6%	8%	4%	17%	6%	10.6	11.5	11.1	7.6	7.9	7.8	6.2%	6.1%	6.3%

Source: Intermonte SIM estimates

European Integrated Utilities: Market Multiples Comparison

Company	Price	Mkt. cap (Eu mn)	Abs. Perf. (%)				YTD	P/E adj.			EV/EBITDA			Div. Yield (%)		
			-1m	-3m	-6m	-12m		2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Italy																
Enel	7.21	74,278	7%	7%	5%	20%	6%	9.4	10.5	10.2	6.5	6.7	6.6	6.5%	6.7%	6.8%
A2A	2.18	6,939	3%	5%	8%	37%	3%	7.4	9.9	9.8	6.0	6.3	6.4	5.2%	4.8%	5.0%
Hera	3.91	5,854	10%	17%	11%	21%	15%	11.6	12.8	12.7	6.4	6.6	6.6	4.3%	3.8%	4.0%
Acea	18.65	3,970	8%	2%	6%	19%	0%	11.7	11.6	11.1	6.6	6.9	6.7	5.2%	5.3%	5.5%
Iren	2.24	2,883	7%	19%	12%	19%	15%	9.3	9.4	8.8	5.3	5.5	5.2	6.7%	6.2%	6.7%
Average		94,619	7%	8%	5%	22%	6%	9.5	10.7	10.4	6.4	6.6	6.6	6.2%	6.2%	6.4%
Germany																
E.ON	13.10	34,707	12%	18%	-1%	7%	17%	12.2	11.9	12.5	8.5	8.4	8.7	4.2%	4.4%	4.5%
RWE	32.58	23,870	10%	14%	3%	4%	11%	10.3	15.1	13.7	6.1	8.0	7.7	3.4%	3.7%	3.9%
France																
Engie	17.54	42,739	9%	18%	11%	14%	15%	7.8	9.7	10.3	5.9	7.1	7.5	8.4%	7.2%	7.0%
Veolia	31.50	23,234	14%	17%	4%	7%	16%	15.2	14.2	13.0	7.4	7.3	7.0	4.5%	4.9%	5.3%
Spain																
Iberdrola	14.24	92,841	7%	10%	6%	30%	8%	16.8	16.0	15.2	9.7	10.2	9.8	4.4%	4.6%	4.8%
Endesa	23.30	24,859	9%	15%	21%	45%	13%	13.1	12.7	12.4	7.0	7.0	6.8	5.5%	5.6%	5.8%
Naturgy	25.04	24,434	-1%	9%	11%	27%	8%	12.6	13.5	13.9	7.6	8.2	8.2	6.2%	6.3%	6.6%
Portugal																
EDP	3.10	13,050	3%	1%	-21%	-10%	1%	9.4	11.1	11.0	6.6	6.8	6.6	6.4%	6.4%	6.5%
UK																
SSE	15.38	20,544	3%	-4%	-19%	-2%	-4%	9.8	9.5	8.1	8.7	8.8	8.1	4.1%	4.4%	4.7%
Centrica	1.48	8,662	-2%	14%	23%	18%	7%	7.3	9.9	10.2	4.5	6.3	7.0	3.1%	3.8%	4.4%
Nordics																
Orsted	317	18,480	9%	-1%	-25%	-11%	1%	15.1	13.9	11.6	7.0	8.1	7.2	0.0%	0.0%	3.7%
Fortum	15.39	13,661	2%	16%	8%	30%	13%	15.2	16.2	17.0	13.2	14.9	15.5	9.2%	5.8%	5.5%
Eu Average		435,700						12.2	12.8	12.4	7.7	8.2	8.1	5.3%	5.2%	5.5%

Source: Intermonte SIM estimates, Factset consensus.

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	IREN		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	2.60	Previous Target (Eu):	2.40
Current Price (Eu):	2.24	Previous Price (Eu):	1.93
Date of report:	25/03/2025	Date of last report:	13/11/2024