

IREN

Sector: Utilities

OUTPERFORM

Price: Eu1.78 - Target: Eu2.20

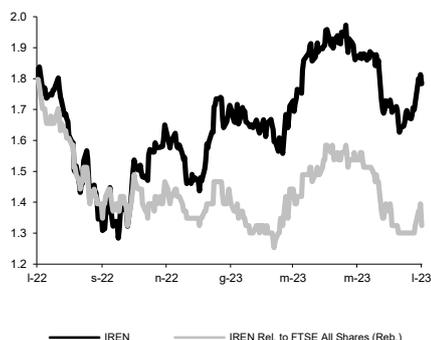
Good 2Q23 Numbers, FY23 EBITDA Guidance Upgraded

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

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	4.6%	0.2%	-0.1%

IREN - 12M Performance



Stock Data

Reuters code:	IREE.MI		
Bloomberg code:	IRE IM		
Performance	1M	3M	12M
Absolute	3.0%	-8.8%	-0.8%
Relative	-4.4%	-16.7%	-35.0%
12M (H/L)	1.97/1.28		
3M Average Volume (th):	1,563.73		

Shareholder Data

No. of Ord shares (mn):	1,301
Total no. of shares (mn):	1,301
Mkt Cap Ord (Eu mn):	2,320
Total Mkt Cap (Eu mn):	2,320
Mkt Float - Ord (Eu mn):	1,119
Mkt Float (in %):	48.3%
Main Shareholder:	
FSU Genoa	18.9%

Balance Sheet Data

Book Value (Eu mn):	2,319
BVPS (Eu):	2.11
P/BV:	0.8
Net Financial Position (Eu mn):	-3,763
Enterprise Value (Eu mn):	6,335

- 2023 results in line with expectations.** Iren reported 2Q23 results that were broadly in line with our expectations and consensus at most levels. In detail, EBITDA closed at Eu238mn (+19% YoY in adjusted terms and 1% above our estimate), EBIT at Eu38mn (negatively impacted by higher provisions related to the Decree Law concerning the price cap on renewable energy prices), and adj. net income at Eu8mn (-64% YoY and vs. our estimate of Eu16mn). On the balance sheet, net debt was well up at Eu3,920mn (in line) on the back of Eu165mn of technical investments.
- Divisional performances: strong recovery in energy supply.** Energy: EBITDA was up 33% YoY (in line) thanks to strong growth in hydroelectricity generation after notable difficulties in 2Q22 and despite a lower contribution from thermo production and MSD; Market (energy supply): EBITDA closed at Eu23mn (vs. a Eu9mn loss in 2Q22 and 55% above expectations) mostly thanks to the recovery in electricity supply; Networks (including Water): EBITDA was down 10% YoY to Eu93mn despite significant RAB expansion (+7% YoY in Water and Electricity) still negatively impacted by higher operational costs (due to inflation) which will be recovered in tariffs in the coming years; Waste: EBITDA up 5% YoY to Eu64mn, as lower prices of electricity sold were more than counterbalanced by the positive contribution of M&A in waste collection (SEI Toscana).
- 2023 EBITDA guidance improved.** Management improved its guidance for FY23 EBITDA from +6% YoY to +10% YoY, i.e. from c.Eu1,120mn to c.Eu1,160mn, while NFP/EBITDA of 3.3x was confirmed, implying net debt of c.Eu3.8bn up from Eu3.7bn previously, with total investments of Eu1.3bn and technical CapEx at c.Eu0.9-1.0bn. On the bottom line, YoY growth is also expected to be around +10% YoY to c.Eu250mn in reported terms or c.Eu275mn adjusted for one-off provisions.
- Messages from the conference call:** Provisions for price cap: the company indicated higher provisions for risks of about Eu34mn related to the Italian Government's Decree Law concerning the price cap on renewable energy prices, of which Eu14mn related to 2022 due to a recalculation and Eu20mn related to 2023 (according to management the latter might be recovered as Italian taxes conflict with European price cap indications of Eu180/MWh). Egea: Iren has made an offer and is on a shortlist with another bidder; the group is interested in 90% of Egea's assets, (excluding 2 companies in difficulty) and the impact of the cash-out is expected to be limited. Gas distribution dossier: binding offers have been received and over the next few weeks one preferred bidder will be chosen, with closing of the deal expected by year-end.
- Change in estimates and target price.** Following results and new management indications we have broadly aligned ourselves to company guidance for EBITDA (+3% vs previous estimates), EPS (+4.6%) and net debt estimates. Our Eu2.20 TP is confirmed and is still 50% based on DCF and 50% on sector multiples.
- OUTPERFORM confirmed (TP Eu2.20).** Despite the short term uncertainty linked to the exit of former CEO Armani as well as a potential deal with Egea, we believe the company is well positioned to benefit from the normalisation of energy supply margins and a more constructive outlook for hydro power generation. The stock is the cheapest among its peer group, trading at an attractive 2023 EV/EBITDA of 5.5x and a 2023 P/E of 8.5x.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	4,967	7,862	6,665	6,005	5,538
EBITDA Adj (Eu mn)	1,016	1,055	1,162	1,224	1,342
Net Profit Adj (Eu mn)	262	253	274	283	317
EPS New Adj (Eu)	0.201	0.194	0.210	0.218	0.244
EPS Old Adj (Eu)	0.201	0.194	0.201	0.217	0.244
DPS (Eu)	0.105	0.110	0.121	0.133	0.146
EV/EBITDA Adj	6.4	5.9	5.5	5.4	5.1
EV/EBIT Adj	14.3	13.4	13.1	12.1	10.8
P/E Adj	8.8	9.2	8.5	8.2	7.3
Div. Yield	5.9%	6.2%	6.8%	7.5%	8.2%
Net Debt/EBITDA Adj	2.9	3.2	3.2	3.3	3.2