

IREN

Sector: Utilities

OUTPERFORM

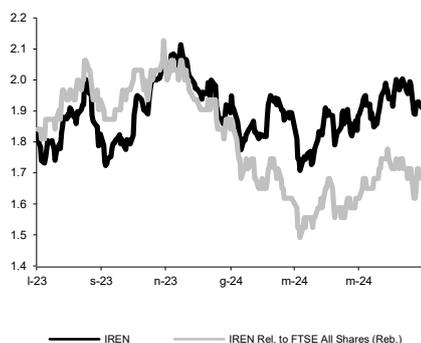
Price: Eu1.91 - Target: Eu2.40

Solid 2Q24 Results; FY24 Guidance Broadly Confirmed

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.6%	1.6%	0.8%

IREN - 12M Performance



Stock Data			
Reuters code:	IREE.MI		
Bloomberg code:	IRE IM		
Performance	1M	3M	12M
Absolute	-1.4%	0.1%	6.5%
Relative	-2.8%	1.9%	-7.2%
12M (H/L)	2.11/1.71		
3M Average Volume (th):	3,523.69		

Shareholder Data	
No. of Ord shares (mn):	1,301
Total no. of shares (mn):	1,301
Mkt Cap Ord (Eu mn):	2,487
Total Mkt Cap (Eu mn):	2,487
Mkt Float - Ord (Eu mn):	1,200
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):	-4,113
Enterprise Value (Eu mn):	6,769

- A solid set of 2Q24 results in line with estimates.** On the macro front, 2Q saw a rebound of gas and electricity prices (+3.5% and 14.5% QoQ respectively) although these were still well below last year (-18% and -11% YoY), while demand was relatively flat for electricity (+1.5% YoY) but lower for gas (-10% YoY). On the production front, hydroelectric remained strong (+55% YoY) as did solar (+24%) but thermal power generation was weak (-15%). In this context, Iren delivered EBITDA up 6% YoY to Eu253mn (in line), featuring: 1) strong growth in hydroelectricity generation, more than offset by the impact of falling prices, lower spark spreads, and a drop in activities related to Energy Efficiency; 2) a further improvement in the Market area due to the normalisation of margins; 3) strong growth in regulated activity; 4) weak performance in waste treatment. Below the operating line, higher D&A and lower provisions led to a net profit of Eu23mn, or down c.27% YoY on an adjusted basis, while in terms of cash generation, net debt closed at Eu4.0bn, or slightly below expectations (helped by the disposal of fiscal credits for ca. Eu175mn).
- Divisional performances: strong energy supply but weak waste treatment.** Energy: EBITDA was down 25% YoY and 4% below estimates while Market EBITDA closed at Eu39mn (+67% YoY and 39% above expectations) thanks to the recovery in margins in electricity and gas supply; Networks (including Water): EBITDA up 22% YoY to Eu113.5mn thanks to increases in allowed returns and RAB, and recovery via tariffs of higher operating costs borne in 2023; Waste: EBITDA was down 10% YoY (9% below estimates) as the improved result of collection activities was offset by the contraction in the margin from treatment and disposal activities, which were also negatively affected by planned extraordinary maintenance activities at the Turin WTE, a reduction in the volume of waste disposed of in landfills due to the partial saturation of sites, and the ongoing start-up phase of some plants.
- 2024 guidance.** Management sees EBITDA at Eu1,240mn (Eu1,230-1,240mn previously), net profit of Eu260-270mn, and net debt /EBITDA at 3.3x (confirmed).
- Messages from the conference call: Working capital:** 1H saw an expansion of working capital by circa Eu300mn; the company expects that circa Eu150mn of this amount will be reabsorbed in 2H thanks to the billing of some tariff increases in the water and environment sectors (Eu70mn), to billing of activities related to Energy Efficiency (Eu40mn) and to new terms on some gas contracts (Eu40mn). Waste: difficulties in the final set-up of new plants should be resolved in 2025, enabling circa Eu15mn of EBITDA to be recouped; 2025 Hedging: 65% of renewable production (1.4twh) hedged at Eu100/MW and 10% of thermal power output hedged at Eu4/MWh.
- Change in estimates and target price.** Following results and management indications we have merely tweaked our 2024-2025 numbers. Our Eu2.40 TP is confirmed and is still 50% based on DCF and 50% on sector multiples.
- OUTPERFORM confirmed (TP Eu2.40).** In our view, Iren remains an attractive proposition thanks to an appealing valuation (2025 EV/EBITDA at 5.4x), a good dividend yield, a balanced portfolio, and a commitment to decarbonisation.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	7,886	6,639	5,538	5,482	6,462
EBITDA Adj (Eu mn)	1,055	1,197	1,247	1,322	1,440
Net Profit Adj (Eu mn)	253	278	272	299	319
EPS New Adj (Eu)	0.194	0.214	0.209	0.230	0.245
EPS Old Adj (Eu)	0.194	0.214	0.207	0.226	0.243
DPS (Eu)	0.110	0.119	0.128	0.139	0.150
EV/EBITDA Adj	5.9	5.5	5.4	5.3	5.1
EV/EBIT Adj	13.5	14.1	12.9	11.9	11.6
P/E Adj	9.8	8.9	9.2	8.3	7.8
Div. Yield	5.8%	6.2%	6.7%	7.2%	7.8%
Net Debt/EBITDA Adj	3.2	3.3	3.3	3.3	3.3

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- 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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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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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As at 30 June 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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

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Emittente	%	Long/Short
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