

# ITALGAS

Sector: Utilities

## NEUTRAL

Price: Eu7.27 - Target: Eu6.90

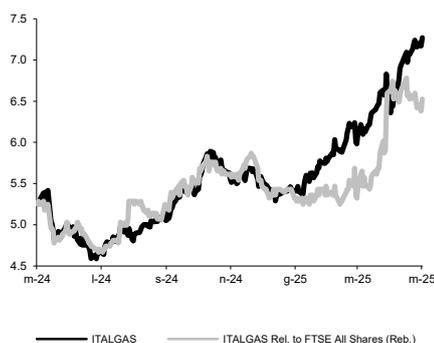
## Good 1Q25 and Solid Guidance for Combined Entity

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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 6.40 to 6.90		
	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>Chg in Adj EPS</b>	-0.5%	8.2%	8.9%

### ITALGAS - 12M Performance



### Stock Data

Reuters code:	IG.MI
Bloomberg code:	IG IM

Performance	1M	3M	12M
Absolute	14.3%	25.3%	38.5%
Relative	-2.3%	21.9%	27.0%
12M (H/L)	7.27/4.59		
3M Average Volume (th):	3,937.72		

### Shareholder Data

No. of Ord shares (mn):	997
Total no. of shares (mn):	997
Mkt Cap Ord (Eu mn):	7,250
Total Mkt Cap (Eu mn):	7,250
Mkt Float - Ord (Eu mn):	4,386
Mkt Float (in %):	60.5%
Main Shareholder:	
CDP	26.0%

### Balance Sheet Data

Book Value (Eu mn):	3,818
BVPS (Eu):	3.83
P/BV:	1.9
Net Financial Position (Eu mn):	-10,970
Enterprise Value (Eu mn):	18,680

- 1Q25 EBITDA in line, bottom line better than expected.** Yesterday IG published operating results that were in line with our expectations but a bottom line that beat forecasts, mostly thanks to lower D&A. In detail: adj. revenues (when excluding a Eu54mn adjustment for higher costs recognised for the 2020-24 period in relation to resolution 87/2025) closed at Eu459mn (+6.5% YoY, in line) featuring a +10% performance from Italian regulated revenues (including water activities), while the group's Greek activities saw revenues increasing 2.2% YoY. Adj. EBITDA was Eu345mn (+6% YoY, in line), adj. EBIT was Eu225mn, and adj. net income was Eu132.6mn (+13% YoY, Eu125mn expected). During the quarter, technical CapEx was Eu166mn (+11% YoY) which, along with a good performance in working capital, pushed net debt down to Eu6,556mn (including IFRS16), slightly below our estimates.
- Solid 2025 guidance also provided.** Italgas also provided 2025 guidance, which includes the contribution of 2i Rete Gas from 1 April, and where the impacts from the disposal process of around 600k PDRs (as per the Antitrust decision) should materialise at the beginning of 2026. Adj. revenues are seen at Eu2.45bn, adj. EBITDA at Eu1.80-1.85bn, adj EBIT at Eu1.12-1.16bn, CapEx at Eu1.2bn and net debt at Eu10.8bn (ex-IFRS 16).
- Main pointers from the confcall. 2i RG and capital raise:** on July 1 the merger between Italgas Reti and 2i RG will take effect, something that will allow synergies to start to be extracted (management has included some Eu10mn in its FY25 guidance). Italgas is working to complete the capital raise by the end of 1H25, in line with the timetable already provided. The Antitrust authority has given a very tight schedule, indicating the disposal process has to be completed by the end of October. Energy efficiency businesses: following the end of the Superbonus the company is focusing on industry, public administration, and large condos, rebuilding a solid business for the longer term. The 1Q25 EBITDA margin was 14%, not far from management's 16-18% goal.
- Change in estimates and target price.** With this update note, we are publishing our full forecast for the combined entity - including the impact from the upcoming Eu1.0bn capital raise which in our assumptions will bring total NOSH to 997mn - and position ourselves not far from the mid-point of management guidance. EPS accretion is 11% on average over the 2025-2030 period (some 4% above our preliminary numbers) with a similar impact on average DPS. Our target moves to Eu6.90 (ex-rights) from Eu6.40 as a consequence of higher estimates (including the impact of resolutions 87/2025 on allowed costs recognised, and resolution 130/2025 on the deflator level) and the impact of the recent drop in interest rates on financial outperformance.
- NEUTRAL confirmed; target Eu6.90 (from Eu6.40).** As proven by this set of results, Italgas continues to perform well thanks to RAB growth, some positive regulatory updates that partly offset the reduction in regulated WACC, continued cost efficiencies, and the development of Enaon along with the expansion in water distribution. We confirm our view that the 2i Rete Gas transaction has a clear industrial and strategic rationale and that the value creation potential from synergies and efficiencies looks significant, albeit already broadly incorporated in the group's valuation ahead of the capital raise expected by the end of June.

\* Figures and multiples on this page are calculated using current prices

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	1,818	1,740	2,537	2,797	2,895
EBITDA Adj (Eu mn)	1,208	1,312	1,892	2,072	2,172
Net Profit Adj (Eu mn)	440	506	632	705	726
EPS New Adj (Eu)	0.543	0.626	0.634	0.707	0.728
EPS Old Adj (Eu)	0.543	0.626	0.637	0.653	0.668
DPS (Eu)	0.352	0.406	0.418	0.460	0.474
EV/EBITDA Adj	9.2	8.6	9.9	9.2	8.9
EV/EBIT Adj	16.4	14.2	16.3	15.0	14.5
P/E Adj	13.4	11.6	11.5	10.3	10.0
Div. Yield	4.8%	5.6%	5.8%	6.3%	6.5%
Net Debt/EBITDA Adj	5.5	5.2	5.8	5.5	5.3

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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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM:	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM:	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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