

# ITALGAS

Sector: Utilities

## NEUTRAL

Price: Eu5.85 - Target: Eu6.40

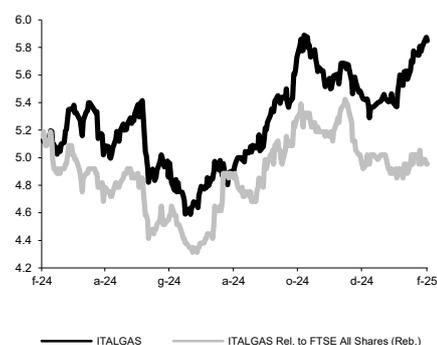
### Strong 4Q24 Bottom Line Drives Dividend Upgrade

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#### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 6.10 to 6.40		
	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>Chg in Adj EPS</b>	6.1%	3.7%	2.9%

#### ITALGAS - 12M Performance



#### Stock Data

Reuters code:	IG.MI		
Bloomberg code:	IG IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	8.2%	6.4%	13.5%
Relative	1.4%	-5.0%	-5.0%
12M (H/L)	5.89/4.59		
3M Average Volume (th):	2,371.42		

#### Shareholder Data

No. of Ord shares (mn):	809
Total no. of shares (mn):	809
Mkt Cap Ord (Eu mn):	4,733
Total Mkt Cap (Eu mn):	4,733
Mkt Float - Ord (Eu mn):	2,863
Mkt Float (in %):	60.5%
Main Shareholder:	
CDP	26.0%

#### Balance Sheet Data

Book Value (Eu mn):	2,645
BVPS (Eu):	3.27
P/BV:	1.8
Net Financial Position (Eu mn):	-6,787
Enterprise Value (Eu mn):	11,760

- 4Q24 bottom line and DPS above expectations.** Yesterday IG published a set of results that beat our expectations on the P&L (lower D&A and better-than-expected patent box contribution to taxation) but with cash generation that was slightly worse than forecast. In detail: adj. revenues closed at Eu470mn (+16% YoY) featuring a flattish performance in Italian regulated revenues, strong growth from Depa, and a rebound in energy efficiency activities. Adj. EBITDA was Eu342mn (+25% YoY, 4% above estimates) and adj. net income was Eu145mn (+18% YoY, and 17% above our expectations). During the quarter, technical CapEx was Eu337mn (+6% YoY, driven by higher costs for network maintenance and metering digitalisation) which, along with significant working capital absorption, pushed net debt down to Eu6,763mn (including IFRS16), slightly higher than expected. The positive bottom line led to the proposal of a Eu0.406 DPS (vs Eu0.386 expected).
- Main pointers from the conference call.** Timing of 2i RG deal: the acquisition is progressing in line with the expected timetable, with CEO Gallo confirming that Antitrust has 90 days to complete its scrutiny, so up to 17 March (it could require a further 30 days). Closing is expected by the beginning of April with the capital raise expected before the end of 2Q25 if market conditions allow; Rome concession: the concession expired in November (the positive impact on 4Q24 P&L was Eu15mn) but management does not expect the tender to be held this year; there could be 3 other tenders in 2025 but some postponements cannot be ruled out; Consultation doc 427/2024 on OpEx: according to management the final document with the impact on OpEx from the Italian High Court ruling is expect by the end of March, and could have a positive Eu50mn impact on a stand alone basis (+Eu30mn for 2i Rete Gas); 2025 guidance: management stated that 2025 guidance will be provided along with 1Q results.
- Change in estimates and target price.** Following results, we are raising our 2025 EPS estimates by c.6% on a standalone basis, mostly due to lower-than-previously-estimated D&A, while only tweaking estimates for future years (+3% on average). Our preliminary numbers for the combined entity from 2026 onwards are also broadly confirmed, while we await further details on the group's final scope, with an Antitrust decision expected in the coming weeks. We are lifting our target price to Eu6.40 (from Eu6.10) on the back of the slight change in estimates and the rollover of our DCF valuation.
- NEUTRAL; target Eu6.40 (from Eu6.10).** 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. At this stage, we confirm our recommendation given the good recent performance (+8% absolute YTD) and the potential impact of the capital raise. Following the recent performance, the stock is trading at an 11% premium to 2025 EV RAB, offering a 7.0% DY.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	1,818	1,740	1,830	1,913	2,003
EBITDA Adj (Eu mn)	1,208	1,312	1,370	1,435	1,500
Net Profit Adj (Eu mn)	440	506	515	528	541
EPS New Adj (Eu)	0.543	0.626	0.637	0.653	0.668
EPS Old Adj (Eu)	0.543	0.600	0.601	0.630	0.649
DPS (Eu)	0.352	0.406	0.412	0.422	0.433
EV/EBITDA Adj	9.2	8.5	8.6	8.3	8.1
EV/EBIT Adj	16.3	14.1	13.6	13.3	13.1
P/E Adj	10.8	9.3	9.2	9.0	8.8
Div. Yield	6.0%	6.9%	7.0%	7.2%	7.4%
Net Debt/EBITDA Adj	5.5	5.2	5.0	4.9	4.8

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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)

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Frequency of research: quarterly.

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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.

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BUY:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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