

ITALGAS

Sector: Utilities

NEUTRAL

Price: Eu5.35 - Target: Eu5.70

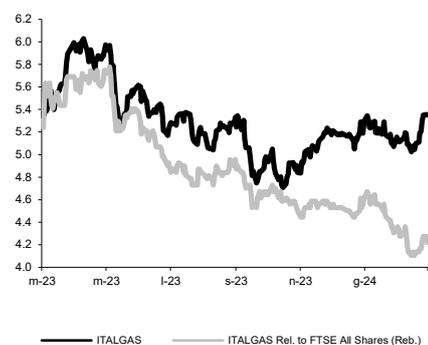
Stronger 4Q23 Bottom Line Drives Dividend Growth

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 5.20 to 5.70		
	2024E	2025E	2026E
Chg in Adj EPS	2.9%	0.2%	0.3%

ITALGAS - 12M Performance



Stock Data

Reuters code:	IG.MI		
Bloomberg code:	IG IM		
Performance	1M	3M	12M
Absolute	3.8%	3.4%	2.1%
Relative	-3.1%	-7.7%	-19.7%
12M (H/L)	6.03/4.71		
3M Average Volume (th):	1,944.41		

Shareholder Data

No. of Ord shares (mn):	809
Total no. of shares (mn):	810
Mkt Cap Ord (Eu mn):	4,328
Total Mkt Cap (Eu mn):	4,328
Mkt Float - Ord (Eu mn):	2,619
Mkt Float (in %):	60.5%
Main Shareholder:	
CDP	26.0%

Balance Sheet Data

Book Value (Eu mn):	2,482
BVPS (Eu):	3.07
P/BV:	1.7
Net Financial Position (Eu mn):	-6,583
Enterprise Value (Eu mn):	11,096

■ **4Q23 a touch below in operating terms but bottom line and DPS above expectations.** Yesterday IG published results that were slightly below our expectations in operating terms but above estimates at the bottom line, mostly thanks to lower taxes due to the benefit associated with the patent box. In detail: adj. revenues closed at Eu405mn (-8% YoY) featuring a +5% performance from Italian regulated revenues, more than counterbalanced by the beginning of normalization of other revenues linked to efficiency activities. Adj. EBITDA was Eu273mn (+2% YoY when adjusting 4Q22 for the capital gain related to the Naples 1 disposal; Eu287mn expected), EBIT was Eu144mn, and adj. net income was Eu123mn (+15% YoY, Eu96mn expected). During 4Q23, technical CapEx was Eu317mn (+18% YoY) which, along with the expansion in working capital mainly linked to Superbonus-related activities (Geoside), pushed net debt to Eu6,634mn (including IFRS16), also broadly in line with our estimates and consensus. The positive results at the bottom-line level led to the proposal of a Eu0.352 DPS (vs Eu0.33 expected).

■ **Main pointers from the conference call.** Working capital: the Eu6.6bn FY23 net debt is the result of the decision not to use factoring for fiscal credit but instead to take advantage of fiscal incentives over a 4-year period (the outstanding credits amount to ca. 400mn to be cashed-in over the next 3 years: Eu130mn per year in 2024-2026); ESCOs: for 2024, the group expects a significant drop in revenues but it will continue to work to give solid direction to this business line going forward, including through the sale of more VAS and an increased focus on large corporate clients; Depra: in February 2024, the Greek Regulatory Authority formalised the level of the WACC for years 2024 to 2026 at a nominal 8.38% pre-tax, only marginally below the 8.57% set for 2023 and broadly in line with our expectations; Patent box: the Eu39mn fiscal benefit seen in the FY23 numbers relates to some IT projects developed internally and management explained that some further benefits will be recorded in 2024 as well (not quantified); 2025 WACC: management expects 2025 WACC to be substantially in line with 2024 levels.

■ **Change in estimates and target price.** We broadly confirm our 2024-2025 estimates, with the impact from a 10bp higher regulated WACC broadly counterbalanced by higher financial charges (for 2024, we have also included another Eu15mn benefit from the patent box). Despite the confirmation of estimates, we are increasing our target price to Eu5.70 (from Eu5.20) on the back of the lower risk-free rate used (4.0%, down from 4.5%) and the rolling of the DCF.

■ **NEUTRAL; target Eu5.70 (from Eu5.20).** Italgas continues to direct investments towards the energy transition process, and the development of Enaon along with the expansion in water distribution will help sustain the group's bottom-line trajectory despite the stability of domestic investments and the delays in gas tenders. At this stage we confirm our recommendation, as among regulated names we prefer SNAM, which we consider more leveraged to the hydrogen theme despite a slightly lower premium to the RAB.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	1,556	1,818	1,889	1,987	2,117
EBITDA Adj (Eu mn)	1,101	1,208	1,329	1,392	1,485
Net Profit Adj (Eu mn)	396	440	487	489	521
EPS New Adj (Eu)	0.489	0.543	0.602	0.604	0.644
EPS Old Adj (Eu)	0.489	0.511	0.585	0.603	0.642
DPS (Eu)	0.317	0.352	0.387	0.387	0.410
EV/EBITDA Adj	9.6	9.2	8.3	8.1	7.7
EV/EBIT Adj	17.0	16.3	13.9	13.5	12.7
P/E Adj	10.9	9.8	8.9	8.9	8.3
Div. Yield	5.9%	6.6%	7.2%	7.2%	7.7%
Net Debt/EBITDA Adj	5.4	5.5	5.0	4.8	4.6

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- 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;

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UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

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OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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