

# ITALGAS

Sector: Utilities

## NEUTRAL

Price: Eu5.47 - Target: Eu5.60

## 2029 BP: Capex Up Slightly and Dividend Policy Extended

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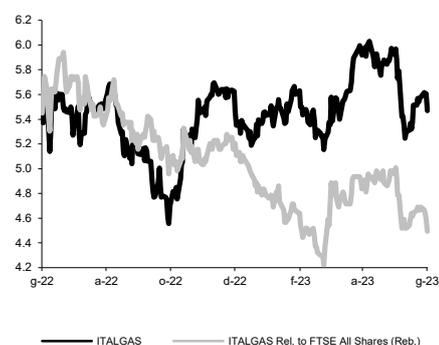
### Stock Rating

**Rating:** Unchanged

**Target Price (Eu):** Unchanged

	2023E	2024E	2025E
<b>Chg in Adj EPS</b>	0.8%	-0.1%	-1.9%

### ITALGAS - 12M Performance



### Stock Data

**Reuters code:** IG.MI

**Bloomberg code:** IG IM

Performance	1M	3M	12M
Absolute	-7.7%	2.1%	0.4%
Relative	-9.3%	-5.8%	-21.4%
12M (H/L)	6.03/4.56		
3M Average Volume (th):	1,748.79		

### Shareholder Data

**No. of Ord shares (mn):** 809

**Total no. of shares (mn):** 810

**Mkt Cap Ord (Eu mn):** 4,425

**Total Mkt Cap (Eu mn):** 4,425

**Mkt Float - Ord (Eu mn):** 2,677

**Mkt Float (in %):** 60.5%

**Main Shareholder:**

CDP 26.0%

### Balance Sheet Data

**Book Value (Eu mn):** 2,264

**BVPS (Eu):** 2.80

**P/BV:** 2.0

**Net Financial Position (Eu mn):** -6,364

**Enterprise Value (Eu mn):** 11,158

- **Presentation of 2029 strategic plan.** Yesterday, Italgas presented an update to its rolling 7-year plan covering the 2023-2029 period. The plan confirms the group's strategic guidelines: 1) continuation of the digital transformation and repurposing of the network in order to distribute renewable gases; 2) development of the Greek market; 3) additional development through M&A in water distribution and energy efficiency sectors. Overall, the new plan involves a Eu7.8bn investment programme.
- **Domestic network CapEx almost confirmed.** IG will invest Eu4.6bn for the development and upgrading of the gas distribution network, a touch below the Eu4.8bn in the previous plan (adj. for M&A). Of this CapEx, some Eu1.6bn will be dedicated to the digital transformation of the network while Eu2.9bn will go into repurposing and developing existing infrastructure. CapEx for M&A will add up to just Eu0.1bn.
- **Diversification capex up to Eu0.8bn.** Over the plan period, some Eu0.8bn will be invested in diversifying the business (up from Eu0.5bn) with the focus on water distribution (Eu0.4bn including the Veolia deal), ESCos (Eu0.3bn), and other activities.
- **Eu0.9bn allocated to DEPA.** The plan allocates Eu0.9bn for the development of the Greek network, leveraging the expertise gained in the natural gas sector conversion process in Sardinia and the group's know-how. On the back of these assumptions, the overall exit RAB (excluding gas tenders) is forecast at ca. Eu11.1bn, a 3.1% CAGR.
- **Contribution from tenders down further to Eu1.5bn.** The amount envisaged for participation in the tenders is Eu1.5bn, down Eu300mn from previous plan. Thanks to this, total RAB of Eu12.4bn is targeted in 2029 (4.8% CAGR).
- **2026 financial targets above estimates.** In 2026, the group foresees revenues at Eu2.2bn and EBITDA at c.Eu1.6bn; for 2029, revenues are expected at over Eu2.7bn with EBITDA at over Eu1.8bn, while leverage is expected to decrease towards 59%. Allowed WACC is assumed at 6.4% in 2024 and then 6.2% from 2025.
- **Dividend policy updated and expended.** The dividend policy was updated and extended to 2026, envisaging a dividend that will be the higher of: (i) the 2022 DPS (Eu0.317) plus 4% a year; and (ii) a DPS of 65% of adjusted net profit per share.
- **2023 guidance/change in estimates.** Management indicated 2023 EBITDA at approximately Eu1.18bn, EBIT at ca. Eu680mn, net debt at Eu6.4bn and CapEx at Eu0.9bn. We broadly confirm our EPS estimates as we are trimming them by just 1% over the plan period, mostly due to the impact of a slightly higher cost of debt (from 1% currently to 3% in 2029). Over the longer term, we remain more conservative than management on tenders while on allowed WACC we are aligned.
- **NEUTRAL confirmed, (TP Eu5.60).** Italgas continues to direct investments towards the energy transition process, in line with EU guidelines, and the development of DEPA together with the expansion in the water distribution and energy efficiency sectors will help sustain the trajectory of the group's bottom line despite the stability of domestic investments and the delays in gas tenders taking off. At this stage we confirm our NEUTRAL recommendation, as among regulated stocks we continue to prefer SNAM, which we consider more leveraged to the hydrogen theme despite similar valuations.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,371	1,556	1,816	1,907	2,006
EBITDA Adj (Eu mn)	1,009	1,101	1,180	1,310	1,380
Net Profit Adj (Eu mn)	368	396	412	478	495
EPS New Adj (Eu)	0.454	0.489	0.510	0.591	0.612
EPS Old Adj (Eu)	0.454	0.485	0.506	0.591	0.624
DPS (Eu)	0.295	0.317	0.327	0.379	0.402
EV/EBITDA Adj	9.6	9.8	9.5	8.7	8.4
EV/EBIT Adj	17.1	18.5	17.9	17.0	
P/E Adj	12.0	11.2	10.7	9.3	8.9
Div. Yield	5.4%	5.8%	6.0%	6.9%	7.3%
Net Debt/EBITDA Adj	4.9	5.4	5.4	5.0	4.9