

ITALGAS

Sector: Utilities

NEUTRAL

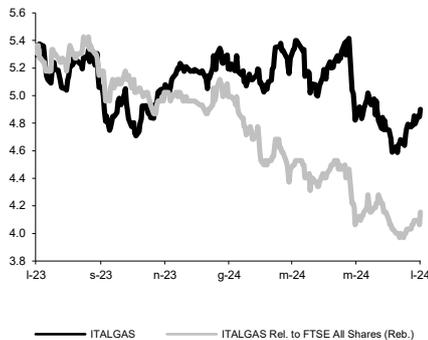
Price: Eu4.90 - Target: Eu5.70

Solid 2Q24 Numbers, FY24 Guidance Confirmed

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	1.0%	0.2%	-0.3%

ITALGAS - 12M Performance



Stock Data			
Reuters code:	IG.MI		
Bloomberg code:	IG IM		
Performance	1M	3M	12M
Absolute	3.2%	-5.0%	-8.7%
Relative	1.4%	-5.8%	-27.3%
12M (H/L)	5.42/4.59		
3M Average Volume (th):	3,035.78		

Shareholder Data	
No. of Ord shares (mn):	809
Total no. of shares (mn):	810
Mkt Cap Ord (Eu mn):	3,964
Total Mkt Cap (Eu mn):	3,964
Mkt Float - Ord (Eu mn):	2,398
Mkt Float (in %):	60.5%
Main Shareholder:	
CDP	26.0%

Balance Sheet Data	
Book Value (Eu mn):	2,480
BVPS (Eu):	3.07
P/BV:	1.6
Net Financial Position (Eu mn):	-6,587
Enterprise Value (Eu mn):	10,721

- 2024 results broadly in line with our estimates but slightly above consensus on P&L.** Yesterday IG published 2Q24 results that were broadly in line with our expectations but slightly above consensus on the P&L. In detail: revenues closed at Eu431mn (-4.6% YoY) featuring a +10% performance from Italian regulated revenues, more than offset by the drop in energy efficiency activity (end of the 110% Superbonus) and a Eu10mn negative one-off. Adj. EBITDA was Eu346mn (+11.5% YoY, in line) and adj. net income was Eu124mn (+8% YoY, Eu130mn expected). During the quarter, technical CapEx was Eu205mn (-8% YoY due to lower digitalisation as projects were completed and lower centralised CapEx) which, along with the payment of the dividend, pushed net debt up to Eu6,829mn (including IFRS16), again broadly in line with our estimates.
- 2024 guidance confirmed.** Management confirmed FY24 guidance which foresees adjusted revenues at c.Eu1.8bn, adj. EBITDA at Eu1.32-1.35bn, adj. EBIT at c.Eu0.8bn, technical investments at c.Eu0.9bn, net debt at c.Eu6.6bn (excluding financial leases ex-IFRS 16) and leverage below 64%.
- Main pointers from the conference call.** 2i Rete Gas: management only commented that due diligence is ongoing as expected and that as soon as there are significant developments they will be communicated to the market. Interestingly, Mr Gallo said that a new plan will be presented in September-October once there is clarity on the 2i Rete Gas deal, suggesting that news of a binding offer could come in the next few weeks; Working capital: in 2024 the group has Eu130mn of tax credits to be compensated, and overall management expects working capital to be broadly neutral or slightly positive by year end; Water assets: management is happy about the contribution to group EBITDA and over the next few quarters the three acquired companies will focus mainly on the delivery by 2026 of the investments committed to in the NRRP (c.Eu150mn).
- Change in estimates.** We are broadly confirming our 2024-2025 EPS estimates, with a higher contribution from water activities and better cost control offset by slightly higher D&A. Following this revision, we are now towards the higher end of the group's EBITDA guidance range, while in terms of the 2024 bottom line we still include a Eu15mn benefit from the patent box. Our target is confirmed at Eu5.70.
- NEUTRAL confirmed (target Eu5.70).** Italgas continues to perform well thanks to the increase in allowed WACC, continued cost efficiencies, and the development of Enaon along with the expansion in water distribution, which help sustain the group's bottom line trajectory despite the stability of domestic investments and delays in gas tenders. We think that a deal for 2i Rete Gas would make a lot of industrial sense and could generate attractive cost synergies, although given the current financial structures of the two companies, it is also creating uncertainty about the amount of equity to be issued. Following the recent underperformance, on our estimates the stock is trading at a very reasonable 6% premium to 2024 EV RAB, offering 16% upside to our TP and an 8% DY.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	1,556	1,818	1,784	1,865	1,967
EBITDA Adj (Eu mn)	1,101	1,208	1,343	1,407	1,496
Net Profit Adj (Eu mn)	396	440	485	488	517
EPS New Adj (Eu)	0.489	0.543	0.600	0.603	0.639
EPS Old Adj (Eu)	0.489	0.543	0.594	0.602	0.641
DPS (Eu)	0.317	0.352	0.387	0.387	0.410
EV/EBITDA Adj	9.6	9.2	8.0	7.7	7.4
EV/EBIT Adj	17.0	16.3	13.5	13.1	12.5
P/E Adj	10.0	9.0	8.2	8.1	7.7
Div. Yield	6.5%	7.2%	7.9%	7.9%	8.4%
Net Debt/EBITDA Adj	5.4	5.5	4.9	4.8	4.6

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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&PMB40 Index, most of those on the MIDEX 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.

Explanation of our ratings system:

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

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BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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