

# ITALGAS

Sector: Utilities

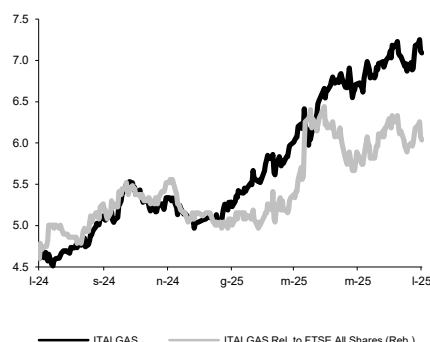
**NEUTRAL**
**Price: Eu7.09 - Target: Eu7.30**

## Solid 2Q25 Numbers, FY25 Guidance Highly Visible

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 6.90 to 7.30		
	2025E	2026E	2027E
Chg in Adj EPS	-0.4%	-0.5%	-1.5%

ITALGAS - 12M Performance



Stock Data			
Reuters code:	IG.MI		
Bloomberg code:	IG IM		
Performance	1M	3M	12M
Absolute	-0.4%	6.9%	54.1%
Relative	-3.3%	-3.7%	36.6%
12M (H/L)	7.25/4.51		
3M Average Volume (th):	3,574.42		

Shareholder Data	
No. of Ord shares (mn):	1,015
Total no. of shares (mn):	1,015
Mkt Cap Ord (Eu mn):	7,194
Total Mkt Cap (Eu mn):	7,194
Mkt Float - Ord (Eu mn):	4,352
Mkt Float (in %):	60.5%
Main Shareholder:	
CDP	26.0%

Balance Sheet Data	
Book Value (Eu mn):	3,812
BVPS (Eu):	3.76
P/BV:	1.9
Net Financial Position (Eu mn):	-10,976
Enterprise Value (Eu mn):	18,629

- **2Q25 P&L a touch better than expected.** Yesterday IG published a set of results that included the contribution of 2i Rete Gas for the first time. P&L figures were slightly better than expected, with cash generation broadly in line. In detail: adj. revenues closed at Eu667mn (+51% YoY or +2% LFL) featuring a good performance from Italian regulated revenues (including water activities) and also from the group's Greek activities. Adj. EBITDA was Eu514mn (+49% YoY, 4% above expectations), adj. EBIT was Eu335mn, and adj. net income was Eu186mn (+50% YoY, 5% above estimates). During the quarter, technical CapEx was Eu329mn (+61% YoY, of which c.Eu100mn related to 2i RG) which, along with a good performance with working capital and the impact from the consolidation of the 2i RG/capital increase, pushed net debt to Eu10,973mn (including IFRS16), also a touch better than estimated.
- **2025 guidance confirmed.** Italgas confirmed the 2025 guidance provided in May, which includes the contribution of 2i Rete Gas from 1 April, and where the impacts from the disposal process of around 600k redelivery points (PDRs - as per the Antitrust decision) should materialise at the beginning of 2026. In detail, 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). Management is confident it can reach the high end of the range.
- **Main pointers from the conference call.** Antitrust disposal process: expression of interest received. Next step: binding offers must be received by 5<sup>th</sup> September. The Antitrust authority has set a very tight schedule, indicating the disposal process has to be completed by mid-November. Energy efficiency businesses: following the end of the Superbonus the company is focusing on industry, public sector administration, and large condos, rebuilding a solid business for the longer term. The 2Q25 EBITDA margin was 16%, up from 14% in 1Q25 and not far from management's 18% goal. Tenders: in 2025 some 5 tenders are already underway for which Italgas has presented offers (expected to be awarded by year end/early 2026). Overall, according to management 177 concessions are too many and the tender process is too complex, a reduction in the number of ATEMs would clearly accelerate the process. These 5 tenders refer to c.600k PDRs, 60% of which are already owned by Italgas. For any tender won, the cash-out will come some 6-9 months later.
- **Change in estimates and target price.** Following results, we are broadly confirming our numbers (tiny increase in the number of shares) and remain near the high end of the EBITDA guidance range. Our target moves from Eu6.90 to Eu7.30 on the back of the 50bp reduction in the ERP (now 5.5%) used by the Intermonte Research Team.
- **NEUTRAL confirmed; target Eu7.30 (from Eu6.90).** The rapid integration of 2i Rete Gas has once again proven management's ability to master complex organisational tasks and bodes well for the future of the merger, including the identification of best practices and the pursuit of efficiencies. We confirm our positive view on the 2i Rete Gas transaction and on the value creation potential from synergies and efficiencies, albeit in our view a good portion of it already looks to be incorporated in the group's valuation.

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	1,883	2,085	2,175
Net Profit Adj (Eu mn)	440	506	641	714	728
EPS New Adj (Eu)	0.543	0.626	0.632	0.703	0.717
EPS Old Adj (Eu)	0.543	0.626	0.634	0.707	0.728
DPS (Eu)	0.352	0.406	0.418	0.460	0.474
EV/EBITDA Adj	9.0	8.4	9.9	9.1	8.9
EV/EBIT Adj	16.0	13.8	16.2	14.8	14.4
P/E Adj	13.0	11.3	11.2	10.1	9.9
Div. Yield	5.0%	5.7%	5.9%	6.5%	6.7%
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 between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIIB40 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 newswell.

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

As at 25 July 2025 Intermonte's Research Department covered 134 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.84%
OUTPERFORM:	38.06%
NEUTRAL:	29.10%
UNDERPERFORM:	00.00%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (79 in total) is as follows:

BUY:	53.16%
OUTPERFORM:	29.11%
NEUTRAL:	17.73%
UNDERPERFORM:	00.00%
SELL:	00.00%

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