

ITALGAS

Sector: Utilities

NEUTRAL

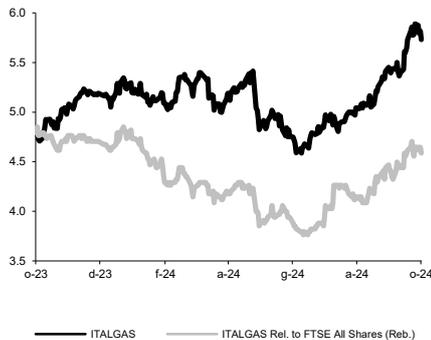
Price: Eu5.73 - Target: Eu6.10

3Q Results Broadly in Line, FY Guidance Confirmed

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	-0.1%	0.2%	0.3%

ITALGAS - 12M Performance



Stock Data			
Reuters code:	IG.MI		
Bloomberg code:	IG IM		
Performance	1M	3M	12M
Absolute	5.8%	16.9%	19.6%
Relative	3.5%	16.6%	-5.9%
12M (H/L)	5.89/4.59		
3M Average Volume (th):	3,706.46		

Shareholder Data	
No. of Ord shares (mn):	809
Total no. of shares (mn):	810
Mkt Cap Ord (Eu mn):	4,636
Total Mkt Cap (Eu mn):	4,636
Mkt Float - Ord (Eu mn):	2,805
Mkt Float (in %):	60.5%
Main Shareholder:	
CDP	26.0%

Balance Sheet Data	
Book Value (Eu mn):	2,473
BVPS (Eu):	3.06
P/BV:	1.9
Net Financial Position (Eu mn):	-6,663
Enterprise Value (Eu mn):	11,532

- 3Q24 results broadly in line with our estimates and consensus.** Yesterday IG published 3Q24 results that were more or less in line with our forecasts and consensus at most levels. In detail: adj. revenues closed at Eu437mn (flat YoY) featuring an +11% rise in Italian regulated revenues, broadly offset by the drop in energy efficiency activities (end of the 110% Superbonus). Adj. EBITDA was Eu338mn (+11.4% YoY, in line) and adj. net income was Eu120mn (+16% YoY, and slightly better than the Eu114mn expected). During the quarter, technical CapEx was Eu196mn (+3% YoY, driven by higher maintenance of the network and metering digitalisation) which, along with the seasonal working capital expansion, pushed net debt up slightly to Eu6,905mn (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 just below Eu0.9bn, net debt at c.Eu6.6bn (excluding financial leases ex-IFRS 16) and leverage below 64%.
- Main pointers from the conference call.** Energy efficiency activities: Italgas is now focusing on industrial clients, especially small and medium-sized companies, and management expects better revenues and EBITDA in 2025; Working capital: in 2024 the group has Eu130mn of tax credits to be compensated (part of which have already been used in the first 9 months), and on the whole management still expects working capital to be slightly positive by year-end (vs. a negative Eu44mn in 9M); tax rate and Patent Box: management expects the 27.5% tax rate shown in the first 9M to decline in the final quarter, benefiting from the final year of the Patent Box impact (the company is finalising the documentation). Timing of 2i Rete Gas deal: Antitrust documentation has recently been filed (no other new details were shared).
- Estimates and TP.** We are broadly confirming our standalone estimates, while we continue to see significant upside potential from the acquisition of 2i Rete Gas and broader indications from the new Strategic Plan. Despite taking a more conservative view on deal synergies, regulated WACC, gas tenders, and the consolidation of Water assets, we see average upside on 2026-2030 EPS of c.9%, with a similar impact on average DPS (please see the [note](#) published on 8 October). We recently increased our TP to Eu6.1, now incorporating a portion of the NPV of the synergies targeted in the plan. On FY24 numbers, we are towards the higher end of the group's EBITDA guidance range, while in terms of the 2024 bottom line we include a Eu15mn benefit from the patent box.
- NEUTRAL confirmed (target Eu6.10).** In our view, the 2i Rete Gas transaction has a clear industrial and strategic rationale and the value creation potential from synergies and efficiencies looks significant. At this stage, we confirm our recommendation given the strong recent performance (+16% vs. FTSE MIB over 3 months) and the potential impact of the capital raise. Following the recent performance, the stock is trading at a 14% premium to 2024 EV RAB, offering a 6.8% DY.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	1,556	1,818	1,755	1,821	1,902
EBITDA Adj (Eu mn)	1,101	1,208	1,330	1,366	1,431
Net Profit Adj (Eu mn)	396	440	485	486	510
EPS New Adj (Eu)	0.489	0.543	0.600	0.601	0.630
EPS Old Adj (Eu)	0.489	0.543	0.600	0.599	0.628
DPS (Eu)	0.317	0.352	0.387	0.387	0.407
EV/EBITDA Adj	9.6	9.2	8.7	8.5	8.2
EV/EBIT Adj	17.0	16.3	14.6	14.2	13.6
P/E Adj	11.7	10.5	9.6	9.5	9.1
Div. Yield	5.5%	6.1%	6.8%	6.8%	7.1%
Net Debt/EBITDA Adj	5.4	5.5	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)

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&P500 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.

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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.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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As at 30 September 2024 Intermonte's Research Department covered 125 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
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 (61 in total) is as follows:

BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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