

# ITALGAS

Sector: Utilities

## NEUTRAL

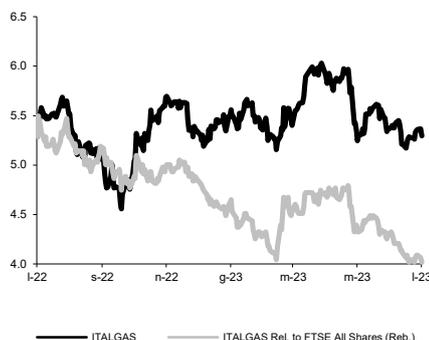
Price: Eu5.29 - Target: Eu5.60

## Costs Fully Under Control, FY23 Guidance Confirmed

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	-0.1%	0.3%	0.2%

### ITALGAS - 12M Performance



Stock Data			
Reuters code:	IG.MI		
Bloomberg code:	IG IM		
Performance	1M	3M	12M
Absolute	-1.3%	-10.3%	0.2%
Relative	-7.1%	-15.6%	-31.7%
12M (H/L)	6.03/4.56		
3M Average Volume (th):	1,646.07		

Shareholder Data	
No. of Ord shares (mn):	809
Total no. of shares (mn):	810
Mkt Cap Ord (Eu mn):	4,284
Total Mkt Cap (Eu mn):	4,284
Mkt Float - Ord (Eu mn):	2,592
Mkt Float (in %):	60.5%
Main Shareholder:	
CDP	26.0%

Balance Sheet Data	
Book Value (Eu mn):	2,263
BVPS (Eu):	2.80
P/BV:	1.9
Net Financial Position (Eu mn):	-6,365
Enterprise Value (Eu mn):	11,005

- Solid 2Q23 results broadly in line with expectations.** Yesterday IG published results that were broadly in line with our expectations at most levels and characterized by another excellent performance in terms of cost control. Specifically, revenues closed at Eu452mn, +30% YoY, featuring a +12% performance from distribution revenues or +4% YoY when adjusted for both the contribution from Depa (+Eu42mn) and the exit from the Naples 1 concession (ca Eu10mn), as well as a sharp rise in other revenues (+186% YoY). Adj. EBITDA was Eu310mn (+18% YoY or +11% YoY adj. for Depa and Naples 1; Eu308mn expected) with LfL cost inflation in regulated activities of ca.0%, EBIT was Eu185mn, and adj. net income was Eu109mn (+9% YoY, in line). During the quarter capital expenditure was Eu223mn, up 15% YoY, which along with the dividend payment pushed net debt to Eu6,315mn including the impact of IFRS16 (also in line with our estimates and consensus).
- Main pointers from the conference call.** Working capital: the Eu6.4bn FY23 net debt guidance provided by management at the Strategic Plan update was based on neutral working capital evolution and this also assumes the reopening of the market for the sale of receivables to the banking sector (alternatively, the group will take advantage of fiscal incentives over a 4-year period); ESCOs: management expects revenues from these activities to decline in the second part of the year, with a target of Eu300-350mn in terms of EBITDA (after Eu200mn in 1H) and a continuing 20% EBITDA margin. Depa: the 8.57% allowed WACC approved by the Greek regulator for FY23 was very much in line with the 8.5% assumptions made by Italgas. For the remaining years of the regulatory period (2024-2026), results will depend on the evolution of the main factors, particularly the level of the risk-free in Greece and the country risk spread; Progress on sustainability objectives: 1H23 featured a sharp reduction in net consumption of total energy, with a drop of 15% (related emissions were down 12% YoY) compared to the corresponding period of 2022, despite the increase due to the inclusion of DEPA Infrastructure Group.
- 2023 guidance confirmed.** Management confirmed guidance for 2023 EBITDA at approximately Eu1.18bn, EBIT at ca. Eu680mn, net debt at Eu6.4bn, and CapEx at Eu0.9bn. Still, CEO Gallo added that the positive performance seen in 1H23 makes him very confident on current guidance (i.e., Eu1.18bn can now be considered a floor).
- Changes to estimates.** Following 2Q23 results, we have increased FY23 EBITDA by 1% (lower operating costs) while broadly confirming EPS estimates on the back of slightly higher financial charges including the Eu500mn bond issuance in June for pre-funding. Please note that for 2024 and 2025 we assume a gas distribution WACC of 6.4% and 6.2% respectively (unchanged). Our target price is also confirmed at Eu5.60.
- NEUTRAL (target 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	1,192	1,325	1,395
Net Profit Adj (Eu mn)	368	396	412	479	496
EPS New Adj (Eu)	0.454	0.489	0.509	0.592	0.613
EPS Old Adj (Eu)	0.454	0.489	0.510	0.591	0.612
DPS (Eu)	0.295	0.317	0.327	0.379	0.402
EV/EBITDA Adj	9.6	9.8	9.2	8.4	8.2
EV/EBIT Adj	17.1	18.5	17.6	16.8	
P/E Adj	11.7	10.8	10.4	8.9	8.6
Div. Yield	5.6%	6.0%	6.2%	7.2%	7.6%
Net Debt/EBITDA Adj	4.9	5.4	5.3	4.9	4.8

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