SNAM

OUTPERFORM

Sector: Utilities

Price: Eu4.42 - **Target: Eu5.20**

2Q24 Results in Line, FY24 Guidance Confirmed

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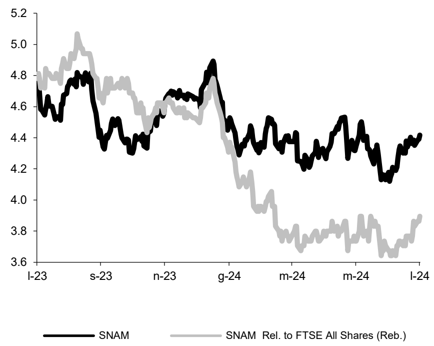
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	1.3%	0.3%	0.4%

SNAM - 12M Performance



Stock Data			
Reuters code:			SRG.MI
Bloomberg code:			SRG IM
Performance	**1M**	**3M**	**12M**
Absolute	6.9%	2.7%	-7.6%
Relative	5.2%	2.6%	-21.2%
12M (H/L)			4.89/4.12
3M Average Volume (th):			8,900.67

Shareholder Data	
No. of Ord shares (mn):	3,361
Total no. of shares (mn):	3,361
Mkt Cap Ord (Eu mn):	14,845
Total Mkt Cap (Eu mn):	14,845
Mkt Float - Ord (Eu mn):	9,827
Mkt Float (in %):	66.2%
Main Shareholder:	
Cassa Depositi e Prestiti	30.8%

Balance Sheet Data	
Book Value (Eu mn):	7,928
BVPS (Eu):	2.34
P/BV:	1.9
Net Financial Position (Eu mn):	-17,442
Enterprise Value (Eu mn):	28,428

- **2Q24 broadly in line with expectations.** Yesterday Snam released 2Q24 results that were broadly in line with expectations at most levels when adjusting for a positive item related to past-years' tariffs in the regasification business. Regulated revenues closed at Eu824mn, up 22% YoY, driven by capital expenditure and the investment deflator, the contribution of output-based incentives for fully depreciated assets, the effects of applying ROSS to the transportation business, revenues related to the Piombino regasification plant and the Eu29mn one-off item. This was accompanied by much lower revenues from new businesses, which dropped to Eu70mn from the Eu273mn recorded in 2Q23. All of this led to adj. EBITDA of Eu714mn (+14% YoY), while below the line a good contribution from associates (flat YoY when adjusted for one-offs) took adj. net profit to Eu356mn, up 11% YoY. On the cash flow front, net debt closed at Eu16.35bn, up from 1Q24 and broadly in line with expectations on the back of total CapEx of Eu591mn in the quarter (+40% YoY).
- **2024 guidance confirmed.** In terms of 2024 numbers, management confirmed guidance which foresees adj. EBITDA at over Eu2.75bn, adj. net income at Eu1.23bn, net debt at Eu17.5bn (including Eu400mn in working capital absorption), CapEx at Eu3.0bn and a tariff RAB at Eu23.8bn.
- **Main messages from the conference call.** Edison Stoccaggio acquisition: management plans to exploit operating efficiencies, leveraging on Stogit's scale, asset proximity and expertise; synergies have been conservatively estimated at 3% of Edison Stoccaggo EBITDA, or some Eu1.5-2.0mn. TAG: the Austrian regulatory review has been completed, removing volume risk thanks to the sterilisation of volumes from 2025 onwards, a change that represents a core milestone and that could provide at least Eu15mn of upside vs. the assumptions contained in the business plan presented in January (very preliminary estimate); 2025 WACC: in the BP, a 5.7% WACC is assumed for transport, although a mark-to-market exercise now points to 5.5%, but according to management any downside could be offset by lower financial charges. This comment, though, was made before the publication last night of the consultation document 342/2024 on potential changes in beta and tax rate in the WACC formula, which in a worst case scenario could lead to a further 30bps negative impact on WACC (-4% on EPS); Energy transition activities: supportive market test results on H_2 and CCS, CCS injection to start soon in Ravenna; on Energy efficiency c.Eu1.23bn backlog at end-June 2024; on Biomethane, 8 plants (c.18 MW) won tariff auctions, 3 of which are already being upgraded to biomethane with around 220 requests for connections in 1H24 (+32% YoY).
- **Estimates confirmed.** Following full 2Q24 results, we are broadly confirming our 2024 estimates, with lower financial charges broadly offset by higher D&A, and remain aligned to the group's guidance. Please note that our 2025 estimates still incorporate a 30bp reduction for allowed WACC in the transport business.
- **OUTPERFORM confirmed (target Eu5.20).** We believe that Snam's strategy will allow the group to continue to seize the many short-term opportunities arising from recent geopolitical developments, while also driving longer-term value by helping establish Italy as a key European hub and pushing the energy transition process forward. The stock also shows an attractive valuation at a 9% premium to 2024 RAB and a 6.6% DY.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	3,516	3,875	3,529	3,703	3,941
EBITDA Adj (Eu mn)	2,237	2,416	2,754	2,886	3,082
Net Profit Adj (Eu mn)	1,163	1,166	1,246	1,264	1,314
EPS New Adj (Eu)	0.346	0.347	0.371	0.376	0.391
EPS Old Adj (Eu)	0.346	0.347	0.366	0.375	0.390
DPS (Eu)	0.275	0.282	0.290	0.299	0.308
EV/EBITDA Adj	10.7	11.1	10.3	10.1	9.7
EV/EBIT Adj	17.7	20.9	16.6	16.7	15.7
P/E Adj	12.8	12.7	11.9	11.7	11.3
Div. Yield	6.2%	6.4%	6.6%	6.8%	7.0%
Net Debt/EBITDA Adj	5.3	6.3	6.3	6.3	6.1

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

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

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

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Emittente	%	Long/Short

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