

SNAM

Sector: Utilities

OUTPERFORM

Price: Eu4.42 - Target: Eu5.10

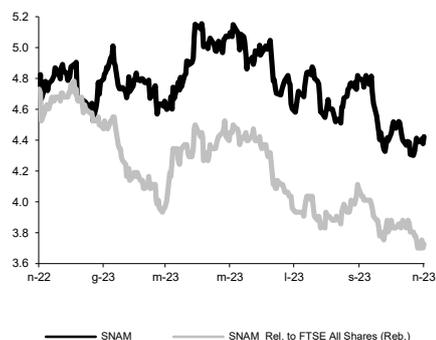
3Q23 Results above Expectations; FY23 Guidance Confirmed

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 5.50 to 5.10		
	2023E	2024E	2025E
Chg in Adj EPS	0.3%	-5.0%	-2.6%

SNAM - 12M Performance



Stock Data

Reuters code:	SRG.MI		
Bloomberg code:	SRG IM		
Performance	1M	3M	12M
Absolute	-0.5%	-4.3%	-6.5%
Relative	-4.2%	-5.2%	-25.3%
12M (H/L)	5.15/4.30		
3M Average Volume (th):	5,359.12		

Shareholder Data

No. of Ord shares (mn):	3,361
Total no. of shares (mn):	3,361
Mkt Cap Ord (Eu mn):	14,865
Total Mkt Cap (Eu mn):	14,865
Mkt Float - Ord (Eu mn):	9,841
Mkt Float (in %):	66.2%
Main Shareholder:	
Cassa Depositi e Prestiti	30.8%

Balance Sheet Data

Book Value (Eu mn):	7,837
BVPS (Eu):	2.31
P/BV:	1.9
Net Financial Position (Eu mn):	-15,551
Enterprise Value (Eu mn):	25,517

- 3Q23 results above expectations.** Yesterday Snam released 3Q23 results that were above our expectations and consensus at most levels. In detail: regulated revenues (excl. energy costs) closed at Eu693mn (5% above estimates), or up 12% YoY, driven by capital expenditure and the investment deflator (RAB growth) as well as by the contribution of output-based incentives for fully depreciated assets. This was accompanied by slightly lower-than-expected revenues from new businesses, which increased to Eu215mn from Eu178mn in 3Q22 but were down from the Eu273mn recorded in 2Q23. All this led to adj. EBITDA of Eu641mn (+16% YoY and 5.5% above est.), while the increase in financial charges (the contribution from associates net of one-off items was broadly flat YoY) took adj. net profit to Eu321mn, up 12% YoY and 13% above our estimates. On the cash flow front, net debt closed at Eu14.3bn, down slightly from 2Q23 levels on the back of Eu498mn of CapEx and a Eu200mn contraction in working capital. Finally, the interim dividend was set at Eu0.1128 per share in line with the policy.
- 2023 guidance substantially confirmed.** SNAM confirmed guidance for investments of Eu2.1bn, a tariff RAB of about Eu22.4bn, adjusted net profit of at least Eu1.1bn, and net debt of Eu15.5bn depending on developments in working capital connected to regulated activities (from the previous “range of between 15.0 and 15.5bn”). Guidance of Eu2.4bn for EBITDA was also confirmed, of which c.Eu120mn from incentives and c.Eu70mn from Energy Transition.
- Main messages from the conference call.** H2 and CCS projects: some projects in Europe are being delayed but Snam is working on the repurposing of infrastructure which in any case will happen in the second part of the decade/first part of the 2030s. Obtaining PCI status will be an important step for the infrastructure; Energy efficiency activities: 2023 performed very well and represented a peak, also thanks to the well-known contribution from the Superbonus; looking at the medium term, Snam does not see major changes to overall expectations built into the business plan, also thanks to strong fundamentals in industrial and public sectors; Potential M&A: management confirmed their potential interest in Edison’s gas storage assets for which they expect to submit a non-binding offer by the beginning of December. Sustainability: In 9M23, 37% of CapEx was Taxonomy aligned and 53% was aligned to SDGs; Sustainable Finance is now at ca. 80% of the total and ESG investors make up 47% of institutional shareholders.
- Estimates and target price confirmed.** Following 3Q23 results we have broadly confirmed 2023 numbers while trimming 2024-2025 EPS (-3.5% on average) on slightly lower allowed WACC (+80bps in Transport from +90bps previously and +50bps in Storage from +60bps previously) and higher financial charges (FY24 average cost of debt now seen at 2.5%) . Our target price moves from Eu5.50 to Eu5.10 also on the back of the higher risk-free rate used in our cash flow.
- OUTPERFORM; target Eu5.10 (from Eu5.50).** Following 3Q23 positive results and the constructive outlook given, we confirm our OUTPERFORM recommendation on the stock. SNAM benefits from a relatively appealing valuation (11% premium to 2024E equity RAB) and direct/indirect exposure to the hydrogen/CCS themes. The update to the group’s business plan at the end of January could represent a positive catalyst.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	3,297	3,516	4,169	4,116	4,389
EBITDA Adj (Eu mn)	2,243	2,237	2,429	2,676	2,849
Net Profit Adj (Eu mn)	1,218	1,163	1,133	1,219	1,284
EPS New Adj (Eu)	0.362	0.346	0.337	0.363	0.382
EPS Old Adj (Eu)	0.362	0.346	0.336	0.382	0.392
DPS (Eu)	0.262	0.275	0.282	0.289	0.296
EV/EBITDA Adj	11.5	10.5	10.5	9.8	9.4
EV/EBIT Adj	18.1	17.5	17.2	15.3	14.5
P/E Adj	12.2	12.8	13.1	12.2	11.6
Div. Yield	5.9%	6.2%	6.4%	6.5%	6.7%
Net Debt/EBITDA Adj	6.3	5.3	6.4	6.0	5.9