

SNAM

Sector: Utilities

OUTPERFORM

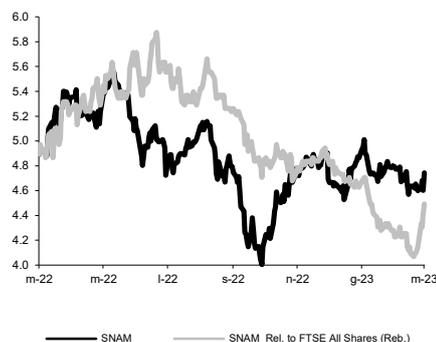
Price: Eu4.74 - Target: Eu5.40

Positive End to FY22 and Constructive Outlook

Federico Pezzetti +39-02-77115.268
 federico.pezzetti@intermonte.it

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.7%	-0.1%	-0.1%

SNAM - 12M Performance



Stock Data			
Reuters code:	SRG.MI		
Bloomberg code:	SRG IM		
Performance	1M	3M	12M
Absolute	-1.1%	1.7%	-3.0%
Relative	5.7%	-7.5%	-8.8%
12M (H/L)	5.56/4.00		
3M Average Volume (th):	5,226.18		

Shareholder Data	
No. of Ord shares (mn):	3,361
Total no. of shares (mn):	3,361
Mkt Cap Ord (Eu mn):	15,937
Total Mkt Cap (Eu mn):	15,937
Mkt Float - Ord (Eu mn):	10,550
Mkt Float (in %):	66.2%
Main Shareholder:	
Cassa Depositi e Prestiti	30.8%

Balance Sheet Data	
Book Value (Eu mn):	7,676
BVPS (Eu):	2.27
P/BV:	2.1
Net Financial Position (Eu mn):	-15,433
Enterprise Value (Eu mn):	26,470

- 4Q22 results above expectations.** Yesterday Snam released a set of 4Q results that were better than expected at most levels. In detail: regulated revenues (excluding energy costs) closed at Eu651mn, or down 4% YoY, with RAB growth and the volume effect more than offset by the cut to allowed WACC. This was accompanied by strong revenues from new businesses (up to Eu231mn, from Eu127mn in 4Q21, as a result of the continued development of activities). All this led to adj. EBITDA of Eu529mn (flatish YoY), and adj. net profit of Eu231mn (reported net profit closed in the red to the tune of Eu300mn, mostly due to a Eu340mn writedown of the TAG stake as a result of the effects of the war between Russia and Ukraine and a Eu179mn fair value adjustment of the Adnoc stake due to changes in interest rates). On the cash flow side, net debt closed at Eu11.9bn, way below our / consensus expectations due to a strong (mostly temporary) positive movement in working capital.
- 2023 guidance.** Snam confirmed guidance for investments of Eu2.1bn, a tariff RAB of about Eu2.4bn, adjusted net profit of approximately Eu1.1bn, and debt in the Eu15.0-15.5bn range, depending on the evolution of regulated working capital.
- Conference call feedback.** Working capital: on YE numbers there was a Eu2.4bn positive impact from working cap (mainly from balancing activities and tariff-related items partially offset by the energy efficiency fiscal credit) expected to be largely reabsorbed in 2023; TAG: Eu340mn writedown booked as the Austrian associate company faces higher volatility in its 2023 results owing to the uncertainty of gas flows from the north towards Italy, which are expected to decrease from historical levels, although this will be partly offset by higher booked volumes of gas flowing from Italy to Austria. Expect to have discussions with regulator that could have a positive impact on tariffs (in which case a writeback could be possible). Equity stakes: a slightly lower contribution to P&L expected than in 2022, lower Tag and UK Interconnector mostly counterbalanced by positive contribution from the TTPC and TMPC gas pipelines (southern corridor); Adriatic backbone: outcome with final authorization expected from ARERA in a couple of weeks; Italgas: pact with CDP is on 50% of the 13.5% stake; happy with returns, not planning to sell the stake; De Nora: no comment on possible disposal; following the recent rally, the price now more adequately reflects the company's prospects.
- Estimates and target price confirmed.** We broadly confirm our 2023-2024 EPS estimates, as higher output-based incentives are counterbalanced by higher financial charges. As a reminder, our 2024 estimates assume a 90bp increase in allowed WACC, e.g. up from the current 5.1% to 6.0% for 2024 Transport WACC.
- OUTPERFORM (target Eu5.40).** Following positive 4Q22 results and the constructive outlook given, even in such a volatile environment, we confirm our OUTPERFORM recommendation on the stock. Snam benefits from a relatively appealing valuation and direct/indirect exposure to the hydrogen theme, with the likelihood of hydrogen investments taking off, as these have increased since the start of the war in Ukraine.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	3,297	3,516	3,594	3,931	4,173
EBITDA Adj (Eu mn)	2,243	2,237	2,377	2,696	2,857
Net Profit Adj (Eu mn)	1,218	1,163	1,117	1,280	1,319
EPS New Adj (Eu)	0.362	0.346	0.332	0.381	0.393
EPS Old Adj (Eu)	0.362	0.340	0.330	0.381	0.393
DPS (Eu)	0.262	0.275	0.282	0.289	0.296
EV/EBITDA Adj	11.5	10.5	11.1	10.0	9.7
EV/EBIT Adj	17.9	17.1	18.5	17.9	
P/E Adj	13.1	13.7	14.3	12.5	12.1
Div. Yield	5.5%	5.8%	5.9%	6.1%	6.2%
Net Debt/EBITDA Adj	6.3	5.3	6.5	5.9	5.9

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