

SNAM

Sector: Utilities

OUTPERFORM

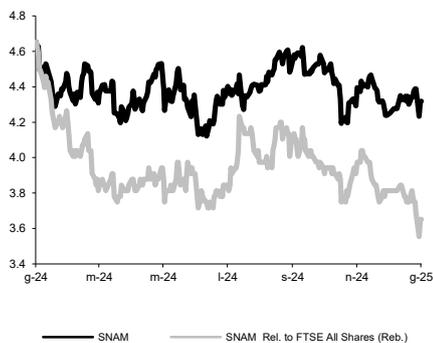
Price: Eu4.32 - Target: Eu5.20

2029 Plan: Upgrade to CapEx and Dividend Distribution

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.0%	7.2%	7.2%

SNAM - 12M Performance



Stock Data			
Reuters code:	SRG.MI		
Bloomberg code:	SRG IM		
Performance	1M	3M	12M
Absolute	1.9%	-3.6%	-7.2%
Relative	-4.0%	-6.9%	-25.1%
12M (H/L)	4.63/4.12		
3M Average Volume (th):	7,335.24		

Shareholder Data	
No. of Ord shares (mn):	3,361
Total no. of shares (mn):	3,361
Mkt Cap Ord (Eu mn):	14,516
Total Mkt Cap (Eu mn):	14,516
Mkt Float - Ord (Eu mn):	9,609
Mkt Float (in %):	66.2%
Main Shareholder:	
Cassa Depositi e Prestiti	30.8%

Balance Sheet Data	
Book Value (Eu mn):	9,286
BVPS (Eu):	2.74
P/BV:	1.6
Net Financial Position (Eu mn):	-18,567
Enterprise Value (Eu mn):	30,008

- 2029 plan: supply security and energy transition.** With the new plan, extended to 2029 with a vision to 2032, Snam will continue to focus on three key pillars: 1) investments in gas infrastructure all along the value chain (strengthening and optimisation of the storage system, reinforcement of Adriatic Line, etc.); 2) development of green gases (H₂ and biomethane) and contribution to decarbonisation through energy efficiency measures and carbon capture and storage (CCS) technology; 3) digitalisation and optimisation of assets and industrial processes.
- Cumulative CapEx up 8%.** Snam foresees CapEx of Eu12.4bn, Eu0.9bn more than the Eu11.5bn envisaged in the 2023-2027 plan. Regulated activities will represent 88% of investments, with Eu10.9bn to be spent on infrastructure, up from Eu10.3bn, while investments in energy transition activities will amount to approximately Eu1.5bn, up from Eu1.2bn in the previous plan. Investments aligned to the European taxonomy account for 41% of the total vs. 37% in the previous plan, while 58% of net investment is aligned with the UN Sustainable Development Goals (SDGs).
- Financial targets: EBITDA and EPS CAGR seen at c.5%.** Over the plan period management is targeting: 1) a RAB CAGR of 6.4% vs. >6% in the previous plan; 2) an EBITDA CAGR of around 5% vs. 7.4% in the previous plan, with the exit EBITDA seen at Eu3.5bn (Eu3.2bn in 2027 in the old plan) of which ca. Eu80mn from energy transition businesses; 3) net income CAGR at 4.5%, up from 3% in the previous plan (exit net income seen at Eu1.53bn). As for leverage, Snam expects the net debt to fixed assets ratio to remain below 70% and FFO/net debt to stay at c.12% over the plan period, in line with previous plan.
- Vision to 2034.** The group sees up to Eu27bn of investment opportunities in the 2025-2034 period, focusing on strengthening system security and flexibility while supporting the energy transition with the development of the hydrogen backbone.
- Dividend policy improved.** In terms of the dividend policy, management confirmed 3.0% growth for 2024, improving to 4% from 2025 to 2029, but with a payout ceiling at 80%.
- 2024 and 2025 guidance.** 2024 EBITDA guidance was confirmed at Eu2.4bn, net profit at Eu1,140mn (from >Eu1.1bn previously), while net debt was confirmed at Eu15.5bn. In terms of 2025 numbers, management sees EBITDA at Eu2.7bn, adj. net income at Eu1.18bn and net debt at Eu17.6bn, including Eu2.9bn of CapEx.
- Change in estimates.** We are confirming our 2024 EPS numbers while in 2025-2027 the EBITDA and bottom-line benefit from a slightly larger CapEx plan and a stronger contribution from associates (2025-2027 EPS up 7% on average).
- OUTPERFORM (TP Eu5.20).** We think Snam's plan will allow the group to continue to grasp the many shorter-term opportunities arising from current geopolitical developments, while also driving longer-term value by helping establish Italy as a key European hub and pushing the energy transition process forward. On capital allocation, the dividend looks safe and over the plan period the company could benefit from c.Eu1.7bn of financial flexibility to grasp new potential M&A/investment opportunities. The stock also shows an attractive valuation at an 8% premium to 2025 EV RAB and a 7.0% 2025E dividend yield.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	3,516	3,875	3,513	3,657	4,020
EBITDA Adj (Eu mn)	2,237	2,416	2,749	2,860	3,092
Net Profit Adj (Eu mn)	1,163	1,166	1,247	1,346	1,413
EPS New Adj (Eu)	0.346	0.347	0.371	0.400	0.420
EPS Old Adj (Eu)	0.346	0.347	0.371	0.374	0.392
DPS (Eu)	0.275	0.282	0.290	0.302	0.314
EV/EBITDA Adj	10.6	11.1	10.3	10.5	10.1
EV/EBIT Adj	17.6	20.7	16.6	17.0	16.1
P/E Adj	12.5	12.4	11.6	10.8	10.3
Div. Yield	6.4%	6.5%	6.7%	7.0%	7.3%
Net Debt/EBITDA Adj	5.3	6.3	6.0	6.5	6.4

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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&PMB40 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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BUY:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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