

SNAM

Sector: Utilities

OUTPERFORM

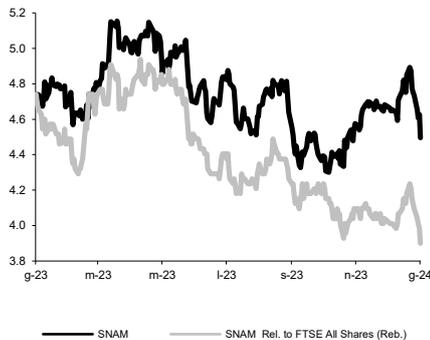
Price: Eu4.50 - Target: Eu5.20

Supply Security Still Driving Growth

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	0.6%	-1.2%	2.4%

SNAM - 12M Performance



Stock Data			
Reuters code:	SRG.MI		
Bloomberg code:	SRG IM		
Performance	1M	3M	12M
Absolute	-4.0%	2.4%	-5.2%
Relative	-3.5%	-8.4%	-20.4%
12M (H/L)	5.15/4.30		
3M Average Volume (th):	6,137.73		

Shareholder Data	
No. of Ord shares (mn):	3,361
Total no. of shares (mn):	3,361
Mkt Cap Ord (Eu mn):	15,110
Total Mkt Cap (Eu mn):	15,110
Mkt Float - Ord (Eu mn):	10,003
Mkt Float (in %):	66.2%
Main Shareholder:	
Cassa Depositi e Prestiti	30.8%

Balance Sheet Data	
Book Value (Eu mn):	8,080
BVPS (Eu):	2.38
P/BV:	1.9
Net Financial Position (Eu mn):	-17,453
Enterprise Value (Eu mn):	27,670

- 2027 strategic plan: supply security and sustainability.** With the new plan to 2027 and its vision to 2032, Snam will continue to focus on three key pillars: 1) investments in gas infrastructure all along the value chain (FSRU, strengthening and optimisation of storage system, reinforcement of Adriatic Line, development of small-scale LNG, etc.); 2) development of green gases (hydrogen and biomethane) and contribution to decarbonisation of consumption through energy efficiency measures and carbon capture and storage (CCS) technology; 3) digitalisation and optimisation of assets and industrial processes.
- Cumulated CapEx up 15%.** Snam foresees CapEx of Eu11.5bn, Eu1.5bn more than the Eu10.0bn envisaged in the 2022-2026 plan. Regulated activities will represent 90% of investments, with Eu10.3bn to be spent on infrastructure, up from Eu9.0bn, while investments in energy transition activities will amount to approximately Eu1.2bn, up from Eu1.0bn in the previous plan. Investments aligned to the European taxonomy account for 37% of the total vs. 36% in the previous plan while 58% of net investment is aligned with the UN Sustainable Development Goals (SDGs).
- Financial targets: EBITDA CAGR >7%.** Over the plan period management is targeting: 1) a RAB CAGR in excess of 6% vs. >5% in the previous plan; 2) an EBITDA CAGR of around 7.4% vs. 7% in the previous plan, with the exit EBITDA seen at Eu3.2bn (Eu2.85bn in 2026 in the old plan) of which Eu140mn from energy transition businesses); 3) net income CAGR at 4%, up from 3% in the previous plan (exit net income seen at Eu1.33bn). As for leverage, Snam expects the net debt to fixed assets ratio to remain below 70% and FFO/net debt at c.12% over the plan period, in line with previous plan.
- Vision to 2032.** The group sees up to Eu26bn of investment opportunities in the 2023-2032 period, focusing on strengthening system security and flexibility while supporting the energy transition with the development of the hydrogen backbone.
- Dividend policy improved slightly.** In terms of the dividend policy, management has raised the minimum growth from 2.5% to 3.0%, while also extending it by a year to 2027.
- 2023-2024 guidance.** 2023 EBITDA guidance was confirmed at Eu2.4bn, net profit at Eu1,140mn (from previous >Eu1.1bn), while net debt was confirmed at Eu15.5bn. In terms of 2024 numbers, management sees EBITDA at Eu2.7bn, net income adj. at Eu1.18bn and net debt at Eu17.6bn, including Eu2.9bn of capex.
- Change in estimates.** We are broadly confirming our 2023-2024 EPS numbers while in 2025-2027 the EBITDA and bottom-line benefit from the larger capex plan (2025-2027 EPS up 3.5% on average). Please note that for 2027 we assume WACCs in line with the company' assumption.
- OUTPERFORM (TP Eu5.20).** Snam's plan will allow the group to continue to grasp 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. On capital allocation, the dividend looks safe and over the plan period the company could benefit from c.Eu2.0bn of financial flexibility to grasp new potential M&A/investment opportunities. The stock also shows an attractive valuation at a 20% premium to 2024 equity RAB and a 6.5% DY.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	3,297	3,516	4,169	4,128	4,396
EBITDA Adj (Eu mn)	2,243	2,237	2,429	2,705	2,912
Net Profit Adj (Eu mn)	1,218	1,163	1,140	1,196	1,276
EPS New Adj (Eu)	0.362	0.346	0.339	0.356	0.380
EPS Old Adj (Eu)	0.362	0.346	0.337	0.360	0.371
DPS (Eu)	0.262	0.275	0.282	0.290	0.299
EV/EBITDA Adj	11.5	10.5	10.9	10.2	9.8
EV/EBIT Adj	18.1	17.5	17.8	16.0	15.3
P/E Adj	12.4	13.0	13.3	12.6	11.8
Div. Yield	5.8%	6.1%	6.3%	6.5%	6.7%
Net Debt/EBITDA Adj	6.3	5.3	6.4	6.5	6.3