# SNAM

# OUTPERFORM

*Sector: Utilities*

Price: Eu5.55 - **Target: Eu6.10**

## Good 3Q Results with Improvement to FY Guidance

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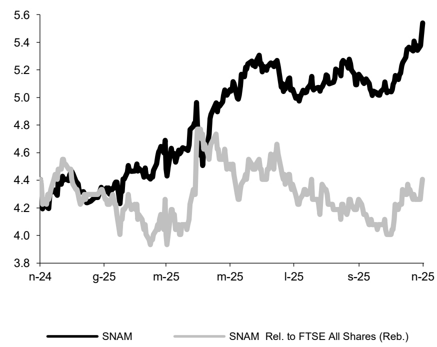
| Stock Rating | | | |
|---|---|---|---|
| **Rating:** | | | Unchanged |
| **Target Price (Eu):** | | | from 5.60 to 6.10 |
| | **2025E** | **2026E** | **2027E** |
| **Chg in Adj EPS** | 1.1% | 1.0% | 1.0% |

**SNAM - 12M Performance**




| Stock Data | | | |
|---|---|---|---|
| Reuters code: | | | SRG.MI |
| Bloomberg code: | | | SRG IM |
| **Performance** | **1M** | **3M** | **12M** |
| Absolute | 9.8% | 7.3% | 25.8% |
| Relative | 9.6% | 1.0% | -0.1% |
| 12M (H/L) | | | 5.55/4.19 |
| 3M Average Volume (th): | | | 5,167.66 |

| Shareholder Data | |
|---|---|
| No. of Ord shares (mn): | 3,361 |
| Total no. of shares (mn): | 3,361 |
| Mkt Cap Ord (Eu mn): | 18,639 |
| Total Mkt Cap (Eu mn): | 18,639 |
| Mkt Float - Ord (Eu mn): | 12,339 |
| Mkt Float (in %): | 66.2% |
| Main Shareholder: | |
| Cassa Depositi e Prestiti | 30.8% |

| Balance Sheet Data | |
|---|---|
| Book Value (Eu mn): | 9,386 |
| BVPS (Eu): | 2.78 |
| P/BV: | 2.0 |
| Net Financial Position (Eu mn): | -18,055 |
| Enterprise Value (Eu mn): | 33,216 |

- **3Q25 numbers slightly better than expected.** Yesterday Snam released a set of 3Q25 results that were slightly better than expected at most levels. In detail: regulated revenues closed up 12% YoY at Eu867mn, driven by the impact on RAB of CapEx and the investment deflator, the impact of resolution 130/2025 (new deflator and adoption of the Italian IPCA) and only partly counterbalanced by the reduction of regulated WACC. This, accompanied by slightly declining revenues from new businesses, and together with good operating cost control, led to adj. EBITDA of Eu735mn (+9.4 YoY, 2% above estimates), while below the line, slightly lower-than-expected D&A and financial costs took adj. net profit to Eu346mn, up 13.4% YoY and 4.5% above expectations. On the cash flow front, net debt closed at Eu17.4bn, slightly down from 2Q25, in part thanks to good working capital management.
- **2025 guidance improved.** Management updated the guidance for FY25, which now includes adj. EBITDA at Eu2.95bn (up from Eu2.85bn) to reflect the impact of ARERA resolution 130/2025/R/com, adj. net profit at Eu1.42bn (up from Eu1.35bn), net debt at Eu18.0bn (down from Eu18.4bn), supported by higher cash conversion, neutral net working capital effects, subsidiaries' cash flows, and increased investment-related debts. This outlook assumes that the 24.99% stake acquisition in OGE, if completed by the end of 2025, will be financed through either asset rotation or a dedicated hybrid instrument. Tariff RAB is still expected at Eu26.2bn.
- **Messages from the conference call.** OGE: a decision will be taken by 17 November, one way or the other; Sardinia methanization: company expects total investments of around Eu700mn for the Oristano LNG facility and connected works; being a virtual pipeline, the LNG facility will also be treated as a transport facility; more generally on LNG, management believes that volumes need to be 100% guaranteed, as for other regulated activities; CCS/H2: the draft law recently published on these will give Arera the power to regulate CCS and H2. On CCS in particular, the draft needs to be converted into law (expected by year end), then Arera will start to work formally on regulation. The latest BP included CapEx of Eu500mn, all expected to contribute to RAB growth with returns expected to be at a premium of ca. 100bps to other gas businesses. Looking forward, if they take a FID at the beginning of 2027, investments in transport could be expected at ca. Eu800mn plus another Eu1-1.5bn relating to the JV with Eni (Snam's share). Working capital: the company's goal is to have neutral WC, not just in 2025 but also in future years (assuming normal volatility in gas prices).
- **Change in estimates and target price.** Following 3Q25 results and the guidance update, we broadly confirm our P&L estimates while improving FY25 net debt by Eu0.4bn, in line with management indications. Our target moves from Eu5.60 to Eu6.10, also on the back of the 50bp reduction in the risk free rate (now 3.5%).
- **OUTPERFORM, target Eu6.10 (from Eu5.60).** We think Snam will continue to grasp the 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. Even after the good performance YtD, the stock does not look expensive, trading at a 17% premium to 2025 EV RAB and offering a 5.4% dividend yield.

| Key Figures & Ratios | 2023A | 2024A | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|
| Sales (Eu mn) | 3,875 | 3,573 | 3,791 | 4,087 | 4,507 |
| EBITDA Adj (Eu mn) | 2,416 | 2,758 | 2,952 | 3,137 | 3,382 |
| Net Profit Adj (Eu mn) | 1,166 | 1,292 | 1,428 | 1,453 | 1,548 |
| EPS New Adj (Eu) | 0.347 | 0.384 | 0.425 | 0.432 | 0.461 |
| EPS Old Adj (Eu) | 0.347 | 0.384 | 0.420 | 0.428 | 0.456 |
| DPS (Eu) | 0.282 | 0.290 | 0.302 | 0.314 | 0.327 |
| EV/EBITDA Adj | 10.9 | 10.0 | 11.3 | 11.0 | 10.4 |
| EV/EBIT Adj | 20.4 | 15.9 | 17.8 | 17.3 | 16.4 |
| P/E Adj | 16.0 | 14.4 | 13.1 | 12.8 | 12.0 |
| Div. Yield | 5.1% | 5.2% | 5.4% | 5.7% | 5.9% |
| Net Debt/EBITDA Adj | 6.3 | 5.9 | 6.1 | 6.2 | 5.9 |

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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 between 5.5% - 6.0% are being used.
Frequency of research: quarterly.
Reports on all companies listed on the FTSEMIB40 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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As at 6 November 2025 Intermonte's Research Department covered 131 companies. Intermonte's distribution of stock ratings is as follows:

| | |
|---|---|
| BUY: | 32.06% |
| OUTPERFORM: | 39.69% |
| NEUTRAL: | 27.49% |
| UNDERPERFORM: | 00.76% |
| SELL: | 00.00% |

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (77 in total) is as follows:

| | |
|---|---|
| BUY: | 50.65% |
| OUTPERFORM: | 29.87% |
| NEUTRAL: | 18.18% |
| UNDERPERFORM: | 01.30% |
| SELL: | 00.00% |

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