

SNAM

Sector: Utilities

OUTPERFORM

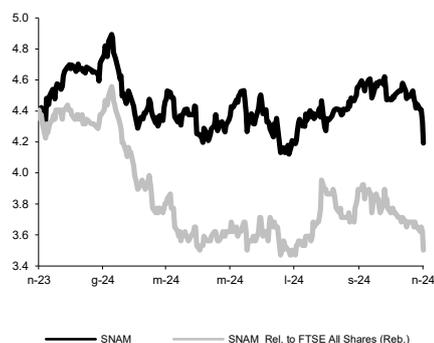
Price: Eu4.19 - Target: Eu5.20

3Q Results In Line, Confirmation of FY24 Guidance

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	1.3%	0.3%	0.4%

SNAM - 12M Performance



Stock Data			
Reuters code:	SRG.MI		
Bloomberg code:	SRG IM		
Performance	1M	3M	12M
Absolute	-6.2%	-3.6%	-4.8%
Relative	-6.7%	-10.0%	-24.2%
12M (H/L)	4.89/4.12		
3M Average Volume (th):	5,113.24		

Shareholder Data	
No. of Ord shares (mn):	3,361
Total no. of shares (mn):	3,361
Mkt Cap Ord (Eu mn):	14,095
Total Mkt Cap (Eu mn):	14,095
Mkt Float - Ord (Eu mn):	9,331
Mkt Float (in %):	66.2%
Main Shareholder:	
Cassa Depositi e Prestiti	30.8%

Balance Sheet Data	
Book Value (Eu mn):	7,927
BVPS (Eu):	2.34
P/BV:	1.8
Net Financial Position (Eu mn):	-17,470
Enterprise Value (Eu mn):	27,741

- 3Q24 broadly in line.** Yesterday Snam released 3Q24 results that were broadly in line with expectations at most levels, as slightly lower revenues were counterbalanced by lower operating costs and slightly higher income from associates. Regulated revenues closed at Eu775mn, up 12% YoY, driven by capital expenditure and the investment deflator, the contribution of output-based incentives for fully depreciated assets, the effects of applying ROSS to the transportation business, and revenues related to the Piombino regasification plant. This was accompanied by much lower revenues from new businesses, which dropped to Eu65mn from the Eu193mn recorded in 3Q23. All of this, together with good operating cost control, led to adj. EBITDA of Eu672mn (+5% YoY), while below the line a sound contribution from associates (flat YoY when adjusted for one-offs) took adj. net profit to Eu356mn, up 11% YoY. On the cash flow front, net debt closed at Eu16.35bn, up from 1Q24 and broadly in line with expectations on the back of total CapEx of Eu591mn in the quarter (+40% YoY).
- 2024 guidance confirmed.** In terms of 2024 numbers, management confirmed guidance for adj. EBITDA at over Eu2.75bn, adj. net income at Eu1.23bn, net debt at Eu16.5bn (down from Eu17.5bn after the issuance of the Eu1.0bn hybrid bond and including Eu400mn in working capital absorption), CapEx at Eu3.0bn and a tariff RAB at Eu23.8bn.
- Main messages from the conference call.** Update on M&A: on Edison Storage an Antitrust filing will be submitted shortly, while on Adriatic LNG the green light arrived from the EU's DG Comp on Tuesday, with closing expected at the beginning of December. Associates: CFO Luca Passa commented that the contribution from associates is expected to reach almost Eu300mn, up from c.Eu270-280mn previously; Output-based incentives: expected to reach c.Eu100mn for 2024, of which c.Eu80mn recorded in 9M, while for 2025 management expects some growth (more on this with the presentation of the Strategic Plan in January); 2025 WACC: management commented that a mark-to-market exercise now points to 5.5% for transport, while in a worst case scenario the impact from consultation document 342/2024 on potential changes in beta and tax rate could lower it by another 20bp (in the BP, a 5.7% WACC is assumed for transport); Energy transition activities: for 2025 the company expects improved results from both biomethane and energy efficiency activities. On biomethane in particular, 9 plants (c.20 MW) won tariff auctions and are undergoing upgrades, 2 of which are expected to start operating by year-end (c.312 requests for connections in 9M24, +23% YoY).
- Estimates confirmed.** Following full 3Q24 results, we are broadly confirming our 2024-2026 estimates. Please note that our 2025 estimates assume a 40bp reduction for allowed WACC in the transport business and do not yet incorporate the impact from the acquisition of Edison Storage.
- OUTPERFORM (target Eu5.20).** We believe Snam's strategy will allow the group to continue to seize the shorter-term opportunities arising from geopolitical developments, while also driving longer-term value by helping establish Italy as a key European hub and pushing the energy transition process forward. The stock shows an attractive valuation at a 7% premium to 2024 RAB and a 7% DY.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	3,516	3,875	3,565	3,736	3,971
EBITDA Adj (Eu mn)	2,237	2,416	2,754	2,886	3,082
Net Profit Adj (Eu mn)	1,163	1,166	1,245	1,264	1,314
EPS New Adj (Eu)	0.346	0.347	0.370	0.376	0.391
EPS Old Adj (Eu)	0.346	0.347	0.366	0.375	0.390
DPS (Eu)	0.275	0.282	0.290	0.299	0.308
EV/EBITDA Adj	10.7	11.2	10.1	9.9	9.4
EV/EBIT Adj	17.7	20.9	16.2	16.3	15.4
P/E Adj	12.1	12.1	11.3	11.2	10.7
Div. Yield	6.6%	6.7%	6.9%	7.1%	7.3%
Net Debt/EBITDA Adj	5.3	6.3	6.3	6.3	6.1

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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&P500 Index, most of those on the MIBEX 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 30 September 2024 Intermonte's Research Department covered 125 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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