Milan, 09 April 2025

Italian Equity Research – Company Update

SNAM

OUTPERFORM

Sector: Utilities

Price: Eu4.62 - **Target: Eu5.20**

OGE: A Door into Europe's Main Gas Market

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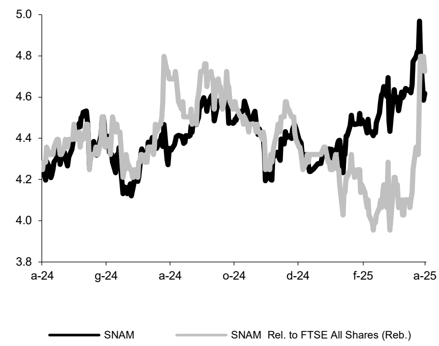
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2025E	**2026E**	**2027E**
Chg in Adj EPS	0.0%	0.0%	0.0%

SNAM - 12M Performance



Stock Data			
Reuters code:			SRG.MI
Bloomberg code:			SRG IM
Performance	**1M**	**3M**	**12M**
Absolute	2.6%	6.9%	8.7%
Relative	15.0%	11.0%	10.8%
12M (H/L)			4.97/4.12
3M Average Volume (th):			9,789.32

Shareholder Data	
No. of Ord shares (mn):	3,361
Total no. of shares (mn):	3,361
Mkt Cap Ord (Eu mn):	15,514
Total Mkt Cap (Eu mn):	15,514
Mkt Float - Ord (Eu mn):	10,270
Mkt Float (in %):	66.2%
Main Shareholder:	
Cassa Depositi e Prestiti	30.8%

Balance Sheet Data	
Book Value (Eu mn):	9,445
BVPS (Eu):	2.80
P/BV:	1.7
Net Financial Position (Eu mn):	-18,420
Enterprise Value (Eu mn):	30,723

- **Agreement signed to purchase 24.99% of Open Grid Europe:** on Monday, Snam and Infinity Investments, the investment vehicle owned entirely by Abu Dhabi Investment Authority, signed a share purchase agreement for Snam to buy the 24.99% Infinity Investments stake in the share capital of Vier Gas Holding S.à r.l. (VGH) – a Luxembourg-based company that indirectly owns the entire share capital of Open Grid Europe (OGE) – for an equity value of Eu920mn. Snam also entered into a separate agreement with the Belgian TSO, Fluxys – a current VGH shareholder with a c.24.11% stake, and already a Snam partner in Interconnector, TAP and DESFA – according to which Snam agreed to sell to Fluxys a stake of approximately 0.5% in the share capital of VGH.
- **Gaining exposure to the largest gas market in Europe:** OGE is Germany's largest independent gas transmission operator, managing a network extending for approximately 12,000 km, with an annual off-take volume of approximately 21 bcm and more than 400 end-customers. The German gas market is the largest in Europe and key to the rest of the Continent, with demand at c.85bcm, which is destined to remain high in the future thanks to the development of the hydrogen market. Moreover, OGE actively promotes the energy transition thanks to its leading role in the development of the German Hydrogen Core Grid – the first regulated national hydrogen network in Europe – and its strategic positioning in the future dedicated CO_2 network, with a focus on north-west Germany.
- **Transparent regulation with room for improvement:** OGE benefits from transparent and visible gas regulatory framework with regulation in place since 2009. Current asset remuneration is as follows: 3.5% Ke real pre-tax on old assets (before 2005), 5.07% Ke nominal pre-tax on new assets (currently provides for a real pre-tax ROE of 3.51% on old assets, a nominal pre-tax return of 5.07% on new assets (2006-2023) and 7.1% Ke nominal pre-tax on assets built over the current regulatory period. The regulator will modernise the Regulatory Framework from 2028, with a new WACC-RAB based regime expected from that year (RP5), as opposed to the current Cost of Equity model. Snam will also push for further efficiency outperformance in RP5.
- **Deal looks fully priced:** as at 31 December 2024, Vier Gas Transport (VGT), OGE's direct parent company, had an estimated adj. EBITDA of approximately Eu630mn and an estimated net debt of Eu3.39bn. The implicit transaction multiple on estimated 2025 EBITDA is about 12x while 2025 EV/RAB stands at 1.28x (vs. c.1.10x at Snam) consistently with the 1.36x paid by Fluxys in 2023. The acquisition will likely be financed via a hybrid financing instrument, with the transaction expected to increase annual net income by 2-3% on average over the current business plan period and EPS by 1%.
- **OUTPERFORM (target Eu5.20):** we believe the acquisition of OGE (not yet included in our numbers) represents a very appealing strategic move that will allow the company to enter Europe's largest gas market with H_2 and CCS development potential. The price looks full, but multiples are in line with similar transactions, also reflecting Germany's lower interest rate environment. Finally, despite a regulatory framework that is not entirely comparable to Snam's domestic market, we see scope for improvement in the next regulatory period.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	3,875	3,567	3,703	4,050	4,471
EBITDA Adj (Eu mn)	2,416	2,753	2,862	3,098	3,344
Net Profit Adj (Eu mn)	1,166	1,288	1,354	1,414	1,505
EPS New Adj (Eu)	0.347	0.383	0.403	0.421	0.448
EPS Old Adj (Eu)	0.347	0.383	0.403	0.421	0.448
DPS (Eu)	0.282	0.290	0.302	0.314	0.327
EV/EBITDA Adj	11.0	10.1	10.7	10.3	9.7
EV/EBIT Adj	20.6	16.1	17.3	16.4	15.4
P/E Adj	13.3	12.0	11.5	11.0	10.3
Div. Yield	6.1%	6.3%	6.5%	6.8%	7.1%
Net Debt/EBITDA Adj	6.3	5.9	6.4	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&PMIB40 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.

Explanation of our ratings system:

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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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