

# TERNA

Sector: Utilities

# NEUTRAL

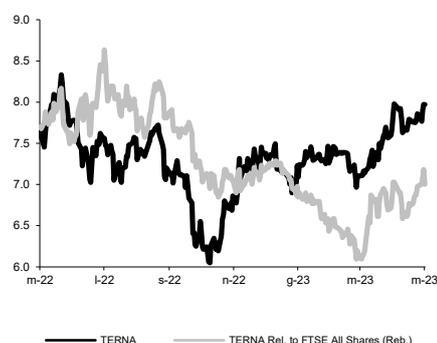
Price: Eu7.97 - Target: Eu7.70

## Solid 1Q23 Numbers and Confirmation of FY23 Guidance

**Federico Pezzetti +39-02-77115.268**  
 federico.pezzetti@intermonte.it

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 7.60 to 7.70		
	2023E	2024E	2025E
Chg in Adj EPS	1.6%	1.5%	0.0%

### TERNA - 12M Performance



Stock Data			
Reuters code:	TRN.MI		
Bloomberg code:	TRN IM		
Performance	1M	3M	12M
Absolute	1.4%	9.8%	3.5%
Relative	-0.2%	8.8%	-10.2%
12M (H/L)	8.33/6.05		
3M Average Volume (th):	3,821.73		

Shareholder Data	
No. of Ord shares (mn):	2,010
Total no. of shares (mn):	2,010
Mkt Cap Ord (Eu mn):	16,024
Total Mkt Cap (Eu mn):	16,024
Mkt Float - Ord (Eu mn):	10,255
Mkt Float (in %):	64.0%
Main Shareholder:	
Cassa Depositi e Prestiti	29.9%

Balance Sheet Data	
Book Value (Eu mn):	6,374
BVPS (Eu):	3.17
P/BV:	2.5
Net Financial Position (Eu mn):	-10,528
Enterprise Value (Eu mn):	27,542

- 1Q23 results broadly in line with expectations at all levels.** Yesterday, Terna reported 1Q23 numbers that were broadly in line with our expectations and the consensus at all levels. Revenues closed at Eu713mn, (+11% YoY and 1.5% above expectations), helped by a positive performance from regulated activities (slightly higher output-based incentives) as well as the contribution from non-regulated activities (+20% YoY). Adj. EBITDA was Eu500mn (+8% YoY; 1% above), EBIT came to Eu313mn, and adj. net income was Eu200mn (+5% YoY; broadly in line). CapEx was Eu315mn in the quarter (+7% YoY; also in line) and net debt closed at Eu8,847mn vs. our expectation of Eu8,867mn.
- 2023 EPS guidance confirmed.** Management has confirmed its recent guidance for FY23 which foresees EBITDA at Eu2.12bn, an EPS of Eu0.43 and Eu2.2bn of CapEx.
- Key conference call messages.** Output-based incentives: Management is still expecting around Eu300mn of output-based incentives to be cashed in during 2023 (around two thirds coming from dispatching); in the previous call it was added that at this stage a similar figure is also expected for 2024. Working capital: of the Eu0.9-1bn of extraordinary working capital contraction seen in 2022 (pass-through items for which specific resolution is needed from the authority) c.Eu300mn were reversed in the first quarter and the company expects a progressive further reversal in the second part of the year; Potential opportunities from the NRRP: according to management participation in some projects cannot be entirely ruled out, but this represents a residual option for Terna and any public incentives would clearly be deducted from RAB.
- Procedure for sixth regulatory period (2024-2027) launched by ARERA.** With resolution 166/2023 the Authority recently kicked off the procedure for establishing the resolutions for regulation of transmission services in the sixth regulatory period (2024-2027). The procedure will overlap with the Authority's work on the ROSS-base approach (TotEx approach). The proceedings will also cover issues such as the potential introduction of new output-based incentive mechanisms for transmission services. The Authority plans to develop the proceedings in a number of stages, taking into account both the 31 December 2023 deadline for first implementation of the regulation, and subsequent updates during the course of the regulatory period, for example for the definition of the application criteria for the full ROSS regulation or the update of output-based mechanisms.
- Change in estimates and valuation.** We are just tweaking our 2023-2024 EPS estimates on the back of slightly higher output-based incentives. For 2024 please note that we are incorporating a 90bp increase in the allowed WACC, up from 5.0% to 5.9%. Our valuation moves to Eu7.70 (from Eu7.60), mostly as a consequence of the higher bottom line.
- NEUTRAL; target Eu7.70 (from Eu7.60).** The company remains very much at the centre of the global energy transition trend and we believe it will continue to attract a premium to other regulated peers. Despite a potentially more benign interest rate environment we nevertheless confirm our NEUTRAL view, as we see limited upside at current prices.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	2,605	2,965	3,144	3,354	3,404
EBITDA Adj (Eu mn)	1,855	2,059	2,143	2,340	2,382
Net Profit Adj (Eu mn)	789	857	889	964	960
EPS New Adj (Eu)	0.393	0.426	0.442	0.480	0.478
EPS Old Adj (Eu)	0.393	0.426	0.435	0.472	0.478
DPS (Eu)	0.291	0.314	0.339	0.350	0.360
EV/EBITDA Adj	12.3	11.7	12.9	12.3	12.7
EV/EBIT Adj	18.9	20.5	22.3	21.9	21.5
P/E Adj	20.3	18.7	18.0	16.6	16.7
Div. Yield	3.7%	3.9%	4.3%	4.4%	4.5%
Net Debt/EBITDA Adj	5.4	4.2	4.9	5.0	5.5

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein, and any of its parts, is strictly prohibited. None of the contents of this document may be shared with third parties without Company authorization. Please see important disclaimer on the last page of this report