

TERNA

Sector: Utilities

NEUTRAL

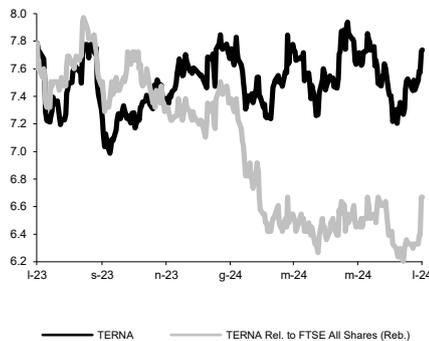
Price: Eu7.74 - Target: Eu8.50

Good 2Q24 Results and Confirmation of FY24 Guidance

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.1%	0.6%	0.8%

TERNA - 12M Performance



Stock Data			
Reuters code:	TRN.MI		
Bloomberg code:	TRN IM		
Performance	1M	3M	12M
Absolute	4.5%	3.5%	-0.6%
Relative	3.6%	4.6%	-16.9%
12M (H/L)	7.94/6.99		
3M Average Volume (th):	4,755.34		

Shareholder Data	
No. of Ord shares (mn):	2,010
Total no. of shares (mn):	2,010
Mkt Cap Ord (Eu mn):	15,553
Total Mkt Cap (Eu mn):	15,553
Mkt Float - Ord (Eu mn):	9,954
Mkt Float (in %):	64.0%
Main Shareholder:	
Cassa Depositi e Prestiti	29.9%

Balance Sheet Data	
Book Value (Eu mn):	6,641
BVPS (Eu):	3.30
P/BV:	2.3
Net Financial Position (Eu mn):	-12,353
Enterprise Value (Eu mn):	28,897

■ **2Q24 results broadly in line with our expectations.** Friday, Terna disclosed a set of 2Q24 numbers that were broadly in line with our estimates but better than consensus on bottom line. This was mostly thanks to lower-than-expected financial charges due to greater income from the investment of liquidity and an increase in capitalised financial expenses. In detail: revenues closed at Eu896mn (+17% YoY and broadly in line with expectations), driven by RAB growth (impact of CapEx and investment deflator), the increase in allowed returns (while output-based incentives were slightly lower vs. 2Q23) and non-regulated activities, up strongly to Eu154mn (+25% YoY). Adj. EBITDA was Eu629mn (+23% YoY; in line) thanks to good control of regulated operating costs, EBIT came to Eu417mn, and adj. net income was Eu277mn (+32% YoY; 2.5% above estimates). CapEx was Eu560mn in the quarter (+9% YoY vs. Eu623mn expected) and net debt closed marginally down at c.Eu10.3bn, broadly in line with expectations thanks to the Eu850mn positive impact of the hybrid bond.

■ **2024 guidance confirmed.** Management confirmed its recent FY24 guidance, which foresees revenues at Eu3.55bn, EBITDA of Eu2.42bn and EPS at Eu0.49, with CapEx at around Eu2.6bn and a RAB of Eu22.5bn.

■ **Key conference call messages.** Output-based incentives: in 2Q24 the company booked c.Eu70mn in output-based incentives, mostly relating to dispatching services. At the time of 1Q24 results management had confirmed that over the plan period it expects around Eu400mn to be cashed in, with a front-end loaded path (in previous calls it was commented that for 2024 a figure not too far from Eu300mn could be expected). Regulated returns: during the call the CFO confirmed that the group still expects the 2025 allowed WACC to end up broadly in line with the 5.5% used in the company's business plan and down from 5.8% currently; Cost of debt: management expects the cost of debt to increase slightly in the second part of the year, reaching an average of around 2.5% for the full year, an indication which seems a bit conservative to us; International activities: the process of selling assets in Peru and Linha Verde I in Brazil is ongoing, and the group is also continuing its strategic assessment of further opportunities in overseas markets, involving the careful selection of projects with a view to ensuring a low risk profile and limited capital absorption.

■ **Estimates and target price confirmed.** Following this set of results we are broadly confirming our estimates while also confirming our target price of Eu8.50.

■ **NEUTRAL confirmed (target Eu8.50).** 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 confirm our NEUTRAL view, as we see limited upside at current prices.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	2,965	3,187	3,550	3,753	4,019
EBITDA Adj (Eu mn)	2,059	2,169	2,448	2,587	2,803
Net Profit Adj (Eu mn)	857	885	996	1,009	1,057
EPS New Adj (Eu)	0.426	0.440	0.495	0.502	0.526
EPS Old Adj (Eu)	0.426	0.440	0.495	0.499	0.521
DPS (Eu)	0.314	0.340	0.368	0.367	0.382
EV/EBITDA Adj	11.7	12.3	11.8	11.9	11.7
EV/EBIT Adj	18.1	19.5	18.3	18.8	18.5
P/E Adj	18.1	17.6	15.6	15.4	14.7
Div. Yield	4.1%	4.4%	4.8%	4.7%	4.9%
Net Debt/EBITDA Adj	4.2	4.8	5.0	5.5	5.8

Peer Performances and Valuation Multiples

Utilities Sector: Market Multiples Comparison

Company	Price	Mkt. cap (Eu mn)	Abs. Perf. (%)					P/E adj.			EV/EBITDA			Div. Yield (%)		
			-1m	-3m	-6m	-12m	YTD	2023	2024E	2025E	2023	2024E	2025E	2023	2024E	2025E
Integrated Utilities																
Enel	6.66	67,710	1%	10%	6%	7%	-1%	10.4	9.9	9.9	6.6	6.2	6.1	6.5%	6.8%	7.1%
A2A	1.98	6,209	4%	11%	11%	17%	7%	9.7	9.1	10.5	5.9	6.2	6.1	4.9%	5.0%	5.1%
Hera	3.48	5,178	8%	2%	12%	25%	17%	13.8	12.5	12.2	6.0	6.1	6.1	4.0%	4.2%	4.3%
Acea	16.39	3,452	7%	1%	14%	42%	17%	9.0	10.8	10.7	6.4	6.8	6.7	5.4%	5.6%	5.8%
Iren	1.93	2,508	-3%	5%	2%	8%	-2%	9.0	9.3	8.6	5.6	5.5	5.4	6.1%	6.6%	7.2%
Average		85,057	2%	9%	7%	11%	1%	10.5	10.0	10.1	6.5	6.2	6.1	6.1%	6.4%	6.7%
Renewable Utilities																
Erg	24.50	3,686	2%	0%	-10%	-12%	-15%	16.3	17.6	16.3	9.9	10.2	9.6	4.1%	4.1%	4.1%
Average		3,686	2%	0%	-10%	-12%	-15%	16.3	17.6	16.3	9.9	10.2	19.8	4.1%	4.1%	4.1%
Regulated Utilities																
Snam	4.36	14,737	5%	3%	-2%	-9%	-6%	12.6	11.9	11.6	10.9	10.3	10.1	6.5%	6.7%	6.9%
Terna	7.72	15,533	4%	4%	1%	0%	2%	17.5	15.6	15.4	12.5	11.8	11.9	4.4%	4.8%	4.8%
Italgas	4.91	3,975	5%	-3%	-4%	-6%	-4%	9.0	8.2	8.1	9.1	8.0	7.7	7.2%	7.9%	7.9%
Enav	4.00	2,145	6%	4%	16%	2%	15%	19.2	17.5	16.4	8.3	7.7	7.3	5.7%	5.9%	6.1%
Average		36,391	5%	2%	0%	-4%	-1%	14.7	13.4	13.1	11.2	10.5	10.4	5.6%	5.9%	6.0%
Italian		125,135	3%	7%	4%	6%	0%	11.9	11.2	11.1	8.0	7.6	7.7	5.9%	6.2%	6.4%

Source: Intermonte SIM estimates

European Regulated Utilities: Market Multiples Comparison

Company	Price	Mkt. cap (Eu mn)	Abs. Perf. (%)					P/E adj.			EV/EBITDA			Div. Yield (%)		
			-1m	-3m	-6m	-12m	YTD	2023	2024E	2025E	2023	2024E	2025E	2023	2024E	2025E
Italy																
Snam	4.36	14,737	5%	3%	-2%	-9%	-6%	12.6	11.9	11.6	10.9	10.3	10.1	6.5%	6.7%	6.9%
Terna	7.72	15,533	4%	4%	1%	0%	2%	17.5	15.6	15.4	12.5	11.8	11.9	4.4%	4.8%	4.8%
Italgas	4.91	3,975	5%	-3%	-4%	-6%	-4%	9.0	8.2	8.1	9.1	8.0	7.7	7.2%	7.9%	7.9%
Spain																
Red Electrica	16.33	8,857	-5%	5%	10%	7%	10%	12.8	17.5	16.9	9.1	10.8	10.6	6.0%	5.1%	5.0%
Enagas	13.59	3,581	-5%	0%	-10%	-15%	-10%	10.5	73.2	14.4	5.8	5.2	5.6	13.0%	8.3%	7.3%
UK																
National Grid	9.73	55,822	8%	2%	3%	2%	2%	15.3	14.1	12.9	13.2	12.2	11.8	5.9%	4.9%	5.0%
United Utilitie	10.06	8,161	0%	0%	-1%	3%	-2%	30.8	17.3	11.6	15.1	13.7	12.1	4.9%	5.2%	5.1%
Severn Trent	25.03	8,868	2%	4%	1%	-1%	-1%	34.6	26.5	15.7	15.8	15.2	12.7	4.6%	4.9%	5.0%
Eu Average		115,560	5%	2%	2%	0%	1%	17.5	17.3	13.6	12.6	11.9	11.4	5.8%	5.2%	5.3%

Source: Intermonte SIM estimates, Facts et consensus.

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	TERNA		
Current Recomm:	NEUTRAL	Previous Recomm:	NEUTRAL
Current Target (Eu):	8.50	Previous Target (Eu):	8.50
Current Price (Eu):	7.74	Previous Price (Eu):	7.71
Date of report:	29/07/2024	Date of last report:	09/05/2024