

# ACEA

Sector: Utilities

## NEUTRAL

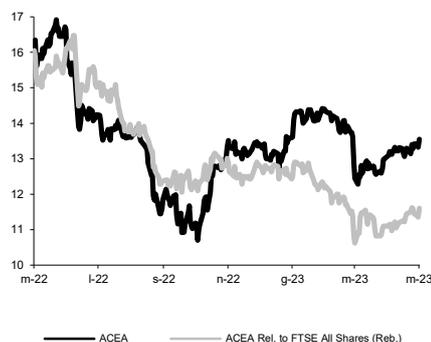
Price: Eu13.55 - Target: Eu15.50

## 1Q23 Broadly in Line, FY23 Guidance Confirmed

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	-1.3%	-1.7%	-1.6%

### ACEA - 12M Performance



Stock Data			
Reuters code:	ACE.MI		
Bloomberg code:	ACE IM		
Performance	1M	3M	12M
Absolute	4.5%	-5.5%	-15.6%
Relative	4.5%	-5.2%	-32.3%
12M (H/L)	16.92/10.70		
3M Average Volume (th):	126.66		

Shareholder Data	
No. of Ord shares (mn):	213
Total no. of shares (mn):	213
Mkt Cap Ord (Eu mn):	2,886
Total Mkt Cap (Eu mn):	2,886
Mkt Float - Ord (Eu mn):	724
Mkt Float (in %):	25.1%
Main Shareholder:	
Council of Rome	51.0%

Balance Sheet Data	
Book Value (Eu mn):	1,921
BVPS (Eu):	11.36
P/BV:	1.2
Net Financial Position (Eu mn):	-4,958
Enterprise Value (Eu mn):	8,691

- **1Q23 EBITDA slightly higher, bottom line below expectations.** Yesterday afternoon ACEA released a set of 1Q23 results that were a touch better for EBITDA but below expectations on the bottom line. In detail, EBITDA closed at Eu336mn (+5.5% YoY, 2% above expectations), EBIT at Eu150mn (-2.6% YoY), and adj. net income at Eu73mn (-9% YoY, 14% below expectations). On the balance sheet, net debt closed at Eu4,339mn (in line) on the back of Eu247mn in CapEx (+11% YoY).
- **Divisional breakdown.** Sales & Trading saw EBITDA rise 87% YoY to Eu33mn (38% above exp.), primarily reflecting improved margins on the sale of energy and the impact of Energy Efficiency projects; at Energy infrastructure, overall EBITDA was down 7% YoY (and 5% below exp.) hit by lower energy prices in power generation; in Water (EBITDA +6% YoY; 2.6% above estimates), the impact from the consolidation of ASM Terni helped a performance that featured marginal organic growth (sludge treatment costs still high); in the Environment division, EBITDA declined 5% YoY to Eu21mn (9% below estimates), capped by lower electricity prices and higher treatment costs.
- **2023 guidance confirmed (for the time being).** For 2023, management confirmed the guidance provided at the time of FY22 results, including EBITDA growth of +2-4% YoY to Eu1,331-1,357mn, CapEx in line with 2022, and net debt/EBITDA below 3.8x (i.e. below c.Eu5.1bn). Actions taken by management nevertheless point towards guidance being raised in the coming months.
- **Main pointers from the conference call:** Strategy: the new BoD will get to work in the coming weeks, so it would be premature to provide any indications for now. Management is nevertheless concentrated on operations management, with a focus on: 1) revenues from regulated tariffs; 2) a cost control plan; 3) prioritisation of investments; Working Capital: the improvement in working capital is largely attributable to a reduction in commodity payments and turnover at ACEA Energia, as well as the reintroduction of general system costs; Water business: changes in scope, due to the consolidation of ASM Terni acquired at the end of 2022, contributed Eu3mn to quarterly EBITDA; Photovoltaic plants: Total pipeline 877MW, of which 210MW authorised (in construction + ready to build) and 667MW in the process of being authorised. Installed capacity 97MW.
- **Change in estimates and target price.** We are nudging 2023 EBITDA numbers slightly upwards while trimming the 2023 bottom line due to higher-than-previously-estimated financial charges. Our target price is confirmed at Eu15.50 and is still calculated as a 50/50 combination of the DCF model and market multiples.
- **NEUTRAL (TP Eu15.50).** We believe that 1Q23 results will probably lead to a substantial confirmation of consensus 2023 EPS estimates. On cash flow generation, we still believe that 2023 net debt guidance reflects management's caution, but think that over the next few months the stock will draw a lot of attention from investors, especially in the current high-interest-rate environment. As we await the presentation of the Business Plan update we confirm our NEUTRAL recommendation on the stock.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	3,976	5,138	4,646	3,961	3,939
EBITDA Adj (Eu mn)	1,256	1,305	1,346	1,378	1,407
Net Profit Adj (Eu mn)	313	300	311	319	327
EPS New Adj (Eu)	1.469	1.407	1.459	1.497	1.536
EPS Old Adj (Eu)	1.469	1.407	1.479	1.523	1.561
DPS (Eu)	0.851	0.851	0.851	0.876	0.902
EV/EBITDA Adj	7.1	6.4	6.5	6.3	6.2
EV/EBIT Adj	15.3	14.7	14.4	14.0	13.5
P/E Adj	9.2	9.6	9.3	9.1	8.8
Div. Yield	6.3%	6.3%	6.3%	6.5%	6.7%
Net Debt/EBITDA Adj	3.2	3.4	3.7	3.6	3.5