

# ENEL

Sector: Utilities

# OUTPERFORM

Price: Eu5.99 - Target: Eu7.80

## Another Robust Quarter Expected. Focus on Next CMD

 Paolo Citi +39-02-77115.430  
 paolo.citi@intermonte.it

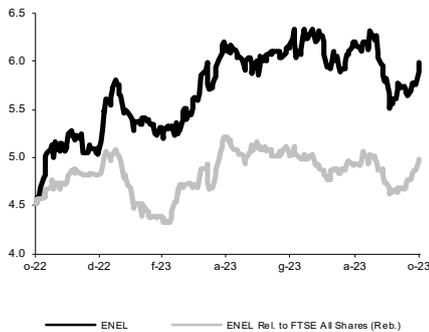
### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

### Next Event

3Q23 Results Out 7 November

### ENEL - 12M Performance



### Stock Data

Reuters code:	ENEI.MI		
Bloomberg code:	ENEL IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	2.9%	-4.5%	32.5%
Relative	4.8%	2.3%	12.4%
12M (H/L)	6.34/4.54		
3M Average Volume (th):	23,074.81		

### Shareholder Data

No. of Ord shares (mn):	10,167
Total no. of shares (mn):	10,167
Mkt Cap Ord (Eu mn):	60,880
Total Mkt Cap (Eu mn):	60,880
Mkt Float - Ord (Eu mn):	41,885
Mkt Float (in %):	68.8%
Main Shareholder:	
Italian treasury	31.2%

### Balance Sheet Data

Book Value (Eu mn):	30,496
BVPS (Eu):	3.00
P/BV:	2.0
Net Financial Position (Eu mn):	-52,046
Enterprise Value (Eu mn):	131,557

■ **3Q23 results preview.** On the macro front, electricity and gas prices were broadly stable QoQ. Electricity demand in Italy remained under pressure in July and August before recovering slightly in September (3Q23 down 1.4% YoY). On the production front, all renewable sources in Italy were up (hydro +43% YoY, wind +20%, solar +17%), confirming the recovering trend that started in 2Q23, while thermal was down 15%. In this context, we expect Enel's 3Q23 results to continue the healthy margin improvements recorded in 1H23, mainly underpinned by a normalisation of hydro production and a robust recovery in Supply activities in Italy after the sharp losses recorded last year. Moving to Group P&L figures, ordinary EBITDA is expected to have closed at Eu5,371mn (+23% YoY) and ordinary net income at Eu1,641mn (+89% YoY). On the balance sheet net debt is expected to have increased slightly to Eu63.3bn from Eu62.1bn as at the end of June, reflecting CapEx for Eu3.2bn and dividends for Eu2.6bn. We highlight that the quarter did not benefit from the Eu5bn cash-in from asset sales closed in 1H23, with proceeds to be booked in 4Q23 and 1Q24.

■ **2023 EBITDA guidance expected to be raised, higher net debt.** Taking into account the robust results recorded in 1H23 and the expectations for a solid 2H23, we expect ENEL to improve its FY23 EBITDA guidance (currently Eu20.4-21.0bn). By contrast, we see more limited upside on the bottom line (Eu6.1-6.3bn), primarily reflecting higher net financial charges. On net debt, we cannot rule out the indication of a higher YE23 figure (Eu51.0-52.0bn), reflecting a potential slowdown in the asset disposal plan.

■ **New 2024-26 business plan.** ENEL will hold its Capital Markets Day on 22 November. We expect ENEL's new 2024-26 business plan to be focused on the following strategic guidelines: returns over growth, Group rationalisation, cost cutting, deleverage and shareholders' returns. On the financial side, we see the possibility ENEL could also offer slightly more aggressive EBITDA targets for 2024 and the following years, reflecting a normalisation of hydro production, the expiry of price caps and a recovery in sales margins. On the disposal plan, we would not rule out a potential slight deceleration, while we expect a potential 5-10% reduction in CapEx. On dividends, we expect ENEL to confirm the current Eu0.43ps dividend for 2023 and 2024, while we believe it may return to dividend growth from 2025 onwards.

■ **Estimates and valuation.** Ahead of 3Q23 results we are leaving our projections unchanged, even if we see upside for domestic activities' operating margins, following a normalisation of hydro production, clawback expiry and strong recovery in Supply margins. By contrast, our Eu52.0bn YE23 net debt projection appears optimistic in light of the slowdown in the disposal plan witnessed over the last few months.

■ **Investment case.** After 1H23 results highlighted a strong recovery in Supply margins, we expect 3Q23 results to confirm robust P&L figures. On the debt front, despite a slight potential increase, we see room for a robust reduction in 4Q23 thanks to further gradual working capital normalisation and the cash-in from asset sales. We believe 3Q results and more importantly the next CMD could represent positive catalysts for the stock. We confirm our positive recommendation.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	88,006	140,517	105,223	101,447	102,670
EBITDA Adj (Eu mn)	19,210	19,683	21,332	21,873	22,656
Net Profit Adj (Eu mn)	5,593	5,391	6,384	7,033	7,313
EPS New Adj (Eu)	0.550	0.530	0.628	0.692	0.719
EPS Old Adj (Eu)	0.550	0.530	0.628	0.692	0.719
DPS (Eu)	0.380	0.400	0.430	0.430	0.430
EV/EBITDA Adj	7.8	6.8	6.2	5.9	5.8
EV/EBIT Adj	19.4	12.0	10.0	8.8	8.7
P/E Adj	10.9	11.3	9.5	8.7	8.3
Div. Yield	6.3%	6.7%	7.2%	7.2%	7.2%
Net Debt/EBITDA Adj	2.7	3.1	2.4	2.3	2.3