Intermonte

Milan, 04 April 2024

**Italian Equity Research – Change in View**

# ENI

# OUTPERFORM

*Sector: Energy*

Price: Eu15.18 - **Target: Eu18.00**

## Back Under the Spotlight with Oil At $90/bl

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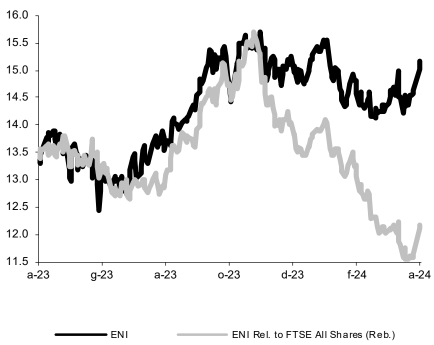
| Stock Rating | | | |
|---|---|---|---|
| **Rating:** | from NEUTRAL to OUTPERFORM | | |
| **Target Price (Eu):** | from 15.50 to 18.00 | | |
| | **2024E** | **2025E** | **2026E** |
| **Chg in Adj EPS** | 14.0% | 14.5% | 13.1% |

**Next Event**
1Q24 Results out 24 April

**ENI - 12M Performance**




| Stock Data | | | |
|---|---|---|---|
| Reuters code: | | | ENI.MI |
| Bloomberg code: | | | ENI IM |
| **Performance** | **1M** | **3M** | **12M** |
| Absolute | 5.9% | -1.7% | 13.0% |
| Relative | 1.2% | -15.8% | -11.9% |
| 12M (H/L) | | | 15.70/12.45 |
| 3M Average Volume (th): | | | 10,259.58 |

| Shareholder Data | |
|---|---|
| No. of Ord shares (mn): | 3,684 |
| Total no. of shares (mn): | 3,622 |
| Mkt Cap Ord (Eu mn): | 55,908 |
| Total Mkt Cap (Eu mn): | 55,908 |
| Mkt Float - Ord (Eu mn): | 35,055 |
| Mkt Float (in %): | 62.7% |
| Main Shareholder: | |
| Government | 33.3% |

| Balance Sheet Data | |
|---|---|
| Book Value (Eu mn): | 56,050 |
| BVPS (Eu): | 17.07 |
| P/BV: | 0.9 |
| Net Financial Position (Eu mn): | -17,130 |
| Enterprise Value (Eu mn): | 72,236 |

- **Oil prices hit 5-month high, approaching US$90/bl again.** Since the beginning of the year, oil prices have gained more than US$15/bl, with Brent once again approaching US$90/bl. The beginning of April saw a further increase in prices, supported by growing geopolitical tensions in Ukraine and the Middle East, accentuated by Israel's attack on the Iranian embassy in Syria. From a fundamental point of view, the market continues to be characterised by a production deficit, mainly due to voluntary cuts by OPEC+, while on the demand side recent data in US and China and on manufacturing PMIs surprised on the upside.
- **OPEC+ confirms 2.2mb/d supply cuts until June.** The Joint Ministerial Monitoring Committee (JMMC), the OPEC+ panel that monitors oil market developments and the group's production cuts, held a brief regular meeting yesterday and, as expected, did not recommend that OPEC+ ministers change the current levels of oil production cuts. The panel did add that it welcomes the pledges from Iraq and Kazakhstan to reach full conformity with the cuts they have announced.
- **ENI's next catalysts: 1Q24 results, deal with Ithaca Energy and potential privatisation.** In terms of newsflow, the next catalysts for ENI are 1Q24 results (out on 24 April) and the potential finalisation of the deal with Ithaca Energy (combination with ENI's UK business). With the mid-March completion of the Eu2.2bn 2023-24 buyback plan, we also highlight the possibility the Government could proceed with the sale of a 3-4% stake, as part of its planned process of privatisations.
- **Updated estimates and valuation**. We are raising our projections to reflect higher oil prices (Brent 2024/25/26 at US$85/80/75/bl, +US$5/bl vs. our previous scenario) and refining margins assumptions (EMC Benchmark 2024/25 at US$6.5/4.0, vs. US$5.0/3.5/bl previously). In terms of gas prices, we are confirming our assumptions of a PSV at Eu35/30/25/MWh. We have in addition updated the numbers of Eni's outstanding shares, after the cancellation on 25 March 2024 of the 91.45mn treasury shares bought under the second tranche of the 2023-24 buyback programme. This translates into an upward revision of roughly 14% to 2024/25 EPS. Our 2024 DPS and buyback forecasts are aligned to the new shareholder remuneration policy introduced with the 2024-27 business plan. On the M&A front, we remind that we have included the cash-out for Neptune in 1Q24 and proceeds from the planned portfolio management activity in the coming years. In terms of the valuation, on the back of our new higher projections, we are lifting our target price from Eu15.50ps to Eu18.00ps.
- **Investment conclusion. Upgrade from Neutral to OUTPERFORM.** With oil prices flirting with the US$90/bl mark again, we see the possibility that Integrated Oils could finally get back under the spotlight. Although gas prices remain weak, we believe ENI, in common with the rest of the sector, could benefit from a potential sector rotation away from best-performing growth stocks and start closing the sizeable performance gap that has opened up in the last 6 months. We are upgrading the stock to OUTPERFORM, also taking a potential upward revision to consensus earnings estimates in the coming weeks into account, as well as the appealing rough 9% total return (6.8% dividend yield plus 2.2% buyback) offered at current prices.

| Key Figures & Ratios | 2022A | 2023A | 2024E | 2025E | 2026E |
|---|---|---|---|---|---|
| Sales (Eu mn) | 132,237 | 93,717 | 92,405 | 90,640 | 88,777 |
| EBITDA Adj (Eu mn) | 27,592 | 21,292 | 19,189 | 19,707 | 20,268 |
| Net Profit Adj (Eu mn) | 13,301 | 8,298 | 7,083 | 7,095 | 7,475 |
| EPS New Adj (Eu) | 3.725 | 2.458 | 2.157 | 2.160 | 2.276 |
| EPS Old Adj (Eu) | 3.725 | 2.458 | 1.892 | 1.886 | 2.013 |
| DPS (Eu) | 0.880 | 0.940 | 1.000 | 1.000 | 1.000 |
| EV/EBITDA Adj | 2.1 | 3.2 | 3.8 | 3.6 | 3.3 |
| EV/EBIT Adj | 2.9 | 4.9 | 6.0 | 5.7 | 5.3 |
| P/E Adj | 4.1 | 6.2 | 7.0 | 7.0 | 6.7 |
| Div. Yield | 5.8% | 6.2% | 6.6% | 6.6% | 6.6% |
| Net Debt/EBITDA Adj | 0.4 | 0.8 | 0.9 | 0.8 | 0.6 |

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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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As at 31 March 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

| | |
|---|---|
| BUY: | 25.21 % |
| OUTPERFORM: | 46.22 % |
| NEUTRAL: | 27.73 % |
| UNDERPERFORM | 00.84 % |
| SELL: | 00.00 % |

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

| | |
|---|---|
| BUY: | 38.78 % |
| OUTPERFORM: | 51.02 % |
| NEUTRAL: | 10.20 % |
| UNDERPERFORM | 00.00 % |
| SELL: | 00.00 % |

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| Emittente | % | Long/Short |
|---|---|---|



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