

SNAM

Sector: Utilities

OUTPERFORM

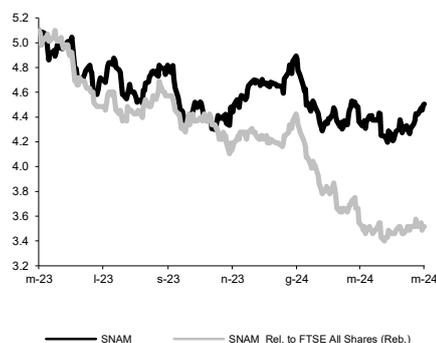
Price: Eu4.50 - Target: Eu5.20

1Q24 Results Beat Forecasts, Guidance Raised

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	2.6%	-0.3%	-0.1%

SNAM - 12M Performance



Stock Data			
Reuters code:	SRG.MI		
Bloomberg code:	SRG IM		
Performance	1M	3M	12M
Absolute	7.0%	2.8%	-11.7%
Relative	1.1%	-8.4%	-40.0%
12M (H/L)	5.09/4.20		
3M Average Volume (th):	7,940.75		

Shareholder Data	
No. of Ord shares (mn):	3,361
Total no. of shares (mn):	3,361
Mkt Cap Ord (Eu mn):	15,137
Total Mkt Cap (Eu mn):	15,137
Mkt Float - Ord (Eu mn):	10,021
Mkt Float (in %):	66.2%
Main Shareholder:	
Cassa Depositi e Prestiti	30.8%

Balance Sheet Data	
Book Value (Eu mn):	7,974
BVPS (Eu):	2.35
P/BV:	1.9
Net Financial Position (Eu mn):	-17,484
Enterprise Value (Eu mn):	28,386

- 1Q24 beat expectations.** Yesterday Snam released 1Q24 results that were above our expectations and consensus on most levels. Regulated revenues closed at Eu799mn, or up 23% YoY, driven by capital expenditure and the investment deflator, the contribution of output-based incentives for fully depreciated assets, the effects of applying ROSS to the transportation business (+Eu16mn), and revenues related to the Piombino regasification plant (+Eu22mn). This was accompanied by much lower revenues from new businesses, which dropped to Eu86mn from the Eu248mn recorded in 1Q23. All of this led to adj. EBITDA of Eu703mn (+18% YoY and 5% above est.), while below the line a good contribution from associates (flat YoY) took adj. net profit to Eu335mn, up 11% YoY and 8% above our estimates. On the cash flow front, net debt closed at Eu15.8bn, up from 4Q23 and broadly in line with expectations on the back of total CapEx of Eu462mn recorded in the quarter (+48% YoY).
- 2024 guidance improved.** In terms of 2024 numbers, management improved the guidance which now foresees adj. EBITDA at over Eu2.75bn (up from Eu2.70bn), adj. net income at Eu1.23bn (up from Eu1.18bn), net debt at Eu17.5bn (down from Eu17.6bn), CapEx at Eu3.0bn (up from Eu2.9bn) and a tariff RAB at Eu23.8bn (confirmed). The upgrade of P&L guidance was driven by higher output-based incentives coupled to lower financial charges and a better performance by international associates.
- Main messages from the conference call.** Output-based incentives: in 1Q24, there was a major contribution from storage services, driven by a good appetite for reverse flow services, while there was a lower contribution from default services vs last year. For FY24, some Eu80-90mn could be expected in total; RAB deflator: Snam's tariff RAB is still calculated using a 5.9% 2024 deflator; the group is now awaiting the outcome of the discussion it will have in the next few months with the regulator and at the moment it estimates a final 2024 deflator of around 5.3% (new tariffs are expected to be approved at end-July) which would not have any negative impact on FY24 guidance. TAG: Snam is awaiting the final decree from the Austrian regulator; so far, discussions have confirmed a new mechanism which incorporates a sterilization of volumes from 2025 onwards, a change that would represent a core milestone and that would be broadly in line with management's expectations and with the assumptions contained in the business plan presented in January; 2025 WACC: in the BP, a 5.7% WACC is assumed for transport, although now a mark-to-market exercise points to 5.5% (but any downside could be counterbalanced by lower financial charges).
- Change in estimates.** Following full 1Q24 results, we have improved 2024 EPS by 2.6%, aligning ourselves to the group's new guidance. Please note that our 2025 estimates incorporate a 20bp reduction for allowed WACC in the transport business and -30bp for storage, in line with the group's BP assumptions.
- OUTPERFORM confirmed (target Eu5.20).** Snam's recently presented plan will allow the group to continue to seize the many short-term opportunities arising from recent geopolitical developments, while also driving longer-term value by helping establish Italy as a key European hub and pushing the energy transition process forward. The stock also shows an attractive valuation at a 9% premium to 2024 RAB and a 6.4% DY.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	3,516	3,875	3,529	3,728	3,969
EBITDA Adj (Eu mn)	2,237	2,416	2,754	2,911	3,109
Net Profit Adj (Eu mn)	1,163	1,166	1,229	1,260	1,309
EPS New Adj (Eu)	0.346	0.347	0.366	0.375	0.390
EPS Old Adj (Eu)	0.346	0.347	0.356	0.376	0.390
DPS (Eu)	0.275	0.282	0.290	0.299	0.308
EV/EBITDA Adj	10.7	11.1	10.3	10.1	9.6
EV/EBIT Adj	17.7	20.9	16.1	15.9	15.0
P/E Adj	13.0	13.0	12.3	12.0	11.6
Div. Yield	6.1%	6.3%	6.4%	6.6%	6.8%
Net Debt/EBITDA Adj	5.3	6.3	6.3	6.3	6.1

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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&P500 Index, most of those on the MIBEX 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.

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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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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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Emitente	%	Long/Short
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