

Eni

# Financials reset for future growth

Maintain Rating: NEUTRAL | PO: 15.00 EUR | Price: 14.52 EUR

## Key takeaways

- Eni CMU: pay-out policy raised although 2024 application so far in-line with 2023.
- We think strong performance across FY23 pinned expectations too high for the FY24 outlook.
- Silver lining: cash flow outperformance vs. latest plan now brings greater rewards with 60% swept back to shareholders.

## High bar set from 2023 strength

Eni joined peers in raising its shareholder distribution policy: to 30-35% of CFFO from 25-30% before. Although the 2024 €1.00 DPS and €1.1bn buyback represents a 32% pay-out, using cash flow guidance, which is ultimately in-line with the 2023 pay-out. We'd also noted, in our previous [reports](#), that the scale of Eni's earnings and cash flow outperformance across FY23 had likely pegged underlying FY24 expectations too high. One major silver lining is that absolute cash outperformance versus plan is now shared 60% with shareholders versus 35% before. We otherwise saw Eni's CMU as a concise continuation of its coherent growth strategy. We maintain our Neutral rating: 9% shareholder yield in 2024 and 10% organic FCF yield implied.

## Strong financial frame: organic cash flows in balance

Eni increased its net disposal proceeds to €8bn from €1bn in the prior four-year plan; which has been earmarked via satellite portfolio activity as well as Upstream farm-downs and tail rationalisation. Equally, we'd highlight that the balance of the cash flow equation presented is not dependent on such activity. Four-year organic CFFO of €62bn leaves \$27bn organic FCF which covers the €19-22bn distribution range before the earmarked net proceeds of €8bn – see Eni's macro scenario in Exhibit 3.

## Growth engines drive absolute and per share growth

Eni expects to grow its CFFO/share by >13% over the four-year plan; absolute cash flow growth coming from each business unit: ~30% at the group level. Upstream production growth continues at 3-4% p.a. over its four-year plan or 2% net of disposal activity. CFFO per barrel is expected to expand >30% over the time. Enilive's pro-forma EBITDA is expected to grow ~60% and Plenitude's to double by 2027 versus 2024.

15 March 2024

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### Stock Data

Price (Common / ADR)	14.52 EUR / 31.88 USD
Price Objective	15.00 EUR / 33.00 USD
Date Established	14-Aug-2023 / 14-Aug-2023
Investment Opinion	B-2-7 / B-2-7
52-Week Range	11.69 EUR-15.83 EUR
Market Value (mn)	49,025 EUR
Shares Outstanding (mn)	3,375.9 / 1,688.0
Average Daily Value (mn)	152.15 USD
Free Float	69.3%
BofA Ticker / Exchange	EIPAF / MIL
BofA Ticker / Exchange	E / NYS
Bloomberg / Reuters	ENI IM / ENLMI
ROE (2023E)	11.5%
Net Dbt to Eqty (Dec-2022A)	-5.7%
ESGMeter™	High

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CFFO: cash flow from operations

FCF: free cash flow

CMU: Capital Markets Update

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Timestamp: 15 March 2024 01:30AM EDT

### Four-year plan highlights

- Payout ratio increased to 30-35% from 25-30%.
- 60% of CFFO upside from Eni's plan will be returned to shareholders (up from 35% before).
- CFFO/share growing by >13% p.a. over the plan.
- Gross capex 2bn lower than the previous plan with 8bn in net disposals versus 1bn in the previous plan.
- Four-year CFFO €62bn.
- Four-year gross capex €35bn, net capex €27bn.
- Four-year organic FCF €27bn, net FCF €35bn.
- Four-year shareholder distributions ~€19-22bn at 30-35% of CFFO.

### Exhibit 1: Eni's 2024 cash flow outlook was marginally below consensus

2024 guidance versus VA consensus

€billion unless stated	2024 guidance	VA	Guidance vs VA
CFFO	~13.5	14.2	-5%
Capex	7 to 8	na	
Dividend (€/share)	1	1.0	3%
Buyback	1.1	1.5	-26%
GGP EBIT	0.8	1.0	-24%
Plenitude EBITDA	1	na	na
Enilive EBITDA	~1	na	na
Production (mboepd)	1.69 to 1.71	1.7	0%

Source: BofA Global Research estimates, company report, Visible Alpha (VA) consensus

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### Exhibit 2: Eni upgraded its CFFO pay-out policy to 30-35%

2024-2027: 4-year plan highlights versus previous plan and Visible Alpha consensus

€billion unless stated	2024-2027 New plan	2023-2026 Old plan	VA	New plan vs VA
Cumulative 4YP CFFO	62	>69	59	5%
Capex 4YP	35 (27 net*)	~37	36	-25%
Leverage 4YP (%)	15 to 25%	10-20%	na	na
Average GGP EBIT	~0.8	>4 cumulative	1.0	-20%
Production CAGR (%)	3 to 4% underlying, 2% net*	3-4%	3.7%	In-line
<b>Distribution as % of CFFO</b>	<b>30-35%</b>	<b>25-30%</b>	<b>30%</b>	<b>7%</b>

Source: BofA Global Research estimates, company report, \*net of disposal activity, Visible Alpha (VA) consensus

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### Exhibit 3: Eni macro scenario assumptions

Eni scenario assumptions

	Scenario assumptions				Visible Alpha				Scenario vs Visible Alpha			
	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027
Brent dated (\$/bbl)	80	80	80	80	82	77	76	75	-2%	4%	5%	6%
FX avg (\$/€)	1.08	1.09	1.10	1.12	1.1	1.1	1.1	1.1	-1%	0%	1%	3%
Std. Eni Refining Margin (\$/bbl)	8.1	6.3	3.5	3.5	5.1	4.5	3.7	3.1	59%	41%	-6%	13%
NBP (\$/mmbtu)	9.2	11	12.1	11.7					na	na	na	na

Source: BofA Global Research estimates, company report, Visible Alpha (VA) consensus

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## Price objective basis & risk

### Eni (EIPAF / E)

Our Eni PO is €15 (US\$33/ADR). Our price objective is derived from divisional discounted cash flow (DCF) models, where we use discount rates between 7-8%, before deducting financial net debt and other balance sheet provisions to arrive at our equity value. Our long-term Brent price is \$70/bbl.

Upside risks to our PO: (1) upside to our Brent price forecast (2) upside to our European gas forecast (3) operational upsides primarily within the Upstream or gas trading divisions (4) favourable USD/EUR exchange rate movements (5) favourable value crystallisation for its renewable division.

Downside risks to our PO: (1) downside to our Brent price forecast (2) downside to our European gas forecast (3) operational downsides primarily within the Upstream or gas trading divisions (4) unfavourable USD/EUR exchange rate movements.

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### Eni (E) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	83	61.48%	Buy	64	77.11%
Hold	28	20.74%	Hold	21	75.00%
Sell	24	17.78%	Sell	18	75.00%

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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