

Eni

# Delivering consistency, but not surprising

Maintain Rating: NEUTRAL | PO: 15.00 EUR | Price: 14.15 EUR

## Meeting but not beating the mark to close FY23

We saw Eni closing FY23 with broadly in-line results (Exhibit 2), with its beat and raise pattern across 1Q-3Q23 potentially setting a higher bar in the market for sustained share price outperformance. With the outlook saved for the 14<sup>th</sup> March CMD, we essentially saw a lack of surprises. Although we also think Eni's strategic consistency and a tough set of comps may leave the 2024 outlook absent positive surprises too (see: Consistency rewarded – a higher hurdle to clear in 2024?). We see a 10% FCF yield in 2024 (see Exhibit 3). We maintain our Neutral rating with an unchanged PO of €15.

## Looking to 2024 – higher hurdle to clear?

We do not expect Eni to alter its 25-30% shareholder distribution policy for 2024. The €2.2bn buyback program was not fully executed during FY23, which could allow Eni to execute broadly flat buybacks YoY via a fresh €1.4bn program (-35% YoY). We're also somewhat cautious that initial 2024 guidance could be conservatively set or that Eni's beat and raise performance across 2023 have simply raised expectations too far. For example, we note FY24 GGP consensus, per Visible Alpha, stands at €2bn versus the ~€0.7bn medium-term guide indicated at last year's CMD (FY23: €3.2bn).

## What we learnt from results

While 4Q23 results contained little in the way of surprises, to us, we would highlight that Eni's gas trading division provided a small beat which offset minor misses elsewhere. The volatility of gas trading results potentially leading to lower market recognition versus weaker results and commentary around chemicals and refining margin capture.

Estimates (Dec) (EUR)	2021A	2022A	2023E	2024E	2025E
EPS (Adjusted Diluted)	1.72	3.99	1.82	1.87	1.90
EPS Change (YoY)	171.7%	132.0%	-54.4%	2.6%	1.8%
Dividend / Share	0.86	0.88	0.94	0.98	1.02
ADR EPS (Adjusted Diluted - US\$)	4.06	8.38	3.92	4.02	4.09
ADR Dividend / Share (US\$)	2.03	1.85	2.02	2.10	2.19
Valuation (Dec)					
P/E	8.23x	3.55x	7.78x	7.58x	7.45x
Dividend Yield	6.08%	6.22%	6.64%	6.91%	7.19%
EV / EBITDA*	3.44x	2.48x	3.11x	3.31x	3.37x
Free Cash Flow Yield*	23.3%	19.4%	12.2%	10.6%	10.6%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 6.

19 February 2024

### Equity

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### Stock Data

Price (Common / ADR)	14.15 EUR / 30.47 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)	47,770 EUR
Shares Outstanding (mn)	3,375.9 / 1,688.0
Average Daily Value (mn)	144.65 USD
Free Float	69.3%
BofA Ticker / Exchange	EIPAF / MIL
BofA Ticker / Exchange	E / NYS
Bloomberg / Reuters	ENI IM / ENIMI
ROE (2023E)	11.5%
Net Dbt to Eqty (Dec-2022A)	-5.7%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

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**Refer to important disclosures on page 7 to 10. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.**

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Timestamp: 19 February 2024 12:30AM EST

# iQprofile<sup>SM</sup> Eni

Key Income Statement Data (Dec)	2021A	2022A	2023E	2024E	2025E
<b>(EUR Millions)</b>					
Sales	76,570	132,512	84,079	80,646	76,084
EBITDA Adjusted	17,831	24,755	19,725	18,520	18,207
Depreciation & Amortization	(8,164)	(4,369)	(7,714)	(6,999)	(7,338)
EBIT Adjusted	9,667	20,386	12,011	11,521	10,869
Net Interest & Other Income	(497)	1,578	820	1,187	1,122
Tax Expense / Benefit	(4,411)	(8,608)	(6,416)	(6,354)	(5,696)
Net Income (Adjusted)	6,128	13,887	6,356	6,294	6,235
Average Fully Diluted Shares Outstanding	3,566	3,484	3,493	3,371	3,282

<b>Key Cash Flow Statement Data</b>					
Net Income (Reported)	4,740	13,301	6,356	6,294	6,235
Depreciation & Amortization	8,164	4,369	7,714	6,999	7,338
Change in Working Capital	(3,158)	(1,279)	0	0	0
Deferred Taxation Charge	0	0	0	0	0
Other CFO	3,105	1,069	1,890	1,808	1,430
<b>Cash Flow from Operations</b>	<b>12,851</b>	<b>17,460</b>	<b>15,960</b>	<b>15,101</b>	<b>15,003</b>
Capital Expenditure	(5,232)	(8,056)	(8,970)	(9,120)	(9,120)
(Acquisition) / Disposal of Investments	(2,335)	(2,109)	(1,321)	(2,000)	0
Other CFI	298	2,361	299	0	0
<b>Cash Flow from Investing</b>	<b>(7,269)</b>	<b>(7,804)</b>	<b>(9,992)</b>	<b>(11,120)</b>	<b>(9,120)</b>
Share Issue / (Repurchase)	(400)	(2,400)	(2,200)	(1,200)	(1,300)
Cost of Dividends Paid	(3,067)	(3,066)	(3,283)	(3,296)	(3,337)
Increase (decrease) debt	(2,581)	(1,961)	347	1,449	(326)
Other CFF	(682)	(313)	(1,178)	(2,382)	(593)
<b>Cash Flow from Financing</b>	<b>(6,730)</b>	<b>(7,740)</b>	<b>(6,314)</b>	<b>(5,430)</b>	<b>(5,556)</b>
<b>Total Cash Flow (CFO + CFI + CFF)</b>	<b>(1,148)</b>	<b>1,916</b>	<b>(347)</b>	<b>(1,449)</b>	<b>326</b>
FX and other changes to cash	(11.0)	(15.0)	347	1,449	(326)
Change in Cash	(1,159)	1,901	0	0	0
Change in Net Debt	(1,422)	(3,862)	347	1,449	(326)
Net Debt (Reported)	733	(3,129)	(2,782)	(1,334)	(1,660)
Net Debt (Adjusted)	8,987	7,026	7,373	8,821	8,495

<b>Key Balance Sheet Data</b>					
Property, Plant & Equipment	54,354	54,012	57,400	62,611	65,483
Goodwill	0	0	0	0	0
Other Intangibles	4,801	5,525	5,525	5,525	5,525
Other Non-Current Assets	15,478	21,504	20,801	20,420	20,094
Trade Receivables	15,524	16,556	16,556	16,556	16,556
Cash & Equivalents	8,254	10,155	10,155	10,155	10,155
Other Current Assets	6,077	8,181	8,181	8,181	8,181
Total Assets	104,488	115,933	118,618	123,447	125,993
Long-Term Debt	8,987	7,026	7,373	8,821	8,495
Other Non-Current Liabilities	29,915	31,159	31,159	31,159	31,159
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	20,763	22,518	23,815	25,332	26,525
Total Liabilities	59,665	60,703	62,346	65,312	66,179
Total Equity	44,823	55,230	56,271	58,135	59,814
Total Equity & Liabilities	104,488	115,933	118,618	123,447	125,993

<b>Business Performance*</b>					
Return On Capital Employed	6.15%	14.0%	6.38%	5.97%	5.78%
Return On Equity	14.9%	27.9%	11.5%	11.1%	10.7%
Operating Margin	12.6%	15.4%	14.3%	14.3%	14.3%
Free Cash Flow (MM)	11,762	9,551	6,050	5,041	4,943

<b>Quality of Earnings*</b>					
Cash Realization Ratio	2.10x	1.26x	2.51x	2.40x	2.41x
Asset Replacement Ratio	0.64x	1.84x	1.16x	1.30x	1.24x
Tax Rate	48.1%	39.2%	50.0%	50.0%	47.5%
Net Debt/Equity	1.64%	-5.67%	-4.94%	-2.29%	-2.78%
Interest Cover	10.7x	19.4x	20.0x	23.0x	21.7x

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 6.

## Company Sector

Oils

## Company Description

Eni is an integrated oil and gas company with a significant international Upstream presence. Its operations are biased to gas and Eni has strong integration with the European natural gas network. The company also has a significant downstream, marketing, chemicals, renewables and power footprint.

## Investment Rationale

We see Eni as relatively well positioned versus its European Integrated peers. We see a resilient financial framework and a well-funded c.6% dividend yield. We think Eni has positioned itself well strategically, with an improving and growing E&P business. Its growing gas position has driven a marked uptick in recent profitability. We see much of Eni's strengths as reasonably well priced and with less obvious positive catalysts still ahead. We rate Eni Neutral.

## Stock Data

Shares / ADR	2.00
Price to Book Value	0.9x

## Quarterly Earnings Estimates

	2022	2023
Q1	0.94A	0.83E
Q2	1.09A	0.55E
Q3	1.07A	0.52E
Q4	0.72A	0.47E

Eni's delivery across FY23 outperformed all original targets set at the time of its CMD. Adjusting for the outturn in commodity prices and FX rates, using disclosed sensitivities, underlying EBIT outperformed by ~€3.5bn and underlying CFFO by ~€2bn. Capex finished the year at €9.2bn, below the original €9.5bn guidance.

4Q23 results were broadly in-line with consensus and the outlook was saved for the 14<sup>th</sup> March CMD. Therefore, the results were generally absent surprises – not repeating the beats that characterized 1Q-3Q23.

#### Exhibit 1: FY23 result versus original Capital Markets Day (CMD) guide

Eni delivered or beat all targets in FY23 – once adjusting for commodity price outturns

<b>EURbn unless stated</b>	<b>Result</b>	<b>CMD</b>
Brent (\$/bbl)	82.6	85
PSV (EUR/MWh)	42	92
\$/EUR exchange	1.08	1.03
Production (mboe/d)	1.66	1.63-1.67
Discovered resources (mmboe)	~900	700
GGP EBIT	3.2	1.7-2.2
Plenitude EBITDA	0.9	>0.7
Downstream EBIT	1.0	1.2
Enilive EBITDA	1.0	0.9
Group EBIT	13.8	13
Group CFFO	16.5	>17
Dividend	0.94	0.94
Buyback	2.2	2.2
Capex	9.2	9.5
Leverage	20%	10-20%

Source: BofA Global Research estimates, company report (CFFO = cash flow from operations before working capital)

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We saw 4Q23 results as essentially in-line with consensus. Divisionally, GGP (gas trading) provided a beat which offset marginally weaker performance elsewhere. Weaker margin capture was noted within refining, due to crude differentials, as well as an increasing loss recorded within the chemicals business. The E&P division saw a higher exploration write-off in the fourth quarter – we saw underlying performance as strong.

#### Exhibit 2: 4Q23: key results (€m)

4Q23 results were broadly in-line with consensus

	<b>Actuals</b>	<b>Consensus</b>	<b>Delta</b>
E&P	2,431	2,480	-2%
GGP	677	500	35%
Enilive, Refining & Chemicals	(87)	(40)	118%
Plenitude & Power	111	150	-26%
Corporate & other	(363)	(210)	73%
<b>Adjusted EBIT</b>	<b>2,769</b>	<b>2,900</b>	<b>-5%</b>
<b>Clean net income</b>	<b>1,638</b>	<b>1,620</b>	<b>1%</b>
<b>CFFO pre-working capital (A)</b>	<b>3,606</b>	<b>3,699</b>	<b>-3%</b>
Capex (B)	2,433	2,413	1%
Free cash flow (A - B)	1,173	1,286	-9%

Source: BofA Global Research estimates, company report, Visible Alpha used for cash flow consensus (otherwise company collated)

BofA GLOBAL RESEARCH

### No clear value dislocation visible

We think Eni has been well rewarded by the market for its strategic consistency and strength of recent operational performance. We had cautioned that we saw more limited room for near-term surprises: [Consistency rewarded – a higher hurdle to clear in 2024?](#)

We see a 10% FCF yield for 2024e and a total distribution yield of 10%. We do not think Eni is expensive, but we see more dislocated value opportunities elsewhere. We maintain our Neutral rating; PO unchanged at €15.

### Exhibit 3: European Oils valuations

We see Eni trading broadly in-line with sector averages in regard to FCF and total distribution yields

	FCF Yield			Gearing			Dividend Yield			Total distribution yield		
	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
BP	11%	13%	12%	35%	37%	37%	5%	5%	5%	12%	12%	11%
Shell	9%	14%	14%	19%	17%	14%	4%	4%	4%	11%	11%	11%
TotalEnergies	11%	13%	13%	18%	16%	14%	5%	5%	5%	10%	11%	11%
Equinor	13%	6%	11%	-12%	7%	9%	15%	10%	5%	22%	18%	13%
Repsol	9%	7%	6%	13%	15%	16%	5%	5%	5%	14%	10%	11%
OMV	6%	5%	5%	15%	15%	17%	13%	13%	11%	13%	13%	11%
Galp	8%	3%	3%	32%	36%	39%	4%	4%	4%	9%	7%	6%
Eni	13%	10%	10%	28%	29%	27%	6%	6%	6%	10%	10%	9%
<b>Average</b>	<b>10%</b>	<b>9%</b>	<b>9%</b>	<b>19%</b>	<b>21%</b>	<b>22%</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>	<b>12%</b>	<b>11%</b>	<b>10%</b>

Source: BofA Global Research estimates, Bloomberg

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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.

## Analyst Certification

I, Matthew Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

## Special Disclosures

BofA Securities is currently acting as financial advisor to New Energy One Acquisition Corp PLC in connection with its potential combination with a portfolio of carbon capture and storage projects (the "CCS Assets") owned by Eni S.p.A, which was announced on June 23, 2023.

### EMEA - Oil & Gas Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Capricorn Energy	CRNZD	CNE LN	Matthew Smith
	Energiean	EERGF	ENOG LN	Matthew Smith
	Energiean	XMQFF	ENOG IT	Matthew Smith
	Equinor ASA	STOHF	EQNR NO	Christopher Kuplent
	Equinor ASA	EQNR	EQNR US	Christopher Kuplent
	Harbour Energy	PMOIF	HBR LN	Matthew Smith
	Kosmos Energy	KOS	KOS US	Matthew Smith
	Kosmos Energy	XKELF	KOS LN	Matthew Smith
	Neste	NTOIF	NESTE FH	Christopher Kuplent
	Neste	NTOIY	NTOIY US	Christopher Kuplent
	Saipem	SAPMF	SPM IM	Christopher Kuplent
	Shell plc	SHEL	SHEL US	Christopher Kuplent
	Shell Plc	RYDAF	SHEL LN	Christopher Kuplent
	TotalEnergies	TTFNF	TTE FP	Christopher Kuplent
	TotalEnergies	TTE	TTE US	Christopher Kuplent
	Vallourec	VLouF	VK FP	Joseph Charuy
<b>NEUTRAL</b>				
	Aker Solutions	AKRTF	AKSO NO	Christopher Kuplent
	BP plc	BP	BP US	Christopher Kuplent
	BP plc	BPAQF	BP/ LN	Christopher Kuplent
	Eni	E	E US	Matthew Smith
	Eni	EIPAF	ENI IM	Matthew Smith
	EnQuest	ENQUF	ENQ LN	Matthew Smith
	Ithaca Energy plc	XMFYF	ITH LN	Matthew Smith
	Tenaris	TS	TS US	Joseph Charuy
	Tenaris	TNRSF	TEN IM	Joseph Charuy
	Var Energi	XGZNF	VAR NO	Matthew Smith



## EMEA - Oil &amp; Gas Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>UNDERPERFORM</b>				
	Aker BP	DETNF	AKRBP NO	Matthew Smith
	Galp Energia	GLPEF	GALP PL	Matthew Smith
	OMV	OMVJF	OMV AV	Matthew Smith
	OMV	OMVKY	OMVKY US	Matthew Smith
	Repsol	REPY	REPY US	Matthew Smith
	Repsol	REPYF	REP SQ	Matthew Smith
	Subsea 7 SA	ACGYF	SUBC NO	Christopher Kuplent
	Technip Energies	THNPF	TE FP	Christopher Kuplent
	Technip Energies	THNPY	THNPY US	Christopher Kuplent
	Tullow Oil	TUWLF	TLW LN	Matthew Smith

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

**Numerator**

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities  
Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

**Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales  
Basic EBIT + Depreciation + Amortization

**iQmethod<sup>SM</sup>** is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of **iQmethod** are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

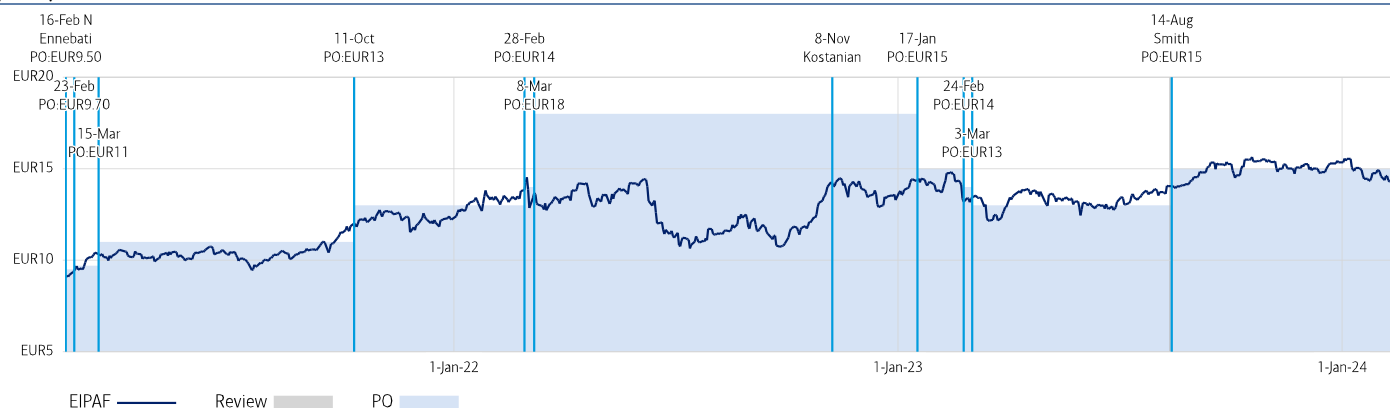
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## Important Disclosures

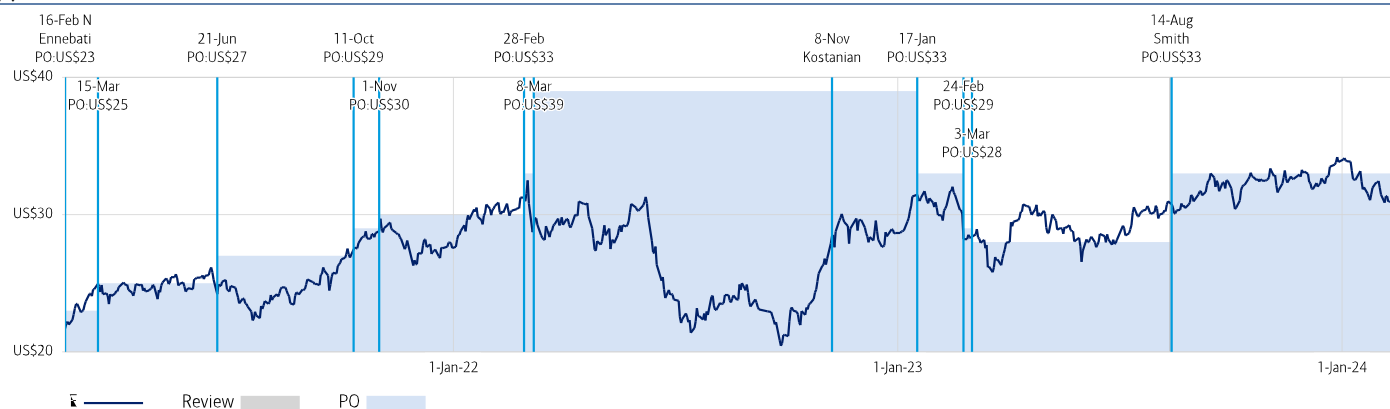
### Eni (EIPAF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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.

### Eni (E) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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### Equity Investment Rating Distribution: Energy Group (as of 31 Dec 2023)

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%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup>Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

**INCOME RATINGS**, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. **Coverage Cluster** is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

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