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EQUITY RESEARCH: ENI - A Comprehensive Dive into ENI's Business Strategy and Valuation

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A Project carried out on the Master in (Economics/Finance/Management) Program, under the supervision of:

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This report is part of the Eni S.p.A. Equity Research report (annexed), developed by Francesco Campanella and Stefano Colasanti and should be read has an integral part of it.

Eni S.p.A. (ENI.MI) is a prominent international energy company operating at every stage of the value chain, from natural gas and oil to co-generated electricity and renewables, including both traditional and bio refining and chemicals.
As the world increasingly shifts towards sustainable practices and environmental consciousness, Eni stands as a protagonist at the crossroads between the green transition and the traditional oil industry. The transaction represents a turning point for the energy sector, so it becomes more important than ever to understand how the company will tackle these challenges.
At same time, the macroeconomic landscape associated with commodities, such as Oil and Natural Gas, is in a challenging-to-anticipate state.
Therefore, taking into account this background, this report focuses on the forecasts of Eni's Financial Statements, in order to provide a valuation of the company at the end of 2024.

Keywords: Finance, Forecast, ENI, Valuation

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Introduction

This Equity Research report aims to determine the fair value of the Italian integrated energy company ENI S.p.A. In this sense, a target price for the end of 2024 was developed, which was subsequently transformed into an investment recommendation based on the valuation process and the current stock price.

The first phase of the evaluation process involves a description of the company and a brief macroeconomic analysis of the sector and of its participants, followed by a profitability analysis. Subsequently, we will proceed to discuss the fundamental financial data for the development of the Discount Cash Flow (DCF) model and the related valuation model based on Multiples. The Discount Cash Flow (DCF) model determines a price per share at the end of 2024 of €17.71 per share. In contrast, the multiples approach is slightly less conservative, with a higher target value per share of around €18.79. As of 20/12/2023, the price of the stock on the market was at €15.00, an upside potential of 17% is possible, considering the value obtained through the DCF model.

This report has been developed in a year during which ENI had a 52-week range for its share price equal to 11.69-15.83€, along with a change during this period up to 22.32 %.

These figures underscore the company's resilience and a robust recovery from the pandemic, underling a significant Eni's importance for the transition towards renewable energy. However, prospective investors should be mindful of the intricate geopolitical landscape, influencing commodity prices and impacting the sector, alongside fragile economic conditions, when making investment decisions.

Company Overview

Company Description

k	Name	Revenues (million)	price	country
1	Saudi Aramco	502,352.36	8.78	Saudi Arabia
2	Sinopec	473,538.77	0.74	China
3	PetroChina	435,308.70	0.95	China
4	Exxon Mobil	346,173.00	100.9	United States
5	Shell	339,190.00	64.08	United Kingdo
6	TotalEnergies	228,133.00	66.93	France
7	BP	227,246.00	34.81	United Kingdo
8	Chevron	202,503.00	149.35	United States
9	Marathon Petrole	151,937.00	148.38	United States
10	Valero Energy	151,098.00	128.57	United States
11	Phillips 66	149,408.00	129.87	United States
12	Gazprom	149,141.92	1.8	Russia
13	Equinor	111,846.00	30.86	Norway
14	Rosneft	110,590.15	6.06	Russia
15	ENI	107,984.33	15	Italy
16	Petrobras	105,473.00	14.95	Brazil
17	ENEOS Holdings	102,731.74	4.11	Japan
18	Indian Oil	98,214.43	1.49	India
19	PTT PCL	89,055.76	1.03	Thailand
20	PKN Orlen	84,472.94	15.67	Poland
21	Energy Transfer I	78,555.00	13.71	United States
22	Repsol	64,525.97	14.67	Spain
23	Idemitsu Kosan	62,487.27	27.05	Japan
24	ConocoPhillips	59,970.00	114.54	United States
25	SK Innovation	58,807.87	70.44	South Korea
26	CNOOC	56,829.08	1.57	China
27	Hindustan Petrol	51,416.57	4.63	India
28	Plains All Americ	48,966.00	14.86	United States
29	Plains GP	48,966.00	15.29	United States
30	Enterprise Produ	48,743.00	26.29	United States

Energy Companies rank by revenues in 2022 (source: S&P Global)

ENI S.p.A. (ENI.MI) is a global player in the oil and gas industry, with operations spanning nearly 69 countries. Headquartered in Rome, Italy, and founded in 1953, ENI has established itself as an industry leader with a workforce of 31,188 professionals (11,310 outside Italy).

ENI operates in four segments: Exploration and Production, Gas and Power, and Refining & Marketing and Chemicals and Plenitude. The Exploration and Production segment focuses on oil and gas exploration and production, field development, and production. The Global Gas & LNG portfolio involves gas, LNG, and international gas transport, commodity trading, and derivatives. The Refining & Marketing and Chemicals segment covers crude oil supply, refining, and marketing of petroleum products in retail and wholesale markets. Plenitude, initiated by Eni in 2020, represents the latest segment in the company's portfolio. As a Benefit Corporation (Società Benefit) wholly owned by Eni, Plenitude operates in the energy market with a distinctive business model, seamlessly integrating renewable production, energy sales, and solutions, together with an extensive network of electric vehicle charging points.

According to the Fortune Global 500, with €133,687 million in revenues for 2022, Eni stands as Italy's leading petroleum company, the second largest in the European Union (following TotalEnergies). In a market, whose size grew from $6,989.65 billion in 2022 to $7,330 billion in 2023 (with a CAGR of 4.9%), ENI has seen his revenues growing of 88%, passing from 70,977 in 2017 to 133,687 million euros in 2022. The European leader in the energy market, TotalEnergies had a growth of 53,5% passing in the same period from 171,493 to 263,206 million.

It is important to mention investments of Eni deployed in Renewables energy, because one of the highest amounts invested in Europe. Eni has planned to invest around €6.5 billion between 2022 and 2026 to increase the power market share. Around 14000 solar distribution-generation plants will be ready to be used before 2026 and they will provide more than 75 MW of energy in next 4 years. The biggest European competitor, TotalEnergies will invest around $3.5 billion per year for 2022-25, into the development of new energies, mainly renewables and electricity.

Business Model

Geographic area	Revenues	%revenues by area
Europe	177,952,682.00	80.75%
Africa	20,227,008.00	9.18%
Asia and Oceania	10,827,859.00	4.91%
Americas	11,359,227.00	5.15%
Total	220,366,776.00	100.00%

Eni's revenues by geographic area

Geographuc Area	Revenues	%revenues by area
France	122,641.00	43.64%
rest of europe	58,411.00	20.79%
North America	33,188.00	11.81%
Africa	24,582.00	8.75%
rest of the world	42,177.00	15.01%
Total	280,999.00	100.00%

Compare with TotalEnergies's revenues by geographic area

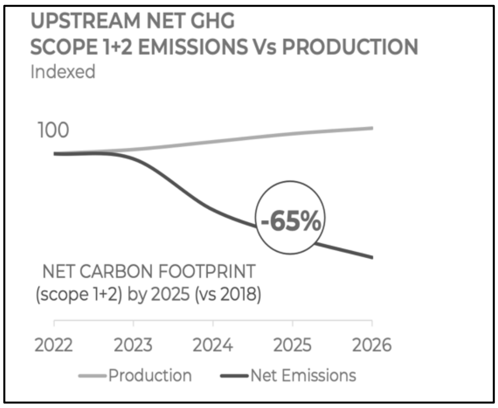
ENI S.p.A. employs a multifaceted business model strategically designed to generate sustainable value across the energy value chain. This meticulously crafted model aligns with the company's mission, deeply rooted in the United Nations 2030 Agenda. It underscores a distinctive approach permeating all operational facets and emphasizes compliance with essential aspects of the energy system trilemma, namely environmental sustainability, energy security, and affordability.

Diverse Geographical Presence and Energy Mix: the diversified geographical footprint of the Group and energy source portfolio constitute key assets. This strategic diversity, positions ENI to curate a resilient energy mix. Compared to 2021, Eni has almost doubled its sales from operations in each of geographical area where it is operating, passing from a total of €76,575 million in 2021 to €132,12 million in 2022.

Innovative Business Model and Operational Excellence: ENI stands out with its innovative business model, utilizing proprietary technologies for autonomous entities and emphasizing operational excellence. The company's dedication extends to health and safety, environmental stewardship, and human rights adherence, guided by a strong Corporate Governance system and integrated risk management. This approach positions ENI to capitalize on opportunities in the ever-evolving energy landscape.

Resource Optimization and Transformation: At its core, the group business model prioritizes resource optimization. It effectively transforms resources into outcomes through the execution of its strategic imperatives. Simultaneously, it champions the United Nations 2030 Agenda's Sustainable Development Goals (SDGs).

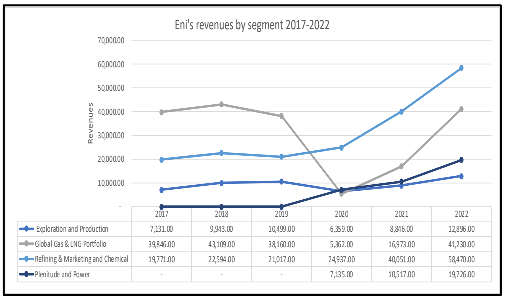
Carbon Neutrality by 2050: ENI is on a trajectory towards carbon neutrality by 2050, utilizing existing technologies for significant reductions in net emissions and carbon intensity. Natural gas serves as a crucial bridging energy source in this transition. The U.S. Energy Information Administration forecasts an increasing match between renewables and power demand through 2050, offering lucrative opportunities for energy companies. A Bloomberg report identified Shell, Eni, and Enbridge as strongly positioned to benefit in the long run. Shell focuses on expanding its renewable business, targeting over 50 GW of renewable generation capacity. Eni, through Plenitude, aims for 7 GW of installed renewable energy capacity by 2026 and 15 GW by 2030. Enbridge actively invests



Eni's predictions for its emissions vs production (source: Eni Capital Markets Updates report) in wind, solar, geothermal projects, and power transmission, boasting a net capacity of 2,173 megawatts of zero-emission energy.

Company Analysis

Results by Business Segments



Eni's Revenues by segment

This section will argument and comment the operating business segments of ENI S.p.A. We analysed the historical performance until 2022 (last year full report available).

Eni's operations revolve around two key departments.

Natural Resources focuses on optimizing the Oil & Gas upstream portfolio, expanding natural gas production, and leading carbon capture projects. And, *Energy Evolution* drives the transition to bio energy, promoting renewables, overseeing the circular evolution of refining and chemicals, and diversifying the retail portfolio with decarbonized products. Activities span refining, marketing, chemicals, Retail Gas and Power generation.

The revenues increased by €76,351 million from 2021 (+73.0%) to €132,512 million in 2022 is due to the upside of a favourable commodity environment, as well as to the recovery of sold volumes leveraging on the recovery in the global demand of commodities and thanks to the appreciation of the US dollar vs. the euro (+10%).

TotalEnergies (€ million)	2020	2021	2022
Refining & Chemicals	56,615.00	87,600.00	121,618.00
%variation		55%	39%
Marketing & Services	63,451.00	80,288.00	100,661.00
%variation		27%	25%
Integrated Gas, Renewa	15,629.00	30,704.00	48,753.00
%variation		96%	59%
Exploration & Productio	4,973.00	7,246.00	9,942.00
%variation		46%	37%

Sheel ($ million)	2020	2021	2022
Integrated Gas	20,865.00	29,922.00	54,751.00
%variation		43%	83%
Upstream	6,743.00	9,182.00	8,352.00
%variation		36%	-9%
Marketing	55,845.00	83,494.00	120,638.00
%variation		50%	44%
Chemicals and Products	84,657.00	116,448.00	144,342.00
%variation		38%	24%
Renewables and Energy	12,382.00	22,415.00	53,190.00
%variation		81%	137%

Occidental Petrolium (	2020	2021	2022
Midstream and marketin	2,167.00	2,525.00	3,755.00
%variation		17%	49%
Chemical	3,726.00	5,243.00	6,738.00
%variation		41%	29%
Oil and Gas	11,995.00	19,285.00	27,165.00
%variation		61%	41%

Peers' Revenues by segment

At the end of 2022, the **Refining & Marketing and Chemicals** segment has produced 44% of the Group's total revenues. In 2013, the weight of the segment was 50% of total sales from operation with €57,329 million over a total €114,722. The Refining & Marketing business reported an adjusted operating profit of €2,183 million in 2022, compared to an operating loss of €46 million in 2021, due to significantly higher refining margins.

The competitor, TotalEnergies' (TTE) sales from operations in 2022, are €263,310 million, where €166,738 million (63,33%) from the Refining and Chemical segment. In 2013, the weight of the segment was 71% of the total sales from operations.

We can notice the same decreasing trend of the weight of this segment over the total sales in Total Energies and other peers of the industry. In the French company the revenues from this segment moved from €121,939 over a total of €171,655 million (71%), in 2013, to €121,618 over €280,999 million (43%) in 2023. Furthermore, as depicted in the table, there is a discernible upward trend in the revenues of this segment. This shift can

YEARS	Oil Price	LNG price	Italian PSV Gas Spot price	Refining Margins
2017	54.73	0.71	211	4.63
2018	70.13	1.08	260	3.53
2019	64.3	1.82	171	4.33
2020	41.67	2.39	112	1.7
2021	59.8	3.56	487	-0.5
2022	96.09	3.96	1294	9.04

predominantly be attributed to the rise in the refining margin price, which grew from $1.7/bbl in 2020 to $9.04/bbl in 2022.

The **Global Gas & LNG Portfolio** segment has passed from representing only the 16% of the total revenues in 2020 to be 36% of the total (€41,230 million euros) in 2022. In 2022, the segment reported an adjusted operating profit of €2,063 million, (up by €1,483 million, almost quadrupled from 2021). The positive performance was achieved despite the anticipated reversal in market trends and the necessity of compensating the Russian supply shortcomings.

Over an extended period, the sales from the operational segment increased of +28.35% from 2013. Furthermore, over the past decade, there has been a notable shift in the weight of the operational segment relative to the total, increasing from 28% in 2013 to 31% in 2022. This underscores Eni's strategic plan of progressively enhancing the significance of this segment within the overall portfolio, 60% by 2030, based on Capital market updates 2022 of Eni.

The entire industry has witnessed an increase in revenues associated with gas. In the case of Sheel, the impact of rising gas prices drove revenues to $54,751 million in 2022, representing a significant increase of 162% from 2020.

In 2022, the **Exploration & Production** segment reported an adjusted operating profit of €16,411 million, up 77% compared to 2021.The revenues in this segment for Eni surged, also driven by a favourable scenario of oil and gas prices, as evident from the tables. Between 2020 and 2023, the average prices of both crude oil and natural gas nearly tripled. In 2022, Eni's gas realizations for the full year increased on average by 56% in dollar terms, driven by a recovery in trading environment. Those were reduced on average by 1.27 $/kcf due to the impact of cash flow hedges activated in the period January - December 2022 on the sale of about 85 bcf.

Eni's closest comparable in terms of market capitalization, Occidental Petroleum Corp. (OXY), also witnessed a notable increase in revenues for this segment, growing from €11,995 million in 2020 to €27,165 million in 2022. Similarly, TotalEnergies (TTE), with a business segmentation more closely aligned with Eni's compared to OXY (it is more exposed on the segment than the peers), experienced an increase in revenues from €4,973 million in 2020 to €9,942 million in 2022.

Furthermore, the proportion of this segment's revenues relative to the total revenues for both companies underwent changes. For Eni, the segment's weight decreased from 27% to 19.5%, while for the French competitor, it went from 29% to 25%.

The final segment under consideration is **Plenitude**. In 2022, the operational sales for this segment reached €19,726 million, marking a substantial 176% surge from 2020; this notable increase can be attributed to the rapid growth in Eni's Renewable installed capacity, soaring from 335 MW to 2,198 MW within just three years. The surge in power prices also contributed, escalating from €56.42/MWh in 2020 to €188.66 in 2022. The upward trajectory aligns with industry trends, where the Renewables market witnessed a $115 billion expansion last year (from $856 billion to $971 billion), with projections indicating a doubling of size in the next decade, as per the Energy International Agency (EIA). Competitors, such as Shell plc, also experienced a substantial growth in revenues from the renewables segment, with an increase of $40,808 million over three years (+330%).

Also, the Power generation business from gas-fired plants reported an adjusted operating profit of €270 million in 2022, more than doubled from 2021. Plenitude & Power, as a whole segment, reported an adjusted net profit of €397 million, up 21.4% from the 2021 result (adjusted net profit of €327 million).

Profitability Analysis

Operating Margin	2018	2019	2020	2021	2022
Exploration & Production	42.15%	36.65%	11.38%	42.74%	52.60%
Global Gas & LNG Portfolio	1.88%	1.64%	4.62%	2.78%	4.25%
Refining & Marketing and Chemicals	0.77%	0.05%	0.02%	0.38%	3.26%
Plenitude & Power	0.03	0.04	6.17%	4.25%	2.94%

Net Profit Margin	2018	2019	2020	2021	2022
Exploration & Production	19.25%	14.58%	0.91%	25.49%	34.54%
Global Gas & LNG Portfolio	0.80%	0.85%	2.99%	0.81%	2.02%
Refining & Marketing and Chemicals	0.48%	-0.10%	-0.97%	0.15%	3.23%
Plenitude & Power	0.02	0.03	4.37%	2.92%	1.90%

Profitability Margins by segments of Eni S.p.A

In this section, we will go through an analysis of the financial ratios and profitability margins of Eni and then comparing them to its main competitors'. For metrics such, ROI, ROE and ROA and Asset Turnover we conduct an industry-wise analysis. For what concerns ratios like Net Profit and Operating Profit margin, we will consider each segment separately since some of the peers could not explore different assets and activities.

Regarding the upstream segment, the **Exploration and Production** segment experienced a 10% boost in its Operating Margin and +15% in the Net Profit one.

During the same period, the French company TotalEnergies (TTE) recorded an increase of 12% for the Operating margin. Sheel (SHEL), a main figure in the energy industry, saw the Net Profit Margin increasing of 23% in its upstream segment, despite a €2,805 million increase in Net Income. A similar trend emerges for Occidental Petroleum (OXY), which seen its Net Profit margin increasing from 23% to 45% in its Oil and Gas

Operating Margin	2020	2021	2022
Refining & Chemicals	-1%	3%	5%
Marketing & Services	3%	4%	3%
Integrated Gas, Renewables	-3%	10%	13%
Exploration & Production	-24%	39%	51%

Net Profit Margin	2020	2021	2022
Refining & Chemicals	-2%	3%	4%
Marketing & Services	2%	3%	2%
Integrated Gas, Renewables	2%	16%	22%
Exploration & Production	-21%	19%	27%

Profitability Margins by segments of TotalEnergies segment. For each company, this segment carried the most significant weight on the companies' overall margin, with fluctuations heavily impacted by commodity prices.

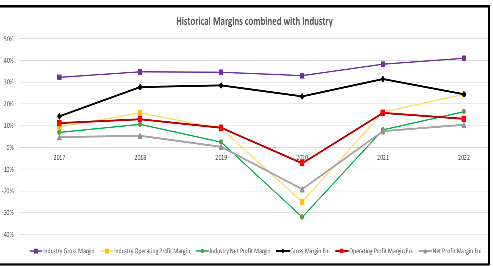
Net Profit Margin	2020	2021	2022
Integrated Gas	-29%	21%	30%
Upstream	-33%	4%	27%
Marketing	7%	4%	2%
Chemical and Products	-5%	0%	3%
Renewables and Energy !	-3%	4%	-2%

Net Profit Margins by segments of Sheel plc

Furthermore, Eni achieved a 1.2% increase in the Net Profit Margin for its **Global Gas & LNG Portfolio**. SHEL and TTE experienced a higher surge of approximately 9% in the Net Profit Margin for their Integrated Gas segments.

Observing to **Refining, Marketing and Chemical** section, Eni had its best increase, in both Operating and Net Profit Margin, around 3%. TTE, in the same way passed form an operating profit margin of 2% in 2018 to 5% in 2022 and net profit margin moved from 2 to 4%.

The last segment is **Plenitude**, since this one is the last one incorporated by Eni, the comparison could be only performed from 2020 data. Nevertheless, the data could be partly biased by the economy after Covid rebound. In this segment, Eni witnessed a decrease in both Operating and Net profit margin. It may be because in 2022, retail gas sales in Italy and Europe declined, with Italy experiencing a 9.5% drop to 4.65 bcm, and European markets seeing a 19.2% decrease to 2.19 bcm. However, in contrast, retail power sales to end customers surged by 13.8% to 18.77 TWh, driven by expanded activities in Italy and abroad.



Comparison between Eni and peers' historical margins

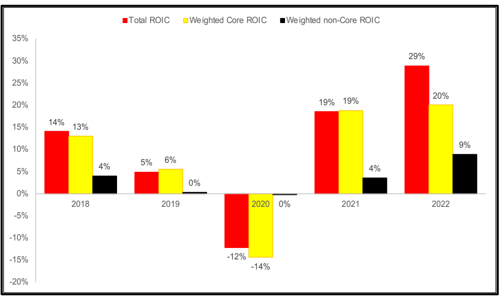
The segment was impacted by competitive pressures, weakening demand and higher gas-indexed utilities expenses. Sheel, which divided its "Integrated gas" segment to its Renewables one in 2020, had a similar performance of Eni's one since the division. In fact, its net Profit margin decrease to -2%, due to higher Prodution and Manufacturing expenses.

In the tables on the side, we analyzed at Eni S.p.A as a whole and not segmented. The margins showed in the graph steadily increased in the years. In particular, the Gross Margin grew from 14% in 2017 to 25% in 2022, and following our forecast will arrive to 28% in 2030. The EBIT margin kept the same trend, with an average of 8.5% in last 6 years, except for 2020, when it fell to -4.5% due to the drastic decrease of the Revenues (-37%) caused by COVID-19 spreading. Nevertheless, the Italian company has recovered the following year, recording revenues for 77,771.00 € (+42%).

ENI's net profit margin appears lower at around 10%, compared with the industry average. The highest peak for the Italian company and for the industry has been touched in 2022. The Group overall ROIC, in last 5 years doubled from 14% in 2020 to 28% in 2022, following the direction of its Weighted Core ROIC. In fact, this increase is also due a steady

2022 Margins	Eni S.p.A.	TotalEnergies	Occidental Petrolium	Shell plc
Current Ratio	**1.26**	1.15	1.15	1.37
Long-term Debt / Capital	**0.26**	0.28	0.40	0.28
Debt/Equity Ratio	**0.49**	0.53	0.66	0.44
Gross Margin	**23.31**	35.65	67.07	26.02
Operating Margin	**13.10**	17.49	37.67	17.61
EBIT Margin	**13.10**	17.49	40.90	17.61
EBITDA Margin	**18.49**	22.69	59.81	22.40
Pre-Tax Profit Margin	**16.49**	16.44	38.54	16.78
Net Profit Margin	**10.39**	7.80	33.91	10.96
Receiveable Turnover	**6.32**	10.80	8.56	5.81
Days Sales In Receivables	**57.76**	33.79	42.65	62.86
Return On Tangible Equity	**28.09**	25.47	44.22	25.69
Book Value Per Share	**32.59**	43.74	33.43	55.26
Operating Cash Flow Per Shar	**2.03**	6.93	5.89	6.91
Free Cash Flow Per Share	**0.61**	5.41	3.29	2.42
Inventory Turnover Ratio	**13.30**	7.39	5.86	8.96

2022 Margins	Tenaris	Exxon	BP PKC ADR	Petroleo Brasileiro S.A	Average
Current Ratio	3.04	1.41	1.09	1.00	1.43
Long-term Debt / Capital	0.00	0.17	0.35	0.39	0.27
Debt/Equity Ratio	0.05	0.20	0.57	0.77	0.46
Gross Margin	39.74	27.60	30.90	52.21	37.81
Operating Margin	25.19	18.80	7.25	45.88	22.87
EBIT Margin	25.19	18.99	7.25	45.88	23.30
EBITDA Margin	30.36	24.80	13.00	56.50	31.01
Pre-Tax Profit Margin	26.92	18.80	6.19	43.00	22.89
Net Profit Margin	21.71	13.47	- 1.00	29.42	15.83
Receiveable Turnover	4.39	-	7.19	19.70	8.97
Days Sales In Receivables	83.09	-	50.79	18.52	49.92
Return On Tangible Equity	20.07	28.44	- 2.23	54.98	28.09
Book Value Per Share	23.78	49.60	26.07	10.71	34.40
Operating Cash Flow Per Shar	1.78	7.01	5.94	1.83	4.79
Free Cash Flow Per Share	1.58	5.96	5.24	1.34	3.23
Inventory Turnover Ratio	1.78	12.26	6.12	6.78	7.80



Eni's ROIC Breakdown

2022 Margins	Eni S.p.A.	TotalEnergies	Occidental Petrolium	Shell plc
ROE - Return On Equity	25.28	18.37	65.46	22.26
ROA - Return On Assets	9.18	6.93	18.32	9.68
ROI - Return On Investment	18.71	13.17	26.74	16.03
Asset Turnover	0.88	0.87	0.50	0.87

2022 Margins	Tenaris	Exxon	BP PKC ADR	Petroleo Brasileiro S.A
ROE - Return On Equity	18.16	28.44	- 1.64	52.6
ROA - Return On Assets	14.52	15.60	- 4.71	19.6
ROI - Return On Investment	18.10	23.69	- 1.07	32.1
Asset Turnover	0.67	1.12	0.86	0.6

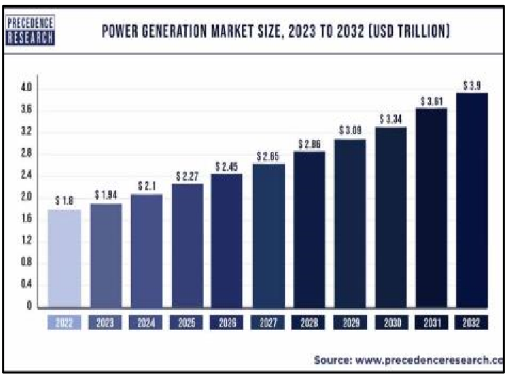
increased in Asset Turnover which passed from 41% in 2020 to 88% in 2022. Nevertheless, the Non-Core business still present a lower ROIC than the Core Operations' one. It shows Eni is implementing the right investment strategy, but they can be improved in the next years. Overall, the investments made by the group has been significantly high during last year (we go deeper in the Capex paragraph).

When we examine the period from 2017 to 2022, we observe that the Return on Equity (ROE) has surged from 7% to 25.3%. This indicates an improvement in profitability and provides insight into shareholders' perspective. Furthermore, it underscores the company's competitiveness within the industry, considering that the industry average ROE in 2022 stands at approximately 24%.

With an ROA of 9.18%, slightly lower than the industry average of around 11%, Eni's financial metrics collectively highlight its prudent capital utilization and successful projects, strengthening its position as a noteworthy player in the energy sector. This not only highlights the ability of the Italian company to generate profits effectively but also positions it as a strong competitor in the industry.

Industry Analysis

Scope of the Competition



Ten years forecast Energy market

Brent oil price after Russia attack.

Eni S.p.A operates in a complex and highly competitive energy industry. Positioning as the 8th largest industry in the world, the 2022 estimation placed the power generation market at approximately USD 1.8 trillion, with projections indicating an anticipated expansion to approximately USD 3.9 trillion by 2032[1]. According to Precedence Research, the industry's growth is predicted to occur at a compound annual growth rate (CAGR) of 8.04% during the period spanning from 2023 to 2032. Despite, the good future scenario, the industry is facing other challenges, such as the decline in investments in the coal-fired plant (decreased by 11%) and the investment in gas-fired generation affected by geopolitical situation in Russia and Palestine. In May, the volume of Russian pipeline gas transported to Europe decreased of 1.76 billion cubic meters (Bcm), an 11% decrease compared to the previous month. This decline was

By Type: Hydroelectricity, Fossil Fuel Electricity, Nuclear Electricity, Solar Electricity, Wind Electricity, Geothermal Electricity, Biomass Electricity, Other Electricity; By End-User: Industrial, Commercial, Residential, Transportation; By Source: Conventional/Non-Renewable Source, Renewable Source; By Grid: Off Grid, On Grid) - Global Industry Analysis, Size, Share, Growth, Trends, Regional Outlook, and Forecast 2023-2032

Scenario	Details	Impact on oil prices and VIX*	Impact on global GDP and inflation**
Confined war	- Ground invasion of Gaza - Limited broader regional conflict - Lower Iranian crude output	Oil: +$4/barrel VIX: No impact	GDP: −0.1 ppts. Inflation: +0.1 ppts.
Proxy war	- Multifront war in Gaza, West Bank, Lebanon, Syria - Unrest in wider Middle East	Oil: +$8/barrel VIX: +8 points	GDP: −0.3 ppts. Inflation: +0.2 ppts.
Direct war	- Israel and Iran in direct conflict - Unrest in wider Middle East	Oil: +$64/barrel VIX: +16 points	GDP: −1.0 ppts. Inflation: +1.2 ppts.

Source: Bloomberg Economics
•Impact calibrated based on 2014 Gaza War, 2006 Israel-Lebanon War, and 1990-1991 Gulf War. ••Impact on year on year change in global GDP and inflation for 2024, estimated using Bayesian Global VAR

Bloomberg

Bloomberg prediction depending on the conflict's escalation.

primarily attributed to a reduction in deliveries through the TurkStream pipeline, as reported by an analysis of data from S&P Global Commodity Insights on June 5th. Furthermore, the exports were substantially lower, showing a 78% decline year-on-year when compared to the same period in the previous year. Moreover, Eni and the other Energy companies are facing the most intense part of the transaction to cleaner sources of energy. In 2023, in fact, the solar investments outperformed the oil production investments (382 vs 371 billion USD)[2]. Only 10 years ago the proportion was 636 billion USD for the Oil production and 182 billion for solar investments.

The oil and gas prices, as well can be affected by Israel-Hamas conflict. As per Bloomberg, based on the escalation of the war, the oil price can increase, caused by supply and distribution potential problems in Middle East regions. In fact, for the Guardian, an escalation of tensions in the region could drive oil prices far higher by choking a key transit route for seaborne cargoes of oil and gas from the Middle East to the global market. The Strait of Hormuz, located in the Gulf, plays a crucial role in facilitating the transit of over 20% of the world's consumed oil and a third of global seaborne gas shipments, making it a vital energy pathway for international markets. A potential blockage by Iran could significantly impact Europe's gas supplies from Qatar, the leading exporter of liquefied natural gas (LNG) globally and a key supporter of Gaza. Approximately 16% of Qatar's exports reached the EU last year, confirming the country as Europe's second-largest LNG source, particularly essential following the cessation of pipeline gas imports from Russia in the previous year. Moreover, to have a better understanding of the industry, we have curated a roster of peer companies that engage in similar activities and directly compete with Eni.

Ticker	XOM	SHEL	TTE	BP
Name	Exxon Mobil C	Shell plc	TotalEnergies !	BP PLC ADR
Market Cap (USD B)	422,694	203,430	151,487	104,593
Net Debt (B)	21,966	43,550	23,723	30,817
EV (B)	444,660	246,980	175,210	135,410
Equity	422,694	203,430	151,487	104,593
D/V	4.94%	17.63%	13.54%	22.76%
beta_e	0.950	1.300	0.290	1.290
beta_u	0.903	1.071	0.251	0.996
ROIC	16.08%	8.73%	8.36%	9.99%
EPS growth (past 5y)	210%	230%	175%	515%

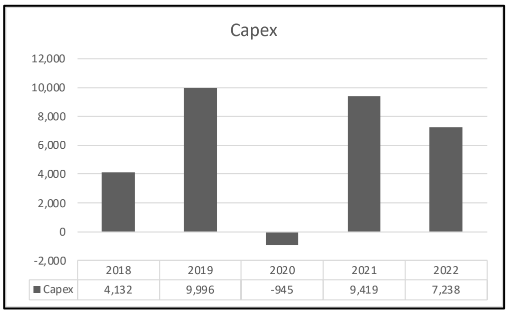
Ticker	REP.MC	TS	OXY	ENI.MI
Name	Repsol, S.A.	Tenaris S.A.	Occidental Pe	ENI.MI
Market Cap (USD B)	18,059	19,432	56,381	48,550
Net Debt (B)	951	-1,612	28,819	16,762
EV (B)	19,010	17,820	85,200	75,684
Equity	18,059	19,432	56,381	55,230
D/V	5.00%	-9.05%	33.83%	22.15%
beta_e	0.840	0.870	0.840	1.104
beta_u	0.798	0.949	0.556	0.897
ROIC	8.56%	24.04%	10.98%	29%
EPS growth (past 5y	97%	456%	263%	246%

The most similar peers selected, based on business structure and financial metrics, such as Market Capitalization, Debt over Enterprise Value, Unlevered Beta and Earning per Share, are the American, Occidental Petroleum (OXY) BP PLC ADR (BP), one of the oil and gas world's largest companies measured by revenues ($241.4 billion (2022)), Repsol (REP.MC) a Spanish multinational company, engaging in upstream and downstream activities., and Shell plc (SHEL), the British multinational company, already mentioned. A deeper analysis on the chosen peers has been performed in the Multiples Valuation paragraph.

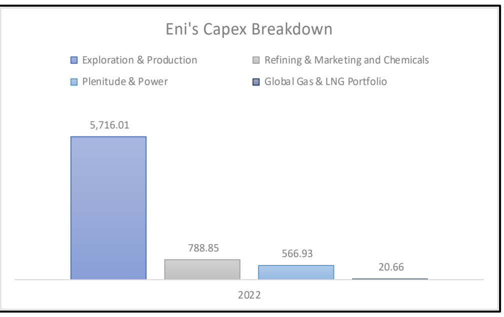
[2] IEA, Oil production investment and solar investment, 2013 vs 2023, IEA, Paris https://www.iea.org/data-andstatistics/charts/oil-production-investment-and-solar-investment-2013-vs-2023, IEA. Licence: CC BY 4.0

Forecast

Capital Expenditure (CAPEX)



2018-2022 CAPEX of Eni S.p.A



2022 CAPEX of Eni S.p.A by business segment

In 2022, Eni designated €7,238 million for capital expenditure (CAPEX), indicating a 13% surge from the prior year. We anticipate that over the next eight years, the total CAPEX will reach €60 billion with around €29 billion expected by 2026, slightly below Eni's ambition of €37,000 million. This is primarily attributed to the projected stability in the value of Property, Plant, and Equipment (PP&E) in the coming years, driven by efforts to replace the Russian supply and a heightened focus on investments in renewable infrastructure.

Eni is diversifying its energy mix, geographical presence, and investments. Let us undertake a more thorough examination, scrutinizing each segment individually.

Regarding the Exploration and Production segment, Eni has been a leader in the sector in value creation. Since 2012, the 85% of discovered resources are commercial, while the industry average stops under 70%.

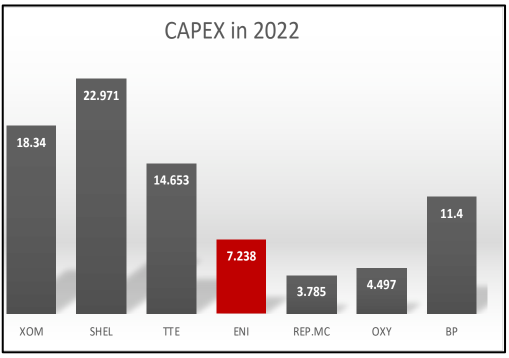
Moreover, Eni has planned to have a capital expenditure of €2.1 bln in this segment (25% of the total CAPEX), in line with the industry average (TotalEnergy, for its upstream segment will spend €4.5bln over a total of around €18bln in 4 years).

Furthermore, the cost of exploration per unit has consistently remained approximately 75% below the industry average. This favourable trend is anticipated to persist from 2023 to 2026, with a projected cost of around 1.5 dollars per barrel of oil equivalent (boe) compared to the industry standard of 2.19 $/boe, in last ten years.

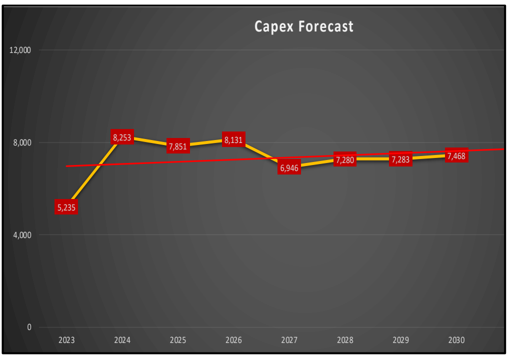
It is important to mention the last big acquisition of Eni during the current year. Eni S.p.A. and VårEnergi ASA have successfully negotiated the acquisition of Neptune Energy Group Limited, a distinguished independent exploration and production company. Neptune explores a world-class portfolio with gas-centric assets across Western Europe, North Africa, Indonesia, and Australia.

The agreed-upon Enterprise Values for the transactions are $2.6 billion for the Neptune Global Business and $2.3 billion for the Neptune Norway Business. As of December 31, 2022, the net debt of the Neptune Global Business, adjusted for the Norway sale, was $0.5 billion. Eni's liquidity will fund its part of the transaction.

This acquisition aligns seamlessly with Eni's strategic goals, focusing on increasing natural gas production to 60% and achieving net-zero



2022 CAPEX of Eni S.p.A compared to selected peers.



2023-2030 CAPEX of Eni S.p.A

emissions (Scope 1+2) from the Upstream business by 2030. It also complements Eni's commitment to providing affordable, secure, and low-carbon energy, with natural gas playing a pivotal role. Key numerical highlights include reported reserves of approximately 484 million boe as of December 31, 2022, with an acquisition cost of $10.1/boe. Additional contingent resource upside is anticipated. For the fiscal year ending December 31, 2022, Neptune reported revenues of around $1.22 billion and EBITDA of approximately $0.95 billion for the Neptune Global Business.

The transaction is anticipated to add approximately 130 kboed to the Eni portfolios, contributing over 100 kboed of low-emission production between 2024-2026, with more than 70% being natural gas. The transaction is expected to be immediately accretive to revenues, in fact as for our forecast, the revenues of the segment will have a CAGR of 4% for 2022-2030 years, and free cash flow positive.

From the selling side, on the 4/09/2023, Eni signs agreement to sell Nigerian subsidiary NAOC Ltd to Oando PLC and Oil assets to Perenco.

Regarding the Refining, Marketing and Chemical segment, Eni projects to dedicate 70% of the segment's CAPEX for development in sustainable mobility. Eni plans to increase its biorefinery capacity over 3 MTPA by 2025, expanding the proprietary network installing over 300 fuel stations and convenience non-oil services in Italy and Europe. Nevertheless, we see the revenues for this segment reaching the pre-Covid level at €19,718 million. Between 2024 and 2026 important projects for Biorefining are starting. In Malaysia (Pengerang), a plant for new biorefinery understudy will be complete in 2025. With a capacity of 650 kton/y, Eni is trying to reserve a strategic location to have an easy access to growing Asian Markets.

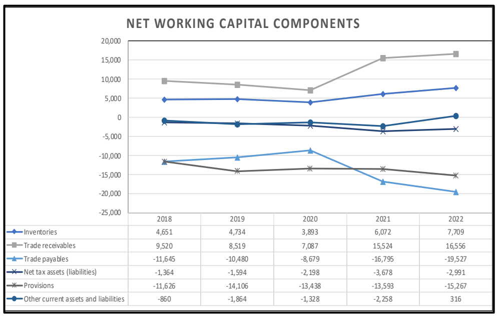
Eni's Plenitude initiative was allocated €481 million, supporting development activities in the renewable energy sector, customer acquisition and the expansion of the electric vehicle infrastructure.

This increased capital expenditure aligns with Eni's strategic investments, including the acquisition of a 20% stake in the Dogger Bank, an offshore wind project in the North Sea, the purchase of SKGR, a photovoltaic plant portfolio owner in Greece, expansion of renewable capacity in the United States, a 3% interest in the North Field East LNG project in Qatar, acquisition of PLT Energia engaged in the renewable business, acquisition of the Tango FLNG floating liquefaction vessel in Congo, and capital contributions to the joint venture Saipem to facilitate their new industrial plan and financial restructuring efforts.

These investments were partially offset by divestments, such as the sale of a stake in the joint venture Vår Energi (€0.5 billion), and an equity contribution by an investor in Eni's subsidiaries operating in natural gas-fired power generation, with the recognition of a non-controlling interest (€ 0.5 billion).

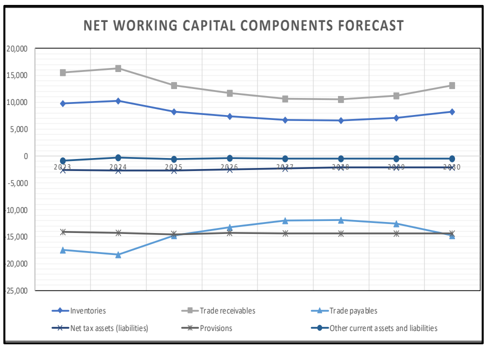
In the next four years (until 2027), Eni expects capital investments and capital expenditures of €36,416 billion, following our analysis, also in line with the society's plan of having a capital expenditure (€37 billion). In our vision the Capital expenditure in the next 7 years will remain constant, the new investments in North and West Africa will be compensated by the disinvestments previously mentioned. However, when we look at the average capital expenditure (Capex) over the next five years (2024-2029), it's projected to be approximately €7,066 million. This represents an 18% increase compared to the previous five years (2017-2022). Certainly, this trend reflects Eni's strategic aim to fund a growing range of operations with its capital while maintaining fiscal discipline.

Net Working Capital (NWC)



	2018	2019	2020	2021	2022
Inventories	4,651	4,734	3,893	6,072	7,709
Trade receivables	9,520	8,519	7,087	15,524	16,556
Trade payables	-11,645	-10,480	-8,679	-16,795	-19,527
Net tax assets (liabilities)	-1,364	-1,594	-2,198	-3,678	-2,991
Provisions	-11,626	-14,106	-13,438	-13,593	-15,267
Other current assets and liabilities	-860	-1,864	-1,328	-2,258	316

Historical performance of NWC components of Eni



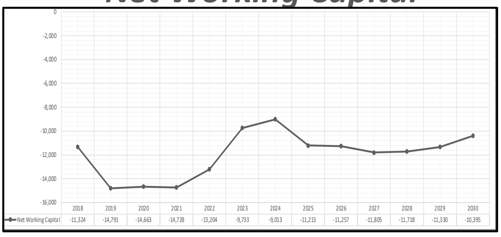
Forecasted performance of NWC components of Eni

In our prediction, Eni's net working capital will increase at a CAGR of 2.95% from 2022 to 2030. Nevertheless, the NWC will remain negative at €10,395 million euros in 2030 (against -13,204 million euros in 2022). Working capital reflects operational efficiency and short-term financial health, pointing to potential challenges in timely collections and covering short-term liabilities. In 2022, Eni dealt with €611 million in overdue receivables, including a €242 million cash call dispute in Nigerian ventures, leading to arbitration.

Nevertheless, sectors such as retail and energy often operate with a negative working capital because they receive payments from customers later than they must pay their suppliers. Some companies deliberately do this by delaying payments to suppliers while ensuring they collect receivables promptly. Furthermore, seasonal fluctuations can impact a company's working capital needs. For instance, energy companies like Eni may experience higher working capital requirements during specific seasons when energy demand surges.

Eni has historically computed his NWC considering as per components Inventories, Trade receivables and Payables, Net Tax assets and liabilities, Net assets (liabilities) and Provisions.

Net Working Capital



In 2022, Eni S.p.A, saw its trade receivables decrease by €1,047 million (-6%), but the difference is offset by a decrease in the payables of €2060 million (-10%). The provision will remain stable over the years, while the inventories will increase due to the fact the average holding period will increase reaching back to pre-covid (2020) levels. In fact, the 2023-2030 average of the item will increase of 4.5% compared to 2022.

Valuation

Free Cash Flow

Following a resilient recovery in 2022 after the pandemic's impact, we are now anticipating a marginal downturn in the company’s revenues and a slight decrease in its Free Cash Flow. This can be attributed to the sector's inherent uncertainty and the decreasing of driver commodity prices in the next years, along with the strategic shift towards green and renewable energy sources. The increased CAPEX is a direct consequence of Eni’s extensive and forward-looking investments (detailed in our Capex Forecast paragraph).

This phase will last until 2030, where the group aim to achieve net-zero emissions in upstream operations, a shift to gas-based hydrocarbon production, surpassing 5 million tons of biofuel production annually, and exceeding 15 GW in renewable energy capacity.

Moreover, the financial side of the balance sheet will grow stronger in this period, as Net Debt remains controlled throughout the period passing from €17,273 million in 2020 to €18,574 million in 2030, with a CAGR of around 0.73%, against a CAGR of 3.91% (from €37,493 million to €54,995 million) for the Equity, in the same period.

WACC and Discounting Cash Flow (DCF)

Before to proceed in the discounting of the Free-Cash Flow we calculate the appropriate discounting rate (WACC).

First, considering the global footprint of Eni S.p.A., its corporate domicile in Italy, and its listing on the FTSE MIB, “Borsa Italiana”, we have employed a European-centric framework for establishing the risk-free rate. Given the temporal scope of our business case spanning approximately 10 years, the German 10-year bond with an average from 01/01/2017 of 0.48% (higher number due to the interest rates increased at the beginning of 2022) emerges as a pertinent and fitting reference rate for risk-free assessment.

Similarly, incorporating geographical considerations, the Stoxx600 index, which encompasses 600 large, mid, and small-sized European companies, can be employed as a representative proxy for the market. The index had an average return of 4.61%, from 2017, as well influenced by the Covid-19 drawback consequences. From the data, we derived the Market Risk Premium (MRP) as 4.12% (4.6% - 0.48%).

Following this, we conducted a regression analysis on historical data of excess market returns and excess stock returns to obtain the Beta equity. The result was a Beta equity of 1.224.

Moreover, employing values of 24% for the Tax Rate, €16,762 million for Debt, and €44,519 million for Equity, we computed the Unlevered beta as 0.99 using the formula $\boxed{\frac{Beta\ Equity}{(1*\frac{(1-tax\ rate)*Debt}{Equity})}}$.

Additionally, the Beta debt was computed as 0.239 using the formula $\boxed{\beta u =}\ \boxed{\frac{Equity}{Equity+Debt} * \beta e + \frac{Debt}{Equity+Debt}\beta d}$, and extracting the value for βd. Subsequently, with these parameters, we determined the Cost of Debt by adding the Risk-free rate to the product of the Market Risk Premium (MRP) and βd, resulting in a value of 3.8%. Similarly, by adding the Risk-free rate to the product of MRP and βe, we arrived at a Cost of Equity of 7.9%.

Once we achieved these numbers, and considering a marginal tax rate of 19%, we can obtain the Weighted Average Cost of Capital**.** The value calculated is **6.75%.** Subsequently, this return was used to discount Free Cash-Flows of Eni. We have estimated cash- flows for 2023 and then forecasted the ones until 2030.

After having discounted the Free Cash Flow of the Group (Core + noncore), we obtained the Enterprise Value as of Dec.2024, summing these values, amounting to € 13,399. To this value, we added the Cash and cash equivalents totalling €9,790 million, subtracted Net Debt €17,609mln, the Non-controlling Interest €471 million, and added the Terminal Value derived at €60,012 million. This latter value has been obtained with a perpetuity growth model (Gordon growth model) and as CAGR it has been predicted at 2.36%, obtained as the average of OECD's global growth expectations for the period 2030-2060.

This computation yields an Equity value of €61,680 million. Subsequently, after dividing the Equity Value by the estimated number of outstanding shares in 2023 (3,482.6 million common shares), we arrived at a per-share value of **€17.71**. This assessment, accounting for the anticipated €2.2 billion share repurchase and the projected €0.94 dividend pay-out, culminates in a total shareholders' return (TSR) of 45%, leading to a recommendation to consider a **Buy**.