
Eni 2Q 2024 Results

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Presentation

Speaker

Claudio Descalzi, CEO

Good afternoon and welcome to Eni's 2nd Quarter and First Half 2024 results conference call.

This quarter confirms we are making significant strides forward in delivering on our strategy and the 4 Year Plan set out in March.

I will discuss our financial results in more detail, but in summary, our performance in the first half exceeded our plan in terms of financial outcomes and cash flow generation, with capital expenditures and leverage showing a positive trend.

Touching on some important milestones in the year so far:

- We are materially enhancing our Upstream portfolio. We completed the highly accretive acquisition of Neptune in January, already delivering significant value for Eni shareholders thanks to synergies in Indonesia, Norway and Algeria.
- Following the step up of our exposure on the UKCS with Neptune, we have moved quickly and are creating one of the largest independent players in the country through the combination with Ithaca Energy.
- At the same time, we are also making real progress in high-grading our Upstream portfolio, completing the sale of non-core assets in Congo and Nigeria and announcing the sale of Alaska, which we expect to close before year-end. Furthermore, we are working on some additional transactions related to our dual exploration model that will mature in the coming quarters.
- Meanwhile our Upstream business continues to focus on its core activities – we have reported production growth of 6% year on year, and have added significant oil and gas resources with notable exploration successes in Ivory Coast, Cyprus and Mexico.
- On the businesses related to energy transition we are unveiling the value that the market places on our unique integrated chains in retail consumption and sustainable mobility. In March we completed on the 600 mln € equity investment into Plenitude by Energy Infrastructure Partners and this week we have announced the potential investment by KKR into Enilive in a range between 2.5-3 Bln €.
- Together the deals highlight an enterprise value of around 22 bln €, a remarkable improvement versus the marginal value these activities were accorded only a few years ago.

- We are also pleased with the operational progress we are making: for Enilive, the FIDs of two new biorefineries in Malaysia and South Korea and, for Plenitude, the start-up of its largest solar project to date, the Renopool solar park in Spain.

Let us put all of this in context.

The energy Transition is irreversible, but it will only be sustainable if it allows returns, attracting private capital. And this is what we are proving through our portfolio of activities that are highly valuable for the market and achieving precisely those objectives of profitability and economic sustainability.

We are also growing Upstream, with higher margins and lower emissions to be Net Zero by 2030. We will grow underlying production by 4% per year over the Plan period, reported production by 2% per year after disposals, and, crucially, we will grow CFFO per barrel by 30%.

Plenitude and Enilive will close to double EBITDA over the 4YP and double again by 2030.

This is an outstanding plan of growth that is attracting the interest of many investors and will ultimately take both businesses towards full market valorization through IPOs.

Our transformation plan has more emerging options: we are restructuring and re-orienting our Chemicals presence towards a sustainable platform based on biochemistry and the circular economy as we did and continue to do in biorefining. Furthermore, CCUS has a key role in reducing emissions in hard-to-abate sectors, and is also well suited to be an additional satellite in our system in due course.

Taken together, supported by a clear and focussed financial framework, Eni is able to offer sector leading CFFO per share growth rate - over 13% per year - and highly competitive shareholder returns.

Turning to our results pro-forma EBIT, incorporating our associate operations, was 4.1Bln €, in line with last year even without the benefit of GGP one-offs reported in 2023.

Over the first 6 months pro-forma EBIT was 8.2Bln €, more than 60% of the original annual plan.

In the Upstream we reported another excellent quarter with production up 6% year on year, and pro-forma EBIT of 3.5 Bln € capturing the oil price scenario and recovering gas market with a total. Indeed, GGP with 334 mln € also reported a strong result, in line year-on-year on an underlying basis, and in what is traditionally a seasonally lower quarter.

In the Transition businesses, Enilive's pro-forma EBIT was 120 mln € reflecting the currently softer bio refining market conditions, offset by seasonally stronger marketing income, confirming the advantage of the integration along the value chain with the sales of products and services to retail and wholesale.

Plenitude reported pro-forma-EBIT of 149 mln €, 12% higher than the second quarter last year and giving a strong first half progression.

A weaker scenario for refined products impacted our traditional Refining - offset by resilient wholesale and trading activities and supported by high plants availability - leading to a stronger result year on year. Chemicals in Versalis continues to face very challenging markets reflected in our Q2 losses.

Taxes rose in the quarter with the accounting rate at 55% primarily due to mix effects within the Upstream and across the income statement more generally.

Our CFFO in the quarter is 3.9 Bln € and 7.8 Bln € for the First Half, delivering a pleasing trend of efficient cash conversion, reflecting good dividend income and a cash tax rate of around 30% - consistent with the level we anticipate for the full year. Our first half CFFO means we have already generated 55% of the planned annual amount.

Organic capex is currently tracking below our gross guidance of a €9Bln full year figure but our expectation remains unchanged.

Net portfolio activity was still cash out in the half year but in the quarter we generated proceeds of €480Mln being primarily the sale of shares of Saipem.

After payment of the final dividend and the restart of the buyback, net debt fell from a Q1 peak.

Let's focus for a moment on our Upstream and Transition businesses, the key current components of our value chain.

This slide emphasises the resilience of the result in absence of the GGP one-offs. In E&P we have delivered excellent volume growth, backed by continuing exploration success to feed the business, and progressed portfolio high-grading. GGP continues to capture margin in our equity gas sales leveraging its excellent asset and logistics positioning.

Financial performance in our Transition businesses remains on track despite volatile and often challenging scenario conditions. This reflects the underlying resilience in these balanced and integrated businesses.

As a result, we are maintaining growth in a consistently competitive fashion and investing for value and for the long-term.

This means we are able to launch new advantaged bio-refinery projects and have a significant portfolio of new renewables capacity under construction to sustain our growth.

Confirmation of the value we are creating is evident in the financial investment we have attracted in both Plenitude and Enilive.

A strong balance sheet remains a key target in our plan, providing resilience, flexibility and strategic optionality.

In March we said gearing over the 4YP would range between 15% and 25%. The impact of the strategic acquisitions we made to support our growth platforms pushed gearing up - towards the higher end of that range by the first quarter; but as we have seen in Q2, even with limited

impact of disposal actions, leverage is already inflecting down, falling by almost 1.5 percentage points versus Q1.

We are executing our disposal plan much faster than planned: as a reminder in March we announced we would deliver 8Bln € of net portfolio inflows in the 4 Year Plan and indicated we expected that divestment activity to be front-end loaded.

In the first 6 months we have, in fact, advanced this programme faster and for better value than anticipated.

The announced deals, in Alaska and Nigeria, will reduce our leverage by around 3 percentage points, while the sale of a 20-25% of Enilive will impact our leverage by a further 5-6%.

This means by the end of the year we now expect leverage to be well below 20% and, conceivably, towards 15% on a proforma basis - awaiting the full cash-in of these deals and other planned actions.

And we are working on several additional transactions, that will further contribute to our portfolio enhancement and debt reduction.

In other words by the end of the year we expect to be able to provide visibility - either via actions completed, announced or with defined plans - over the large majority of the transactions that will be roughly split 50/50 between upstream and new transition businesses.

That brings me to our Satellite model, a crucial source of cash to fuel our growth plan, distribution and to maintain a strong balance sheet.

2024 has seen important proof points for the distinctive model we have built. The Plenitude and Enilive transactions, that will generate over 3Bln € in total, represent material deals of aligned capital at attractive multiples with valuable partners.

This is only a portion of the 11Bln € cash we generated from dividend, disposal and IPOs through our key satellites: Enilive, Plenitude, Azule and Var Energy since their creation.

This new capital supports our funding needs, and confirms the value we are creating in different businesses, and anticipates cash flow generation from these long-term opportunities.

Cash generated from our satellites has a double impact on our distribution:

- accelerating growth in our cash flow from operations, as a result of the material increase of these businesses. During the plan, Var and Azule production will grow together by 45%, while Plenitude and Enilive are almost doubling their EBITDA;
- diversifying our businesses and improving our balance sheet, allowing us to progressively enhance our distribution policy.

Finally let me elaborate on the outlook for the remainder of the year.

We now expect reported Full Year production to be at the top end of our guidance implying a growth rate of close to 4%.

Similarly, GGP has now significantly de-risked our original 800mln € proforma EBIT guidance for the year and we now expect a full year figure of around 1Bln €.

Our main Transition businesses, Plenitude and Enilive, remain on course to deliver their combined guidance of 2Bln € of pro-forma EBITDA this year.

Eni full year pro-forma adjusted EBIT and CFFO before working capital are expected to be around 15Bln € and over 14Bln € respectively at our current scenario; and in that context we confirm the buyback will be a minimum of 1.6Bln €. Thanks to the improved visibility on our divestment programme we will speed up repurchases through Q3 and Q4 versus our previous plan. Moreover, given the lower expected debt in the light of the progress of the M&A, we will be able in the third quarter, to evaluate a further raise to the distribution share up to the maximum limit of 35% of the budgeted CFFO, which corresponds to a potential buyback value of additional 500 mln €.

To help with CFFO profiling for modelling purposes we can confirm that dividend cash-in from associates should closely approximate the net income, while the cash tax rate for the full year is expected to be around 31%.

Net capex is now expected to be under 6bln €, significantly below the previous guidance, in line with our updated expectation that year-end gearing will be well below 20%, and pro-forma, on deals awaiting formal closing, will be even lower than that.

Finally, with the work now underway, we have already identified savings in excess of 250 mln € for 2024 and we are raising to around 2 Bln € the full value of savings and simplification benefits over the Plan period that we announced in March.

To conclude, we are really pleased with the progress we are making.

Our strategy is to invest in our high-quality businesses to make Eni more profitable, fund the next phase of growth, work to highlight the full value of our assets, and to deliver a growing and competitive shareholder distribution.

The first half of 2024 has seen us making clear strides forward in terms of the operational delivery and the new projects that underpin that growth. This has translated into an excellent financial outcome.

And in addition, we are also ahead of our expectations in our divestment programme - in terms of proceeds, value realisation and timing - de-risking the business and accruing further value to shareholders.

The Eni investment proposition is clear:

- 1) highly competitive growth in the key segments of business related to traditional and transition energy;
- 2) value realisation thorough portfolio management;

- 3) fast deleveraging and a strict investment discipline in prioritising our significant pipeline of new projects;
- 4) a competitive and progressive distribution policy supported by the material growth in cash flow generation and balance sheet enhancement.

With these remarks I conclude our review of the quarter.

And now along with Eni's top management, we are ready to answer your questions.