
Eni 3Q 2024 Results

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Presentation

Speakers

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Good afternoon and welcome to Eni's third quarter and nine months 2024 results conference call.

Energy markets continue to be volatile and unpredictable, driven by a mixture of fundamentals, geopolitics and speculative trading flows. Our focus is on maintaining resilient and competitive operating and financial performance; reinforcing our balance sheet while funding both investment into the business and attractive distributions to shareholders; and progressing our strategy. In the third quarter we clearly continued to deliver on all those objectives.

In Q3 we indeed reported resilient results with proforma adjusted EBIT of €3.4 bln and CFFO of €2.9 bln, despite the deterioration in Scenario across most of our main businesses. We also lowered debt and leverage well ahead of our original plan. I'll speak in more detail on our results shortly.

Let me focus on strategic activity. We are executing at pace around a clearly defined portfolio of businesses. Those businesses are both Transition oriented and where Eni has clear competitive advantages and where we can generate competitive growth and returns.

Starting with the Transition satellites and Enilive specifically:

- We are delighted to have confirmed the investment by KKR into Enilive. The €2.9 bln investment for a 25% stake supports our growth and confirms the value already created. Similar to our Plenitude transaction earlier this year it accesses a new pool of aligned capital, more appropriate for the different growth and risk profile of the business.
- Furthermore, that growth is clear – in Q3 we sanctioned two bio-refineries – South Korea and Malaysia – and confirmed that construction work at Livorno will begin soon. And we will start our first bio-jet plant in Gela at the end of this year.

Upstream continues to be an area of significant distinctiveness and competitive advantage:

- In August we began gas production at Argo-Cassiopea, offshore Sicily. Production, net zero on Scope 1 & 2, will quickly ramp up into the winter contributing to gas supply for Italy. Johan Castberg and Baleine Phase 2 will start up before the end of the year contributing to reach our production targets.

- Also in August, and only 10 months after the discovery of Geng North, Indonesian authorities approved our Plan of Development of the Northern Hub in the Kutei Basin, as well as a significant extension to the plateau at our Southern Hub centred around the existing Jangkrik FPU. Together these two hubs will account for over 400kboed and Eni's equity is over 80%. Additionally, we have identified over 30Tcf of near-field exploration potential, offering potentially very material upside. The scale of this opportunity underpins our growth potential beyond the end of the current 4YP and of course offers the opportunity for some early monetization via our proven dual exploration model.

While Plenitude and Enilive are currently our main Transition satellites, Q3 also saw important milestones in the development of a new one – CCUS. First CO₂ injection began at our Ravenna project here in Italy. This is a first plant able to capture more than 90% of the CO₂ emitted by our upstream plants. At the same time we secured the key milestone of agreed government funding on our Hynet CCS project in the UK.

As a reminder we are looking to build over 15Mtpa of capacity before 2030 and grow that to over 40Mtpa in the 2030s and it is an ideal vehicle for a tailored satellite structure.

Turning now to our Q3 results in more detail. We reported proforma adjusted EBIT of €3.4 bln and CFFO of €2.9 bln, both down just 14% y-o-y despite a deterioration in the scenario.

Our Upstream businesses were the standout contributors to our results this quarter. Our satellites and associates made up over 1/3 of our Ebit.

Finance expense remains low even before debt begins to fall materially while the tax rate at 51% was consistent with this quarter's oil price and earnings mix.

CFFO for the quarter was €2.9 bln, giving €10.7 bln for the 9 months, a consistent conversion of profits into cash. This has served to cover a working capital build, capex, net M&A, the dividend and a portion of the buyback-to-date.

After the effect of the cash out for Neptune in Q1 net debt has fallen in Q2 and Q3 even with only modest divestment income. We will see an acceleration of this reduction in the coming quarters.

Capex for the quarter was €2.0 bln and for the 9 months was €6.1 bln, (-10% versus last year). We expect to be below €9 bln for the year, even taking into account the seasonally normal uptick in Q4.

Net capex was €1.6 bln in the quarter and should be below €6 bln, assuming the cash inflow of agreed transactions waiting to close at year-end.

In Global Natural Resources, E&P contributed €3.2 bln of pro forma EBIT, with results resilient in the face of lower crude prices and helped by production, up 2% y-o-y.

GGP delivered a strong quarter for the summer months helped by an improving price scenario and hub spreads and confirming a robust result even in a year of limited volatility.

In the two key Transition businesses, Enilive delivered strong bio-refining throughput growth and excellent utilisation. EBIT was hurt by the weak bio Scenario but marketing made a strong contribution.

Plenitude is also continuing along its planned growth trajectory. Y-o-Y EBIT was lower versus 2023, but it will beat our budget result on a yearly basis.

Net debt and leverage in the quarter were both down and we remain comfortably below the top end of the Plan 15%-25% leverage range despite closing only one major divestment in the quarter while also stepping up our share buyback and paying a portion of the remaining outstanding extra profits tax balance.

But as we discussed at Q2 that's not the full story. We have been advancing our portfolio activity faster and for greater value than we anticipated and planned for. Our expectation is that by year-end pro-forma leverage will be towards the bottom of that range.

Shareholders distribution remains our 1st priority. In September we paid the first tranche of the annual €1 dividend +6% versus last year. Our buyback in the quarter totalled €570 mln, or 1.3% of shares in issue which are now down 12% since we restarted the programme in 2022. As we reduce shares in issue this adds further, along with the business performance and the balance sheet strength to the quality and value of our dividend.

With that balance sheet improvement in mind, and the continuing success in our portfolio programme, we also confirm today an increase in the 2024 share buyback. We now plan to repurchase €2 bln in the programme, an increase in €400 mln, delivering on our raised commitment announced at Q1 and in addition reflecting the better than Plan progress in our M&A. At today's share price our distribution yield is 11.5%.

Our effort on growing in new transition business has broader implications. It is also an opportunity to build new, highly attractive opportunities around our chemical sector. Fixing the results of this loss-making segment will be a significant contributor to the earnings and cashflow potential we see for Eni, going forward, and is a real priority for us.

Since March we have been developing a detailed plan which we now want to take the opportunity to share with you. We have also had the opportunity to share this with the Unions.

Versalis has accumulated material losses over the past years and this negative trend has continued through 2024.

Our response is one of both Restructuring and Transformation:

- The future platforms of Versalis will have a significantly different profiles – one focussed on a high value downstream portfolio of compounding and specialized polymers, one on biochemistry, and on the circular economy – a portfolio more consistent with Eni's technology-led strategy focussed on competitively advantaged businesses into the Transition.
- This transformation can leverage the resources of a highly skilled workforce but dedicate it to higher value and more sustainable activities.
- At Priolo we are evaluating constructing a bio-refinery for SAF and a chemical recycling plant employing our HOOP technology.
- At Brindisi we target to continue polymer manufacture by using cost advantaged imported raw materials and we will convert part of the site to the construction of a new factory facility for the manufacturing of stationary networked batteries.

- In the meantime, we plan to shut-down cracking at both Priolo and Brindisi. We will also look to exit or significantly reduce our exposure at Dunkirk. This is a necessary response to the structural disadvantage European basic chemicals manufacturing faces versus other regions.
- And we will reduce polymer capacity by ceasing polyethylene production at Ragusa. You will be aware we closed operations at Grangemouth earlier this year. Further initiatives to drive efficiency in polymers might also be taken.
- The European Chemicals industry has further deteriorated in 2024 and it is not expected to improve in 2025. In this context our expectation is to move to positive EBIT in 2027 and FCF breakeven in 2028.

We are comfortable on the ultimate success of this turnaround as we faced a similar issue over a decade ago in our refining operations.

The transformation path we chose then, bio-refining, evolved into Enilive, with the resulting scale of ensuing value creation we have been able to specifically highlight today.

Moving to guidance: FY upstream production is expected at around 1.70 Mboed, the middle of the original guidance reflecting the expected impact of OPEC+ quotas. GGP pro-forma EBIT is raised again to €1.1 bln, while we confirm our Transition businesses to deliver EBITDA of ~€1 bln each.

Group proforma EBIT and CFFO expectations have been reduced from Q2 on the lower Scenario assumption but reflect outperformance versus the original Plan of more than €1 bln in each case.

We can confirm gross capex below €9 bln and net capex well below €6 bln and I have already discussed the outlook for leverage; and this provides the setting for the raised BB to €2 bln from €1.6 bln and €1.1bln in the original guidance.

To summarise Q3 represents a very good quarter amid a volatile and challenging environment. We have significantly advanced strategy, developing growth in advantaged businesses and securing value. We are addressing underperforming activities with the prospect of materially improving financial performance, and we continue to pursue our cost reduction program that has already achieved the 300 mln € of saving planned for this year.

Our recently announced re-organisation reinforces our actions in each of these aspects. But critically our financial performance continues to be highly competitive and resilient. Indeed, we are now positioned in an historically strong situation, financially and strategically, and this is confirmed in our decision to raise our 2024 share buyback.

That ends my remarks and now, together with Eni top management, I am ready to answer your questions.