Eni 1Q 2024 Results

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Presentation

Speakers

Francesco Gattei, CFO

Good afternoon and welcome to Eni's Quarter One 2024 results conference call.

Our first quarter 2024 is an excellent result – we have reported proforma EBIT of €4.1 Bln and CFFO of €3.9Bln. Production growth in our Upstream of 5% and excellent contributions from our Transition businesses of Enilive and Plenitude - meant we substantially resisted the overall deterioration in the Scenario.

The continued excellent cash conversion and capex discipline also meant that balance gearing remained comfortably within our range despite completing on Neptune and the 2023 share buyback programme in the quarter.

I will analyse our results in more detail shortly but this slide also emphasises how busy we continue to be in actions to invest to high-grade and transform our company. I wanted to highlight a few items in the year-to-date because they provide helpful context for our strategic progress:

- In January we completed the purchase of Neptune. The transaction is highly synergistic and it has already delivered very material value to Eni, with significant upside in Indonesia, and new optionality in UK, as we will see later. With the Neptune deal, following on from Chalmette and Novamont last year, we have concluded the phase of inorganic positioning in new platforms for growth, and we enter into a different cycle characterized by the valorisation of these new business lines and by the dilution of exploration discoveries. As a first step in this new phase, in March we completed the €0.6Bln equity investment by Energy Infrastructure Partners into Plenitude. This is an important proof point for our Satellite Strategy - introducing aligned capital from a valuable partner, supporting the future growth of the business and confirming the value created.
- At the same time we are organically expanding our growth opportunities: in March we announced the Calao discovery, offshore Ivory Coast. This is another major, high equity, discovery with a potential resources of between 1 to 1.5 Bln barrels of oil equivalent. It follows our discovery of Baleine in the country in 2022 and the discovery of over 16Bln barrels of oil equivalent over the past 15 years, translating to organic

production growth plus over $10Bln of cash in via Dual Exploration actions over the past 10 years.

- We strongly believe in value created via the drillbit and we continue to reinforce our technical competencies, paired with the most advanced technological solutions. In this regard in January we began the construction of the HPC6 supercomputer, that will raise Eni back to the top 5 computing systems in the world with a computing power of over 600 Petaflops (9x bigger than our current one).
- Finally, we have just announced the agreement to combine our UK E&P activities with those of Ithaca Energy creating a new satellite inside the Eni universe. We believe that the hydrocarbon potential of the UKCS remains relevant and we have immediately leveraged on our enhanced UK portfolio after the acquisition of Neptune to further reinforce our long-term positioning in the country. It is a well understood model, based on complementary portfolio and technical capabilities, and one successfully followed at Var and Azule where the right combination generates significant top line, operating, financial and fiscal synergies.

Just before going into the Q1 numbers in more detail here is a recap of the key industrial message from our Capital Markets Update in March.

We now have a complementary portfolio of high-quality businesses that align with the Transition and the Trilemma; ones that integrate across the company; that leverage Eni's strengths in technology focus and early mover status; and which, crucially, together offer the prospect of sustained growth - we see 13% CAGR in CFFO per share in a flat scenario, among the highest in our peer group- and a progressive diversification and improved quality in our sources of cash.

Our strategy will make Eni a larger and more profitable company at the end of our current Plan and beyond. Our distinctive industrial approach is supported by a robust financial framework that balances the use of cashflows for shareholder returns with reinvestment for growth and the balance sheet. Our satellite model helps to appropriately align capital allocation and provides investors with visibility on the performance and valuation of activities with very different financial profiles.

Ultimately, Transition will only be real if it creates material and sustainable returns and profitable business.

Moving to the quarter the next three slides provide analysis of today's results:

We recorded an excellent quarter for production with impact of the Neptune acquisition the ramp up of Ivory Coast and Norway and good performance in Libya. This production performance helped to mitigate the weaker gas price.

GGP results are down y/y versus an exceptional quarter for trading and optimisation in 1Q23 and also down versus the Q4 23 result which saw the benefit of the arbitration procedure. However, the Q1 result is in line with our expectation given seasonal strength but low market volatility.

You will have seen we have re-segmented EniLive and Plenitude together to highlight their importance, together, as material growth businesses for Eni in the changing energy market.

An important theme of this quarter is growth. I mentioned hydrocarbon production up 5% y/y, but in these Transition businesses it is really significant - bio throughputs have more than doubled, renewable energy generation is up 12% and quarter-end capacity up 30% y/y, while charging points are up 33%. And we are also progressing the regulatory framework for our CCS program.

Our more traditional downstream businesses are now grouped together with refining showing improved utilisation and capturing the q/q improvement in the SERM. Versalis was again loss-making albeit an improvement over Q4 but recall we set out our plans at the Capital Market Update in March to restructure and transform our Chemicals operations and you should expect more on this as we go through the year.

We have demonstrated good cash conversion, once again and this will drive a higher distribution, as indicated it would in March.

With the strong Q1 delivery and the prospect of improved macro conditions versus Plan we are raising our guidance for CFFO. We are now see CFFO for the Full Year 2024 in excess of €14Bln. Incidentally, marking-to-market based on a snapshot of the market this week would generate a higher figure.

As we set out in March our distribution commitment is to share up to 60% of additional cashflows above Plan with investors via the buyback. Therefore, we are raising the 2024 buyback by 45%, to €1.6Bln from €1.1Bln, with the continuing commitment to revisit in each of the remaining quarters to update on expected financial performance and the associated distribution. Our aim is that at a minimum we deliver the underlying business performance we target and ensure we capture the available upside from the Scenario.

Our Shareholder meeting on 15 May will consider the proposal to authorise our new Buyback programme up to a maximum of €3.5Bln. Our normal practice would be to begin repurchases shortly after that authorisation. If authorised our 2024 dividend on €1/share, paid quarterly, will start in September.

Our capex in the first quarter of €2Bln was in line with a FY figure of around €9Bln taking into account this period is historically lighter on spending. Similarly, we confirm that our major strategic inorganic acquisitions have been completed and we are making good progress in our target of a front-end loaded net €8Bln cash in over the 4 Year Plan Period which will result in net capex of €7-€8Bln in 2024. In the Annex you will also find the bridge to net debt, with leverage at 23% at the end of March which remains well within our guided range despite the portfolio cash out and the completion of the 2023 buyback.

Turning back to the proposed combination of our UK E&P operations with Ithaca Energy, let's take a more detailed view.

You are familiar with our use of Satellite structures at Var Energi and Azule. In the Upstream we use the satellite structure to build scale, realise synergies, increasing near field exploration and development potential and matching complementary cashflow profiles and efficiently access capital markets.

With Ithaca we tick all of the boxes. With the addition of Neptune and now Ithaca we are moving from a mature and quite marginal position in the UK to a leading status in terms of production of over 100kboed and resources. Quite clearly, the UK has its challenges but we are confident we are now in a position to access considerable operating and cost synergies critical for business success in a mature basin, give ourselves significant optionality, and helping to provide additional supply while addressing emissions. Together with our existing activities in CCS, which were also boosted with the Neptune purchase, and our participation in the giant Dogger Bank windfarm development, we are establishing ourselves as a significant participant in the UK energy industry, as it grows and decarbonises.

Reviewing our guidance versus March, we are have increased confidence in Upstream production; underlying profitability at GGP, Enilive and Plenitude are all confirmed confirmed; so with a more positive Scenario we have raised 2024 guidance for both group pro-forma EBIT and CFFO to > €14 Bln.

With that in mind we can also confirm our gearing guidance and raise the expected Buyback for the year by 45% to €1.6Bln evidencing our commitment to share upside with our shareholders by means of a clear, attractive distribution policy.

Finally, I can provide some guidance for Q2. We expect production to be lower sequentially reflecting seasonal maintenance impacts and any divestments we conclude. In line with typical seasonal pattern and reflecting current trading environment, we expect Q2 results from GGP to be lower than Q1. For Plenitude we expect a solid Q2 performance in Retail - albeit with lower seasonal volumes, as well as a Renewables contribution that continues to reflect recent capacity growth. We anticipate utilisation rates in our conventional refineries to be down sequentially because of planned maintenance, while biorefinery availability is expected to remain steady at around 90%, with scope to capture higher seasonal demand in Marketing.

To conclude we are very pleased with our progress at the outset of 2024, demonstrating evidence of delivering against all our key objectives and we can see continued positive momentum across the remainder of 2024. We are also pleased to be able to materially raise the shareholder distribution for the year while continuing to grow a larger and more profitable Eni.

This concludes my review of the quarter. Along with Eni's top management I'm ready to answer your questions.