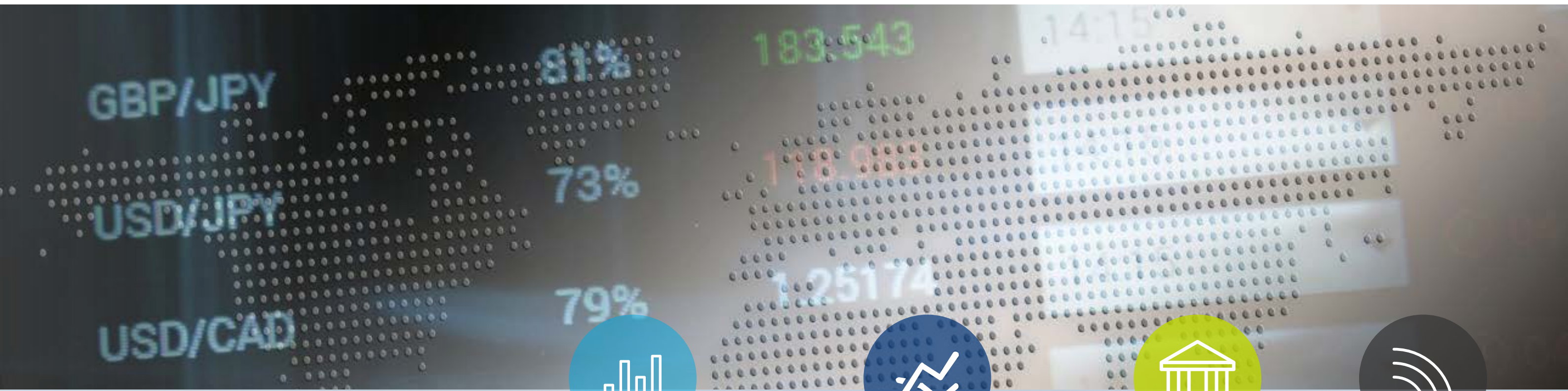
June 2022

Financial Markets Review

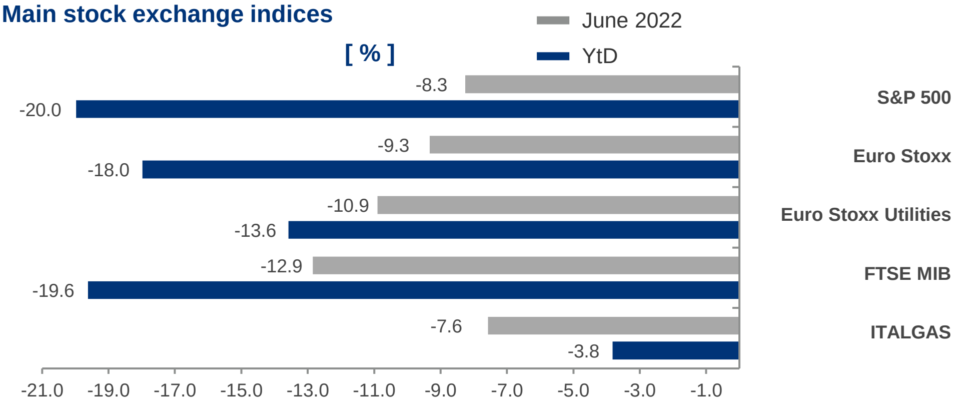


Large decline for global equities reflecting fears of accelerated and deeper monetary tightening, with consequent expectations of economic deceleration. Sovereign core yields rose significantly, driven by the real component due to monetary normalization

Financial Markets

Large decline for global equities reflecting fears of accelerated and deeper monetary tightening by the central banks, with consequent implications in terms of economic deceleration, after inflationary dynamics continued to update multi-year highs (the US parameter is at its 40 years highs). The Euro Stoxx fell by 9% against a moderate outperformance by the S&P 500, which, despite the further significant appreciation of the dollar, limited the decline to 8%, probably due to the lower exposure to energy supplies from Russia, with different dynamics of gas prices. The FTSE Mib, on the other hand, closed at -13%, essentially penalized by ENI and STM (both down by approximately 20%). Significant rise in core sovereign yields as a function of the aforementioned expectations of faster monetary tightening resulting from the multi-year highs of inflation. The German yield rose by 21 bps (1.33%) and the US yield by 17 bps (3.01%), both driven by the real component, while inflation expectations were lower due to the deterioration of the outlook. The ECB announced the end of the ordinary QE starting from July, signaling the green light for an increase in the reference rates, anticipated to +25 bps in July, and further hikes in September, the magnitude of which will depend on the evolution of the macro scenario. The FED instead made a triple hike in rates, with the median of the FOMC components estimates seeing a further 7-8 hikes by December. Moderate reduction of the spread (-7 bps to 193 bps); after having risen to the maximum from 05/2020 due to monetary tightening expectations, the differential decreased after an ECB meeting reiterated the commitment to a flexible approach in the reinvestment of the maturities originated by the PEPP. The EUR/USD declined by 2.3% reflecting the growing risk aversion, while the EUR/GBP advanced by 1.1% due to higher-than-expected eurozone CPI vs several UK indicators below expectations.

Main stock exchange indices



Source: Italgas' elaborations on Bloomberg data

The oil market

Moderate decline in oil quotes (-4% at 115 USD/b) after the recent rally that at the beginning of March led prices to update their all-time highs, denominated in euro. The contraction essentially reflected the risk-off phase, as well as other minor factors, including the inverse relationship vs the dollar and the US decision to grant ENI and Repsol the possibility to reactivate Venezuelan crude oil supplies to Europe. The decline was mitigated by the slowdown of the pandemic wave in China and the EU decision at the end of May to embargo the Russian crude oil imports by sea, while supplies via pipeline will remain active in order to meet the demands of countries without sea access, as well as Libyan production drop (0.7 mbd at the end of the month vs 1.2 mbd on average last year) due to internal unrest.

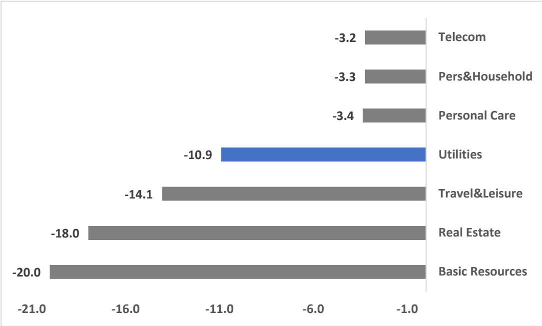
Performance by sector

The sector performance reflected a further large rise in bond yields with a simultaneous strengthening of expectations of economic deceleration

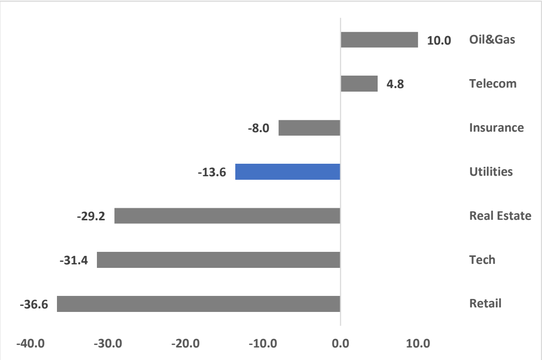
The sector performance reflected the further large rise in bond yields, with the simultaneous strengthening of economic slowdown expectations. The contraction of mining commodities prices induced by the deteriorated outlook together with higher industrial costs linked to the energy component penalized the iron and steel operators (worst performers), followed by the real estate due to the expected slowdown in transactions following the rise in the cost of mortgages, with an impact on demand and property prices. On the other hand, despite the bond-proxy profile, the telecom sector was the best performer reflecting the gradual easing of competitive pressure in the fixed telephony business, also induced by sector consolidation expectations, including the merger between Open Fiber and the Telecom Italia network.

Sector performance; utilities e 3 main ups/downs

June 2022 [%]



YTD 2022 [%]



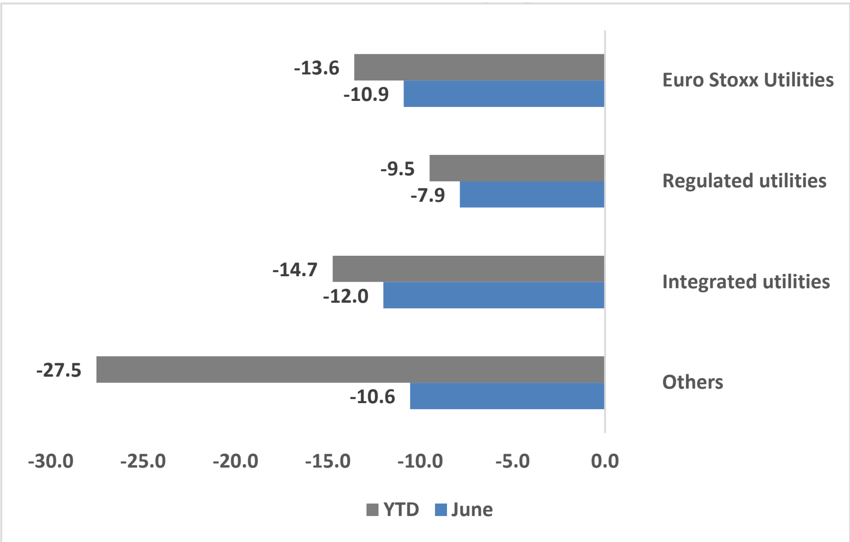
Source: Italgas' elaborations on Bloomberg data

The utilities sector underperformed the eurozone benchmark, burdened by the impact of the gas crisis on German operators

Utilities sector performance

11% decline for the utilities sector, essentially driven by German operators due to the contraction in Russian gas supplies, with associated further price increase. Uniper fell 41% after the company warned first of the risk of not being able to fulfill the sale contracts in the event of an extension of supply cuts on the Nord Stream 1, and then withdrew its net profit guidance for the current year, with the possibility of public bailout. On the other hand, the operators most exposed to renewables are the best performers due to the extension of the rally in power prices, with the German 1y forward contract close to the historic highs of December.

Utilities sector and subsectors

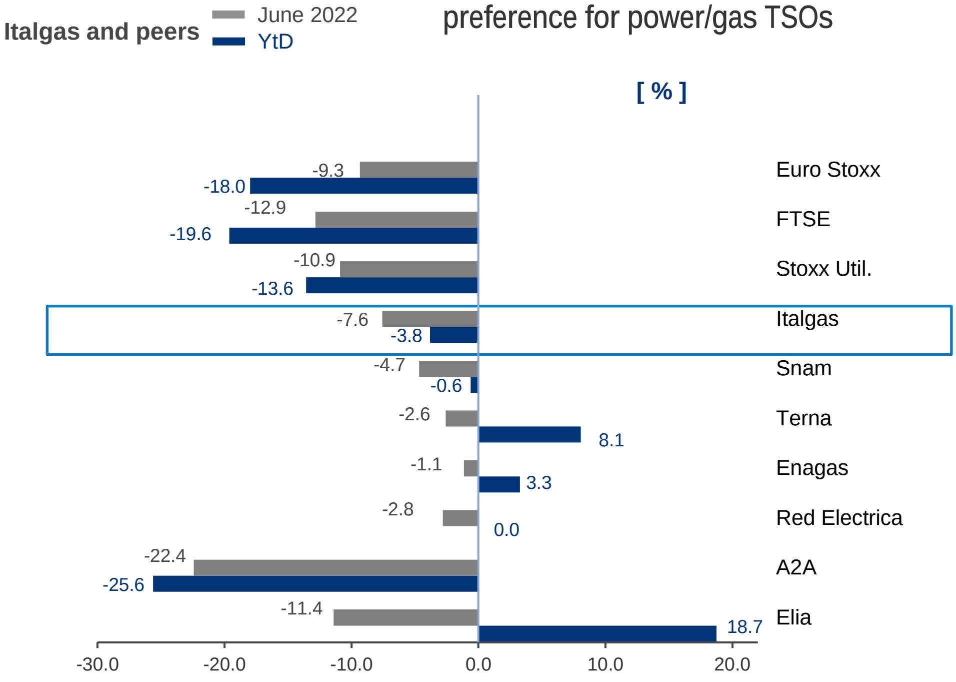


Source: Italgas' elaborations on Bloomberg data

Italgas and its peers

Italgas down 8% despite positive feedback on the industrial plan and cheaper multiples; market reiterates an overall preference for power/gas TSOs

Italgas fell by 8% (5.555 euro), moderately underperforming the average of peers in eurozone. The stock benefited from positive feedback on the industrial plan, and brokers were unanimous in highlighting the low level of multiples vs its peers, although some of them pointed out the contraction of the capex on the domestic network; overall, the sector continues to show preference for power/gas TSOs, considered the main beneficiaries of the changed European energy context. The Belgian TSO Elia fell by 11% after the announcement of the terms of the capital increase, despite the fact that it had already been planned since several months to cover the financial needs deriving from the strong development of the business.



Source: Italgas' elaborations on Bloomberg data

Agenda
Corporate events

25 July BoD on Q2 consolidated results; press release & c. call

Links to Corporate News

Italgas presents its 2022-2028 Strategic Plan 15 june 2022

Italgas SpA
Via Carlo Bo 11 - 20143 Milano (MI) Italia
www.italgas.it investor.relations@italgas.it
tel: +39 02 81872175 - 2031