FINCANTIERI

OUTPERFORM

Sector: Industrials

Price: Eu4.53 - **Target: Eu6.00**

Fully fledged to become a leader in the underwater domain

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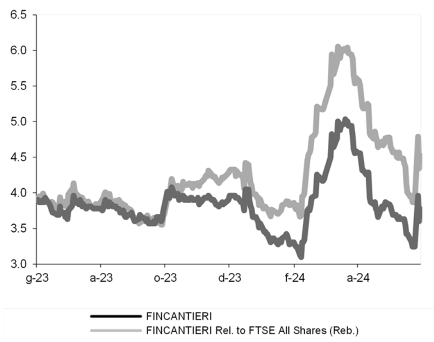
Stock Rating	
Rating:	OUTPERFORM (Res. of Coverage)
Target Price (Eu):	6.00 (Res. of Coverage)

FINCANTIERI - 12M Performance



Stock Data			
Reuters code:			FCT.MI
Bloomberg code:			FCT IM
Performance	**1M**	**3M**	**12M**
Absolute	-5.1%	-14.1%	16.2%
Relative	-0.9%	-9.7%	-2.8%
12M (H/L)			6.06/3.55
3M Average Volume (th):			1,172.70

Shareholder Data	
No. of Ord shares (mn):	322
Total no. of shares (mn):	322
Mkt Cap Ord (Eu mn):	766
Total Mkt Cap (Eu mn):	766
Mkt Float - Ord (Eu mn):	218
Mkt Float (in %):	28.4%
Main Shareholder:	
CDP	71.6%

Balance Sheet Data	
Book Value (Eu mn):	770
BVPS (Eu):	2.39
P/BV:	1.9
Net Financial Position (Eu mn):	-2,433
Enterprise Value (Eu mn):	4,274

- **Global leader in high-complexity shipbuilding**. Fincantieri is one of the world's largest shipbuilders, with a leading position in cruise vessels, military ships and submarines, as well as in offshore and specialized vessels. It is active in electronic systems, mechatronic systems, and infrastructure activities for the assembly of steel structures (ES&I division).
- **Supportive market dynamics and tailwinds in all business segments.** Fincantieri has the technology and size to exploit profitable growth in coming years as all business segments appear to be supported by positive market dynamics and tailwinds: recovery of orders (and the chance to be more selective) in the cruise ship segment; growing demand for military vessels in the current geopolitical environment (Mediterranean, Middle East, South East Asia), strong growth expected in the underwater domain boosted by the acquisitions of Remazel and UAS (closing expected 1Q25); solid demand for specialized vessels to support operations at offshore wind farms. The underwater domain could be a strategic catalyst for Fincantieri's equity story given the evolution of the complex and diversified underwater market, which needs players operating in the surveillance and control of critical submarine infrastructure. We believe Fincantieri is well positioned to become a leader in this area with the UAS acquisition pivotal for creating an *underwater champion* combining submarines with UAS torpedo production.
- **Recent newsflow: €400mn capital increase.** FCT launched a €400mn capital increase planned to finish on 11 July at €2.62ps with pre-emption rights and fully subscribed by main shareholder CDP (71% stake) with the aim of financing the UAS acquisition while keeping leverage under control. After ~€1bn of client downpayments banked in 2023, net debt is expected to peak in 2024/25 with deleverage expected in the following years. FCT's 2023-27 Strategic Plan forecasts a reduction in NFP to 2.5x-3.5x EBITDA as at the end of 2027, and although management's goal is to proceed with a smoothed path, we believe this target also has some leeway for further upside such as related to the final approval of the supply of two PPAs to Indonesia (€1.18bn).
- **Resuming coverage with OUTPERFORM, TP Eu6.0.** In anticipation of proper execution of the current Strategic Plan, we consider the current share price an attractive opportunity. In the last few years, a deterioration in the share price, in part due to poor earnings trends and high leverage, led to the stock trading at a ~30% discount to the average NTM EV/EBITDA of the past 5 years. With the mentioned expected improving operating trends and the increasing visibility on plan delivery, we believe a multiple rerating should be on the cards as the current market cap does not reflect, in our view, the value and the potential of the group. We resume coverage with an OUTPERFORM rating and a TP of Eu6.0, resulting from the simple average of a SOTP and a historical multiple valuation.

Key Figures & Ratios	2023A	2024E	2025E	2026E	2027E
Sales (Eu mn)	7,651	8,150	9,014	9,545	10,176
EBITDA Adj (Eu mn)	397	499	674	755	852
Net Profit Adj (Eu mn)	-7	-8	79	130	184
EPS New Adj (Eu)	-0.004	-0.024	0.246	0.402	0.571
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	23.5	8.6	6.0	5.7	4.7
EV/EBIT Adj	nm	19.3	11.0	9.9	7.9
P/E Adj	nm	nm	18.5	11.3	7.9
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	5.7	4.9	4.5	3.7	3.0

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

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Frequency of research: quarterly.
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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.
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BUY: stock expected to outperform the market by over 25% over a 12 month period;
OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
NEUTRAL: stock performance expected at between +10% and – 10% compared to the market over a 12 month period;
UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;
SELL: stock expected to underperform the market by over 25% over a 12 month period.
Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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