Intermonte

Milan, 13 May 2025

Italian Equity Research – 1Q25 Results

# FINCANTIERI

# NEUTRAL

*Sector: Industrials*

Price: Eu11.48 - **Target: Eu11.20**

## Positive Progress, Picture Remains Incomplete


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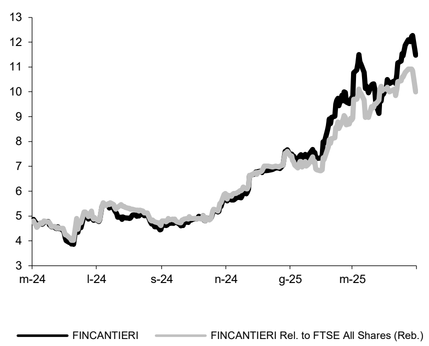
| **Stock Rating** | | | |
|---|---|---|---|
| **Rating:** | | | Unchanged |
| **Target Price (Eu):** | | | from 11.00 to 11.20 |
| | **2025E** | **2026E** | **2027E** |
| **Chg in Adj EPS** | 0.0% | 0.0% | 0.0% |

***Next Event***

*CMD – Underwater Deep dive: 19th-20th May*

**FINCANTIERI - 12M Performance**




| **Stock Data** | | | |
|---|---|---|---|
| Reuters code: | | | FCT.MI |
| Bloomberg code: | | | FCT IM |
| **Performance** | **1M** | **3M** | **12M** |
| Absolute | 16.0% | 54.8% | 138.8% |
| Relative | -1.2% | 48.4% | 124.0% |
| 12M (H/L) | | | 12.27/3.86 |
| 3M Average Volume (th): | | | 1,763.37 |

| **Shareholder Data** | |
|---|---|
| No. of Ord shares (mn): | 323 |
| Total no. of shares (mn): | 323 |
| Mkt Cap Ord (Eu mn): | 3,710 |
| Total Mkt Cap (Eu mn): | 3,710 |
| Mkt Float - Ord (Eu mn): | 1,066 |
| Mkt Float (in %): | 28.7% |
| Main Shareholder: | |
| CDP | 71.3% |

| **Balance Sheet Data** | |
|---|---|
| Book Value (Eu mn): | 922 |
| BVPS (Eu): | 2.85 |
| P/BV: | 4.0 |
| Net Financial Position (Eu mn): | -2,044 |
| Enterprise Value (Eu mn): | 5,339 |

**After an impressive rally over the last 10 months, we believe there may still be some unexpressed value in Fincantieri's market valuation, mainly related to the underwater business or the global rise in defence spending. However, the development in the order intake mix in 1Q25 was not very exciting, with most new orders coming in the Cruise segment and a lack of significant naval orders excluding the Indonesian Navy PPAs at the end of 2024. Meanwhile, cruise revenues were >€1bn in 1Q, which, given seasonality, might indicate a deviation from the Plan target of stable YoY revenue in this margin-dilutive division. Turning rising defence opportunities into revenue seems a medium-to-long-term prospect, introducing uncertainty on any upside to estimates. Our projections, which are already above FY25 targets, do not offer upside to the share price. We therefore believe the current valuation adequately reflects FCT's short/medium-term prospects.**

- **1Q25 results in line with expectations – order intake mix not very exciting.** Fincantieri's results were in line with expectations overall. Effective NWC management led to NFP of €1,608mn (2.8x LTM EBITDA) vs. €1,668mn at YE24. Profitability was in line, with EBITDA at €154mn, a 6.5% margin. The impressive €11.7bn order intake featured an unexciting mix, with almost 90% estimated to be in the Cruise segment, while the 40% YoY growth in Shipbuilding revenues were boosted by the first PPA unit sale to the Indonesian Navy.
- **2025 guidance confirmed…but still looks conservative.** We believe management has adopted a conservative approach in providing and reiterating FY25 guidance on revenues (~€9bn, seen as a floor), EBITDA margin (>7%, with estimates already at around 7.2%), and NFP/EBITDA (forecast at 3.3x, also considered a floor). Based on the company's recent performance, especially in 1Q25, and on the underwater division's accretive profitability, along with effective working capital management, we believe revenues and margins are on track to exceed guidance. As for the NFP/EBITDA ratio, we project that it could fall below 3.1x, possibly leading to an NFP around or below €2bn by YE25. Furthermore, we still believe net profit guidance reinforces the expectation of a reintroduction of shareholder remuneration as of next year.
- **Change in estimates to include Underwater Division**. We are confirming FY25/26/27 estimates that, considering conservative FY25 guidance, are already slightly above published targets. We are remixing our 2025/26/27 revenues, EBITDA, backlog and order intake to explicitly include indications for the new Underwater division in our model. Awaiting more precise indications on that division's contribution at the dedicated CMD deep dive (on 19 May), we are currently estimating ~€500mn of revenues for FY25, an EBITDA margin of ~20% and a YE25 backlog of ~€2.6bn.
- **NEUTRAL confirmed; target €11.2 (from €11.0)**. Our updated valuation, based on the simple average of a sum-of-the-parts and a historic EV/EBITDA multiple, yields a fair value of €11.2. We are adjusting our TP accordingly, and given the limited downside vs. the current share price, we confirm our NEUTRAL recommendation. We will continue to monitor further developments and are ready to take a more positive stance if we see an improvement in the order mix, with a greater prospective weight of the defence segment on total revenues.

| **Key Figures & Ratios** | **2023A** | **2024A** | **2025E** | **2026E** | **2027E** |
|---|---|---|---|---|---|
| Sales (Eu mn) | 7,651 | 8,128 | 9,107 | 9,582 | 10,172 |
| EBITDA Adj (Eu mn) | 397 | 509 | 653 | 749 | 840 |
| Net Profit Adj (Eu mn) | -7 | 57 | 114 | 180 | 239 |
| EPS New Adj (Eu) | -0.004 | 0.176 | 0.354 | 0.557 | 0.739 |
| EPS Old Adj (Eu) | -0.004 | 0.176 | 0.354 | 0.557 | 0.739 |
| DPS (Eu) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| EV/EBITDA Adj | 23.5 | 6.4 | 8.2 | 7.7 | 6.7 |
| EV/EBIT Adj | nm | 13.2 | 15.3 | 13.2 | 11.1 |
| P/E Adj | nm | 65.1 | 32.4 | 20.6 | 15.5 |
| Div. Yield | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Net Debt/EBITDA Adj | 5.7 | 2.5 | 3.1 | 2.7 | 2.3 |

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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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.
Frequency of research: quarterly.
Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.
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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As at 31 March 2025 Intermonte's Research Department covered 131 companies.
As of today Intermonte's distribution of stock ratings is as follows:

| | |
|---|---|
| BUY: | 32.59 % |
| OUTPERFORM: | 37.78 % |
| NEUTRAL: | 29.63 % |
| UNDERPERFORM | 00.00 % |
| SELL: | 00.00 % |

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

| | |
|---|---|
| BUY: | 52.70 % |
| OUTPERFORM: | 29.73 % |
| NEUTRAL: | 17.57 % |
| UNDERPERFORM | 00.00 % |
| SELL: | 00.00 % |

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