Intermonte

Milan, 21 May 2025

Italian Equity Research – Company Update

FINCANTIERI

NEUTRAL

Sector: Industrials

Price: Eu14.01 - **Target: Eu13.80**

Bringing Hidden Underwater Value to the Surface

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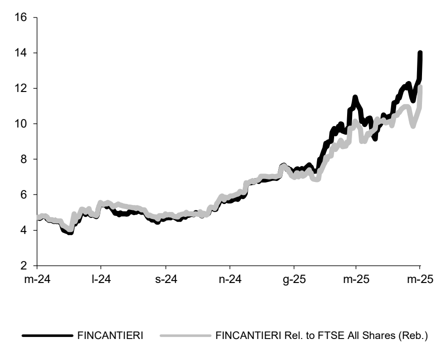
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 11.20 to 13.80
	2025E	**2026E**	**2027E**
Chg in Adj EPS	3.6%	10.5%	7.4%

FINCANTIERI - 12M Performance



Stock Data			
Reuters code:			FCT.MI
Bloomberg code:			FCT IM
Performance	**1M**	**3M**	**12M**
Absolute	35.5%	60.5%	197.7%
Relative	22.8%	54.5%	181.7%
12M (H/L)			14.01/3.86
3M Average Volume (th):			1,738.09

Shareholder Data	
No. of Ord shares (mn):	323
Total no. of shares (mn):	323
Mkt Cap Ord (Eu mn):	4,527
Total Mkt Cap (Eu mn):	4,527
Mkt Float - Ord (Eu mn):	1,301
Mkt Float (in %):	28.7%
Main Shareholder:	
CDP	71.3%

Balance Sheet Data	
Book Value (Eu mn):	926
BVPS (Eu):	2.87
P/BV:	4.9
Net Financial Position (Eu mn):	-2,040
Enterprise Value (Eu mn):	6,153

The establishment of a well-defined Underwater division and the announcement of the related targets confirmed that, despite last month's stock price rally, there is still untapped value in Fincantieri's market valuation. We continue to consider Underwater to be one of the key medium-to-long-term catalysts for the equity story, given Fincantieri's favourable positioning in a market that already represents a game-changer for national security, power generation, environmental observation and submarine communications. The Underwater segment has already reached 28% of our SOP thanks to the ~15x EV/EBITDA multiple assigned to the business. As group EBITDA is currently valued at ~€9x, we believe the achievement of the announced targets may lead to an increase in the Group's overall valuation multiple. Nevertheless, our updated valuation does not currently offer any upside to the share price. We confirm our NEUTRAL recommendation, while monitoring further developments, with a particular eye out for significant new Naval orders, and are ready to adopt a more positive stance.

- **Well set to drive Underwater innovation.** In presenting its new Underwater strategy, Fincantieri set out to position itself as a leader in the transformation of underwater technology. The aim is to offer integrated solutions across a broad spectrum of applications, including defence, infrastructure security, offshore energy, aquaculture and subsea mining, emphasising once again how the underwater sphere is an indispensable source of future value. This will be achieved through the new Underwater technological hub, which integrates and pools Fincantieri's various capabilities, including the latest acquisitions made in this area.
- **Better-than-expected divisional targets pave way for raised group estimates.** In 2024, Underwater solutions accounted for ~4% of total group revenue. This share is expected to double to 8% in 2027, with an annual expansion of ~50bp in the EBITDA margin. In more detail, FY25/26/27 revenues are expected at ~€660/€720/€820mn; EBITDA at ~€115mn/€130/152mn, for margins of 17.4%/18.0%/18.5% respectively. The FY25-27 revenue CAGR is projected at 11.3%, with a 15% EBITDA CAGR.
- **Change in estimates**. We are aligning our Underwater estimates to the newly-announced targets. For FY25, we confirm our overall revenue estimate, blending a higher Underwater contribution with lower estimates for Naval, ES&I and Offshore. For FY26/27, new Underwater targets suggest a ~1% increase in total group revenue estimates. This shift in margin accretion led to FY25/26/27 EBITDA being raised by 0.9%/3.8%/3.2%. In addition, a growing contribution from the higher-cash-conversion Underwater business resulted in a slight improvement in NFP estimates.
- **NEUTRAL confirmed; target €13.8 (from €11.2)**. Our updated valuation, based on the simple average of an SOP and a historical EV/EBITDA multiple, yields a fair value of €13.8. We are adjusting our TP accordingly, and given the limited downside vs. the current share price, we confirm our NEUTRAL recommendation. Notably, we are introducing a 15% premium to Fincantieri's 10Y historical average multiple due to the favourable market environment, better-than-expected progress on the Strategic Plan (likely to be achieved a year early), and the company's evolution, especially its focus on high-margin, fast-cash-conversion businesses like Naval and Underwater.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	7,651	8,128	9,109	9,687	10,269
EBITDA Adj (Eu mn)	397	509	659	778	867
Net Profit Adj (Eu mn)	-7	57	119	199	257
EPS New Adj (Eu)	-0.004	0.176	0.367	0.615	0.794
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	9.3	8.4	7.4
EV/EBIT Adj	nm	13.2	17.3	14.2	12.0
P/E Adj	nm	79.4	38.2	22.8	17.7
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	5.7	2.5	3.1	2.6	2.2

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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 between 5.5%-6.0% 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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

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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Emittente	%	Long/Short

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