

FINCANTIERI

UNDERPERFORM

Sector: Industrials

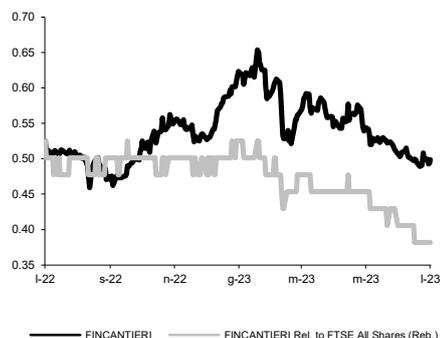
Price: Eu0.50 - Target: Eu0.45

2Q Results in Line, Raising Visibility on FY Estimates

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

FINCANTIERI - 12M Performance



Stock Data			
Reuters code:	FCT.MI		
Bloomberg code:	FCT IM		
Performance	1M	3M	12M
Absolute	-1.5%	-9.2%	-5.0%
Relative	-8.9%	-17.0%	-39.3%
12M (H/L)	0.65/0.46		
3M Average Volume (th):	2,047.85		

Shareholder Data	
No. of Ord shares (mn):	1,700
Total no. of shares (mn):	1,700
Mkt Cap Ord (Eu mn):	847
Total Mkt Cap (Eu mn):	847
Mkt Float - Ord (Eu mn):	240
Mkt Float (in %):	28.4%
Main Shareholder:	
CDP	71.6%

Balance Sheet Data	
Book Value (Eu mn):	345
BVPS (Eu):	0.20
P/BV:	2.5
Net Financial Position (Eu mn):	-2,682
Enterprise Value (Eu mn):	3,529

■ **2Q/1H23 broadly in line with expectations.** Revenues in 2Q23 came in at €1.9bn, broadly in line with our €1.87bn estimate and up 4% YoY/8% QoQ. EBITDA was €98mn (vs our €95mn estimate), with profitability up to 5.1% from 4.9% in 1Q23 (comparison with 2Q22 does not make sense as they had reported negative EBITDA). In 1H23, the company reported net profit of €-20mn (€3mn adjusted), better than our €-73mn (€-33mn) estimate due to lower D&A and financial charges. NFP was in line at €2.8bn, improving QoQ from €2.9bn. By division:

- **Shipbuilding** revenues were €1.54bn (down 4% YoY), with EBITDA of €104mn (vs our €86mn); profitability was better than expected at 6.7%, improving on 5.1% in 1Q23;
- **Offshore** revenues were €244mn (+25% YoY), with EBITDA of €10mn (in line) and the margin slightly improving from 3.8% in 1Q to 4.2%;
- **Equipment, Systems & Infrastructure** revenues were €274mn (up 64% YoY), with EBITDA at €-3mn (vs our €11mn), with the Miami terminal project still negatively impacting the segment.

■ **FY guidance unchanged.** FCT reiterated the FY guidance for revenues at ~€7.6bn, an EBITDA margin of ~5.0% and leverage of 7.0x-7.5x (our / consensus estimates are aligned to guidance). Management clarified during the conference call that their assumptions on costs (and in particular raw materials) remained unchanged despite the latest decline in prices because the environment was still highly volatile. They also reiterated the guidance on FY financial charges and D&A (meaning they will increase in 2H vs 1H), therefore our bottom-line estimate remains unchanged despite lower-than-expected figures in 1H23.

■ **More from the conference call.** Regarding the performance of the Infrastructure segment, management expects an improvement once the Miami terminal project is completed (2024); in the meantime, they are still collecting new orders as they are "feeding" the business with small, high-quality projects focused on specific niches where FCT has competences. Finally, speaking about the Naval segment, an announcement by Greece on the winner of the €1.5bn tender for the construction of 3 corvettes is expected soon. As for the recent rumours around TKMS, the CEO reiterated that the aim is ultimately to strengthen the commercial partnership between the two companies but provided no further commentary.

■ **UNDERP., TP €0.45 confirmed.** In the long term, FCT strategy is built on solid and clear strategic actions, some of which could contribute significantly to growth of the business in the years to come, even beyond the plan horizon. Concerns remain, however, over potential execution risks that could arise going forward, and on cash generation that will remain weak in the next couple of years. Visibility on upside and better-than-expected performance compared to plan targets is low, but successful delivery in the quarters to come could turn the tide. The company's leverage will remain very high for some time to come, significantly burdening the valuation and helping make the stock unattractive in our view.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	6,911	7,482	7,575	7,922	8,613
EBITDA Adj (Eu mn)	495	221	386	461	591
Net Profit Adj (Eu mn)	92	-108	-50	-7	79
EPS New Adj (Eu)	0.054	-0.064	-0.029	-0.004	0.046
EPS Old Adj (Eu)	0.054	-0.064	-0.029	-0.004	0.046
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	6.3	15.7	9.1	8.7	6.7
EV/EBIT Adj	10.8	nm	26.0	20.9	12.4
P/E Adj	9.2	nm	nm	nm	10.8
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	3.9	11.5	7.0	6.8	5.3