

FINCANTIERI

Sector: Industrials

NEUTRAL

Price: Eu16.78 - Target: Eu16.80

Solid Execution Boosts Well-Priced Visibility

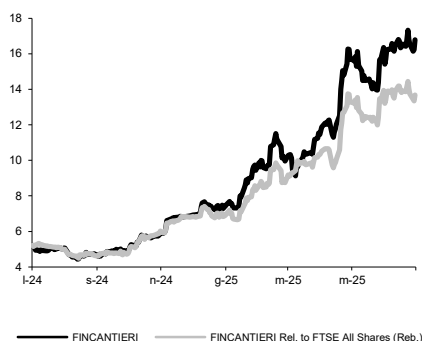
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Stock Rating				
Rating:	Unchanged			
Target Price (Eu):	from 13.80 to 16.80			
	2025E	2026E	2027E	
Chg in Adj EPS	0.7%	5.0%	2.7%	

Next Event

9M25 Financial Results: 12th November

FINCANTIERI - 12M Performance



Stock Data			
Reuters code:	FCT.MI		
Bloomberg code:	FCT IM		
Performance	1M	3M	12M
Absolute	2.6%	46.6%	221.5%
Relative	-1.9%	35.9%	199.2%
12M (H/L)	17.32/4.45		
3M Average Volume (th):	1,565.08		

Shareholder Data	
No. of Ord shares (mn):	323
Total no. of shares (mn):	323
Mkt Cap Ord (Eu mn):	5,423
Total Mkt Cap (Eu mn):	5,423
Mkt Float - Ord (Eu mn):	1,558
Mkt Float (in %):	28.7%
Main Shareholder:	
CDP	71.3%

Balance Sheet Data	
Book Value (Eu mn):	927
BVPS (Eu):	2.87
P/BV:	5.9
Net Financial Position (Eu mn):	-1,839
Enterprise Value (Eu mn):	6,848

2Q25 results confirmed solid execution trends, while the improvement in NFP/EBITDA guidance reflects the effectiveness of operational efficiency initiatives in the Cruise business and reinforces visibility on the Group's medium-term ambitions. However, in our view, these positive developments are largely reflected in the current market valuation. Consensus estimates, including our own, already exceed management's guidance, which strikes a more cautious tone on short-term upside. We continue to believe there is still some unexpressed value, particularly linked to the potential materialisation of new Defence orders. In this regard, we are closely monitoring a few high-potential tenders currently underway, including those in Norway for five new frigates, in Philippines for two new submarines, in Malaysia through the agreement with Enra Energy Solutions, in Greece for two frigates, and in Poland in relation to the underwater "Orka" programme.

■ **2Q25 results: another quarter of solid execution paved the way for guidance improvement.** Fincantieri's results confirmed excellent execution trends with revenues ~€100mn better than our estimates and EBITDA almost 12% above. We consider the Group's margin progression to be particularly significant, with the EBITDA margin reaching 7.1% from 6.0% in 2Q24, despite revenue growth in the Cruise segment being notably stronger than the flat performance in Defence. In our view, this result highlights the effectiveness of operational efficiency initiatives in the Cruise business and enhances visibility on the improved FY outlook.

■ **NFP/EBITDA guidance improved: positive but expected.** Guidance on revenues and the EBITDA margin was confirmed, while as largely expected the NFP/EBITDA target was improved from "in line with 2024 NFP/EBITDA", i.e. 3.3x, to "between 2.7x and 3.0x". Considering the solid execution seen in 1H25, we believe this still embeds a certain degree of caution, and expect a further reduction in the guidance range to c.2.7x-2.8x during 2H25, in line with our new estimates and consensus expectations. We still appreciate the net profit indications for FY25, which in our opinion shed light on Fincantieri's ability to reintroduce shareholder remuneration along with FY25 results.

■ **Change in estimates: adj. EPS revised upwards by 0.7%/5.0%/2.7% for FY25/26/27.** We are confirming our overall revenue estimates, reformulating them to consider a higher contribution from the shipbuilding segment, while lowering forecasts for offshore, which has experienced a slowdown in order intake. We believe the new NFP/EBITDA guidance range still includes a certain degree of caution, so we are aligning our FY25 estimates closer to the lower end, with NFP seen at €1.8bn (2.8x NFP/EBITDA). EPS changes relate to better-than-expected trends in finance costs, with a double-digit reduction in our FY25/26/27 estimates.

■ **NEUTRAL confirmed; target €16.8 (from €13.8).** 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 €16.8. We are adjusting our TP accordingly, and given the limited upside 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 the various current opportunities in the Defence sector coalesce into concrete orders.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	7,651	8,128	9,112	9,679	10,262
EBITDA Adj (Eu mn)	397	509	661	777	866
Net Profit Adj (Eu mn)	-7	57	119	209	264
EPS New Adj (Eu)	-0.004	0.176	0.369	0.646	0.815
EPS Old Adj (Eu)	-0.004	0.176	0.367	0.615	0.794
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	23.5	6.4	10.4	9.2	8.1
EV/EBIT Adj	nm	13.2	19.2	15.5	13.1
P/E Adj	nm	95.1	45.5	26.0	20.6
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	5.7	2.5	2.8	2.2	1.8

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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 FTSEMIIB40 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.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

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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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BUY:	32.84%
OUTPERFORM:	38.06%
NEUTRAL:	29.10%
UNDERPERFORM:	00.00%
SELL:	00.00%

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BUY:	53.16%
OUTPERFORM:	29.11%
NEUTRAL:	17.73%
UNDERPERFORM:	00.00%
SELL:	00.00%

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