

PRYSMIAN

Sector: Industrials

NEUTRAL

Price: Eu46.05 - Target: Eu50.00

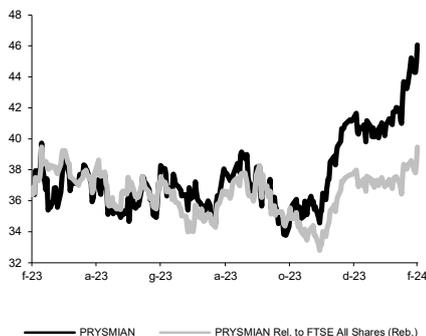
TP raised to Eu50. Downgrade to Neutral

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Stock Rating

Rating:	from OUTPERFORM to NEUTRAL	
Target Price (Eu):	from 45.00 to 50.00	
	2024E	2025E
Chg in Adj EPS	0.0%	0.0%

PRYSMIAN - 12M Performance



Stock Data

Reuters code:	PRY.MI		
Bloomberg code:	PRY IM		
Performance	1M	3M	12M
Absolute	12.3%	30.3%	26.6%
Relative	6.9%	20.9%	9.9%
12M (H/L)	46.05/33.78		
3M Average Volume (th):	721.93		

Shareholder Data

No. of Ord shares (mn):	268
Total no. of shares (mn):	268
Mkt Cap Ord (Eu mn):	12,348
Total Mkt Cap (Eu mn):	12,348
Mkt Float - Ord (Eu mn):	10,730
Mkt Float (in %):	86.9%
Main Shareholder:	
Blackrock	5.2%

Balance Sheet Data

Book Value (Eu mn):	4,547
BVPS (Eu):	16.96
P/BV:	2.7
Net Financial Position (Eu mn):	-710
Enterprise Value (Eu mn):	13,390

■ **Solid FY23 results.** Prysmian reported solid FY23 results, with adj. EBITDA at Eu1628mn (margin 10.6%, +130bps YoY), slightly better than consensus at Eu1620mn, and FCF at Eu724mn, above the high-end of guidance for Eu650mn and consensus at Eu620mn. On the other hand, organic growth (-1.1% YoY vs. +2.0% expected) and net debt (Eu1.19bn FY23, or Eu100mn higher than consensus including a Eu153mn one-off accounted under IFRS16) were below estimates. Adj. EBIT came to Eu1270mn, in line with Eu1267mn estimated, with net profit of Eu529mn, significantly below the estimate of Eu774mn due to non-cash adjustments (in particular a Eu216mn asset impairment associated with the stake in YOFC), implying adjusted net profit approximately in line with estimates and the FCF figure. We think key positives of the quarter were the solid cash flow generation, the trend at the Transmission business, and the growth in Power Grid, which more than offset the slowdown/normalization of margins in cyclical businesses. Proposed DPS for FY23 is Eu0.70 (+16.7% YoY). The slate of candidates for BoD renewal includes Battaini as candidate for CEO, Francesco Gori as Chairman and Valerio Battista as Vice-Chairman.

■ **FY24 guidance above consensus (+3% on mid-point EBITDA).** FY24 outlook points to flattish EBITDA with the same guidance as FY23 of Eu1575/1675mn, implying a mid-point at Eu1625mn, or +3% vs. consensus pre-release of Eu1.58bn. Moreover, the FY24 FCF target of Eu725mn at mid-point (guidance Eu675/775mn) suggests stability vs FY23 and is ca. Eu150mn above consensus pre-release of Eu568mn.

■ **Conference call feedback.** With Telecom seen stable vs. a very weak 2023, the guidance for stable EBITDA in 2024 at Eu1625mn mid-point (range Eu1575/1675mn) assumes the growth at Projects and Power Grids is offset by the slowdown in construction and industrials. However, the last four months have been better than was thought at the CMD and they think PRY can achieve the high-end of the range (Eu1675mn), which is in line with our estimate (Eu1.66bn). Consensus pre-release was Eu1.58bn. As for FCF: the 2023 beat and 2024 guidance (stable FCF at Eu725mn mid-point) are supported by pre-payments (in 2024 seen slightly higher than 2023). However, the CFO said 2025 FCF is unlikely to be below 2024 (the plan target for 2025 is Eu700mn) and the cumulative FCF over the plan to 2027 may reach Eu3.5bn instead of the Eu3.2bn target. Hence, they have room to increase DPS (the plan target is +10% a year). The CFO said the priority is M&A (not transformative as in the past) and based on this they will take a decision on a buyback.

■ **TP raised from Eu45 to Eu50. Downgrade to Neutral.** We have slightly adjusted our estimates as we were already projecting FY24 EBITDA at Eu1.66bn (high-end of guidance range). Following the FY23 earnings release, we think upside risk to earnings is more limited and further stock outperformance would rely on multiple re-rating, with PRY trading above 10x EV/EBIT. On unchanged estimates, we raise the TP from Eu45 to Eu50 (rolling valuation to FY25 EV/EBITDA of 8.0x and EV/EBIT of 10x) and downgrade the rating to NEUTRAL on the lack of short-term catalysts. Our TP of Eu50 implies 2024 EV/EBITDA of 8.8x vs. a 10-year average of 8.4x and a P/E FY24 target of 17x, which, in our view, reflect the quality of the asset.

Key Figures & Ratios	2021A	2022A	2023A	2024E	2025E
Sales (Eu mn)	12,736	16,067	15,354	15,125	15,786
EBITDA Adj (Eu mn)	976	1,488	1,628	1,656	1,766
Net Profit Adj (Eu mn)	328	631	729	776	844
EPS New Adj (Eu)	1.221	2.352	2.720	2.893	3.148
EPS Old Adj (Eu)	1.221	2.352	2.887	2.893	3.148
DPS (Eu)	0.550	0.600	0.700	0.770	0.847
EV/EBITDA Adj	10.5	6.7	7.0	8.1	7.3
EV/EBIT Adj	15.9	8.9	8.9	10.6	9.5
P/E Adj	37.7	19.6	16.9	15.9	14.6
Div. Yield	1.2%	1.3%	1.5%	1.7%	1.8%
Net Debt/EBITDA Adj	1.8	1.0	0.7	0.4	0.1

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- 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:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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