

PRYSMIAN

Sector: Industrials

CMD Feedback

OUTPERFORM

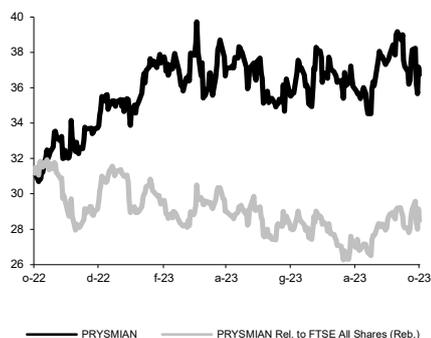
Price: Eu36.74 - Target: Eu45.00

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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%

PRYSMIAN - 12M Performance



Stock Data

Reuters code:	PRY.MI		
Bloomberg code:	PRY IM		
Performance	1M	3M	12M
Absolute	-2.1%	1.2%	17.9%
Relative	-0.3%	0.8%	-11.1%
12M (H/L)	39.72/30.70		
3M Average Volume (th):	748.01		

Shareholder Data

No. of Ord shares (mn):	268
Total no. of shares (mn):	268
Mkt Cap Ord (Eu mn):	9,852
Total Mkt Cap (Eu mn):	9,852
Mkt Float - Ord (Eu mn):	8,561
Mkt Float (in %):	86.9%
Main Shareholder:	
Blackrock	5.2%

Balance Sheet Data

Book Value (Eu mn):	4,201
BVPS (Eu):	15.67
P/BV:	2.3
Net Financial Position (Eu mn):	-1,020
Enterprise Value (Eu mn):	11,202

In our view, key messages of the CMD presentation were:

- High visibility on Renewable Transmission (former Projects ex HVAC cables) as the Eu20bn backlog has only Eu2.4bn exposure to developers and ca. 90% is exposed to TSO in Europe. A key point here is that most of the jump in the backlog occurred this year (post inflation), hence contracts reflect the new cost environment, and the risk of margins being dented by inflation is low. The 11% margin PRY is delivering today reflects contracts brought in years ago, and 15% targeted profitability reflects margins of recent contracts (tight capacity and market power on the supply side). What is key in high voltage is capacity vs. expected demand beyond 2030. Target EBITDA is Eu600mn in FY27, which is in line with estimates (Eu652mn, which included HVAC cables).
- Power Grid EBITDA (former PD plus HVAC plus overheads) is foreseen doubling from Eu200mn in FY22 to Eu410mn in FY27. PD is the energy transition bottleneck as distribution grids need upgrading to cope with a rising share for renewables. Power Grid is the division deserving the highest multiple within the group, in our view.
- At Electrification (industrial cables + former T&I/construction), the plan assumes a Eu200mn (Eu100mn in 2023 and Eu100mn in 2024) reversal of EBITDA from the peak. We think the margins upgrade was driven by the mix and not only by pricing, hence Eu700mn EBITDA in 2027 from Eu797mn in 2022 appears conservative.
- The new reporting (effective from January 2024) should highlight the change in mix and lower cyclical exposure vs. investors' perception.

Financial targets:

- EBITDA targets are in line with our estimates: FY23 at guidance mid-point (Eu1.63bn), FY24 flattish vs. 2023 (this is not a formal target), FY25 at Eu1.775bn midpoint (>+5% vs. consensus), FY27 EBITDA at Eu2.0bn.
- FCF before dividends of Eu3.2bn in 2023-27 (we were expecting Eu3.6bn with Eu200mn lower cumulative CapEx) allocated as follows: 1) Eu1bn to dividends (+10% growth per year of DPS from the current FY22 level of Eu0.60 to c. Eu1.0 in FY27; 2) ca. Eu1.9bn to M&A and buybacks (CFO suggested a Eu0.8bn buy-back). Clearly M&A depends on opportunities, but PRY will be more aggressive on niche acquisitions; 3) negligible deleveraging as FY23e net debt is already at Eu1.0bn, 0.6x net debt/EBITDA. Target is to maintain the ratio at 0.5/1.0x.
- EPS CAGR for 2022-27 of +10% (vs. our +8.9%)

Outperform TP Eu45. The messages of the CMD support a resilient business with a solid balance sheet and FCF generation, leaving the stock trading at FY24 EV/EBITDA of 6.9x (7.9x at our TP of Eu45) and an FCF yield of 6.1% rising to 8.7% in FY27. We think visibility is good and, given the quality of the asset, we would not expect PRY to trade at a yield much higher than the current level: low downside risk, attractive risk/return. We will adjust estimates (CapEx, DPS) in the coming weeks.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	12,736	16,067	16,210	17,098	18,116
EBITDA Adj (Eu mn)	976	1,488	1,627	1,656	1,766
Net Profit Adj (Eu mn)	328	631	774	776	844
EPS New Adj (Eu)	1.221	2.352	2.887	2.893	3.148
EPS Old Adj (Eu)	1.221	2.352	2.887	2.893	3.148
DPS (Eu)	0.550	0.600	0.650	0.650	0.650
EV/EBITDA Adj	10.5	6.7	6.9	6.5	5.8
EV/EBIT Adj	15.9	8.9	8.8	8.5	7.5
P/E Adj	30.1	15.6	12.7	12.7	11.7
Div. Yield	1.5%	1.6%	1.8%	1.8%	1.8%
Net Debt/EBITDA Adj	1.8	1.0	0.6	0.4	0.0