Intermonte

Milan, 10 March 2023

Italian Equity Research – FY22 Results

PRYSMIAN

NEUTRAL

Sector: Industrials

Price: Eu39.72 - **Target: Eu39.00**

2023 guidance 7% above consensus

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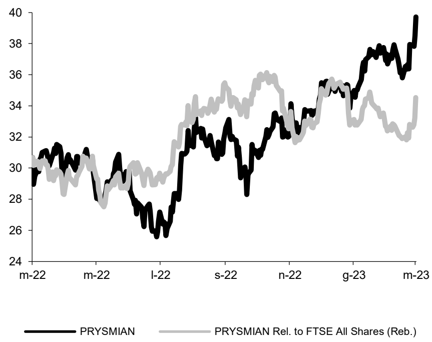
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 35.00 to 39.00
	2022E	**2023E**	**2024E**
Chg in Adj EPS	-7.0%	4.8%	5.7%

PRYSMIAN - 12M Performance



Stock Data			
Reuters code:			PRY.MI
Bloomberg code:			PRY IM
Performance	**1M**	**3M**	**12M**
Absolute	6.4%	11.9%	29.4%
Relative	5.8%	-1.9%	14.4%
12M (H/L)			39.72/25.59
3M Average Volume (th):			628.35

Shareholder Data	
No. of Ord shares (mn):	268
Total no. of shares (mn):	268
Mkt Cap Ord (Eu mn):	10,651
Total Mkt Cap (Eu mn):	10,651
Mkt Float - Ord (Eu mn):	9,255
Mkt Float (in %):	86.9%
Main Shareholder:	
Blackrock	5.2%

Balance Sheet Data	
Book Value (Eu mn):	4,056
BVPS (Eu):	15.12
P/BV:	2.6
Net Financial Position (Eu mn):	-1,111
Enterprise Value (Eu mn):	12,093

- **FY22 results in line with better FCF.** Prysmian reported FY22 results in line with estimates for sales (Eu16.1bn, +14% organic growth), EBITDA (Eu1488mn vs. guidance of Eu1425-1475mn, 9.3% margin, 1% above consensus of Eu1480mn) and adj. net profit (Eu672mn vs. Eu+678mn expected ex non-cash metal derivatives). FCF of Eu559mn was above guidance of Eu450/500mn and our estimate of Eu475mn, with net debt ca. Eu100mn better than expected at Eu1.42bn, implying FY22 net debt/EBITDA <1.0x. In 4Q, sales came to Eu3.98bn (+10% YoY organic) vs. Eu3.93bn expected; adj. EBITDA was Eu357mn (9.0% margin up +170bps YoY) vs. Eu359mn expected and consensus of Eu349mn. Besides the Project business (sales +30% organic, margin at 13% in 4Q gradually improving), the quarterly outperformance was once again driven by the Energy business (E&I +14.7% organic growth with PD close to +20%), particularly in North America, which accounted for ca. 50% of FY22 EBITDA.
- **FY23 guidance points to Eu1.45bn EBITDA at mid-point (+7% vs. consensus)**. As for the FY23 outlook, the guidance provided by management points to adj. EBITDA of Eu1375-1525mn, with a mid-point figure of Eu1.45bn, +5% above our Eu1.37bn estimate and +7% above quality consensus pre-release of Eu1.35bn. Guidance on FCF of Eu450-550mn (mid-point Eu500mn) is below our estimate of Eu569mn. However, this is after CapEx guidance at Eu500mn a year for 2023-2025 (ca. Eu50mn higher than FY22 and >Eu100mn higher than 2020-22 avg.), hence signalling an increase in capacity to meet demand in the Project business.
- **Conference call feedback**: 1) the guidance range for 2023 EBITDA depends on assumptions about the construction market (T&I). Growth in 2022 was driven by pricing; they started to see some softening in February. If prices stabilize at the current level (i.e. lower than 2022), they will do the high end of the range, as at PD they see no deterioration of volumes and pricing in coming years, and Projects and Telecoms are expected to grow. The mid-point of the guidance of Eu1.45bn is "reasonable unless there is a collapse in the market"; 2) CEO impressed by expected investments (energy grids hardening, data-centres, solar parks) driven by the IRA legislation in the US; 3) FCF guidance assumes Eu100mn higher downpayments at Projects (from Eu400mn to Eu500mn, which gives a proxy of expected growth in orders), lower absorption of working capital vs. the Eu100mn increase in 2022, higher financial expenses (Eu15mn), CapEx (Eu50mn higher vs. 2022), and taxes; 4) the CEO said Prysmian is seeking acquisitions as they have the financial flexibility to further consolidate the market.
- **FY23-24 estimates**. We are raising our FY23-24 EBITDA estimate by +4/5% to Eu1.43bn for FY23 and Eu1.51bn for FY24.
- **NEUTRAL; target price raised to Eu39**. We are increasing our target price to Eu39 (from Eu35), implying 2023 EV/EBITDA of 8.5x (previous 8.0x) on revised estimates, in line with the 10-year average of 8.4x**.**

Key Figures & Ratios	2019A	2020A	2021A	2022E	2023E
Sales (Eu mn)	11,519	10,016	12,736	16,067	15,995
EBITDA Adj (Eu mn)	1,007	840	976	1,488	1,400
Net Profit Adj (Eu mn)	307	250	328	631	629
EPS New Adj (Eu)	1.145	0.933	1.221	2.352	2.344
EPS Old Adj (Eu)	1.145	0.933	1.221	2.530	2.237
DPS (Eu)	0.250	0.500	0.550	0.600	0.650
EV/EBITDA Adj	7.6	9.9	10.5	6.7	8.6
EV/EBIT Adj	11.0	16.2	15.9	8.9	11.4
P/E Adj	34.7	42.6	32.5	16.9	16.9
Div. Yield	0.6%	1.3%	1.4%	1.5%	1.6%
Net Debt/EBITDA Adj	2.1	2.4	1.8	1.0	0.8