PRYSMIAN

OUTPERFORM

Sector: Industrials

Price: Eu34.97 - **Target: Eu45.00**

3Q23 Results in line, FY23 Guidance reiterated

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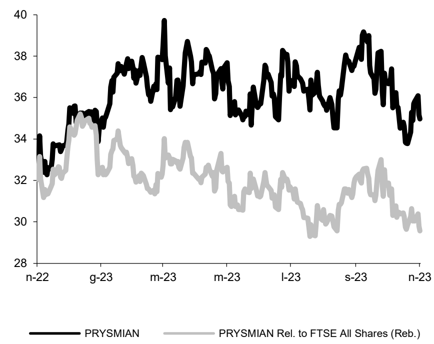
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	0.0%	0.0%	0.0%

PRYSMIAN - 12M Performance



Stock Data			
Reuters code:			PRY.MI
Bloomberg code:			PRY IM
Performance	**1M**	**3M**	**12M**
Absolute	-4.8%	-2.0%	9.1%
Relative	-7.1%	-3.3%	-9.2%
12M (H/L)			39.72/32.28
3M Average Volume (th):			815.40

Shareholder Data	
No. of Ord shares (mn):	268
Total no. of shares (mn):	268
Mkt Cap Ord (Eu mn):	9,377
Total Mkt Cap (Eu mn):	9,377
Mkt Float - Ord (Eu mn):	8,149
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:	2.2
Net Financial Position (Eu mn):	-1,020
Enterprise Value (Eu mn):	10,728

- **3Q23 results in line.** Prysmian reported solid 3Q23 results, with EBITDA 4% better than expected at Eu408mn, although organic growth (-4.6% YoY in 3Q) and net debt (Eu2.07bn as at end-September but FY guidance was confirmed) were below estimates. Sales at Eu3.82bn (Eu4.06bn expected) were down 7.7%, with Projects up 25% YoY organically, Energy down 5%, and Telecoms down 29%. EBITDA of Eu408mn (Eu392mn expected) was down 5.6% YoY, with the margin improving by 30bps YoY to 10.7%. We note that Projects (visibility from backlog conversion) and Energy (growth in industrial cables and non-residential construction more than offsetting residential construction) reported EBITDA growing YoY in 3Q, with Telecom currently the group's only (expected) weak spot. Adj. EBIT came to Eu317mn vs. Eu300mn expected, with net profit at Eu170mn (-13% YoY) vs. Eu182mn expected due to non-cash metal derivatives. Net debt as at end September was down Eu300mn YoY to Eu2.07bn vs. Eu1.93bn expected, with 3Q levered FCF at breakeven. We think key positives were the progression of the Project business and the margin expansion in power distribution, overhead cables, and industrial cables, which drove EBITDA growth at Energy despite the slowdown in volumes.
- **FY23 guidance (reiterated), but FCF now seen at the "very high end of the range".** The company confirmed its FY23 guidance of adj. EBITDA at Eu1,575/1,675mn (mid-point Eu1,625mn to which we and consensus are aligned). As for FCF, guidance of Eu550/650mn was reiterated. However, thanks to advance payments expected in 4Q, during the call management said that they expect to achieve the very high end of the range vs. our estimate of Eu605mn (consensus approximately in line).
- **Conference call feedback:** 1) at Telecoms, they expect the market to remain weak until mid-2024. If interest rates go down, the market may rebound earlier; 2) out of the Eu10bn firm backlog (plus an additional Eu10bn orders with solid commitment, i.e. advance payments or penalty in case of cancellation), only Eu3bn will be converted into sales over the plan horizon, which means over Eu7bn will be converted beyond 2027; 3) FCF guidance was improved at the high end of the range, despite 2023 CapEx seen at Eu580/600mn, as they are accelerating some investments in additional capacity. Moreover, FCF beyond 2023 is expected to grow as they are confident on orders in 2024-25 (pre-payments), while the plan includes cautious assumptions on development in 2026-27; 4) regarding the claim received from Shoals Technologies, CEO said PV cables supplied by PRY are simple and certified and no claims had been made by other customers (Eu150mn sales in 2020-2022 of which c. Eu30mn to Shoals).
- **Outperform, TP of Eu45** on unchanged estimates; we confirm the TP of Eu45.0 and Outperform rating on the stock. 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. Our TP of Eu45 implies 2024 EV/EBITDA of 7.8x vs. a 10-year average of 8.4x and 6.7x at the current share price. 2024 P/E target is 15.6x vs. 12.3x at the current share price, with net debt/EBITDA at 0.4x.

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	6.6	6.2	5.5
EV/EBIT Adj	15.9	8.9	8.5	8.1	7.2
P/E Adj	28.6	14.9	12.1	12.1	11.1
Div. Yield	1.6%	1.7%	1.9%	1.9%	1.9%
Net Debt/EBITDA Adj	1.8	1.0	0.6	0.4	0.0