

PRYSMIAN

Sector: Industrials

NEUTRAL

Price: Eu35.13 - Target: Eu39.00

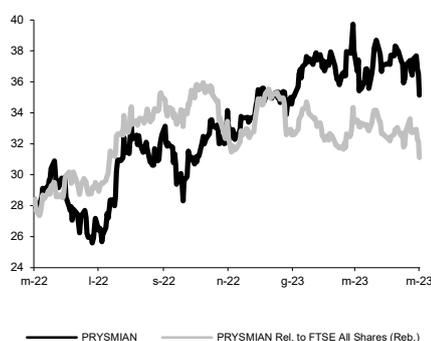
Strong beat in 1Q but guidance confirmed

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	5.7%	0.0%	0.0%

PRYSMIAN - 12M Performance



Stock Data

Reuters code:	PRY.MI		
Bloomberg code:	PRY IM		
Performance	1M	3M	12M
Absolute	-5.4%	-4.3%	23.5%
Relative	-3.8%	-3.5%	10.5%
12M (H/L)	39.72/25.59		
3M Average Volume (th):	738.62		

Shareholder Data

No. of Ord shares (mn):	268
Total no. of shares (mn):	268
Mkt Cap Ord (Eu mn):	9,420
Total Mkt Cap (Eu mn):	9,420
Mkt Float - Ord (Eu mn):	8,186
Mkt Float (in %):	86.9%
Main Shareholder:	
Blackrock	5.2%

Balance Sheet Data

Book Value (Eu mn):	4,091
BVPS (Eu):	15.26
P/BV:	2.3
Net Financial Position (Eu mn):	-1,108
Enterprise Value (Eu mn):	10,858

■ **19% beat on 1Q EBITDA.** Prysmian's 1Q23 results were broadly in line for sales and 19% above our estimate for EBITDA (we were in line with consensus), with FCF absorption and net debt slightly higher. Sales at Eu3.99bn (Eu3.97bn expected) increased +8.6% YoY organically, with adj. EBITDA at Eu427mn vs. Eu359mn expected, up 48% YoY, with the margin at 10.7% vs. 7.8% in 1Q22. Net profit of Eu182mn vs. Eu175mn expected, up 44% YoY. FCF absorption of Eu600mn was slightly higher than expected (Eu-535mn), with net debt at Eu2.07bn as at end-March. Besides the Project business (sales +30% organic, margin at 10% vs. 7.8% in 1Q22) the quarterly outperformance was once again driven by the Energy business (E&I margin improving 310bps YoY to 10.9% and Industrial Cable margin improving 300bps YoY to 9.8%).

■ **FY23 guidance confirmed.** As for the FY23 outlook, despite the 1Q23 beat, FY23 guidance of adj. EBITDA of Eu1375/1525mn and FCF of Eu450/550mn was reiterated. Management said the low end of guidance is "out of scope" but they preferred cautiously not to rise the high-end /reassess the range and want to see a few more months before updating targets. They mentioned some signs of slowdown and lower margins in April, although the CFO defined the slowdown as "mild" vs. the 1Q23 trend. Clearly, there would be some pressure on volumes and pricing going forward. However, we think a flattish EBITDA vs. FY22 level of Eu1.49bn represents a base case scenario after the 1Q23 release.

■ **Conference call feedback.** 1Q showed organic growth in all businesses (Projects +30%, Energy +7%, Telecom +6%) and geographies, with Europe now on the same path as the US with +7/8% growth (this was not the case last year). Within Energy, we note Solar +19% and grid hardening (power distribution + overhead lines) up +12% (growth potential in US overheads as there are no transmission networks in place). The only issue was in Telecoms, with EBITDA stable YoY and management flagging some de-stocking in the US market. Projects delivered well in 1Q23 and the focus is on execution. Pry maintains a selective approach in tendering.

■ **FY23-24 estimates.** We are raising our FY23 EBITDA by 3.6% from Eu1.43 to Eu1.48bn (consensus pre-release was Eu1.41bn) but left FY24 estimate unchanged at Eu1.51bn.

■ **NEUTRAL; target price Eu39.** We confirm the Neutral rating at TP of Eu39 implying 2023 EV/EBITDA of 8.3x vs. 7.2x at current market price and 10-y avg. multiple of 8.4x.

Key Figures & Ratios	2019A	2020A	2021A	2022A	2023E
Sales (Eu mn)	11,519	10,016	12,736	16,067	16,120
EBITDA Adj (Eu mn)	1,007	840	976	1,488	1,480
Net Profit Adj (Eu mn)	307	250	328	631	664
EPS New Adj (Eu)	1.145	0.933	1.221	2.352	2.477
EPS Old Adj (Eu)	1.145	0.933	1.221	2.352	2.344
DPS (Eu)	0.250	0.500	0.550	0.600	0.650
EV/EBITDA Adj	7.6	9.9	10.5	6.7	7.2
EV/EBIT Adj	11.0	16.2	15.9	8.9	9.8
P/E Adj	30.7	37.7	28.8	14.9	14.2
Div. Yield	0.7%	1.4%	1.6%	1.7%	1.9%
Net Debt/EBITDA Adj	2.1	2.4	1.8	1.0	0.7