

PRYSMIAN

Sector: Industrials

NEUTRAL

Price: Eu57.12 - Target: Eu63.00

First Signs of Margin Pressure in Electrification

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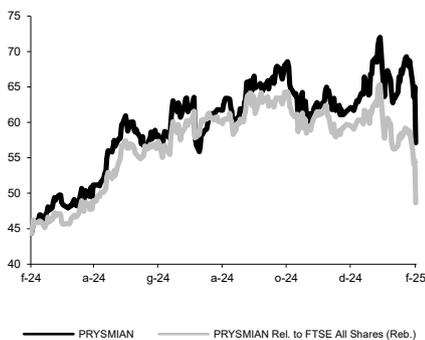
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 64.00 to 63.00		
	2024E	2025E	2026E
Chg in Adj EPS	-8.6%	-2.6%	-3.5%

Next Event

 CMD on 26th March

PRYSMIAN - 12M Performance



Stock Data

 Reuters code: PRY.MI
 Bloomberg code: PRY IM

Performance	1M	3M	12M
Absolute	-13.1%	-8.1%	28.9%
Relative	-19.6%	-24.2%	11.6%
12M (H/L)	72.00/44.89		
3M Average Volume (th):	1,043.14		

Shareholder Data

No. of Ord shares (mn):	268
Total no. of shares (mn):	286
Mkt Cap Ord (Eu mn):	15,316
Total Mkt Cap (Eu mn):	15,316
Mkt Float - Ord (Eu mn):	13,080
Mkt Float (in %):	85.4%
Main Shareholder:	
Blackrock	6.8%

Balance Sheet Data

Book Value (Eu mn):	5,862
BVPS (Eu):	20.51
P/BV:	2.8
Net Financial Position (Eu mn):	-3,277
Enterprise Value (Eu mn):	20,074

- FY24 EBITDA in line, FCF better.** Prysmian reported FY24 EBITDA of Eu1.93bn, in line with the guidance mid-point and consensus, while FCF of Eu1.0bn was >Eu100mn higher than the guidance mid-point of Eu880mn and beat our Eu919mn estimate thanks to lower working capital associated with the Transmission business. Net profit of Eu729mn was below our Eu853mn estimate after including Eu80mn of non-cash PPA related to the acquisition of Encore Wire, with net debt at Eu4.30bn vs. Eu4.35bn expected. FY24 DPS proposed at Eu0.80 vs. Eu0.70 on FY23. Organic growth accelerated in 4Q (+6.9% vs. +0.5% in FY24) driven by Transmission.
- FY25 guidance 4% below consensus.** Management guidance for 2025 points to EBITDA of Eu2.25-2.35bn, implying a mid-point of Eu2.3bn, in line with our estimate but 4% below quality consensus. As for FCF, FY25 guidance is Eu950-1,050mn, implying a stable YoY figure at mid-point. This compares to our estimate of Eu919mn.
- Disappointment on Electrification and Power Grid margin trends.** Besides the uninspiring 2025 EBITDA guidance, we think the negative share price reaction (-12% yesterday) reflects the first signs of margin pressure in Electrification, especially copper building wires within the Industrial & Construction segment. In fact, the I&C EBITDA margin was down 130bp QoQ to 10.2%, with pricing down 3-4%. Management said the slowdown in construction started in November/December 2024 and is expected to remain in place in 1Q25, but deems it temporary. Management therefore believes the FY25 EBITDA guidance mid-point of Eu2.3bn is realistic (“not conservative”) awaiting greater visibility on volume and margin trends after the 1Q25 release in May. The second weak spot was the EBITDA margin in Power Grids, indicated at 12-13% in 2025 vs. 13.4% in 2024, as additional capacity coming to the market should put some pressure on margins that peaked in recent years. As for Transmission, management confirmed 15-20% growth in 2025, with a 16.0% margin (driven by the profitability of projects coming to execution), but we note a Eu17bn backlog at FY24 vs. Eu19bn expected. Specialty cables were weak in FY24, both on volumes and margins, but management is confident of stabilising the trend in 2025. Digital Solutions volumes are seen up 5-6% in 2025, with some further support from pricing. Finally, we note CapEx was indicated flat in 2025 vs. 2024 (Eu784mn) and down slightly in 2026, with tax rate guidance at 27% for the coming years.
- Fine-tuning estimates:** we are tweaking our numbers, as we were already below consensus. We are leaving FY25E EBITDA unchanged (Eu2.3bn, in line with the guidance mid-point) and cutting FY26-28E by 2%. EPS -1% in FY25E and -3% in FY26-28E.
- Valuation: NEUTRAL; target Eu63 (from Eu64).** Our Eu63 TP (2026 EV/EBITDA target multiple 9.0x, P/E 15x) is consistent with the growth profile (EBITDA CAGR25-28E +6%) and historical multiples (10-year EV/EBITDA NTM 8.7x, peak/trough 8.9x). Tariffs may imply volatile input costs (aluminium/copper) and worsening business conditions in PRY’s cyclical end-markets (i.e. US homebuilders).

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	16,067	15,354	17,026	18,471	19,022
EBITDA Adj (Eu mn)	1,488	1,628	1,927	2,279	2,396
Net Profit Adj (Eu mn)	631	729	818	1,103	1,201
EPS New Adj (Eu)	2.352	2.720	2.742	3.735	4.068
EPS Old Adj (Eu)	2.352	2.720	3.001	3.834	4.217
DPS (Eu)	0.600	0.700	0.800	0.880	0.968
EV/EBITDA Adj	6.5	6.8	10.6	8.8	8.1
EV/EBIT Adj	8.6	8.7	14.0	11.4	10.3
P/E Adj	24.3	21.0	20.8	15.3	14.0
Div. Yield	1.1%	1.2%	1.4%	1.5%	1.7%
Net Debt/EBITDA Adj	0.7	0.5	2.1	1.4	1.1

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- 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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

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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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BUY:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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