PRYSMIAN

NEUTRAL

Sector: Industrials

Price: Eu36.85 - **Target: Eu45.00**

1H23 Beats Estimates, FY23 Guidance Raised. CMD on 5 Oct

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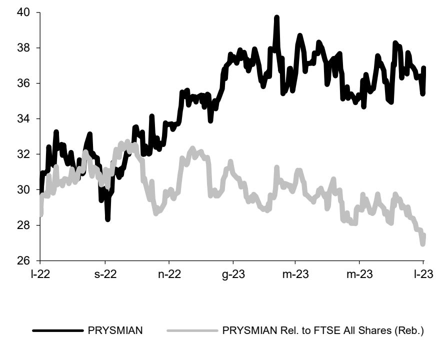
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 39.00 to 45.00
	2023E	**2024E**	**2025E**
Chg in Adj EPS	16.5%	14.6%	12.9%

PRYSMIAN - 12M Performance



Stock Data			
Reuters code:			PRY.MI
Bloomberg code:			PRY IM
Performance	**1M**	**3M**	**12M**
Absolute	2.4%	1.8%	28.8%
Relative	-5.0%	-6.0%	-5.4%
12M (H/L)			39.72/28.31
3M Average Volume (th):			860.43

Shareholder Data	
No. of Ord shares (mn):	268
Total no. of shares (mn):	268
Mkt Cap Ord (Eu mn):	9,881
Total Mkt Cap (Eu mn):	9,881
Mkt Float - Ord (Eu mn):	8,587
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:	2.4
Net Financial Position (Eu mn):	-1,020
Enterprise Value (Eu mn):	11,232

- **Strong 2Q23 EBITDA and FCF.** Prysmian reported a strong 2Q23, although organic growth was only slightly positive at +1.1% in 2Q (E&I down 1%, Telecom down 15%, both weak in the US) vs. +9.0% in 1Q. Profitability was the real surprise, with adj. EBITDA up 10% YoY to Eu451mn, 7% above consensus and 2% above our estimate. The EBITDA margin was up 160bp in 2Q23 to 11.2%, and we note 2Q margins even widened in the two businesses showing YoY revenue declines, namely E&I and Telecom). EBIT was 8% better than forecast at Eu342mn, with net profit up 67% YoY to Eu223mn (Eu405mn in 1H23). Quarterly FCF was Eu270mn vs. Eu188mn expected, with 1H23 net debt broadly in line at Eu2.06bn (Eu1bn de-leverage in 2H23E).
- **FY23 guidance raised:** adj. EBITDA is now seen at Eu1,575/1,675mn (from Eu1,375/1,525mn) Eu1.65bn at mid-point (+12% vs. previous mid-point of Eu1,450mn and our est./consensus of Eu1.49bn). FY23 target FCF was raised by Eu100mn to Eu550-650mn from Eu450-550mn. Guidance assumes Eur/USD at 1.10.
- **Conference call feedback.** Management is seeing some “normalisation, not collapse” in T&I (construction) in US offset by growth in Power Distribution (PD) / overhead lines, and reiterated that Prysmian has low exposure to US residential construction. As for Telecoms, it said the market is suffering the 2022 overstocking and delays in public funding associated with the $42bn BEAD broadband programme. De-stocking is expected to last another couple of quarters. Management sees datacentres (growth driven by AI) as one the most important engines of future growth for both energy and telecom cables (strong positioning/product offering). M&A: the company has the balance sheet for significant M&A, but would like to buy cheap and wait for the right opportunity (i.e. companies in search of buyers) as was the case with Draka and General Cable.
- **FY23 mid-point targets within reach**. We think the mid-point target of 2023 EBITDA of Eu1625mn is within reach, as it implies Eu130mn lower EBITDA HoH in 2H, vs. the usual seasonal EBITDA increase (4Q is strong in Projects). In fact, the mid-point implies a 5% YoY decline in EBITDA in 2H vs. +26% reported in 1H (assuming stable EBTDA the high end of guidance would be reached). Similar considerations for FCF: assuming 2H23 in line with 2H22 (Eu1,028mn), FY23 FCF would be Eu700mn vs. guidance mid-point of Eu600mn. We are raising our FY23 adj. EBITDA to Eu1.63bn (+10%) and FCF to Eu605mn (+18%), implementing a similar upgrade for FY24-25 (EBITDA +9%, FCF +15%), with FY24 EBITDA seen slightly up vs. FY23 at Eu1.66bn.
- **For the first time Prysmian will hold a CMD on 5 October 2023.** We are lifting our target to Eu45 (from Eu39) in line with the 8.4x EV/EBITDA 10-year forward multiple applied to our new estimates. Based on these estimates, the stock is trading slightly above 7.0x. We will revise the investment case after the CMD on 5 October. At current prices, we are positive approaching the CMD as we think Prysmian is less exposed to cyclical end-markets and more resilient vs. its history, as the increasing share of renewables requires distribution grid upgrades (bottleneck), and datacentres (driven by AI) represent a significant contributor to growth/resilience.

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	2.477	2.525	2.788
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	8.9	8.5	7.6
P/E Adj	30.2	15.7	12.8	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