

PRYSMIAN

Sector: Industrials

OUTPERFORM

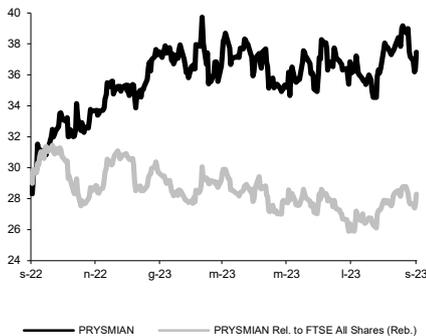
Price: Eu37.47 - Target: Eu45.00

CMD Preview: Upgrade to OUTPERFORM

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Stock Rating			
Rating:	from NEUTRAL to OUTPERFORM		
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	-0.4%	0.9%	26.2%
Relative	1.3%	-0.1%	-6.2%
12M (H/L)	39.72/28.31		
3M Average Volume (th):	707.30		

Shareholder Data	
No. of Ord shares (mn):	268
Total no. of shares (mn):	268
Mkt Cap Ord (Eu mn):	10,047
Total Mkt Cap (Eu mn):	10,047
Mkt Float - Ord (Eu mn):	8,731
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):	11,398

■ **Capital Market Day on 5 October:** the CMD to be held in Naples is the first in the company's history, and in itself the provision of more transparency/data adds value. The event also precedes the change of CEO, scheduled to take place at the 2024 AGM. In May the board designated COO Massimo Battaini as the next group CEO. He will replace Valerio Battista, who has led Prysmian since the sale of the cable business from Pirelli to GS in 2005 for Eu1.3bn EV, one tenth of Prysmian's current value.

■ **Attractive risk/reward:** taking strong 2022-23 numbers as our starting point, and considering Prysmian's expected resilience, we are lifting the stock to OUTPERFORM given the 20% upside to our TP of Eu45, unchanged ahead of management's 5 October presentation. We expect FY24 EBITDA to rise slightly YoY, leaving the stock trading at FY24e EV/EBITDA of 6.6x vs. the 10-year average of 8.4x. We acknowledge the value of Battista's legacy (Battaini ensures a smooth transition with his deep knowledge of the company and the industry), the recent rise in yields vs. valuation of a quality asset (6.0% FCF yield in 2023e growing to 8.5% in 2027e, with good visibility in our view), and the fact Prysmian seems a consensus long. Nonetheless, current multiples seem too low and we think CMD may be a positive catalyst.

■ **Why we think Prysmian will be resilient.** The Projects business has visibility on both sales (doubling to >Eu4.0bn by 2026) and margins (trending to 15%, there is no spare capacity in the industry). The focus is on the CapEx plan, as it takes years to deploy new capacity. In Telecoms, the market suffered weak telco orders during 2023 but recent comments from peers suggest a growth outlook for 2024 thanks to demand from datacentres driven by AI (Prysmian has a cross-selling advantage as it also supplies datacentres with high-quality energy cables). Energy is 73% of sales and 66% of EBITDA 2023e. The current reporting includes 2 subdivisions, but the above 73% comprises power distribution (medium-voltage electricity distribution grids) for slightly less than 20% of group's sales, industrial cables for slightly more than 20%, and T&I/construction for c.30% of group's sales.

■ **Our view reflects:** 1) Power Distribution (PD) is the energy transition bottleneck, and increasing renewables require upgrades of distribution grids. PD should contribute c.Eu250mn of EBITDA, which might be moved from Energy to Projects as both serve Utilities; 2) T&I (c.Eu550mn EBITDA) includes residential and non-residential construction. We think PRY's record margins were driven by the mix (cables for datacentres, reshoring) rather than pure pricing of low-value cables; 3) margin surprise in 2022 and 1H23 was driven by US, as Europe (where margins remained relatively low) was in line with budget. A slowdown in Europe shouldn't trigger a significant drop of margins; 4) slowdown in construction has a delayed impact on cable companies, and Prysmian might surprise on the upside in 2H.

■ **Estimates.** We show divisional estimates based on current reporting and including 2026-27. We are in line with the FY23 guidance mid-point (EBITDA Eu1.63bn), expect a slight rise in FY24 (EBITDA Eu1.66bn), and estimate the group will generate Eu8.8bn of cumulative EBITDA and Eu3.6bn of cumulative FCF before dividends in FY23-27e, with CapEx stable at Eu500mn a year.

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	7.0	6.6	5.9
EV/EBIT Adj	15.9	8.9	9.0	8.7	7.7
P/E Adj	30.7	15.9	13.0	13.0	11.9
Div. Yield	1.5%	1.6%	1.7%	1.7%	1.7%
Net Debt/EBITDA Adj	1.8	1.0	0.6	0.4	0.0