Milan, 01 March 2023

Italian Equity Research – 4Q22 Results

SAIPEM

OUTPERFORM

Sector: Energy

Price: Eu1.52 - **Target: Eu2.00**

Positive 2023 EBITDA Guidance, Robust Outlook

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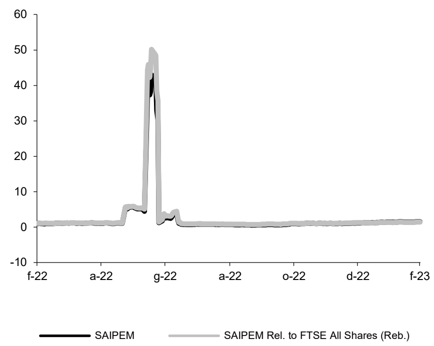
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 1.80 to 2.00
	2023E	**2024E**	**2025E**
Chg in Adj EPS	30.0%	7.6%	7.1%

SAIPEM - 12M Performance



Stock Data			
Reuters code:			SPMI.MI
Bloomberg code:			SPM IM
Performance	**1M**	**3M**	**12M**
Absolute	8.0%	48.0%	43.7%
Relative	4.7%	36.4%	36.4%
12M (H/L)			42.99/0.58
3M Average Volume (th):			50,095.12

Shareholder Data	
No. of Ord shares (mn):	1,996
Total no. of shares (mn):	1,996
Mkt Cap Ord (Eu mn):	3,027
Total Mkt Cap (Eu mn):	3,028
Mkt Float - Ord (Eu mn):	1,728
Mkt Float (in %):	57.1%
Main Shareholder:	
Eni - Cdp	43.0%

Balance Sheet Data	
Book Value (Eu mn):	2,109
BVPS (Eu):	1.06
P/BV:	1.4
Net Financial Position (Eu mn):	-497
Enterprise Value (Eu mn):	3,532

- **4Q22 results.** Saipem 4Q22 results were broadly in line with expectations at operating level, while net debt closed slightly better. In detail: 4Q22 revenues closed at Eu2,937mn (+62% YoY, -2% QoQ, vs. exp. Eu2,447mn), adj. EBITDA at Eu150mn (vs. exp. Eu145mn, Offshore E&C slightly better, Onshore E&C slightly weaker), and adj. net income at Eu-38mn (vs. exp. Eu-52mn). Moving to the balance sheet, net debt (post-IFRS16) declined to Eu264mn (vs. exp. Eu302mn) from Eu426mn as at the end of September, with backlog review cash outflows of Eu150mn offsetting a positive ordinary working capital reduction.
- **Backlog at Eu24.4bn.** On the commercial front, the quarter closed with an order intake of Eu6.0bn, leading to total backlog of Eu24.4bn (vs. exp. Eu24.6bn), up from Eu23.3bn as at the end of September. On a yearly basis, the total order intake in 2022 reached Eu13.6bn (Eu12.9bn net of Onshore E&C backlog reduction), showing a clear re-acceleration after the slowdown in 2020-21 (Eu8.7bn and Eu7.2bn respectively).
- **2023 guidance.** Saipem sees Revenues at over Eu11bn and adj. EBITDA at around Eu850mn. Looking at the different divisions, growth at Offshore E&C and Drilling is expected to be solid, while at Onshore E&C it is expected to be more limited due to legacy projects still in the backlog. CapEx is seen at around Eu450mn, also due to investments needed for the preparation of new leased vessels. Free cash flow is seen at breakeven, with a pre-IFRS 16 positive net cash financial position as at YE23 (net debt of Eu500mn post-IFRS 16).
- **Strategic update.** Saipem confirmed the favourable market momentum and the tailwinds arising from a new, very robust investment cycle in the Oil & Gas market, with near term (next six quarters) opportunities in the E&C market worth Eu51bn, of which 65% in Offshore. Regarding 2026, the last year of the 2023-26 Strategic Plan, Saipem expects revenues over Eu12bn, adj. EBITDA over Eu1.2bn, free cash flow over Eu600mn, and positive net cash (post-IFRS 16) over Eu700mn. For the entire period of the 2023-2026 Plan, Saipem expects acquisitions of new E&C contracts of about Eu46bn in 2023-26, of which about 25% in low/zero carbon segments, and Offshore Drilling at about Eu3bn. Cumulative 2023-26 CapEx seen at Eu1.2bn.
- **Updated estimates and valuation.** We have updated our 2023-26 projections to reflect higher margins at the Offshore E&C and Drilling divisions (Group EBITDA up around 10%), higher CapEx, and slightly higher working capital expansion in 2023. In terms of the valuation, we have increased our target price from Eu1.80ps to Eu2.00ps (4.75x 2023-24 EV/EBITDA target multiple).
- **Investment case.** We upgraded the stock at the end of October after the award of the huge, US$4.5bn Qatargas contract. The very robust order intake recorded in 2022 at the Offshore E&C division significantly increases visibility on projected revenue and margin recovery in Saipem's core business, while the ongoing improvement in day rates is expected to support margins in Offshore Drilling. Despite the strong share price recovery recorded in recent months, we see room for additional upside. OUTPERFORM confirmed.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	6,875	9,980	11,312	11,725	11,986
EBITDA Adj (Eu mn)	-1,192	595	852	994	1,111
Net Profit Adj (Eu mn)	-1,914	-139	41	183	278
EPS New Adj (Eu)	-1.893	-0.070	0.021	0.092	0.139
EPS Old Adj (Eu)	-1.893	-0.083	0.016	0.085	0.130
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	nm	9.4	4.1	3.3	2.6
EV/EBIT Adj	nm	37.4	9.3	6.4	4.6
P/E Adj	nm	nm	73.2	16.5	10.9
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-1.3	0.4	0.6	0.3	-0.1