SAIPEM

OUTPERFORM

Sector: Energy

Price: Eu1.42 - **Target: Eu2.10**

US$4.1bn Contract Awarded by ADNOC in Abu Dhabi

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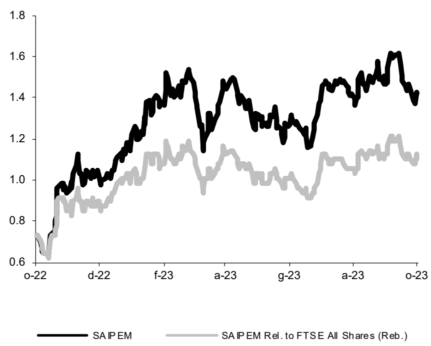
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 2.00 to 2.10
	2023E	**2024E**	**2025E**
Chg in Adj EPS	31.5%	14.3%	9.0%

Next Event
3Q23 Results Out 25 October

SAIPEM - 12M Performance



Stock Data			
Reuters code:			SPMI.MI
Bloomberg code:			SPM IM
Performance	**1M**	**3M**	**12M**
Absolute	-3.6%	1.7%	93.3%
Relative	-1.8%	1.3%	64.3%
12M (H/L)			1.62/0.64
3M Average Volume (th):			38,539.42

Shareholder Data	
No. of Ord shares (mn):	1,996
Total no. of shares (mn):	1,996
Mkt Cap Ord (Eu mn):	2,831
Total Mkt Cap (Eu mn):	2,832
Mkt Float - Ord (Eu mn):	1,616
Mkt Float (in %):	57.1%
Main Shareholder:	
Eni - Cdp	43.0%

Balance Sheet Data	
Book Value (Eu mn):	2,156
BVPS (Eu):	1.08
P/BV:	1.3
Net Financial Position (Eu mn):	-443
Enterprise Value (Eu mn):	3,282

- **US$4.1bn contract awarded by ADNOC in Abu Dhabi.** Saipem announced last week it had been awarded a US$4.1bn contract by ADNOC for the Hail and Ghasha Development Project - Package 1 in the United Arab Emirates. The project scope of work encompasses the Engineering, Procurement and Construction (EPC) of four drilling centres and one processing plant to be built on artificial islands, as well as various offshore structures and more than 300 km of subsea pipelines. The contract will be booked 50/50 in the Asset Based Service segment (Offshore) and in Energy Carriers (Onshore). This contract represents the second largest award for Saipem in the last two years following the huge US$4.5bn contract for the Qatargas North Field Production Sustainability project booked in 4Q22.
- **Very robust order intake momentum in Offshore.** Last week's announcement confirmed very supportive order intake momentum, in particular in the Offshore segment in the Middle East and West/North Africa. 2023 should be one of the best years for Saipem in terms of order intake (US$17.5bn projected), potentially second only to 2019 (US$22.2bn, underpinned by LNG awards). On release of 1H23 results Saipem highlighted Eu53bn near-term opportunities in the E&C market, of which 67% Offshore. To ride this new super cycle, Saipem announced the strengthening of its E&C offshore fleet, with the long-term charter from 2024 of a new, latest generation deepwater heavy lift and pipelay vessel (JDS 6000).
- **3Q23 results preview.** For 3Q23, we are projecting slightly higher figures sequentially for the top line and operating margins. Revenues are projected at Eu2,962mn, adj. EBITDA at Eu232mn, and adj. net income at Eu27mn. Net debt (post-IFRS16) is expected to have slightly increased to Eu318mn from Eu288mn as at the end of June. Order intake is expected to have reached Eu4.5bn in the quarter, leading to backlog of Eu26.9bn, up from the Eu25.5bn as at the end of June.
- **2023 guidance potentially slightly improved?** With 1H23 results Saipem confirmed its guidance for 2023, with revenues seen at over Eu11bn, EBITDA at around Eu850mn and net debt post IFRS16 at around Eu500mn. Following the very solid order intake recorded YTD, we see chances of potentially slightly higher targets for both revenues and EBITDA.
- **Updated estimates and valuation.** We have updated our projections primarily to take account of higher order intake in 2H23 in the Asset Based Service segment (Offshore E&C). We have consequently increased the revenue projections for 2023 and the next two years by around 2-3%, translating into a 2% adj. EBITDA increase for 2023 and 5% for 2024-25. In terms of the valuation, we have slightly increased our target price to Eu2.10ps from Eu2.00ps, still based on a 4.5x 2023-24 EV/EBITDA target multiple.
- **Investment case.** The very robust order intake recorded in the last two years at the Asset Based Services division offers high visibility on projected revenue and margin recovery in Saipem's core business, while the ongoing improvement in day rates is expected to support further margin expansion in the Offshore Drilling segment. We confirm our positive view on the stock.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	6,875	9,980	11,376	11,885	12,096
EBITDA Adj (Eu mn)	-1,192	595	882	1,072	1,186
Net Profit Adj (Eu mn)	-1,914	-139	88	224	319
EPS New Adj (Eu)	-1.893	-0.070	0.044	0.112	0.160
EPS Old Adj (Eu)	-1.893	-0.070	0.034	0.098	0.147
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	nm	9.4	3.7	2.8	2.1
EV/EBIT Adj	nm	37.4	8.0	5.0	3.6
P/E Adj	nm	nm	32.0	12.7	8.9
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-1.3	0.4	0.5	0.1	-0.3