Milan, 21 April 2023

Italian Equity Research – 1Q23 Results

SAIPEM

OUTPERFORM

Sector: Energy

Price: Eu1.39 - **Target: Eu2.00**

Improving EBITDA Margins, Guidance Confirmed

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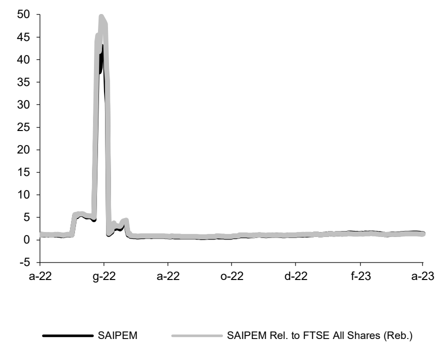
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	20.0%	1.7%	1.6%

SAIPEM - 12M Performance



Stock Data			
Reuters code:			SPMI.MI
Bloomberg code:			SPM IM
Performance	**1M**	**3M**	**12M**
Absolute	13.0%	1.3%	23.7%
Relative	6.7%	-5.3%	14.0%
12M (H/L)			42.99/0.58
3M Average Volume (th):			50,118.46

Shareholder Data	
No. of Ord shares (mn):	1,996
Total no. of shares (mn):	1,996
Mkt Cap Ord (Eu mn):	2,783
Total Mkt Cap (Eu mn):	2,784
Mkt Float - Ord (Eu mn):	1,588
Mkt Float (in %):	57.1%
Main Shareholder:	
Eni - Cdp	43.0%

Balance Sheet Data	
Book Value (Eu mn):	2,117
BVPS (Eu):	1.06
P/BV:	1.3
Net Financial Position (Eu mn):	-456
Enterprise Value (Eu mn):	3,247

- **1Q23 results.** Saipem 1Q23 results were slightly better than expected, both in terms of operating results and cash flow generation. In detail: 1Q23 revenues closed at Eu2,582mn (+33% YoY, -12% QoQ, vs. exp. Eu2,665mn), EBITDA at Eu191mn (vs. exp. Eu164mn), and net income at breakeven (vs. exp. Eu-10mn). Moving to the balance sheet, net debt (post-IFRS16) closed at Eu323mn (vs. exp. Eu323mn) from Eu264mn as at the end of December. Looking at the different divisions, Drilling Offshore closed above our expectations (EBITDA Eu68mn, vs. exp. Eu47mn), while Asset Based Services (ex. Offshore E&C) and Energy Carriers (ex. Onshore E&C) were broadly in line (Eu116mn vs. Eu112mn, and Eu7mn vs. Eu6mn respectively).
- **Backlog at Eu24.5bn.** On the commercial front, the quarter closed with order intake of Eu2.7bn, leading to total backlog of Eu24.5bn (vs. exp. Eu24.1bn), broadly flat vs. Eu24.4bn as at the end of December. In terms of backlog scheduling, around Eu7.7bn will be executed in 2023, leading to a total Eu10.4bn in revenues already 'secured' (94% of the Eu11bn FY23 guidance).
- **2023 guidance confirmed.** Saipem confirmed the guidance for 2023 released with 4Q22 results. Revenues continue to be seen at over Eu11bn and adj. EBITDA at around Eu850mn. 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). Looking at the different divisions, Offshore E&C revenues are expected up in the coming quarters thanks to fleet full availability (Castorone and FDS2 were subject to mandatory 5-year maintenance activity in 1Q23), with margins in line with 1Q23; at Onshore E&C, profitability is expected broadly stable at the level of 1Q23, with backlog review still capping the expected improvement in margins; at Drilling Offshore, revenues are expected up in the coming quarters thanks to higher dayrates and additional vessels on stream (Deep Value Driller, Perro Negro 11, 12 and 13), with margins seen stable at the 1Q23 level. Fleet expected to be fully booked in 2023 and coming years.
- **Updated estimates and valuation.** We have fine-tuned our 2023 EBITDA projections upward, primarily to reflect higher figures at the Offshore Drilling division. By contrast, below EBITDA we have slightly increased both net financial charges and taxes. In terms of the valuation, we confirm our target price of Eu2.00ps, based on a 4.75x 2023-24 EV/EBITDA target multiple.
- **Investment case.** A positive set of results, in our opinion primarily in terms of the EBITDA margin, with the core Asset Based Services business close to 10%. The very robust order intake recorded in 2022 at the Offshore E&C 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. During the call, Saipem top management highlighted stronger financial discipline, with all new contracts requested to have a cash positive profile over the entire project lifespan, even in stressed scenarios. At Onshore E&C, the main targets are plant projects for LNG, gas treatment and gas valorisation plants, with the EBITDA margin expected in the high single-digit range. We confirm our positive view on the stock.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	6,875	9,980	11,266	11,667	11,924
EBITDA Adj (Eu mn)	-1,192	595	869	1,012	1,131
Net Profit Adj (Eu mn)	-1,914	-139	50	186	282
EPS New Adj (Eu)	-1.893	-0.070	0.025	0.093	0.141
EPS Old Adj (Eu)	-1.893	-0.070	0.021	0.092	0.139
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	nm	9.4	3.7	3.0	2.3
EV/EBIT Adj	nm	37.4	8.2	5.6	4.0
P/E Adj	nm	nm	56.1	14.9	9.9
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-1.3	0.4	0.5	0.2	-0.2