Intermonte

Milan, 24 February 2025

Italian Equity Research – Company update

SAIPEM

BUY

Sector: Energy

Price: Eu2.32 - **Target: Eu3.00**

Proposed Combination with Subsea7

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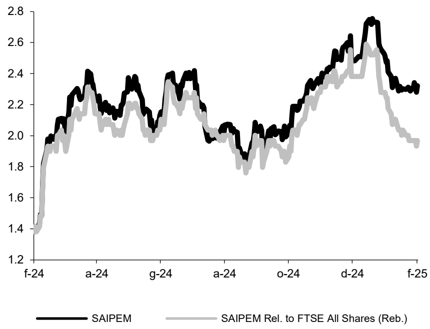
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event
4Q24 Results out: Feb-25

SAIPEM - 12M Performance



Stock Data			
Reuters code:			SPMI.MI
Bloomberg code:			SPM IM
Performance	**1M**	**3M**	**12M**
Absolute	-7.6%	-2.1%	68.1%
Relative	-14.0%	-17.0%	48.9%
12M (H/L)			2.75/1.40
3M Average Volume (th):			30,479.11

Shareholder Data	
No. of Ord shares (mn):	1,996
Total no. of shares (mn):	1,996
Mkt Cap Ord (Eu mn):	4,634
Total Mkt Cap (Eu mn):	4,635
Mkt Float - Ord (Eu mn):	2,645
Mkt Float (in %):	57.1%
Main Shareholder:	
Eni - Cdp	43.0%

Balance Sheet Data	
Book Value (Eu mn):	3,098
BVPS (Eu):	1.55
P/BV:	1.5
Net Financial Position (Eu mn):	267
Enterprise Value (Eu mn):	4,377

- **Proposed combination with Subsea7.** Saipem and Subsea7 announced last night they had reached an agreement in principle on the key terms of a possible merger of the two companies, expected to create a global leader in energy services. The combination of Saipem and Subsea7 will be renamed Saipem7, and will have a combined backlog of Eu43bn, revenue of approx. Eu20bn, and EBITDA in excess of Eu2bn.
- **Deal structure: merger of equals.** The two companies have similar market caps, with Saipem at 4.6bn and Subsea7 at Eu4.7bn. Saipem and Subsea7 shareholders will own 50% each of the share capital of the combined company. Subsea7 shareholders will receive 6.688 Saipem shares for each Subsea7 share held. Subsea7 will distribute an extraordinary dividend for an amount equal to Eu450mn immediately prior to completion. In terms of the shareholder structure, Eni would dilute its stake from the current 21.2% to around 10.6%, CDP from 12.8% to 6.4%, together maintaining around 17%. On the Norwegian side, Kristian Siem's vehicle (23.9%) and the Folketrygdfondet pension fund (9.5%) are expected to reduce their stakes by half.
- **Subsea7.** Subsea7 is a Norway-listed company, a global leader in offshore energy services, specializing in subsea engineering, construction, and installation (EPCI) for the Oil&Gas and Renewable energy sectors. The current backlog is around $11.3bn, of which around $9.0bn in Subsea and Conventional and the rest in Renewables . For FY24, revenues are projected between $6.5-6.8bn and adj. EBITDA between $1,025-1,075mn. As at the end of 3Q24, net debt amounted to $857mn, including lease liabilities of $495mn.
- **Deal rationale: complementarity.** The two companies operate in related segments, with Saipem excelling in engineering and construction, while Subsea7 specializes in subsea services. Also in terms of geographical exposure, the two Groups have good complementarity. **Portfolio expansion**: combining expertise could enable a broader range of integrated services for clients in the energy sector, particularly in renewables and decarbonization projects. **Greater competitiveness:** the merger could strengthen the competitive position of both companies in the global market, allowing them to take on larger and more complex projects.
- **Expected synergies: Eu300mn when fully up and running in three years.** The transaction is expected to deliver material value creation for the shareholders of both Saipem and Subsea7. Annual synergies of approximately Eu300mn are expected to be achieved in the third year after completion, with one-off costs to achieve such synergies of ca. Eu270mn. Completion anticipated in the second half of 2026.
- **Investment case.** Over the years, there have been several rumours on a possible merger between Saipem and Subsea7, in particular at the end of 2019. We believe the deal has strong strategic rationale**.** The offshore engineering and construction expertise and asset base of the two companies would complement, enabling relevant synergies and value creation (preliminary estimate of around Eu0.20ps). We expect a positive market reaction to the announcement and confirm our positive view on the stock.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	9,980	11,874	14,390	14,734	15,167
EBITDA Adj (Eu mn)	595	926	1,314	1,554	1,687
Net Profit Adj (Eu mn)	-139	179	298	477	610
EPS New Adj (Eu)	-0.070	0.090	0.149	0.239	0.306
EPS Old Adj (Eu)	-0.070	0.090	0.149	0.239	0.306
DPS (Eu)	0.000	0.000	0.036	0.069	0.103
EV/EBITDA Adj	9.4	3.3	3.2	2.8	2.3
EV/EBIT Adj	37.4	7.0	6.8	5.3	4.1
P/E Adj	nm	25.9	15.6	9.7	7.6
Div. Yield	0.0%	0.0%	1.5%	3.0%	4.4%
Net Debt/EBITDA Adj	0.4	0.3	0.0	-0.2	-0.4

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and – 10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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As at 31 December 2024 Intermonte's Research Department covered 132 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 December 2024 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (71 in total) is as follows:

BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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