SAIPEM

BUY

Sector: Energy

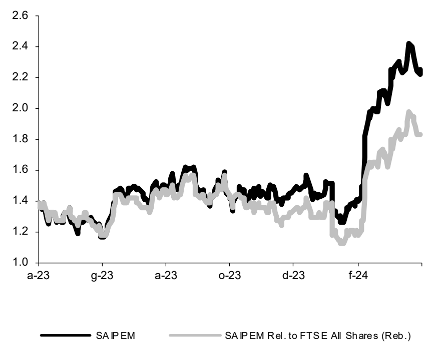
Price: Eu2.26 - **Target: Eu3.00**

Sound Improvement in EBITDA Cash Conversion

Paolo Citi +39-02-77115.430
paolo.citi@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 2.50 to 3.00
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-1.0%	3.3%	4.1%

SAIPEM - 12M Performance



Stock Data			
Reuters code:			SPMI.MI
Bloomberg code:			SPM IM
Performance	**1M**	**3M**	**12M**
Absolute	11.4%	52.6%	60.1%
Relative	11.5%	39.3%	38.2%
12M (H/L)			2.42/1.16
3M Average Volume (th):			56,918.79

Shareholder Data	
No. of Ord shares (mn):	1,996
Total no. of shares (mn):	1,996
Mkt Cap Ord (Eu mn):	4,502
Total Mkt Cap (Eu mn):	4,503
Mkt Float - Ord (Eu mn):	2,569
Mkt Float (in %):	57.1%
Main Shareholder:	
Eni - Cdp	43.0%

Balance Sheet Data	
Book Value (Eu mn):	2,689
BVPS (Eu):	1.35
P/BV:	1.7
Net Financial Position (Eu mn):	47
Enterprise Value (Eu mn):	4,466

- **1Q24 results.** Saipem's 1Q24 results were substantially in line with our expectations for operating results, while cash flow generation and order intake were both stronger. In detail: 1Q24 revenues closed at Eu3,047mn (+18% YoY, -13% QoQ, vs. exp. Eu3,016mn), EBITDA at Eu268mn (+40% YoY, -6% QoQ, vs. exp. Eu260mn), and net income at Eu57mn (vs. zero in 1Q23, -43% QoQ, vs. exp. Eu46mn). Moving to the balance sheet, net debt (post-IFRS16) closed at Eu209mn (vs. exp. Eu256mn) from Eu261mn as at the end of December. Looking at the different divisions, Asset Based Services (Offshore E&C) closed above our expectations (EBITDA Eu180mn, +55% YoY, -10% QoQ, vs. exp. Eu164mn), Energy Carriers (Onshore E&C) was broadly in line (Eu8mn, +14% YoY, zero in 4Q23, vs. exp. Eu6mn), while Drilling Offshore was slightly weaker (Eu80mn, +18% YoY, -6% QoQ, vs. exp. Eu90mn).
- **Backlog slightly down to Eu28.8bn.** On the commercial front, the quarter closed with order intake of Eu2.0bn (vs. exp. Eu0.8bn), leading to total backlog of Eu28.8bn (vs. exp. Eu27.6bn), slightly down from the Eu29.8bn recorded as at the end of December. In terms of backlog scheduling, around Eu9.1bn will be executed in 2024, leading to a total Eu12.2bn in revenues already 'secured' (93% of mid-range FY24 guidance).
- **2024 guidance confirmed.** Saipem confirmed the guidance for 2024 released with 4Q23 results. Revenues continue to be seen at Eu12.7-13.3bn, an EBITDA margin of approximately 10%, for implicit EBITDA of around Eu1.3bn. Looking at the different divisions, growth at Offshore E&C (improved outlook) 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. Operating cash flow (net of lease payments) continues to be seen at Eu740-780mn with CapEx at approx. Eu440-480mn, for free cash flow of Eu300mn, taking the YE24 net financial position to breakeven or slightly positive.
- **Robust market outlook.** Saipem confirmed very favourable market momentum arising from the current very robust Oil & Gas investment cycle, with short term (next six quarters) opportunities in the E&C market worth Eu54bn (vs. Eu51bn at YE23), of which 60% in Offshore. Visibility remains stable at peak levels: low single-digit increases for both Offshore and Onshore (vs. Dec-23); double-digit growth in Africa and APAC more than offsetting slight declines in Americas; Middle-East activity remains stable. CCUS emerging as a concrete energy transition opportunity for Saipem.
- **Updated estimates and valuation.** We have fine-tuned our 2024 EBITDA projections upwards, to reflect higher figures at the Asset Based Services division (higher profitability), partly offset by slightly lower ones for the Offshore Drilling division (maintenance activity on three jack-ups). In terms of the valuation, we are increasing our target price to Eu3.00ps from Eu2.50ps on the back of slightly higher EBITDA projections and a higher target multiple (4.5x 2024 EV/EBITDA, from previous 4.0x).
- **Investment case.** 1Q24 results showed slightly stronger-than-expected margins at the core Asset Based Service division, only partly offset by slightly weaker ones at Offshore Drilling. The main positive element was, in our opinion, the sound improvement in EBITDA cash conversion. We confirm our positive view.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	9,980	11,874	12,979	13,338	13,406
EBITDA Adj (Eu mn)	595	926	1,282	1,426	1,544
Net Profit Adj (Eu mn)	-139	179	295	433	565
EPS New Adj (Eu)	-0.070	0.090	0.148	0.217	0.283
EPS Old Adj (Eu)	-0.070	0.090	0.149	0.210	0.272
DPS (Eu)	0.000	0.000	0.054	0.063	0.074
EV/EBITDA Adj	9.4	3.3	3.5	3.0	2.5
EV/EBIT Adj	37.4	7.0	7.4	5.5	4.3
P/E Adj	nm	25.2	15.3	10.4	8.0
Div. Yield	0.0%	0.0%	2.4%	2.8%	3.3%
Net Debt/EBITDA Adj	0.4	0.3	0.0	-0.2	-0.4

Intermonte

Share Price Performance and Multiples Comparison

Oil Services: Market Multiples Comparison

Company		Price	Mkt. cap	Abs. Perf. (%)				P/E adj.			EV/EBITDA			Div. Yield (%)		
			(Eu mn)	-1m	-6m	-12m	YTD	2023	2024E	2025E	2023	2024E	2025E	2023	2024E	2025E
Technip Energies	Fr	23.10	4,140	-4%	11%	15%	8%	13.9	11.3	10.2	7.6	7.4	6.6	2.4%	2.7%	3.1%
Saipem	It	2.26	4,434	10%	53%	58%	51%	25.2	15.3	10.4	5.2	3.5	3.0	0.0%	2.4%	2.8%
Subsea 7	Nor	174.8	4,509	1%	20%	44%	12%	10.2	21.1	10.9	7.7	5.4	3.9	2.7%	3.3%	3.3%
John Wood Group	UK	1.50	1,220	4%	11%	-31%	-11%	235.9	19.0	9.6	5.3	5.0	4.1	0.0%	0.0%	0.9%
Petrofac	UK	0.25	147	0%	-54%	-63%	-35%	NM	11.3	1.7	-9.6	3.3	1.3	0.0%	3.4%	10.1%
Tecnicas Reunidas	Sp	9.27	728	27%	7%	8%	9%	12.2	6.9	6.7	2.6	1.9	1.5	0.0%	0.0%	0.9%
Maire Tecnimont	It	7.32	2,361	-1%	65%	85%	46%	19.2	14.1	12.2	8.1	5.8	5.1	2.7%	3.7%	4.8%
Average			**19,139**					**30.0**	**15.1**	**10.3**	**6.9**	**5.2**	**4.4**	**2.1%**	**3.4%**	**4.0%**

Source: Intermonte SIM estimates for Saipem and Maire Tecnimont, Factset Consensus for all the other stocks.

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	**SAIPEM**		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	3.00	Previous Target (Eu):	2.50
Current Price (Eu):	2.26	Previous Price (Eu):	1.68
Date of report:	24/04/2024	Date of last report:	01/03/2024