

SAIPEM

Sector: Energy

BUY

Price: Eu2.12 - Target: Eu3.00

2024 Guidance Improved Thanks to Asset Based Services

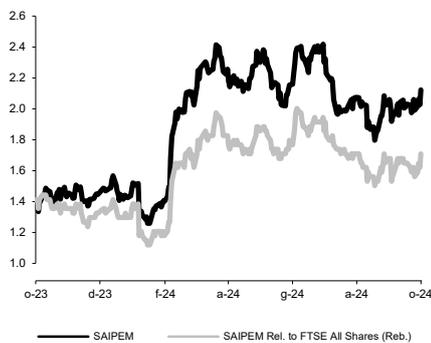
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Stock Rating

 Rating: Unchanged
 Target Price (Eu): Unchanged

	2024E	2025E	2026E
Chg in Adj EPS	13.3%	10.6%	6.2%

SAIPEM - 12M Performance



Stock Data

 Reuters code: SPML.MI
 Bloomberg code: SPM IM

Performance	1M	3M	12M
Absolute	2.9%	-7.7%	50.0%
Relative	0.6%	-8.1%	24.5%
12M (H/L)	2.42/1.26		
3M Average Volume (th):	30,214.26		

Shareholder Data

No. of Ord shares (mn):	1,996
Total no. of shares (mn):	1,996
Mkt Cap Ord (Eu mn):	4,235
Total Mkt Cap (Eu mn):	4,236
Mkt Float - Ord (Eu mn):	2,417
Mkt Float (in %):	57.1%
Main Shareholder:	
Eni - Cdp	43.0%

Balance Sheet Data

Book Value (Eu mn):	2,694
BVPS (Eu):	1.35
P/BV:	1.6
Net Financial Position (Eu mn):	96
Enterprise Value (Eu mn):	4,148

■ **3Q24 results.** Saipem's 3Q24 results were slightly above our expectations at P&L level, with the Asset Based Serv. (Off. E&C) segment continuing to report very solid figures, and Energy Carriers (On. E&C) finally showing some signs of improvement. In detail: 3Q24 revenues closed at Eu3,712mn (+23% YoY, +10% QoQ, vs. exp. Eu3,323mn), EBITDA at Eu340mn (+48% YoY, +14% QoQ, vs. exp. Eu331mn), and net income at Eu88mn (+126% YoY, +44% QoQ, vs. exp. Eu60mn), benefitting from lower net financial charges and a higher contribution from equity investments. Moving to the balance sheet, net debt (post-IFRS16) closed at Eu124mn (vs. exp. Eu46mn) from Eu148mn as at the end of June.

■ **Strong order intake fuels ongoing backlog expansion.** On the commercial front, the quarter was very strong, with order intake reaching Eu6.4bn. Thanks to this very robust order intake (Eu13.5bn in 9M24), the backlog increased to the new, record high of Eu33.4bn (from Eu30.6bn as at the end of June), of which 61% is now in the Asset Based Serv. (Off. E&C) segment.

■ **2024 guidance improved** thanks to the acceleration of the Asset Based Services division. Revenues are now projected above Eu14bn (vs. prev. Eu12.7-13.3bn), EBITDA above Eu1.3bn (vs. prev. Eu1.27-1.3bn), Operating Cash Flow (net of lease payments) above Eu760mn (vs. prev. Eu740-780mn), CapEx at Eu400mn (vs. prev. Eu440-480mn). Looking at the different divisions of Asset Based Services, Saipem is projecting further growth in 4Q24 of both Revenues and EBITDA, with a further increase in the EBITDA margin. Completion of Courseulles-sur-Mer postponed by some months (previously mid-2025). For Drilling Offshore, both revenues and EBITDA are expected to decline slightly in 4Q24 due to the temporary suspensions of Perro Negro 9 and 10. Finally, for Energy Carriers, Saipem is making steady progress on the execution of legacy projects (around Eu500mn residual value in the backlog), with profitability expected to increase in 2025.

■ **Robust market outlook.** Despite the current oil price volatility, Saipem confirmed favourable market momentum arising from the current very robust Oil&Gas investment cycle, with short-term opportunities (next six quarters) in the E&C market worth Eu54bn (62% in Offshore), up from Eu52bn a year ago.

■ **Updated estimates and valuation.** We have updated our EBITDA projections to reflect slightly higher figures at the Asset Based Services and Energy Carriers divisions, coupled to slightly lower ones for Offshore Drilling. Bottom line increased to also reflect slightly lower net financial charges. In terms of the valuation, we confirm our target price of Eu3.00ps based on a 4.5x 2024 EV/EBITDA target multiple.

■ **Investment case.** While the 3Q24 EBITDA margin (9.2%) was slightly weaker than expected, due primarily to Offshore Drilling (Saudi Aramco suspensions), Saipem guided for a clear pick-up in 4Q24 (close to 10%). This, coupled to the 2024 guidance improvement and the solid 2025 revenue outlook (Eu12.7bn already 'in the backlog'), should reassure investors on the company's growth potential. We confirm our positive view, as we still think the stock is trading at undemanding valuations.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	9,980	11,874	14,390	14,332	14,322
EBITDA Adj (Eu mn)	595	926	1,314	1,527	1,625
Net Profit Adj (Eu mn)	-139	179	300	485	606
EPS New Adj (Eu)	-0.070	0.090	0.151	0.243	0.303
EPS Old Adj (Eu)	-0.070	0.090	0.133	0.220	0.286
DPS (Eu)	0.000	0.000	0.063	0.079	0.085
EV/EBITDA Adj	9.4	3.3	3.2	2.5	2.1
EV/EBIT Adj	37.4	7.0	6.8	4.6	3.7
P/E Adj	nm	23.7	14.1	8.7	7.0
Div. Yield	0.0%	0.0%	3.0%	3.7%	4.0%
Net Debt/EBITDA Adj	0.4	0.3	-0.1	-0.3	-0.5

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- 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.

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- 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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OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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