

SAIPEM

Sector: Energy

BUY

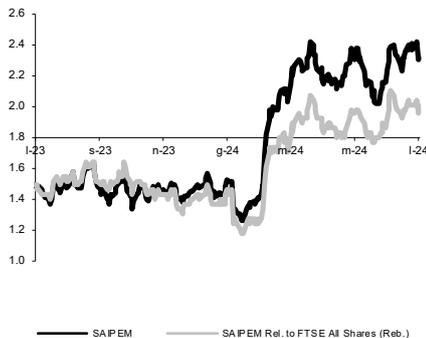
Price: Eu2.33 - Target: Eu3.00

On Track for FY24 Targets

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	-10.1%	1.1%	0.9%

SAIPEM - 12M Performance



Stock Data			
Reuters code:	SPMI.MI		
Bloomberg code:	SPM IM		
Performance	1M	3M	12M
Absolute	3.9%	8.5%	56.4%
Relative	3.7%	8.8%	40.3%
12M (H/L)	2.42/1.26		
3M Average Volume (th):	28,222.99		

Shareholder Data	
No. of Ord shares (mn):	1,996
Total no. of shares (mn):	1,996
Mkt Cap Ord (Eu mn):	4,640
Total Mkt Cap (Eu mn):	4,641
Mkt Float - Ord (Eu mn):	2,648
Mkt Float (in %):	57.1%
Main Shareholder:	
Eni - Cdp	43.0%

Balance Sheet Data	
Book Value (Eu mn):	2,659
BVPS (Eu):	1.33
P/BV:	1.7
Net Financial Position (Eu mn):	15
Enterprise Value (Eu mn):	4,634

- 2024 results.** Saipem's 2Q24 results were broadly in line with our expectations, with the Asset Based Serv. (Off. E&C) segment slightly better, while Energy Carriers (On. E&C) was slightly weaker. In detail: 2Q24 revenues closed at Eu3,371mn (+22% YoY, +11% QoQ, vs. exp. Eu3,150mn), EBITDA at Eu297mn (+36% YoY, +11% QoQ, vs. exp. Eu289mn), and net income at Eu61mn (+53% YoY, +6% QoQ, vs. exp. Eu64mn). Moving to the balance sheet, net debt (post-IFRS16) closed at Eu148mn (vs. exp. Eu159mn) from Eu209mn as at the end of March.
- Backlog up to Eu30.6bn.** On the commercial front, the quarter closed with order intake of Eu5.1bn (1.5x book-to-bill ratio, vs. exp. Eu5.3bn), thanks mainly to contracts awarded in Angola in the quarter (Agogo Integr. West Hub Project \$850mn, Kaminho project US\$3,700mn). The backlog closed at Eu30.6bn (vs. exp. Eu30.9bn), up from the Eu28.8bn recorded as at the end of March. In terms of backlog scheduling, around Eu6.6bn will be executed in 2H24, leading to a total Eu13.0bn in revenues already 'secured' (100% of mid-range FY24 guidance).
- 2024 guidance confirmed.** Saipem confirmed the guidance for 2024, with revenues seen at Eu12.7-13.3bn, and an EBITDA margin of approximately 10%, giving implicit EBITDA of around Eu1.3bn. Looking at the different divisions, for Asset Based Services (Offshore E&C), Saipem is projecting a further expansion of both revenues and margins in 2H24; for Energy Carriers (Onshore E&C), margins in 2H24 are projected higher vs. 1H24, with 2Q24 in particular penalized by additional provisions on the problematic Thai Oil Clean Fuel project; for Offshore Drilling, revenues in 2H24 are expected to remain stable at the 1H24 level, while margins are expected to be slightly lower due to the impact of temporary suspensions by Saudi Aramco. FY24 depreciations are projected at Eu700-710mn, net fin. exp. at Eu190-195mn. Operating cash flow (net of lease payments) continues to be seen at Eu740-780mn, with CapEx at approx. Eu450-460mn for free cash flow of Eu300mn, taking the YE24 net financial position to breakeven or slightly positive.
- Robust market outlook.** Saipem confirmed 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 Eu53bn, of which 60% in Offshore. CCUS is emerging as a concrete energy transition opportunity for Saipem.
- Updated estimates and valuation.** We have fine-tuned our 2024 EBITDA projections to reflect higher figures at the Asset Based Services division, partly offset by slightly lower ones for Energy Carriers and Offshore Drilling. By contrast, bottom line cut by around 10% to reflect higher depreciation and 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.** 2Q24 results showed a solid performance in the Asset Based Serv. Core business, while Energy Carriers continued to be penalized by legacy contracts. Despite no positive earnings surprises/guidance improvement, we confirm our positive view on the stock on robust market outlook and an undemanding valuation.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	9,980	11,874	13,444	13,766	13,836
EBITDA Adj (Eu mn)	595	926	1,279	1,469	1,587
Net Profit Adj (Eu mn)	-139	179	265	438	570
EPS New Adj (Eu)	-0.070	0.090	0.133	0.220	0.286
EPS Old Adj (Eu)	-0.070	0.090	0.148	0.217	0.283
DPS (Eu)	0.000	0.000	0.049	0.073	0.079
EV/EBITDA Adj	9.4	3.3	3.6	2.9	2.5
EV/EBIT Adj	37.4	7.0	8.0	5.6	4.4
P/E Adj	nm	25.9	17.5	10.6	8.1
Div. Yield	0.0%	0.0%	2.1%	3.2%	3.4%
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.

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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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BUY:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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