

SAIPEM

Sector: Energy

BUY

Price: Eu2.41 - Target: Eu3.00

Focus on 2025 Guidance and Macro Outlook

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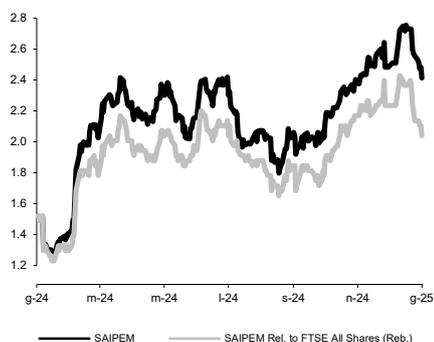
Stock Rating

| | | | |
|--------------------|-----------|-------|-------|
| Rating: | Unchanged | | |
| Target Price (Eu): | Unchanged | | |
| | 2024E | 2025E | 2026E |
| Chg in Adj EPS | -0.9% | -1.5% | 0.7% |

Next Event

4Q24 Results and new BP 25 February

SAIPEM - 12M Performance



Stock Data

| | | | |
|-------------------------|-----------|-----------|------------|
| Reuters code: | SPMI.MI | | |
| Bloomberg code: | SPM IM | | |
| Performance | 1M | 3M | 12M |
| Absolute | -2.8% | 13.7% | 58.5% |
| Relative | -9.8% | 9.4% | 40.2% |
| 12M (H/L) | 2.75/1.26 | | |
| 3M Average Volume (th): | 33,995.69 | | |

Shareholder Data

| | |
|---------------------------|-------|
| No. of Ord shares (mn): | 1,996 |
| Total no. of shares (mn): | 1,996 |
| Mkt Cap Ord (Eu mn): | 4,814 |
| Total Mkt Cap (Eu mn): | 4,814 |
| Mkt Float - Ord (Eu mn): | 2,747 |
| 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: | 1.6 |
| Net Financial Position (Eu mn): | 267 |
| Enterprise Value (Eu mn): | 4,556 |

- 4Q24 results preview** (results out on 25 February). We expect confirmation of growth trends that were evident in the first three quarters of the year, with results driven mainly by the Asset Based Services (Offshore E&C) division. Revenues are expected at Eu4,260mn (+21% YoY, +15% QoQ), EBITDA at Eu409mn (+43% YoY, +20% QoQ) and net income at Eu93mn (-8% YoY, +6% QoQ). NFP pre IFRS16 expected cash positive at Eu-622mn (Eu58mn debt post IFR16), a further gradual improvement QoQ. The dividend is projected at Eu0.036ps.
- Strong order intake fuelling ongoing backlog expansion.** On the commercial front, the quarter was strong, with order intake expected to reach around Eu4.5bn. On a full-year basis, the total order intake in 2024 should have reached around Eu18.0bn, confirming the strong commercial momentum started in 2022-23. Thanks to this very robust order intake, the backlog is expected to have reached around Eu33.6bn as at YE24, up from Eu30.0bn as at YE23, with a mix that is increasingly exposed to Offshore.
- Focus on problematic projects.** We expect Saipem to offer updates on the legacy projects currently in the backlog, in particular on the three most problematic ones: 1) Courseulles-sur-Mer; 2) Thai Oil and 3) Mozambique LNG, after the recent newsflow of potential additional extra costs and delays.
- Strategic update: 2025-28 Plan.** Together with 4Q24 results, Saipem will offer a strategic update, presenting the new 2025-28 business plan. In terms of outlook, we expect Saipem to confirm very solid market fundamentals, especially in the Offshore segment. In terms of financial targets, we expect that Saipem could guide for total revenues in 2025 of Eu14.5-15.0bn and an EBITDA margin slightly in excess of 10% (our current updated projection is Eu1.55bn). Looking at the following years, we see the possibility of Saipem projecting revenues to reach a 2.0-2.5% CAGR over the 2024-2028 period (around Eu15.5bn in 2028), with the EBITDA margin reaching around 12% in 2028. In terms of shareholder remuneration, we believe there is the possibility of Saipem improving its dividend policy to envisage the distribution of 40-50% (from the previous 30-40%) of free cash flow (net of lease payments).
- Updated estimates and valuation.** We have updated our projections to reflect the stronger order intake recorded in 4Q24, which translated into higher revenues and EBITDA for the Asset Based Services division for 2025 and following years. By contrast, we have slightly trimmed 2025 margins to reflect the ongoing negative impact of legacy projects, as well as slightly higher working capital as at YE24. In terms of the valuation, we confirm our target price of Eu3.00ps.
- Investment case.** After recording a very strong share price performance in 4Q24, the stock has been penalized in the last two weeks by news on potential delays and extra costs at Courseulles-sur-Mer and Mozambique LNG. Entering reporting season, we expect investors to focus on 2025 guidance, where we highlight potentially quite aggressive consensus (EBITDA close to Eu1.59bn). That said, we continue to believe the macro picture is very supportive and we confirm our positive view on the stock, with any potential weakness representing a buying opportunity.

| 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 | 0.151 | 0.243 | 0.303 |
| DPS (Eu) | 0.000 | 0.000 | 0.036 | 0.069 | 0.103 |
| EV/EBITDA Adj | 9.4 | 3.3 | 3.2 | 2.9 | 2.4 |
| EV/EBIT Adj | 37.4 | 7.0 | 6.8 | 5.5 | 4.3 |
| P/E Adj | nm | 26.9 | 16.2 | 10.1 | 7.9 |
| Div. Yield | 0.0% | 0.0% | 1.5% | 2.9% | 4.3% |
| Net Debt/EBITDA Adj | 0.4 | 0.3 | 0.0 | -0.2 | -0.4 |

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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)

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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;

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

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| | |
|--------------|---------|
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| NEUTRAL: | 25.38 % |
| UNDERPERFORM | 00.00 % |
| SELL: | 00.00 % |

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| | |
|--------------|---------|
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| NEUTRAL: | 19.72 % |
| UNDERPERFORM | 00.00 % |
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| Emittente | % | Long/Short |
|-----------|---|------------|
|-----------|---|------------|

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