

# SAIPEM

Sector: Energy

## OUTPERFORM

Price: Eu1.34 - Target: Eu2.10

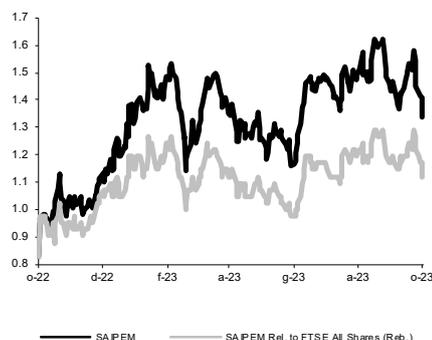
### Continuing Gradual Progress of the Turnaround

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#### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	18.7%	3.2%	2.3%

#### SAIPEM - 12M Performance



#### Stock Data

Reuters code:	SPMI.MI		
Bloomberg code:	SPM IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	-6.8%	-9.5%	61.2%
Relative	-4.6%	-3.8%	41.1%
12M (H/L)	1.62/0.93		
3M Average Volume (th):	42,473.55		

#### Shareholder Data

No. of Ord shares (mn):	1,996
Total no. of shares (mn):	1,996
Mkt Cap Ord (Eu mn):	2,665
Total Mkt Cap (Eu mn):	2,666
Mkt Float - Ord (Eu mn):	1,521
Mkt Float (in %):	57.1%
Main Shareholder:	
Eni - Cdp	43.0%

#### Balance Sheet Data

Book Value (Eu mn):	2,173
BVPS (Eu):	1.09
P/BV:	1.2
Net Financial Position (Eu mn):	-336
Enterprise Value (Eu mn):	3,010

■ **3Q23 results.** Saipem 3Q23 results were in line at operating level, while slightly better than expected on the bottom line and in terms of cash flow generation. 3Q23 revenues closed at Eu3,016mn (flat YoY, +9% QoQ), EBITDA at Eu230mn (+26% YoY, +5% QoQ, vs. exp. Eu232mn), and net income at Eu39mn (vs. exp. Eu27mn). Moving to the balance sheet, net debt (post-IFRS16) closed at Eu171mn (vs. exp. Eu318mn) from Eu288mn as at the end of June, including the positive impact of Eu79mn resulting from the accounting of the equity-linked bonds. Looking at the different divisions, Asset Based Services reported EBITDA of Eu153mn (vs. exp. Eu150mn), Energy Carriers of Eu2mn (vs. exp. Eu6mn) and Drilling Offshore of Eu75mn (vs. exp. Eu76mn).

■ **Strong order intake momentum, leading to record-high backlog.** The quarter featured strong commercial news flow, with Saipem announcing total order intake of Eu5.2bn (vs. exp. Eu4.5bn). The backlog closed at Eu27.6bn (vs. exp. Eu26.9bn), up from Eu254.5bn as at the end of June. Taking into account the US\$4.1bn Hail and Ghasha Development project awarded at the beginning of October, Saipem current backlog reaches the record high of Eu31.5bn.

■ **Legacy projects.** Backlog related to legacy projects has come down by approx. 60% since December 2021, from Eu5.0bn (Eu4.2bn E&C Onshore and Eu0.8bn Wind Offshore) to Eu2.2bn (Eu1.9bn and Eu0.3bn respectively). Legacy projects are expected to continue affecting margins until end-2024. Cash outflows in 2024 are nevertheless expected to be significantly lower than for 2023 (Eu300mn in 9M23).

■ **2023 guidance confirmed.** Saipem confirmed the guidance for 2023, with revenues seen at over Eu11bn, EBITDA at around Eu850mn and net debt post IFRS16 at around Eu500mn. During the call, Saipem top management said it was very confident of achieving targets, in particular on net debt, while on EBITDA it hopes to fulfil market expectations (consensus Eu870mn). Saipem highlighted very strong visibility on 2024 and 2025 revenues.

■ **Market conditions still strong, especially in Offshore.** During the call, Saipem top management confirmed that market conditions remained strong, in particular in the Offshore segment. Saipem highlighted Eu52bn in near term opportunities in the E&C market, of which 60% in Offshore.

■ **Updated estimates and valuation.** We have merely fine-tuned our 2023 projections, while leaving 2024-25 estimates broadly unchanged. Target price confirmed at Eu2.10ps, still based on a 4.50x 2023-24 EV/EBITDA multiple.

■ **Investment case.** No beat on results and no 2023 guidance improvement are in our view the main reasons for yesterday's negative price reaction. Offshore E&C offered another positive set of results, while Onshore E&C showed a revenue acceleration, with margins nevertheless still at breakeven, capped by legacy projects. In our opinion, this issue remains the main drag on the stock. That said, we believe the gradual rotation of the Onshore backlog in favour of new more profitable contracts should be more visible in coming quarters, supporting the company turnaround. We confirm our positive view on the stock.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	6,875	9,980	11,422	11,864	12,073
EBITDA Adj (Eu mn)	-1,192	595	877	1,072	1,186
Net Profit Adj (Eu mn)	-1,914	-139	105	231	326
EPS New Adj (Eu)	-1.893	-0.070	0.053	0.116	0.163
EPS Old Adj (Eu)	-1.893	-0.070	0.044	0.112	0.160
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	nm	9.4	3.4	2.5	1.9
EV/EBIT Adj	nm	37.4	7.3	4.5	3.2
P/E Adj	nm	nm	25.4	11.5	8.2
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-1.3	0.4	0.4	0.0	-0.4