SAIPEM

OUTPERFORM

Sector: Energy

Price: Eu1.21 - **Target: Eu2.00**

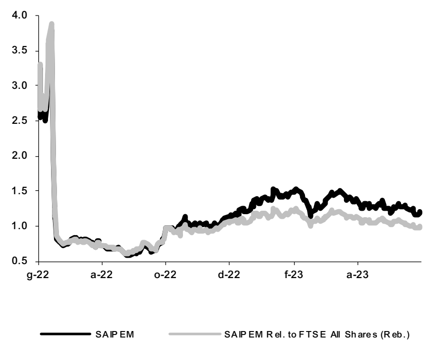
Consolidation Expected of Positive Trends

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

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event
2Q23 Results Out 26 July

SAIPEM - 12M Performance



Stock Data			
Reuters code:			SPMI.MI
Bloomberg code:			SPM IM
Performance	**1M**	**3M**	**12M**
Absolute	-4.0%	-7.5%	-60.3%
Relative	-7.0%	-11.9%	-83.2%
12M (H/L)			3.79/0.58
3M Average Volume (th):			26,297.91

Shareholder Data	
No. of Ord shares (mn):	1,996
Total no. of shares (mn):	1,996
Mkt Cap Ord (Eu mn):	2,415
Total Mkt Cap (Eu mn):	2,416
Mkt Float - Ord (Eu mn):	1,378
Mkt Float (in %):	57.1%
Main Shareholder:	
Eni - Cdp	43.0%

Balance Sheet Data	
Book Value (Eu mn):	2,117
BVPS (Eu):	1.06
P/BV:	1.1
Net Financial Position (Eu mn):	-456
Enterprise Value (Eu mn):	2,879

- **Saipem will report 2Q23 results on 26 July**, after market close and the conference call scheduled on 27 at 10.00 CEST.
- **2Q23 results preview.** 1Q23 showed a positive set of results, primarily in terms of the EBITDA margin, with the core Asset Based Services (Offshore E&C) close to 10%. For 2Q23, we expect consolidation of the positive trends recorded in the last quarters, in particular in the Offshore segment. Moving to P&L figures, revenues are projected at Eu2,745mn (+16% YoY vs. 2Q22 pro-forma ex. Onshore Drilling, +6% QoQ), EBITDA at Eu211mn (+43% YoY, +10% QoQ) and adj. net income at Eu11mn (vs. Eu-23mn in 2Q22 and zero in 1Q23). At divisional level, we forecast adj. EBITDA of Eu129mn for Asset Based Services (Offshore E&C), Eu9mn for Energy Carriers (Onshore E&C) and Eu73mn for Offshore Drilling. Net debt (post-IFRS16) is expected to have slightly increased to Eu333mn from Eu285mn in 1Q23 due to the expected working capital expansion.
- **Strong order intake momentum in Offshore.** The quarter featured strong commercial newsflow, with Saipem announcing orders for around US$2.7bn in Asset Based Services (UARU project in Guyana, Sakarya project in the Turkish Black Sea, decommissioning of the Thistle A platform in the North Sea, Marjan field in Saudi Arabia and offshore Brazil) and US$0.9bn in Offshore Drilling (a two-year contract extension for the Santorini drillship, a ten-year extension for the Perro Negro 7 jack-up, and six months for the Scarabeo 9 semisub). For 2Q23, we project total order intake of Eu3.8bn, leading to backlog of Eu25.5bn, up from Eu24.5bn in 1Q23.
- **2023 guidance.** On release of 1Q23 results, Saipem confirmed the guidance for 2023 given on release of 4Q22 results. Revenues continued to be seen at over Eu11bn and adj. EBITDA at around Eu850mn. Free cash flow was seen at breakeven, with a pre-IFRS 16 positive net cash financial position as at YE23 (net debt of Eu500mn post-IFRS 16). Looking at the different divisions, Offshore E&C revenues were expected up in the following quarters thanks to full fleet availability, with margins in line with 1Q23; at Onshore E&C, profitability was expected broadly stable at the level of 1Q23, with backlog review still capping the expected improvement in margins; at Offshore Drilling, revenues were expected up in the coming quarters thanks to higher day rates and additional vessels on stream, with margins seen stable at the 1Q23 level. We expect the company to confirm these indications.
- **Estimates and valuation.** Ahead of 2Q23 results we are leaving our revenue and EBITDA projections unchanged. Following 1Q23 results we have fine-tuned our 2023 EBITDA projections upward, primarily to reflect higher figures at the Offshore Drilling division. In terms of the valuation, we confirm our target price of Eu2.00ps, based on a 4.75x 2023-24 EV/EBITDA target multiple.
- **Investment case.** The robust order intake recorded in 2022 and 1H23 at the Asset Based Services (Offshore E&C) division offers high visibility on projected revenue and margin recovery in Saipem's core business, while the ongoing improvement in day rates is expected to support further margin expansion in the Offshore Drilling segment. OUTPERFORM confirmed.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	6,875	9,980	11,266	11,667	11,924
EBITDA Adj (Eu mn)	-1,192	595	869	1,012	1,131
Net Profit Adj (Eu mn)	-1,914	-139	50	186	282
EPS New Adj (Eu)	-1.893	-0.070	0.025	0.093	0.141
EPS Old Adj (Eu)	-1.893	-0.070	0.025	0.093	0.141
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	nm	9.4	3.3	2.6	1.9
EV/EBIT Adj	nm	37.4	7.3	5.0	3.4
P/E Adj	nm	nm	48.7	13.0	8.6
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-1.3	0.4	0.5	0.2	-0.2