

FINCANTIERI

Sector: Industrials

NEUTRAL

Price: Eu10.79 - Target: Eu11.00

Valuation Ceiling: Taking a Pause Awaiting Next Catalyst

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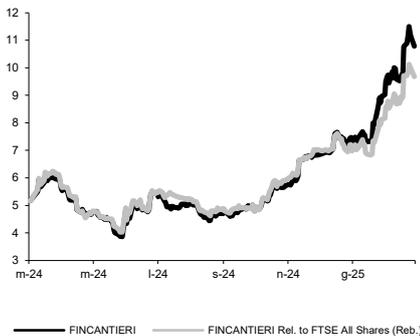
Stock Rating

Rating:	from OUTPERFORM to NEUTRAL		
Target Price (Eu):	from 8.80 to 11.00		
	2025E	2026E	2027E
Chg in Adj EPS	15.5%	20.4%	23.9%

Next Event

 1Q25 Results Out May 12th

FINCANTIERI - 12M Performance



Stock Data

Reuters code:	FCT.MI		
Bloomberg code:	FCT IM		
Performance	1M	3M	12M
Absolute	19.5%	57.8%	108.2%
Relative	18.4%	43.0%	95.4%
12M (H/L)	11.50/3.86		
3M Average Volume (th):	1,506.57		

Shareholder Data

No. of Ord shares (mn):	323
Total no. of shares (mn):	323
Mkt Cap Ord (Eu mn):	3,485
Total Mkt Cap (Eu mn):	3,485
Mkt Float - Ord (Eu mn):	1,001
Mkt Float (in %):	28.7%
Main Shareholder:	
CDP	71.3%

Balance Sheet Data

Book Value (Eu mn):	922
BVPS (Eu):	2.85
P/BV:	3.8
Net Financial Position (Eu mn):	-2,044
Enterprise Value (Eu mn):	5,115

Since we resumed our coverage on the stock, Fincantieri has seen an impressive rally from €4.53ps in July 2024 to €11.5ps in recent days. We believe that there may still be some unexpressed value in the market valuation, mainly related to the underwater business or certain geographic areas, such as Saudi Arabia, Southeast Asia, Norway, or the US in terms of rising defence spending. However, turning these opportunities into revenue is a medium-long-term prospect, introducing uncertainty regarding upside on current estimates. Moreover, despite our new estimates at the upper end of FY25 guidance and, in some cases, even above, our new TP does not offer upside vs the current share price. Hence, after the recent rally by the stock, we believe the current valuation adequately reflects FCT's short-medium-term prospects.

- **4Q/FY24 results confirm the right path – in line with expectations.** Fincantieri's results were in line with expectations. Financial turnaround led to net profit of €27mn (€53mn net loss in FY23). Profitability was also higher than already challenging estimates, with EBITDA at €509mn and a margin of 6.3%. The reported NFP, also excluding the temporary effect of the rights issue, was better than expected thanks to the inclusion of a financial receivable (€588mn) expiring in Dec-25.
- **2025 guidance: smoothed deleveraging path paused... but on the right path for shareholder remuneration.** Fincantieri's 2025 guidance, incorporating the full consolidation of UAS and Remazel, was aligned with our revenue expectations, projecting ~€9.0bn and supporting our €10bn estimate for 2027. However, the EBITDA margin guidance of >7%, while an improvement vs 2024's 6.3%, is slightly below our 7.5% expectation, suggesting a slightly lower-than-expected progression towards the 8% target for 2027. The NFP guidance, with a stable YoY 3.3x NFP/EBITDA ratio, was better than our forecast, which did not account for the €588mn receivable maturing in Dec-25, but halted the smoothed deleveraging path that was a positive in Fincantieri's recent equity story. Finally, we appreciate the net profit guidance that confirms the possibility of a dividend being paid in 2026.
- **Change in estimates. Management is playing it safe.** We believe management has adopted a conservative approach on FY25 guidance. Considering the strong performance in 2024, and the consolidation of UAS and Remazel, we consider the revenue guidance of ~€9bn as a floor. Similarly, the margin guidance of >7% is viewed as a safe target, leading us to a 7.2% estimate. Given effective working capital management, three improved guidance revisions in 2024, and cash inflows from six cruise ship deliveries in 2025, we project a NFP of ~€2bn by the end of 2025, resulting in an NFP/EBITDA of ~3.1x vs 3.3x company guidance.
- **NEUTRAL from OUTPERFORM; target at €11.0ps from €8.8.** Our updated valuation, based on the simple average of a sum-of-the-parts and a historic EV/EBITDA multiple, yields a fair value of €11.0ps. We accordingly adjust our TP, and given the limited upside vs the current share price, we move our recommendation to NEUTRAL. We will continue to monitor further developments and stand ready to adopt a more positive position again if new catalysts arise and Fincantieri provides details on their impact on upside compared to current targets.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	7,651	8,128	9,107	9,582	10,172
EBITDA Adj (Eu mn)	397	509	654	749	840
Net Profit Adj (Eu mn)	-7	57	114	180	239
EPS New Adj (Eu)	-0.004	0.176	0.354	0.557	0.739
EPS Old Adj (Eu)	-0.004	0.061	0.306	0.462	0.597
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	23.5	7.2	7.8	7.4	6.4
EV/EBIT Adj	nm	14.8	14.6	12.7	10.6
P/E Adj	nm	61.1	30.5	19.4	14.6
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	5.7	3.3	3.1	2.7	2.3

