EthiFinance Ratings

PRYSMIAN SPA

04866320965

CORPORATE

BBB ISSUER RATING
Long term

OUTLOOK
Stable

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Rating Action and Rationale

- EthiFinance Ratings upgrades the long-term rating of Prysmian S.P.A. (Prysmian) from BBB- to BBB, maintaining a Stable outlook.
- Prysmian is a global leader in the design, production, supply of energy transmission, distribution cables, systems for energy and telecommunications.
- Our rating upgrade results from the gradual improvement expected in the credit profile of the Prysmian's newly consolidated perimeter (including the full-year results of Encore Wire) throughout our rating period (2024-2027). Although the €3.9bn acquisition was financed with up to €3.5bn in bank loans, which resulted in a significant impact on the EthiFinance Ratings-adjusted net leverage ratio yoy, the company's conversion of €750m in convertible bonds into equity ahead of maturity has resulted in a c.0.3x improvement in net adjusted leverage. As anticipated in our previous rating review, the net adjusted leverage (pro-forma) increased to 2.4x (vs 1.2x in FY23). However, we expect Prysmian to progressively strengthen its balance sheet, reducing leverage to 2.1x by end-2027, driven by a 5% EBITDA CAGR (2024-27) and positive cashflow generated internally (FCF after dividends and equity movements) of a total of €0.8bn in both 2026 and 2027. Meanwhile, the interest coverage ratio declined from 11.3x in FY23 to 8.6x in FY24 due to the yoy increase in debt. We expect this ratio to recover, reaching 8.6x by 2027, supported by decreasing interest rates and EBITDA growth.
- In FY24, Prysmian achieved a sales revenue growth of 10.9% (including 7.7% of M&A, 2.7% of pricing pass-through related to the price of metals and 0.5% organic). The M&A contribution have indeed benefited the industry and construction (I&C - electrification segment) with 26% growth attributable to Encore Wire's half-year contribution. On the other hand, strong organic growth of 18.3% in the transmission segment and a moderate 3.1% in power grid helped offset the negative one for I&C, Specialties and Digital solutions. Looking ahead, we expect further revenue growth in the medium and high-voltage grid on the back of a strong order backlog. This will be driven by the accelerating global energy transition and the onshoring of manufacturing in the U.S., which is driving both construction activity and rising electricity demand—needs that Prysmian is well-positioned to meet thanks to its wide geographic footprint. Overall, we forecast a 4.3% revenue CAGR (2025-27), which should maintain adjusted EBITDA margin around 11.2% over our forecast period. Furthermore, the recent strategic acquisition of Channell, for an EV of €950m by issuing a €1.0bn hybrid bond, in the Digital Solutions segment is expected to enhance both revenue and profitability within that business unit starting in 3Q25.
- However, our rating remains constrained by i) intense competition and subdued demand in lower value-added cyclical activities, such as Trade & Installers and Power Distribution, both of which are incorporated in the Industry and construction segment (representing 32% of FY24 EBITDA); ii) some exposure to the EU automotive industry within specialties segment which is strongly impacted by U.S. tariffs; and iii) execution risks or delays associated with large high-voltage projects.
- Under our methodology, the capital goods industry has medium-to-high ESG risks (heatmap score between 3.5 and 4), given its impact on the environment. Consequently, the sector's ESG rating is downgraded by one notch due to these industry-specific ESG concerns. Heavy industries inherently consume substantial quantities of raw materials, leading to environmental degradation from extraction and transportation. Additionally, the production processes in this industry often result in significant waste generation. While greenhouse gas emissions and heavy water usage are a primary concern, the sectors also face challenges in advancing recycling technologies and processes.
- Our assessment of the company's ESG policy is advanced (company ESG score of between 0 and 1), positively impacting our financial assessment, and more than offsetting the effect of our industry assessment. The company's favorable ESG score stems from: (i) an excellent governance assessment, particularly benefiting from a very good level of board independence and the separation of the roles of chairman and CEO; (ii) a yoy reduction in energy and GHG emissions intensities by 7% and 10%, respectively.
- It is important to note that Prysmian has been the subject of multiple accusations about price cartels and has been fined €104m by the authorities since 2014. In January 2022, the German Federal Cartel Office (FCO) carried out inspections at some of Prysmian's facilities due to "alleged coordination in setting the standard metal surcharges applied by the industry in Germany", to which the company indicated that it was co-operating. At end-2024, it had €49m of provisions for antitrust investigations, and related matters. These controversies have not impacted the rating.

Issuer Description

Prysmian Group is the world's #1 cable and systems company headquartered in Italy. With a c. 33k workforce and 108 plants worldwide, the group designs, produces, and installs cables for the energy and telecom industries. Prysmian has a global presence and conducts business with many high-profile customers, from national power operators to telecom companies. The group operates through 4 business segments:

- **Electrification** (57% of FY24 revenues and 48% of FY24 EBITDA): includes a diversified product portfolio in the energy area serving market sectors, such as industrial and construction, Automotive, Oil & gas and renewables.
- **Power grid** (21% and 25%, respectively): aimed at supporting the modernization of the power grid through power distribution, overhead lines and network components.
- **Transmission** (14% and 19%, respectively): which focuses on the transmission of renewable energy through cable solutions.
- **Digital solutions** (8% and 8%, respectively): include fiber and optical cables, connectivity components and accessories.

Prysmian has been listed on the Milan Stock Exchange since 2007, with a free float equal to 94% outstanding shares and a market cap of €14.5bn as of 7 May 2025.

For 2024, Prysmian generated revenues of €17.0bn (+10.9% yoy), with adj. EBITDA (pro-forma of full-year results of Encore Wire) of c.€2.0bn (11.0% margin vs 9.7% in FY23), and an EthiFinance Ratings-adjusted net leverage ratio of 2.4x (vs 1.2x at end-2023).

Main Financial Figures

Main financial figures. Millions of €.	FY23	FY24 (PF)*	FY25e	FY26e	FY27e	24vs23
Revenues	15 354	18 179	18 729	19 665	20 648	*18.4%*
Adj EBITDA [1]	1 494	2 009	2 116	2 199	2 306	*34.4%*
Adj EBITDA Margin [1]	9.7%	11.0%	11.3%	11.2%	11.2%	*1.3pp*
EBIT	920	1 256	1 556	1 611	1 689	*36.5%*
EBIT Margin	6.0%	6.9%	8.3%	8.2%	8.2%	*0.9pp*
EBT	687	964	1 254	1 343	1 689	*40.4%*
Total Assets	13 323	18 202	20 461	21 032	20 916	*36.6%*
Equity	3 972	5 297	6 697	7 114	7 532	*33.4%*
Adj Total Financial Debt [2]	3 608	5 787	6 400	6 418	5 743	*60.4%*
Adj Net Financial Debt [2]	1 867	4 754	5 569	5 251	4 775	*154.6%*
Equity/ Adj TFD [2]	110.1%	91.5%	104.6%	110.8%	131.1%	*-18.6pp*
Adj NFD/ Adj EBITDA [1] [2]	1.2x	2.4x	2.6x	2.4x	2.1x	*1.1x*
Funds From Operations	1 140	1 551	1 593	1 625	1 727	*36.0%*
FFO/Adj NFD [2]	61.1%	32.6%	28.6%	31.0%	36.2%	*-28.4pp*
Adj EBITDA/Interest [1]	11.3x	8.6x	7.3x	7.3x	8.6x	*-2.7x*

*FY24 (PF) has been adjusted to account for the full-year effect of Encore Wire's following financials : Revenue, EBITDA. FFO and Interest expenses

(1) Adj EBITDA includes business reorganisation costs and other non-recurring OpEx

(2) Adj debt includes employee benefits and factoring

Credit Rating

Credit Rating	
Business Risk Profile	**BBB-**
Industry risk assessment	*BB+*
Industry's ESG	*Negative*
Competitive Positioning	*BBB*
Governance	*BBB*
Financial Risk Profile	**BBB+**
Cash flow and leverage	*BBB-*
Capitalisation	*BBB+*
Company's ESG	*Positive*
Anchor Rating	**BBB**
Modifiers	*-*
Rating	**BBB**

Rating Sensitivity

- **Long-term rating positive factors (↑)**

Given our upgrade and the current situation of Prysmian, an additional upgrade is unlikely to occur. However, we could still consider upgrading our LT rating should Prysmian's financial profile improve above our expectations, particularly if the group manages to deleverage faster than expected following the acquisition of Encore Wire and Channell more recently. For the same business risk profile, a decline in the group's EthiFinance Ratings-adjusted net leverage ratio to below 2.0x and an interest coverage ratio above 10.0x, for a sustained period of time, could entail a long-term rating upgrade to BBB+.

- **Long-term rating negative factors (↓)**

We could downgrade our LT rating should Prysmian's financial profile deteriorate, which could be resulting from a more aggressive financial policy and/or if the group is unable to deleverage following the acquisition of Encore Wire and Channell. For the same business risk profile, an EthiFinance Ratings-adjusted net leverage ratio above 2.8x and an interest coverage ratio below 6.0x, for a sustained period of time could entail a long-term rating downgrade to BBB-.

Sources of information

The credit rating issued in this report is unsolicited. The credit rating is based exclusively on public information, being the main sources the following:

1. Annual Audit Report.
2. Corporate Governance Report.
3. Corporate Website.
4. Information published in the Official Bulletins.

The information was thoroughly reviewed to ensure that it is valid and consistent, and is considered satisfactory. Nevertheless, EthiFinance Ratings assumes no responsibility for the accuracy of the information and the conclusions drawn from it.

Level of the rated entity participation in the rating process

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

Additional information

- The rating was carried out in accordance with Regulation (EC) N°1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies. Principal methodology used in this research are :
  - Corporate Rating Methodology - General : https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmdl=35203
- The rating scale used in this report is available at https://www.ethifinance.com/en/ratings/ratingScale.
- EthiFinance Ratings publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months EthiFinance Ratings has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.