



ISSUER RATING  
Long term

OUTLOOK  
Stable

Initiation date 29/11/2022  
Rating Date 21/05/2024

## Contacts

**Lead analyst**  
Ilidio Gomes Frois  
ilidio.gomes-frois@ethifinance.com

**Committee chair**  
Marc Pierron  
marc.pierron@ethifinance.com

## Rating Action and Rationale

- EthiFinance Ratings downgrades the long-term rating of Prysmian S.P.A. (Prysmian) from BBB to BBB-, maintaining a Stable outlook.
- This rating downgrade is driven by the upcoming deterioration of Prysmian's main credit ratios over our forecast period, following an agreement (signed in April 2024) to acquire 100% of Encore Wire, a manufacturer of electrical wire and cables based in the US, for an enterprise value of around €3.9bn. Over 2023, Encore Wire generated revenues of \$2.6bn and EBITDA of \$517m. This acquisition (expected to close in 2H24) will be financed by a mix of cash (€1.1bn) on Prysmian's balance sheet and new debt facilities (€3.4bn). As a result, we expect Prysmian's EthiFinance Ratings-adjusted net leverage ratio pro forma the acquisition to deteriorate substantially to 2.7x at YE24 (vs 1.2x at YE23) and then to remain above 2.0x over our forecast period (2024-2026). Nonetheless, we view this acquisition as positive from a competitive positioning perspective mainly since it increases Prysmian's North American presence, strengthening its geographic and portfolio mix.
- The rating remains supported by (i) Prysmian's large scale (#1 global market position) in the fragmented cables manufacturing market; (ii) a good geographical diversification, with a material operating presence across two continents (Europe and North America) and some presence in Latam and Apac; (iii) the strong growth drivers for cables supported by secular trends related to energy transition, electrification and digitalization; and (iv) Prysmian's positive operating performance in the past few years, leading to higher margins (adjusted EBITDA margin of 9.7% in FY23), strong cash flow generation and an EthiFinance Ratings-adjusted net leverage ratio of 1.2x at YE23 (not including the acquisition of Encore Wire).
- However, our rating is constrained by i) the tough competition and less buoyant demand in low value-added cyclical activities, such as Trade & Installers and Power Distribution incorporated in the Energy & Infrastructure business (representing 51.8% of Prysmian's EBITDA in 2023); and ii) execution risks on large high-voltage projects, as shown with several technical issues encountered a few years ago on the Western Link project.
- The capital goods industry has medium-to-high ESG risks under our methodology (sector heatmap score between 3.5 and 3.9). This results in a sector rating being downgraded one notch by industry-related ESG considerations. Heavy industries have a high impact on climate as they are highly energy-intensive in the production process and generate high levels of GHG on all scope measures. In addition to GHG emissions, the impact on pollution is also linked to the production process, which generates high levels of waste while recycling remains limited. The capital goods sector has also a significant impact on resources, using a significant amount of raw materials. However, impact on biodiversity is medium as it can vary depending on the land use and the production process. Regarding suppliers, raw materials are increasingly problematic given geopolitical uncertainties and the sector is also affected by human rights issues.
- 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; and (ii) its efforts in reducing scope 1 & 2 GHG emissions (-33% in 2023 compared to 2019), water usage and waste production. Nonetheless, the social score remains low (albeit improved compared to last year) mainly impacted by the unfavorable three-year trend regarding the employee turnover and injury frequency rate. 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 YE23, it had €184m 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. 30k 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 three divisions: 1) Energy Products (74% of revenues and 73% of EBITDA in 2023), which manufactures cables for power connection, distribution, and industrial uses; 2) Projects (16% and 18%, respectively), including high-tech and high value-added businesses, servicing large projects such as offshore wind farms and interconnectors; and 3) Telecom (10% and 9%, respectively), producing cable and connectivity systems for telecom operators. Prysmian has been listed on the Milan Stock Exchange since 2007, with a free float equal to 100% of outstanding shares and a market cap of €13.7bn (at market close on 22 April 2024).

For 2023, Prysmian generated revenues of €15.4bn (-4.4% yoy), with adj. EBITDA of €1.5bn (9.7% margin vs 8.9% in FY22), and an EthiFinance Ratings-adjusted net leverage ratio of 1.2x at YE23 (vs 1.6x at YE22).

## Main Financial Figures

Main financial figures. Millions of €.						
	FY22	FY23	FY24e*	FY25e	FY26e	23vs22
Revenues	16 067	15 354	18 010	18 911	19 856	26,2%
EBITDA	1 434	1 494	2 012	2 112	2 218	54,4%
EBITDA Margin	8,9%	9,7%	11,2%	11,2%	11,2%	1,6pp
EBIT	1 031	920	1 339	1 406	1 476	73,6%
EBIT Margin	6,4%	6,0%	7,4%	7,4%	7,4%	1,8pp
EBT	958	788	1 089	1 049	1 144	86,7%
Total Assets	12 756	13 323	17 070	17 639	17 520	6,2%
Equity	3 771	3 972	4 459	4 982	5 473	22,1%
Total Financial Debt	3 724	3 608	6 492	6 399	5 652	-17,6%
Net Financial Debt	2 246	1 867	5 509	5 110	4 682	-14,3%
Equity/TFD	101,3%	110,1%	68,7%	77,9%	96,8%	33,0pp
NFD/EBITDA	1,6x	1,2x	2,7x	2,4x	2,1x	-1,3x
Funds From Operations	1 068	1 140	1 514	1 520	1 622	42,0%
FFO/NFD	47,6%	61,1%	27,5%	29,7%	34,6%	18,8pp
EBITDA/Interest	19,6x	11,3x	8,1x	5,9x	6,7x	8,2x

\* Financial figures for 2024 are pro forma the acquisition of Encore Wire (assuming the closing of the acquisition on January 1st, 2024).

## Credit Rating

Credit Rating	
<b>Business Risk Profile</b>	<b>BBB-</b>
<i>Industry risk assessment</i>	<b>BB-</b>
<i>Industry's ESG</i>	<b>Negative</b>
<i>Competitive Positioning</i>	<b>BBB</b>
<i>Governance</i>	<b>BBB</b>
<b>Financial Risk Profile</b>	<b>BBB</b>
<i>Cash flow and leverage</i>	<b>BBB-</b>
<i>Solvency</i>	<b>BBB-</b>
<b>Company's ESG</b>	<b>Positive</b>
<b>Anchor Rating</b>	<b>BBB-</b>
<i>Modifiers</i>	
<b>Rating</b>	<b>BBB-</b>

## Rating Sensitivity

### • Long-term rating positive factors (↑)

A rating upgrade could be possible with a sustained improvement in Prysmian's financial profile, particularly if the group manages to deleverage faster than expected following the acquisition of Encore Wire. For the same business risk profile, a decline in the group's EthiFinance Ratings-adjusted net leverage ratio to below 2.0x, for a sustained period of time, could entail a long-term rating upgrade to BBB.

Should the acquisition of Encore Wire not happen, the long-term rating of Prysmian could be upgraded to BBB.

### • Long-term rating negative factors (↓)

A rating downgrade could be entailed by a sustained deterioration in Prysmian's financial profile, which could be a consequence of a more aggressive financial policy and/or if the group is unable to deleverage following the acquisition of Encore Wire. For the same business risk profile, an EthiFinance Ratings-adjusted net leverage ratio above 3.5x for a sustained period of time could entail a long-term rating downgrade to BB+.

## 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 - Long Term : [https://files.qivalio.net/documents/methodologies/CRA\\_190\\_V3\\_Corporate%20Methodology\\_2023-10-06.pdf](https://files.qivalio.net/documents/methodologies/CRA_190_V3_Corporate%20Methodology_2023-10-06.pdf)
- 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.

### Conditions of Use for this document and its content:

For all types of Ratings that ETHIFINANCE RATINGS, S.L. (the "AGENCY") issues, the User may not, either by themselves or via third parties, transfer, sublicense, sell, extract, reuse, or dispose of in any other way the content of this Document to a third party, either for free or for consideration.

For the purpose of these Conditions of Use, any client who might have subscribed for a product and/or a service that allows him to be provided with the content of this Document as well as any privileged person who might access the content of this Document via [www.ethifinance.com](http://www.ethifinance.com) shall be considered as a User.

Nor may they alter, transform or distort the information provided in any way. In addition, the User will also not be permitted to copy and/or duplicate the information, nor create files which contain the information of the Document, either in its entirety or partially. The Document and its source code, regardless of the type, will be considered as the elaboration, creation, or work of the AGENCY and subject to the protection of intellectual property right regulation. For those uses of this Document which are permitted, the User is obliged to not allow the removal of the copyright of the AGENCY, the date of the Document's issuance, the business name as established by the AGENCY, as well as the logo, brands and any other distinctive symbol which is representative of the AGENCY and its rights over the Document. The User agrees to the conditions of Use of this Document and is subject to these provisions since the first time they are provided with this Document no matter how they are provided with the document. The Document and its content may not be used for any illicit purpose or any purpose other than those authorised by the AGENCY. The User will inform the AGENCY about any unauthorised use of the Document and/or its content that may become apparent. The User will be answerable to the AGENCY for itself and its employees and/or any other third party which has been given or has had access to the Document and/or its content in the case of damages which arise from the breach of obligations which the User declared to have read, accepted and understood upon receiving the Document, without prejudice to any other legal actions that the AGENCY may exercise in defence of its lawful rights and interests. The Document is provided on the acceptance that the AGENCY is not responsible for the interpretation that the User may make of the information contained. Credit analyses included in the Document, as well as the ratings and statements, are to be deemed as opinions valid on the date of issuance of the reports and not as statements of fact or recommendations to purchase, hold or sell any securities or to make any investment decision. The credit ratings and

credit rating prospects issued by the AGENCY are considered to be its own opinion, so it is recommended that the User take it as a limited basis for any purpose that it intends to use the information for. The analyses do not address the suitability of any value. The AGENCY does not act as a fiduciary or an investment advisor, so the content of the Document should not be used as a substitute for knowledge, criteria, judgement or experience of the User, its Management, employees, advisors and/or clients in order to make investment decisions. The AGENCY will devote every effort to ensure that the information delivered is both accurate and reliable. Nonetheless, as the information is elaborated based on data supplied by sources which may be beyond the control of the AGENCY, and whose verification and comparison is not always possible, the AGENCY, its subsidiaries, and its directors, shareholders, employees, analysts and agents will not bear any responsibility whatsoever (including, without any limitations, loss of revenue or income and opportunity costs, loss of business or reputational damage or any other costs) for any inaccuracies, mistakes, noncorresponding information, incompleteness or omission of data and information used in the elaboration of the Document or in relation to any use of its content even should it have been warned of potential damages. The AGENCY does not make audits nor assume the obligation of verifying independent sources of information upon which the ratings are elaborated. Information on natural persons that may appear in this document is solely and exclusively relevant to their business or business activities without reference to the sphere of their private life and should thus be considered. We would like to inform that the personal data that may appear in this document is treated in accordance with Regulation (EU) 679/2016, on the protection of natural persons with regard to the processing of personal data and the free movement of such data and other applicable legislation. Those interested parties who wish to exercise the rights that assist them can find more information in the link: <https://www.ethifinance.com/> in the Privacy Policy page or contact our Data Protection Officer in the mail [dpo@ethifinance.com](mailto:dpo@ethifinance.com). Therefore the User agrees that information provided by the AGENCY may be another element to consider when making business decisions, but decisions will not be made based solely on it; that being the case the AGENCY will not be held responsible for the lack of suitability. In addition, the use of the information before courts and/or tribunals, public administrations, or any other public body or private third party for any reason shall be solely the User's responsibility and the AGENCY shall not be held responsible for any liabilities on the grounds of inappropriateness of the information's contents. Copyright © 2023 ETHIFINANCE RATINGS, S.L. All Rights Reserved. C/ Benjamín Franklin S/N, Edificio Camt, 1º Izquierda, 18100, Granada, España C/ Velázquez nº18, 3º derecha, 28001 - Madrid