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INVESTMENT MANAGEMENT

prysmian

Prysmian S.p.A.

STOCK ASSESSMENT

BIT: PRY.MI

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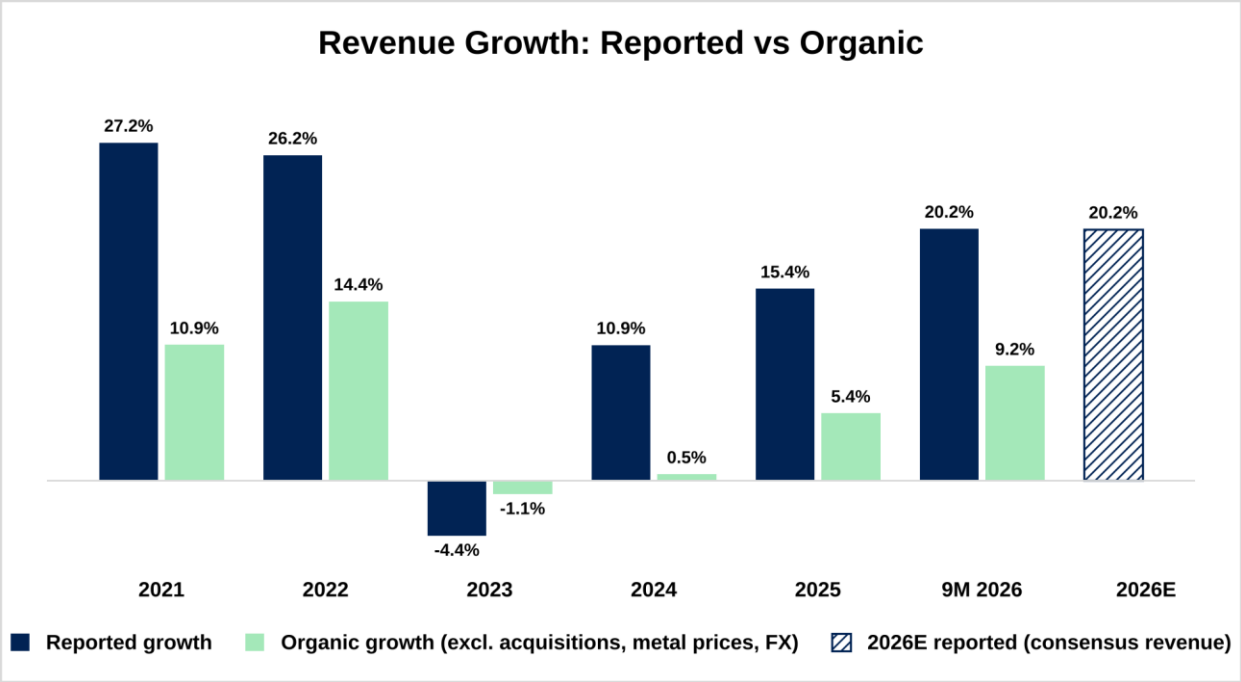
Prysmian: The Backbone of Electrification and Data Infrastructure

Business Overview

Prysmian is one of the leading cable manufacturers in the world. Its cables carry electricity and data, and they are used across many applications: national power grids, the networks that bring electricity to homes and factories, the wiring inside buildings and data centers, and the optical fiber that carries internet traffic. For large projects, Prysmian not only makes the cables but also installs them.

The company is based in Milan and listed on the Italian stock exchange. It has about 34,000 employees, 109 production facilities and 30 research and development centers in over 50 countries. In 2025 Prysmian generated €19.7bn of revenue and €2.4bn of Adjusted EBITDA. Management expects about €3.1bn of Adjusted EBITDA in 2026 and has raised its guidance twice this year, after the second and third quarters.

For Prysmian, the largest cost is raw materials, consumables and supplies, which accounted for between 63% and 66% of revenue in 2024-2026; copper, aluminum and lead alone account for about two-thirds of the cost of materials. Prysmian buys these metals but limits their price risk: some contracts include automatic price adjustments, while for the rest the company locks in the price of the metal it expects to buy through derivatives on the London, New York and Shanghai metal exchanges, based on its sales contracts and forecasts. Because metal prices still flow into revenue, Prysmian measures its margins at fixed reference metal prices and its growth as organic growth, which means the change in revenue excluding metal prices, acquisitions and exchange rates. The difference between the two measures is large: in the first nine months of 2026 revenue grew 20%, but only 9% organically.



Prysmian reports four business segments:

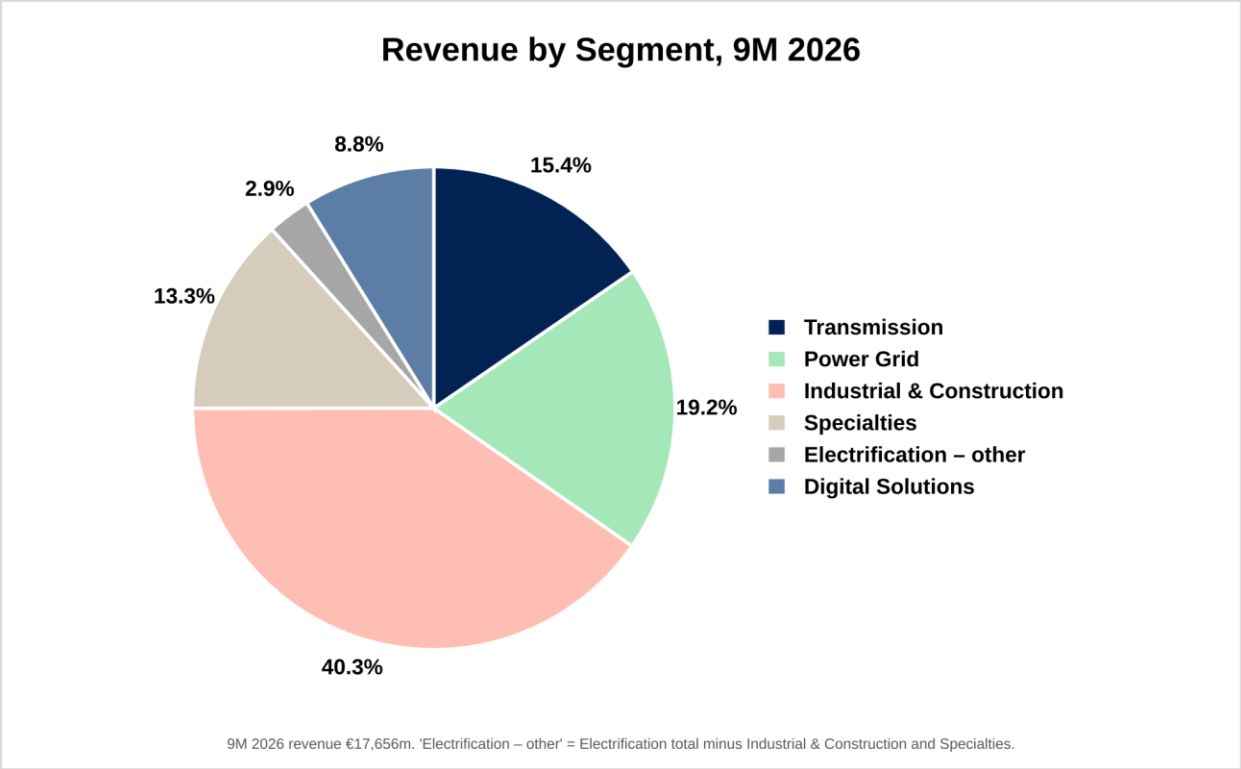
1. **Transmission** (+15% growth in the first nine months of 2026, +13% organic) works on the largest and most complex links in the electricity system: high-voltage cables, many of them laid on the seabed, that connect the grids of different countries or bring power from offshore wind farms to the mainland. These are large, multi-year projects in which Prysmian both makes and installs the cables, and its customers are national grid operators such as Terna in Italy and National Grid in the UK. The segment's order backlog stands at about €16.5bn, equal to about four and a half years of its current revenue.

2. **Power Grid** (+19% growth, +12% organic) serves the part of the grid that carries electricity within a country, from the main lines down to the networks that reach cities, homes and businesses. It sells onshore cables, overhead lines and network components to grid operators and utilities on a continuous basis rather than project by project, and part of its sales is secured through multi-year supply agreements, such as those with Enedis in France, worth up to €550m over up to seven years, and Alliander in the Netherlands, worth up to €500m over eight years.

3. **Electrification** has two businesses. Industrial & Construction (+26% in the first nine months of 2026, +10% organic) is the largest in the group, at about 40% of

revenue. It makes low- and medium-voltage cables for buildings, factories and data centers, sold through distributors and installers. Its margin rose to 17.6% in the third quarter from 14.5% a year earlier, driven, according to management, by data center demand and by Encore Wire's U.S. service model. Specialties (+3%, –1% organic) makes cables for industrial uses such as elevators, cars and renewable energy, and is the only segment shrinking organically this year.

4. **Digital Solutions** (+31% growth, +15% organic) produces optical fiber, fiber-optic cables and the components used to connect them, for telecom companies and, increasingly, for the large cloud and AI groups known as hyperscalers. With a margin of 25% in the third quarter, it has become the most profitable segment of the group.



Two features set Prysmian apart from a traditional cable manufacturer. In Transmission, it controls the whole process, from the factories to the ships that lay the cables and, since the acquisition of ACSM in 2026, the preparation of the seabed; according to management, with its plants fully booked, new contracts have started at better margins than in the past. In data centers, Prysmian says it is the only cable maker supplying both the power cables and the optical fiber. According to management, its data center revenue has grown from under €300m two years ago to

about €2.5bn in 2026, and part of it is now secured through long-term contracts such as a ten-year agreement with Molex worth up to €5.5bn, under which the customer pays for agreed volumes even if it does not take them.

Acquisitions

Prysmian's growth in recent years is strongly tied to its multiple acquisitions. The deal value of these transactions has passed €8bn since 2024. The major ones are Encore Wire, Channell and Atkore, together with other relatively smaller deals. Dealmaking activity for Prysmian in recent years can be linked to two main objectives: strengthening its position in the U.S., which management says now generates more than half of the group's results, and moving from a simple cable manufacturer to a company selling complete solutions. Management estimates that about half of the expected increase in Adjusted EBITDA between 2023 and 2026, from €1.6bn to about €3.1bn, comes from the companies acquired over the period, emphasizing the impact of these deals on the business.

Encore Wire, bought in July 2024 for about €4.1bn, a 20% premium to its average share price over the previous month, is the largest of these deals and the foundation of Prysmian's U.S. business. The company makes copper and aluminum wires and cables for buildings and power distribution, and in 2023 it generated $2.6bn of revenue and $517m of EBITDA, with Prysmian expecting €140m of yearly synergies within four years. Two years after the deal, management said that about €110m of the €140m had been achieved, with the rest depending on a second copper rod mill due to be completed by early 2029. Since the acquisition, Encore has become a key supplier to U.S. data centers: according to management, data center sales in Prysmian's North American building-cable business have grown from about €250m at the time of the deal to €1.0-1.4bn, and the business earned a 27% margin in the third quarter of 2026, against about 20% historically. The deal was funded with a five-year term loan and bridge loans later refinanced with bonds.

Channell, bought in June 2025, reshaped the Digital Solutions segment from selling fiber cables towards complete connectivity solutions. Based in Texas, with $320m of revenue in 2024, Channell makes the boxes and underground chambers that hold and protect the points where network cables are joined, used by telecom, internet and electricity companies. Prysmian paid about €1.06bn in total: $950m (€889m) at closing, less than 8 times Channell's 2024 EBITDA, plus a $200m (€172m) earn-out paid in full after Channell met its 2025 profit targets. With margins above 40% according to management, Channell has, together with higher fiber prices, contributed to the growth of Digital Solutions, whose margin has risen from 13.2% before the deal to

25.0% in the third quarter of 2026. The deal was financed with a €1bn perpetual hybrid bond issued in May 2025, which pays a fixed 5.25% coupon (5.375% yield) and cannot be repaid before August 2030.

Atkore, completed in October 2026, is Prysmian's second-largest acquisition. The U.S. company makes conduits, cable management systems and metal framing, the components electricians install together with cables, so Prysmian becomes a single supplier for U.S. electrical contractors and can bring Atkore's products into data centers. Prysmian paid $95 per share in cash, valuing Atkore at about $3.8bn (€3.3bn) including debt, or 9.8 times its 2025 EBITDA of $386m and 7.1 times including $150m of expected synergies, below the multiple at which Prysmian itself trades, about 9.5 times its expected EBITDA for the next twelve months. Management expects a high single-digit increase in earnings per share in the first full year. The deal was financed with €850m of new shares (€845m net) and €2.65bn of floating-rate loans, discussed in the Solvency section. The main risk is that Atkore's products, made mostly of steel, copper and PVC, are sold at market prices rather than under long-term contracts, so its profits move with raw material costs, competition and imports. After two years of selling prices falling by about 12% a year on steady volumes, Atkore's EBITDA halved in 2025 and its margin dropped from 24% to 14%. Management considers the margin to be at the bottom of the cycle and aims to bring it back towards the 17-18% Atkore earned before 2021, through the $150m of synergies, expected within three years after closing, tighter cost control and selling its products together with Prysmian's cables. In the third quarter of 2026 the margin was still 14-14.5%.

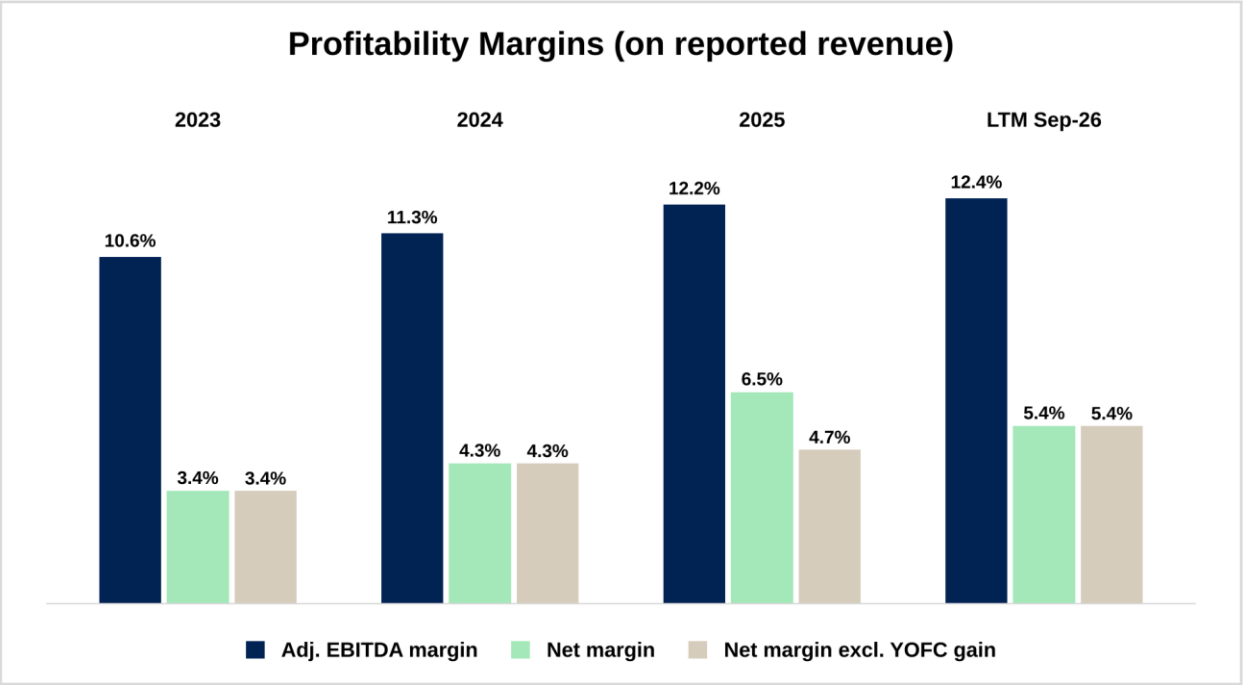
Next to the large deals, Prysmian also makes smaller acquisitions. They do not change the size of the group, but they fill specific gaps: some add a service that supports an existing business, others open a niche market close to one. The two most recent ones are both in Transmission. ACSM was bought in February 2026 for €169m, or 6.6 times its EBITDA. It lays submarine cables and prepares the seabed before installation, so Prysmian now does this stage of its offshore projects itself. Xtera was bought in October 2026 for an enterprise value of $65m, through a joint venture with Fincantieri. It moved Prysmian into submarine telecom systems, a market close to its submarine power cable business, where it has already won a €200m transatlantic project.

Overall, Prysmian's acquisition track record is positive. The deals have contributed heavily to the group's development, giving it a wider range of products and services. That breadth lets Prysmian offer customers complete solutions instead of cables alone, which sets it apart and supports the group's future growth. Atkore remains the real test, being larger, more cyclical and bought mostly with debt.

Profitability

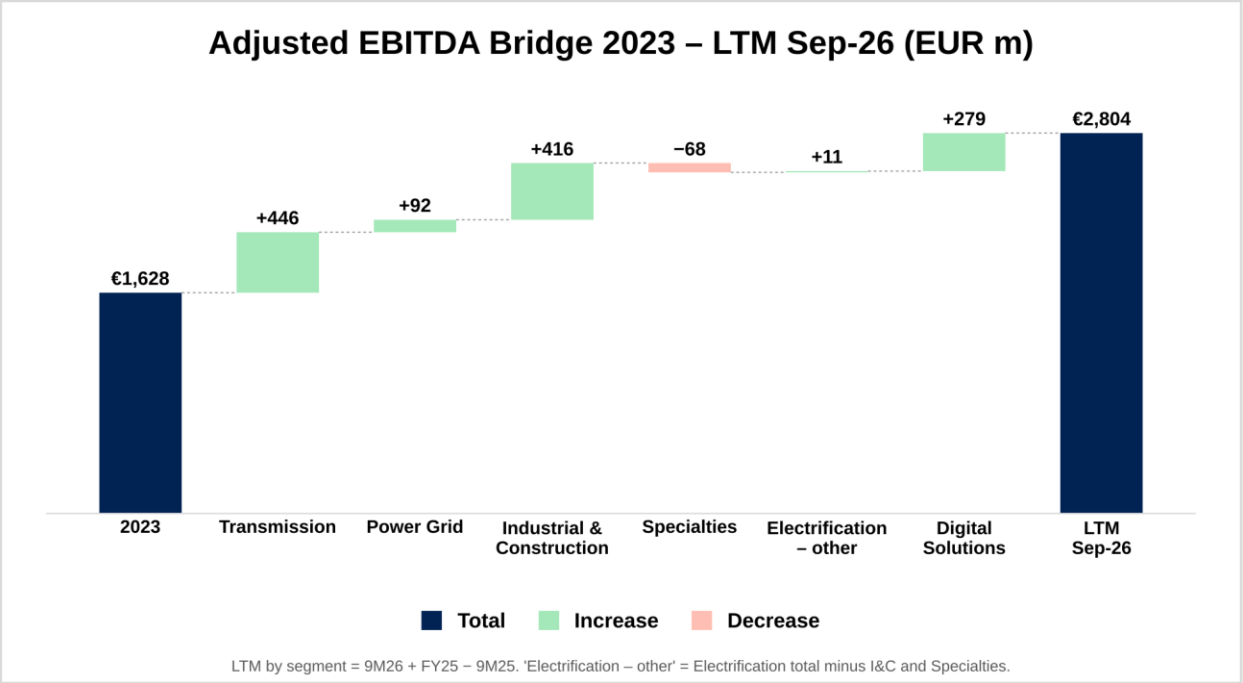
Prysmian's financial profile has changed considerably over the last three years, and two factors explain most of this change. The first is acquisitions, above all Encore Wire in 2024 and Channell in 2025, both more profitable than the rest of the group. The second is strong demand: grid operators have filled the Transmission backlog, about €16.5bn in October 2026, and data center construction in the United States has lifted demand for power cables. Atkore, consolidated from November 2026, is not yet in these figures.

Between 2023 and the twelve months to September 2026, revenue grew by 47.3% and Adjusted EBITDA, Prysmian's main profit measure which excludes one-off costs such as restructuring and acquisitions, by 72.2%. Organic growth, which excludes acquisitions, metal prices and exchange rates, was only 0.5% in 2024, the year Encore Wire was consolidated, but accelerated to 5.4% in 2025 and 9.2% in the first nine months of 2026. Over 2023-2025, revenue grew 13.1% a year and Adjusted EBITDA 21.4%, or 23.9% a year to 2026 at the guidance midpoint.

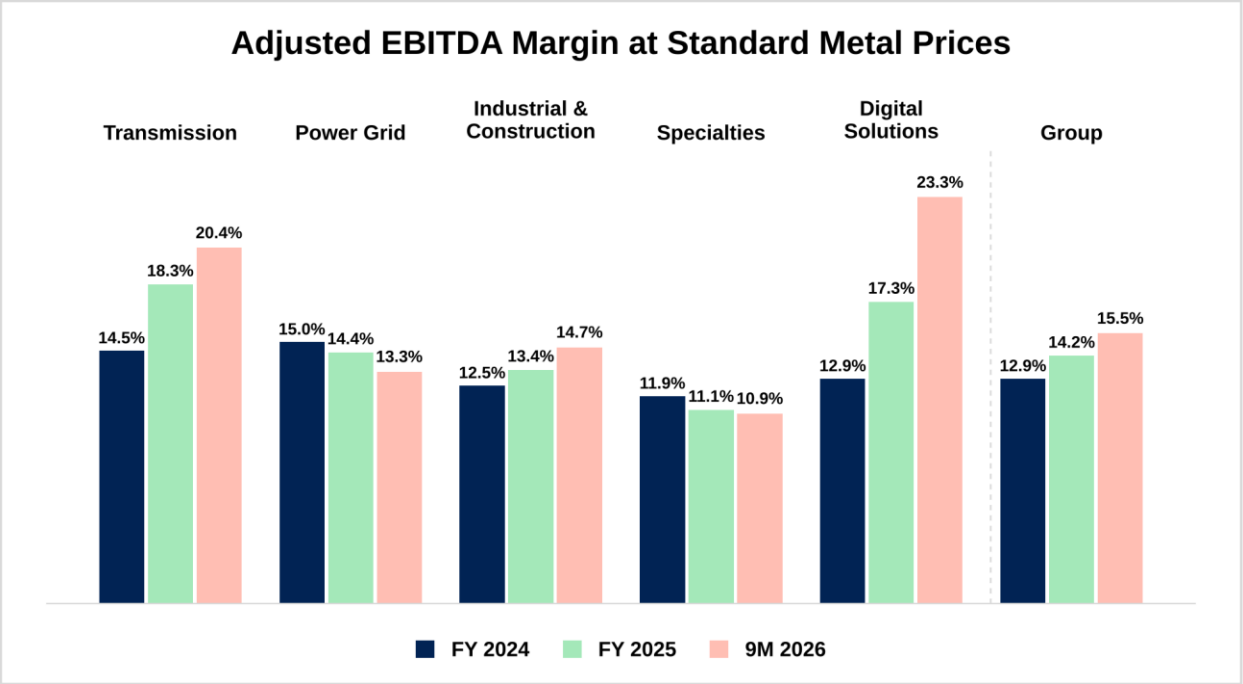


Most of the increase in profit came from three businesses. Of the €1,176m increase in Adjusted EBITDA since 2023, Transmission contributed 37.9%, Industrial & Construction, which includes Encore Wire, 35.4%, and Digital Solutions, which includes Channell, 23.7%, while Specialties fell by €68m. Transmission and Digital Solutions,

today the two most profitable segments, generate 40.6% of Adjusted EBITDA, against 25.4% in 2023, a shift in mix that helps explain the higher margins.



At standard metal prices, the group margin rose from 12.9% in 2024 to 15.5% in the first nine months of 2026. Management attributes the gains to a better project mix in Transmission (from 14.5% to 20.4%), to Encore Wire and data centers in Industrial & Construction (from 12.5% to 14.7%) and to Channell and U.S. fiber production in Digital Solutions (from 12.9% to 23.3%) (FY2025 and Q3 2026 press releases). Power Grid fell from 15.0% to 13.3%, partly, management says, because its price formulas pass on rising costs with a three-month delay, and Specialties from 11.9% to 10.9%. On reported revenue the group margin rose less, from 10.6% in 2023 to 12.4% in the last twelve months, because higher copper prices increased revenue more than profit: in the first nine months of 2026 the margin was 15.5% at standard metal prices but 12.4% on reported revenue.



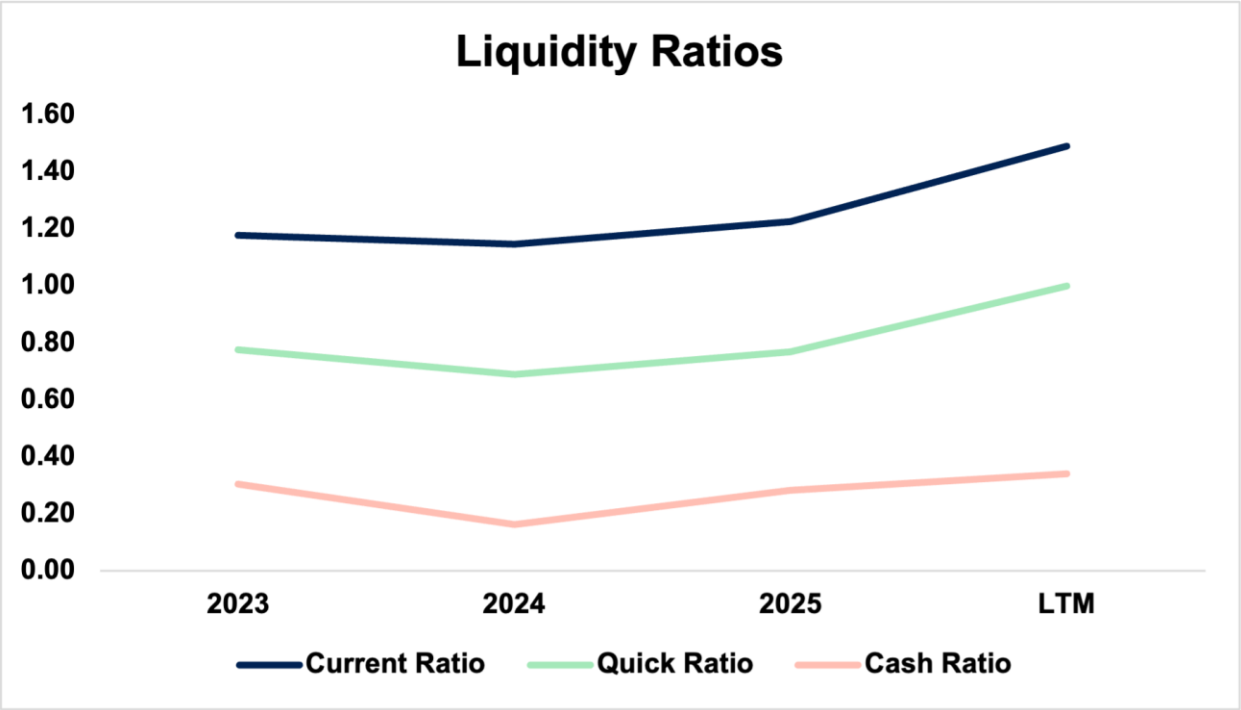
Net income attributable to the Group rose from €529m in 2023 to €1,228m in the last twelve months. It grew faster than Adjusted EBITDA because the costs below it, depreciation and net finance costs, both higher since the acquisitions, rose by €322m, far less than the €1,176m increase in operating profit. The €1,270m reported for 2025 included a one-off €346m gain on the sale of the YOFC stake, so it overstates that year's underlying profit.

Liquidity

Prysmian's short-term liquidity is comfortable. At the end of September 2026, current assets covered current liabilities 1.49 times, up from 1.23 times at the end of 2025, and the company held €2,769m of cash plus €1,200m of unused committed credit lines. Part of this is temporary: the cash included the €845m raised from new shares in September to pay for Atkore in October; without it, cash would cover 0.24 times current liabilities instead of 0.34.

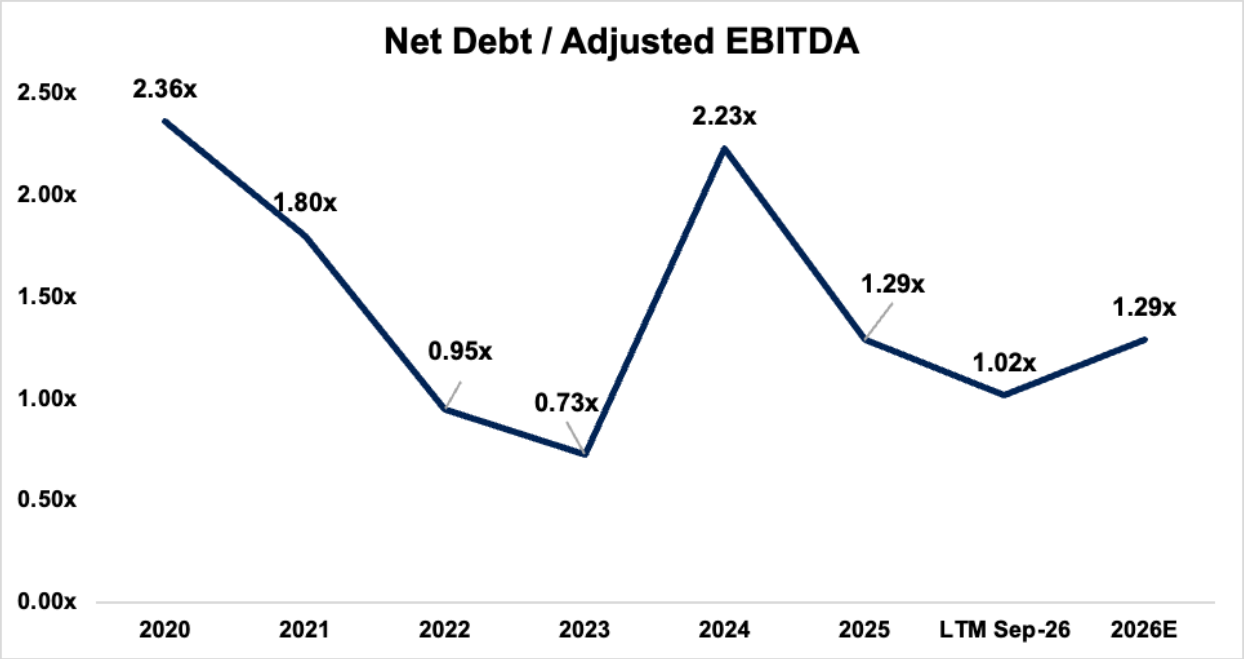
The quick and cash ratios both fell in 2024, the year Prysmian paid for Encore Wire, and have recovered since, with the quick ratio reaching 1.00 in September. These ratios understate liquidity, because 24.4% of current liabilities are advances already paid by customers (€2,051m), which Prysmian settles by delivering work rather than cash. Looking ahead, free cash flow reached €1,434m in the last twelve months and

management guides €1,750–1,850m for 2026, above the dividends paid (€271m in the last twelve months) and the short-term borrowings due (€277m).

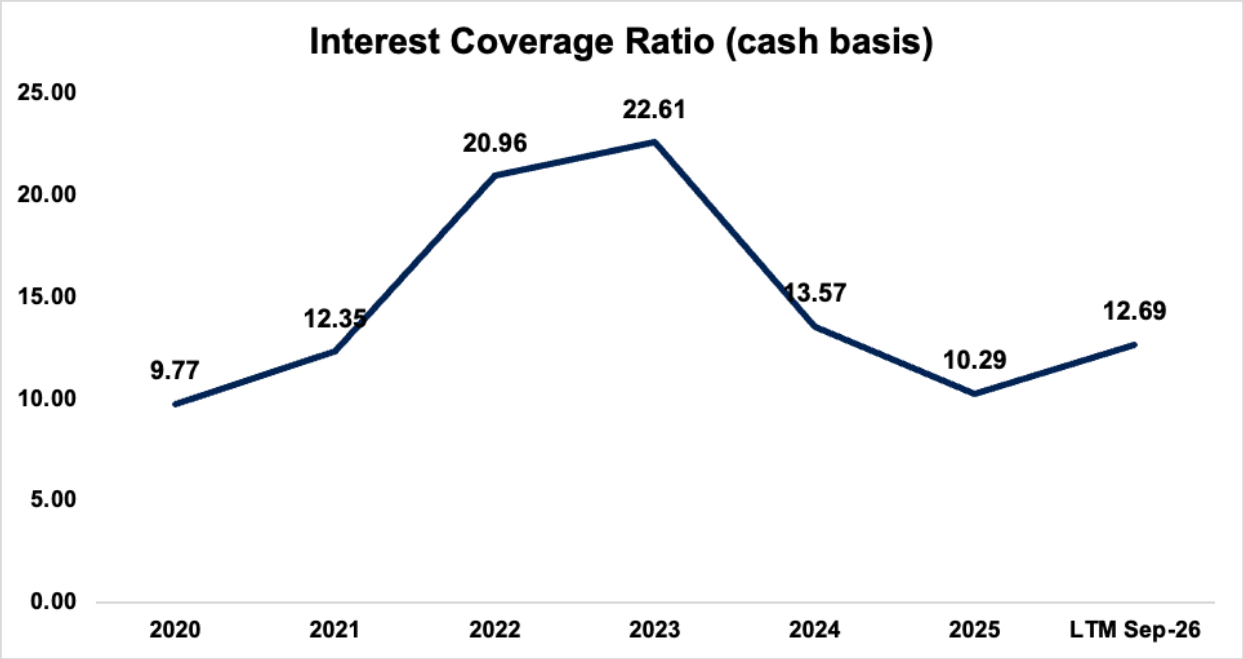


Solvency

Prysmian has financed its growth largely with debt. Net financial debt went from 0.73 times Adjusted EBITDA at the end of 2023 to 2.23 times a year later, after Encore Wire, then fell to 1.29 times at the end of 2025 and 1.02 times in September 2026. The 2025 reduction came from free cash flow (€1,171m), the sale of the YOFC stake and other disposals (€675m), and the €1bn hybrid bond issued for Channell (€956m net), which counts as equity under IFRS. The hybrid pays 5.25% and cannot be repaid before August 2030; treated as debt, leverage at the end of 2025 would have been 1.71 times instead of 1.29.



On a cash basis, Adjusted EBITDA covered net finance costs paid 22.6 times in 2023, 13.6 times in 2024, when interest payments doubled after the Encore Wire acquisition, and 12.7 times in the last twelve months. Most of the fixed-rate debt consists of two bonds rated BBB- by S&P, €850m at 3.625% due 2028 and €650m at 3.875% due 2031, with a weighted coupon of 3.73%; among their purposes was repaying the bridge loans used for Encore Wire.



Atkore follows a similar mix. Besides the €850m of new shares, Prysmian drew €2.65bn of floating-rate loans in October: two bridge loans of €2.15bn due in 18 months, extendable by six, and a five-year term loan of about €500m, with no interest rate hedges in place at the reporting date. These loans increase gross debt by 45.6% compared with the end of September. Management expects net debt of about €4.0bn at the end of 2026, which would raise leverage from 1.02 to 1.29 times the guided Adjusted EBITDA, or to 1.85 times if both hybrids are treated as debt; after Encore Wire it had reached 2.23 times. The net debt Atkore adds, about €1.7bn, is close to the free cash flow guided for 2026 (€1,750–1,850m), and Atkore's EBITDA is about 11% of the combined total. Management plans to replace the bridges with a hybrid bond of about €750m and then senior bonds. Their final cost has not been disclosed (at signing, management indicated a cost below 4%), so the effect on interest cover cannot yet be measured.

Investment Thesis

Through its acquisitions, Prysmian has evolved from a cable manufacturer into a supplier of complete power and data connection systems. Encore Wire gave it scale in U.S. building wire, Channell added the enclosures that protect network connections, and Atkore added conduits and cable-management systems. According to management, solutions currently account for 45-48% of revenue, will rise above 60% with Atkore and could reach about 75% over time (Atkore acquisition call). This

breadth matters because large customers, such as data center developers and electrical contractors, increasingly buy complete packages from one supplier rather than single products.

Prysmian also controls much of its supply chain. It produces many of its own inputs, such as copper rod and optical fiber, and in the U.S. it is one of only three fiber producers, together with Corning and Furukawa. Producing locally makes it less exposed to U.S. import tariffs than competitors that ship into the country, an advantage that lasts only as long as current trade policy.

Management has a record of delivering on its promises. It raised guidance twice in 2026, expects to reach most of its 2028 targets two years early, and has achieved €110m of the €140m Encore Wire synergies in two years, against the four initially planned for all the synergies. Much of future revenue is already secured: the Transmission backlog stands at €16.5bn, and hyperscaler fiber agreements worth about €10bn are take-or-pay, with two more expected by January. Management also targets higher margins in Transmission, from 20.4% in the first nine months of 2026 to 24-25% by 2030, and in Digital Solutions, from 23.3% to 28% by 2029.



At €107.65 (16 November 2026), Prysmian trades at 17.5 times consensus earnings for the next twelve months. Normalized EPS is expected to grow from €4.95 in 2026 to €6.52 in 2027 (+31.7%) and €7.69 in 2028 (+17.9%), a compound annual growth rate of 24.6%. Over the last three years the forward P/E has averaged 18.8 times, between 10.8 times (April 2025) and 31.9 times (May 2026). Over the last year it averaged 23.2 times, raised by the stretch from mid-April to mid-July 2026 when it stayed above 25 times. The table applies these multiples to 2027 EPS for today's fair value and to 2028 EPS for the fair value in twelve months.

Fair Value at Different P/E Multiples

P/E basis	P/E	Fair value today (2027E EPS €6.52)	Upside	Fair value in 12 months (2028E EPS €7.69)	Upside
Current	17.5x	**€114.3**	+6.2%	**€134.8**	+25.2%
3-year average	18.8x	**€122.8**	+14.1%	**€144.9**	+34.6%
1-year average	23.2x	**€150.9**	+40.2%	**€178.0**	+65.4%

Share price €107.65 (16 November 2026). Fair value = P/E × consensus normalized EPS.

Although Prysmian is a solid and growing business, the size and breadth of its activities expose it to a wide range of risks.

A large part of Prysmian's recent growth comes from the U.S. data center buildout, which depends on a small number of customers. Data centers have lifted not only volumes but also margins, which are now above historical levels. A slowdown in these customers' spending would therefore hit both revenue growth and margins.

Digital Solutions grows either by raising prices or by selling more fiber, and today its growth comes mainly from price, in what management calls a tight market. Management expects growth of 15-20% a year: from price over the next two years, then from new capacity coming online between the second half of 2028 and 2030. Price-led growth lasts only while fiber stays scarce, and that scarcity may ease as new capacity arrives, Prysmian's included. If prices stop rising before the new volumes arrive, both growth and the margin, which has partly benefited from higher prices, would come under pressure.

Atkore is Prysmian's third large U.S. acquisition in just over two years. Sales were integrated the day after closing, but operations still needed work: Atkore's cable production must move into Encore Wire, and its service levels must be fixed. Delays would push back the $150m of synergies expected within three years of closing. The €2.15bn of floating-rate bridge loans must also be refinanced. Interest rates have risen since signing, when management indicated a cost below 4%, although the CFO does not expect a big impact on earnings per share.

Raw materials are Prysmian's largest cost, and metals make up about two-thirds of them. Prysmian hedges the metal it buys. In Power Grid, however, the price formulas agreed with customers are based on the average cost of the previous three months, while production happens at current costs, so when costs rise quickly, prices lag behind. Management gave this as the reason the third-quarter margin was 13.8%

rather than about 15%, and expects the margin to recover once cost increases slow down. If costs keep rising, the pressure on Power Grid's margin will continue.

Prysmian is no longer just a cable manufacturer. Through its acquisitions it has become a supplier of complete power and data connection systems, with a strong position in two of its fastest-growing markets: grid investment and U.S. data centers. A large part of its growth is already secured by the Transmission backlog and by long-term take-or-pay agreements, and management has delivered ahead of its own targets. The main risks are dependence on data center spending, price-led growth in fiber, the integration and refinancing of Atkore, and cost inflation in Power Grid. These are the points to monitor, but they come with a business that is larger, more profitable and more diversified than three years ago.

At 17.5 times forward earnings, below its three-year average, the valuation does not yet reflect this. Applying the three-year average multiple to 2028 earnings gives a 12-month target price of €144.9, 34.6% above the current price of €107.65. As long as management continues to deliver on its targets and integrates its acquisitions as planned, we believe Prysmian offers an attractive investment opportunity, and we will continue to hold it in our portfolio. We will monitor for any competitive risk or change in the regulatory environment to manage our position appropriately.

Thank you for reading.
Feel free to reach out.



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