

BREMBO

Sector: Industrials

NEUTRAL

Price: Eu11.72 - Target: Eu12.00

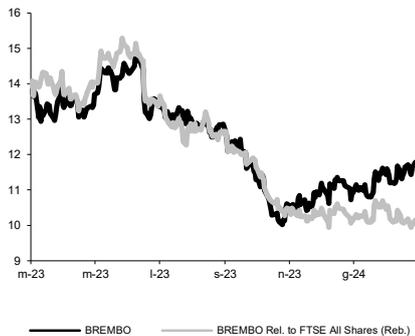
No surprise from 4Q23 results and 2024 revenue guidance

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| Stock Rating | | | |
|--------------------|---------------------|-------|-------|
| Rating: | Unchanged | | |
| Target Price (Eu): | from 10.30 to 12.00 | | |
| | 2024E | 2025E | 2026E |
| Chg in Adj EPS | 3.1% | 2.8% | |

Next Event
 1Q24 Results Out 9th of May

BREMBO - 12M Performance



| Stock Data | | | |
|-------------------------|-------------|-------|--------|
| Reuters code: | BRBI.MI | | |
| Bloomberg code: | BRE IM | | |
| Performance | 1M | 3M | 12M |
| Absolute | 2.5% | 6.3% | -14.3% |
| Relative | -4.0% | -3.8% | -31.5% |
| 12M (H/L) | 14.90/10.02 | | |
| 3M Average Volume (th): | 416.52 | | |

| Shareholder Data | |
|---------------------------|-------|
| No. of Ord shares (mn): | 323 |
| Total no. of shares (mn): | 325 |
| Mkt Cap Ord (Eu mn): | 3,791 |
| Total Mkt Cap (Eu mn): | 3,791 |
| Mkt Float - Ord (Eu mn): | 1,663 |
| Mkt Float (in %): | 43.9% |
| Main Shareholder: | |
| Bombassei | 53.5% |

| Balance Sheet Data | |
|---------------------------------|-------|
| Book Value (Eu mn): | 2,307 |
| BVPS (Eu): | 7.00 |
| P/BV: | 1.7 |
| Net Financial Position (Eu mn): | -381 |
| Enterprise Value (Eu mn): | 3,866 |

■ **4Q23 results: lower vol&mix offset by lower input prices drives results in line.** Revenue was €930mn, +3% YoY, vs our/cons. €993/986mn. Vol&Mix growth was +6%, underperforming global auto production (+10%) for the sixth quarter in a row, while pricing was neutral and FX negative by -3%. Nevertheless, EBITDA was in line with estimates at €166mn (+16% YoY) for a 17.8% margin (+1.9pp YoY), benefitting from lower input prices/higher R&D grants that offset the lower contribution from Vol&Mix. Net profit was €74mn, in line with forecast, with the lower tax rate compensating for higher net financial charges. Net debt closed at €464mn vs our €482mn thanks to better FCF (€156mn in '23) driven by non-trade NWC dynamics and despite higher CapEx (€410mn in '23) due to the unscheduled acquisition of real-estate assets in Italy and the bringing-forward of investments.

■ **2024 outlook: mid-single digit revenue growth and in line with consensus.** BRE is guiding for mid-single digit revenue growth to €4.04bn in 2024, in line with expectations. Management expects to resume outperforming the core market as growth is seen as being driven by vol&mix on a flat market, while prices and FX are envisaged as neutral. In terms of profitability, no guidance was offered as it is too early; on that front, we continue to assume flat profitability on estimated vol&mix growth being partly offset by the rise in fixed costs. CapEx guidance remains elevated at ~€350mn (at 9% of sales), prompting us to estimate FCF at ~€180mn.

■ **Change in estimates.** We are slightly raising our EPS (+3%) on the back of lower D&A based on a reduced D&A rate, while our EBITDA stays at ~€700mn for a 17.4% margin (+0.1 vs 2023).

■ **NEUTRAL; TP to €12.0.** BRE reported 4Q23 results and 2024 revenue growth outlook that are essentially in line with forecast, leaving little leeway to improve the operating forecast. While management expects to reverse course on outperformance vs global car production after the negative 2023, we note that ROCE is still well below pre-Covid levels amid lower margins, higher NWC and elevated CapEx. The uncertainties around the situation with PIRC, our TP in line with the current share price, and a valuation in line with the 5Y historical average prompt us to confirm our Neutral rating on the stock (EV/EBIT at ~9x and PE of ~12.5x, while FCF yield is between 4-5%). On Sensify, progress since the last call seems limited. TP to €12.0 from €10.3 on the back of a lower risk-free rate (4.0% vs 4.5% prev.), rollover to 24/25 (from 23/24 prev.) and a higher value for the PIRC stake.

| Key Figures & Ratios | 2022A | 2023A | 2024E | 2025E | 2026E |
|------------------------|-------|-------|-------|-------|-------|
| Sales (Eu mn) | 3,629 | 3,849 | 4,042 | 4,203 | 4,371 |
| EBITDA Adj (Eu mn) | 625 | 666 | 703 | 736 | 770 |
| Net Profit Adj (Eu mn) | 293 | 305 | 303 | 319 | 335 |
| EPS New Adj (Eu) | 0.900 | 0.938 | 0.933 | 0.983 | 1.031 |
| EPS Old Adj (Eu) | 0.900 | 0.915 | 0.905 | 0.956 | |
| DPS (Eu) | 0.280 | 0.300 | 0.298 | 0.314 | 0.330 |
| EV/EBITDA Adj | 5.7 | 6.3 | 5.5 | 5.1 | 4.7 |
| EV/EBIT Adj | 9.3 | 10.2 | 9.0 | 8.3 | 7.7 |
| P/E Adj | 13.0 | 12.5 | 12.6 | 11.9 | 11.4 |
| Div. Yield | 2.4% | 2.6% | 2.5% | 2.7% | 2.8% |
| Net Debt/EBITDA Adj | 0.8 | 0.7 | 0.5 | 0.4 | 0.2 |

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- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

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Frequency of research: quarterly.

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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

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Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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| | |
|--------------|---------|
| BUY: | 26.02 % |
| OUTPERFORM: | 47.15 % |
| NEUTRAL: | 26.02 % |
| UNDERPERFORM | 00.81 % |
| SELL: | 00.00 % |

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| | |
|--------------|---------|
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| OUTPERFORM: | 51.02 % |
| NEUTRAL: | 10.20 % |
| UNDERPERFORM | 00.00 % |
| SELL: | 00.00 % |

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| Emittente | % | Long/Short |
|-----------|---|------------|
| | | |

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