

BREMBO

Sector: Industrials

NEUTRAL

Price: Eu10.33 - Target: Eu10.30

3Q23 Below and FY23 Guidance Lowered; Upgrade to Neutral on lack of downside

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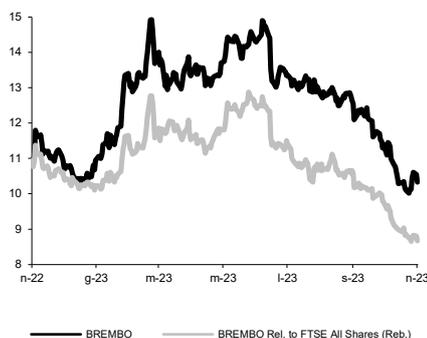
Stock Rating

Rating: from UNDERPERFORM to NEUTRAL

Target Price (Eu): from 11.90 to 10.30

	2023E	2024E	2025E
Chg in Adj EPS	-3.7%	-5.2%	-3.7%

BREMBO - 12M Performance



Stock Data

Reuters code: BRBI.MI

Bloomberg code: BRE IM

Performance	1M	3M	12M
Absolute	-9.4%	-19.4%	-5.6%
Relative	-11.5%	-18.4%	-24.5%
12M (H/L)		14.92/10.02	
3M Average Volume (th):		289.59	

Shareholder Data

No. of Ord shares (mn):	323
Total no. of shares (mn):	325
Mkt Cap Ord (Eu mn):	3,341
Total Mkt Cap (Eu mn):	3,341
Mkt Float - Ord (Eu mn):	1,465
Mkt Float (in %):	43.9%
Main Shareholder:	
Bombassei	53.5%

Balance Sheet Data

Book Value (Eu mn):	2,147
BVPS (Eu):	6.49
P/BV:	1.6
Net Financial Position (Eu mn):	-480
Enterprise Value (Eu mn):	3,595

■ **3Q23 results below forecast, except for net debt.** BRE reported 3Q23 results that were below forecast amid lower organic growth and decreased profitability. Revenues were €969mn, -1% YoY, o/w +3% organic and -5% FX. Vol&Mix growth was +4%, below global auto production (+5%) for the fifth quarter in a row, while pricing was negative at -1.5% on lower raw material costs. EBITDA was €156mn (below our/cons. at €173/168mn), down -12% YoY. The margin was 16.1% vs 18.0% in 3Q22 and our/cons. at 16.8/17.0%, burdened by higher negative operating leverage and higher operational costs (digitalization, R&D and marketing costs). Net profit was €63mn (vs our/cons. of €74/76mn), due to lower EBITDA partly offset by lower D&A, while net financial expenses and the tax rate were in line. Net debt was €472mn, better than our/cons. forecast at €560/517mn, mainly on better non-trade NWC trends.

■ **2023 guidance lowered.** FY23 guidance was lowered at top-line level to “high-single digit” (vs ~+10% previously) while margins are still seen in line with last year. As FX is seen at €-65mn or -1.8% (slightly better than our -2.5%), the downgrade was entirely organic, with management citing the weaker economic backdrop. We note that the downgrade occurs in spite of global auto production recently being upgraded from +4/5% to +7/8% and the UAW strike in the US having no impact on the company. At the same time, CapEx guidance was increased to €350-400mn vs ~€350mn previously and ~€300mn at the beginning of the year. All in all, we see revenues at €3.9bn (vs €4.0bn prev.) and EBITDA at €675mn for a -3% cut compared to consensus estimates.

■ **No real update on Sensify.** On Sensify, the company confirmed the entry into production in 2025 (1H25) with a volume platform for one customer (i.e. no commercial progress with other customers). However, details around its revenue potential and pricing assumptions remain unknown as well as whether the systems cannibalize BRE’s current business.

■ **Change in estimates.** We are reducing our forecast by -4% on average between 2023-25 on the back of lower organic growth and negative operating leverage, only partly offset by lower D&A.

■ **NEUTRAL from Underperform; TP to €10.3 from €11.9.** BRE reported 3Q23 results that came in below expectations and downgraded its FY23 guidance with a LSD/MSD impact on consensus estimates. After the negative stock performance, we move our rating to NEUTRAL from Underperform on the lack of downside to our new target price of €10.3 (from €11.9 following lower estimates and higher WACC). A worsening macro environment coupled to ROCE well below pre-Covid levels, negative outperformance compared to global auto production, and uncertainties around the situation with PIRC prompt us to remain cautious. At our TP, the stock trades at ~11x PE, a discount to its historical performance that we consider fair in light of the higher interest rate environment.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	2,778	3,629	3,912	4,068	4,231
EBITDA Adj (Eu mn)	503	625	666	697	729
Net Profit Adj (Eu mn)	215	293	298	294	311
EPS New Adj (Eu)	0.666	0.900	0.915	0.905	0.956
EPS Old Adj (Eu)	0.666	0.900	0.950	0.954	0.993
DPS (Eu)	0.270	0.280	0.285	0.281	0.297
EV/EBITDA Adj	7.5	5.8	5.4	5.0	4.6
EV/EBIT Adj	13.1	9.5	8.9	8.3	7.6
P/E Adj	15.5	11.5	11.3	11.4	10.8
Div. Yield	2.6%	2.7%	2.8%	2.7%	2.9%
Net Debt/EBITDA Adj	0.8	0.8	0.7	0.5	0.3