

# BREMBO

# UNDERPERFORM

Sector: Industrials

Price: Eu13.93 - Target: Eu11.90

## Better Revenue Growth, but Lower Margins, High NWC and CapEx Burden ROIC

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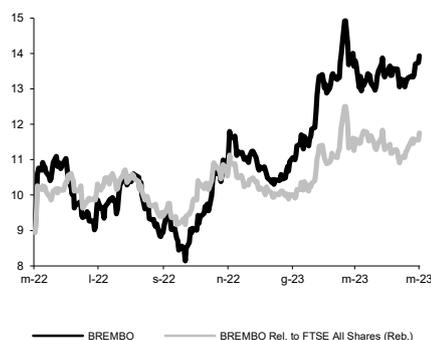
### Stock Rating

**Rating:** Unchanged

**Target Price (Eu):** from 12.00 to 11.90

	2023E	2024E	2025E
<b>Chg in Adj EPS</b>	0.5%	0.1%	-0.4%

### BREMBO - 12M Performance



### Stock Data

**Reuters code:** BRBI.MI

**Bloomberg code:** BRE IM

Performance	1M	3M	12M
Absolute	4.5%	6.1%	55.8%
Relative	4.0%	6.9%	37.3%
12M (H/L)	14.92/8.14		
3M Average Volume (th):	440.89		

### Shareholder Data

**No. of Ord shares (mn):** 323

**Total no. of shares (mn):** 325

**Mkt Cap Ord (Eu mn):** 4,505

**Total Mkt Cap (Eu mn):** 4,505

**Mkt Float - Ord (Eu mn):** 1,976

**Mkt Float (in %):** 43.9%

**Main Shareholder:**

Bombassei 53.5%

### Balance Sheet Data

**Book Value (Eu mn):** 2,157

**BVPS (Eu):** 6.53

**P/BV:** 2.1

**Net Financial Position (Eu mn):** -440

**Enterprise Value (Eu mn):** 4,699

### ■ 1Q23 results: a touch better than consensus, but no outperformance vs industry.

BRE reported a set of 1Q23 results that was slightly better than consensus (though in line with our estimates) thanks to slightly stronger growth (+12% vs +11% exp.) and profitability (17.5% vs 17.1% exp.). Nevertheless, Vol&Mix performance of +9% essentially implies an underperformance vs. the industry (-1%) as occurred in 2H22. In brief, revenues were €962mn (+12% YoY); EBITDA €168mn (+12% YoY, vs. our/cons. €167/163mn); a 17.5% margin (-0.1% YoY); and EBIT €104mn (+12% YoY, vs. our/cons. €104/99mn). According to the usual reclassification, net debt was €527mn vs. our €521mn and €524mn in FY22.

### ■ 2023 outlook: higher revenues, but stable EBITDA margin YoY implies no upside to consensus, while higher CapEx continues to burden FCF generation and ROCE.

BRE updated its FY23 growth forecast to +10% YoY vs MSD previously and consensus at +7%. This was thanks to “better” performance of the premium market. Nevertheless, assuming a ~3% positive pricing effect and -2% from FX, Vol&Mix outperformance should be ~4/5% and below the historical average. The newly introduced EBITDA margin guidance of flat YoY (FY22: 17.2%), which is not seen as conservative by management, is slightly worse than what we and consensus were expecting (17.4%/17.5%). We believe the combined effect of stronger sales but lower margins will result in zero to very marginal upgrades to FY estimates (~1% EBITDA). On the other hand, CapEx guidance was increased to €350mn from €300mn previously (9% of sales), which suggests weaker FCF generation considering NWC seen stable (in % terms) and the aforementioned EBITDA trends.

### ■ Change in estimates. We broadly confirm our forecast with higher sales offset by slightly lower margins (on lower Vol&Mix drop-through), higher D&A (on higher CapEx) and a marginally higher tax rate.

### ■ UNDERP. TP €11.9 from €12.0.

BRE reported a solid and slightly better-than-consensus set of results. However, the indication of stable YoY profitability will not lead to estimate upgrades despite the better growth outlook. The outlook provided suggests that outperformance vs the industry will settle at below average levels in 2023 and margins will remain ~2.6pp below pre-Covid levels. Along with a structurally higher NWC (>12% vs ~6% pre-covid) and sustained CapEx, return on capital will remain well below pre-Covid levels (~16% vs >25% pre-Covid). Thus, with the stock trading at an EV/EBIT premium of ~10% vs pre-Covid, we believe the risk/reward is unfavourable. Amid a macro scenario that remains volatile and uncertainties around the PIRC situation, where we see no strong rationale for BRE in a deeper integration scenario, we reiterate our UNDERPERFORM rating. Target to €11.9 from €12.0 on slightly lower multiples due to lower ROIC.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	2,778	3,629	3,956	4,114	4,279
EBITDA Adj (Eu mn)	503	625	682	715	748
Net Profit Adj (Eu mn)	215	293	300	307	320
EPS New Adj (Eu)	0.666	0.900	0.923	0.944	0.983
EPS Old Adj (Eu)	0.666	0.900	0.918	0.943	0.987
DPS (Eu)	0.270	0.280	0.287	0.294	0.306
EV/EBITDA Adj	7.5	5.8	6.9	6.4	5.9
EV/EBIT Adj	13.0	9.4	11.2	10.5	9.9
P/E Adj	20.9	15.5	15.1	14.8	14.2
Div. Yield	1.9%	2.0%	2.1%	2.1%	2.2%
Net Debt/EBITDA Adj	0.8	0.8	0.6	0.4	0.2