

BREMBO

Sector: Industrials

NEUTRAL

Price: Eu9.87 - Target: Eu10.20

Still Cautious Amid Weak Sector Prospects

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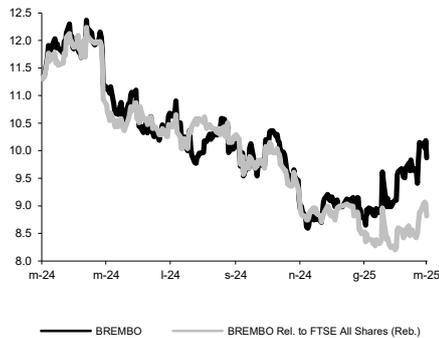
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 9.80 to 10.20		
	2024E	2025E	2026E
Chg in Adj EPS	1.7%	-3.1%	0.2%

Next Event FY24 Results

Results Out 18 March 2025

BREMBO - 12M Performance



Stock Data

Reuters code:	BRBI.MI		
Bloomberg code:	BRE IM		
Performance	1M	3M	12M
Absolute	3.2%	7.7%	-12.7%
Relative	3.1%	-0.7%	-24.3%
12M (H/L)	12.37/8.59		
3M Average Volume (th):	495.89		

Shareholder Data

No. of Ord shares (mn):	320
Total no. of shares (mn):	320
Mkt Cap Ord (Eu mn):	3,161
Total Mkt Cap (Eu mn):	3,161
Mkt Float - Ord (Eu mn):	1,387
Mkt Float (in %):	43.9%
Main Shareholder:	
Bombassei	53.5%

Balance Sheet Data

Book Value (Eu mn):	2,401
BVPS (Eu):	7.37
P/BV:	1.3
Net Financial Position (Eu mn):	-566
Enterprise Value (Eu mn):	3,727

BRE already reported 4Q24 EBITDA slightly above consensus, probably due to stricter cost control, as revenues were in line. For 2025 we expect mid-single-digit EPS growth thanks to the Öhlins acquisition, although we still find it unconvincing, as weak global vehicle production forecasts and D&A growth won't drive organic earnings growth, in spite of a greater focus on costs. Our forecasts are again below consensus by a mid-single-digit amount. We therefore stay cautious, mainly due to negative earnings momentum. The Trump tariff risk should also not be ignored, with 30% of sales from NA and a significant industrial presence in Mexico. TP to €10.2 from €9.8 due to the valuation roll-over to 2025-27 (vs. 24-26 prev.) partly offset by lower organic estimates. Our figures suggest multiples at a 23% discount to history, on average, but this is justified by lower outperformance of the industry, reduced ROCE, and higher interest rates.

- **4Q24 preliminary EBITDA slightly above consensus.** BRE disclosed FY24 preliminary EBITDA of €161mn, -3% YoY, a 17.6% margin, and slightly better than our est. / consensus (€152/151mn), probably due to better cost management, as revenues were in line (€913mn, -2% YoY, vs. our/cons. €922/909mn). We forecast net income of €61mn, -19% YoY, and below consensus (€67mn) on a stable tax rate (vs. a decline for consensus), and net debt of €282mn (cons. €275mn) vs. €648mn in 9M24 thanks to the cash-in from the PIRC stake sale (€283mn) and FCF of €145mn.
- **2025 outlook: growth from M&A to drive EPS, organic growth burdened by weak sector production forecasts.** According to S&P Global, auto production is projected to remain fairly flat in 2025, but adjusting for its less favourable geographical mix it should decline -2% for BRE. Indeed, EU/NA (~50/30% of BRE's sales) are seen down -4-5% and -2% respectively, with China (~20% of sales) up +2%. Moreover, 1H looks particularly tough for EU and NA, seen down -9% and -5% respectively. Overall, we expect revenue up +5% YoY to €4,044mn (cons. €4,060mn), mainly driven by a +3.5% contribution from Öhlins (closing early January) and +2% organic growth based on 4pp outperformance of global vehicle production with no change in pricing. EBITDA is seen up +6% YoY to €700mn, a 17.3% margin (+0.1pp), benefiting from the Öhlins contribution, which has above-average profitability (21.5%), and organic Vol&Mix growth, partly offset by a slight rise in costs, but much less pronounced than in recent years due to lower inflation and stricter cost control. EPS is expected at €0.85, +6% YoY, but 6% lower than consensus on higher D&A amid the strong 2023-24 CapEx cycle and higher net financial charges from the cash-out for Öhlins. Net debt is expected at €566mn (0.8x EBITDA) due to the above-mentioned cash-out and a dividend payout eroding rising FCF (flat NWC, lower CapEx).
- **Öhlins acquisition closed: constructive comments expected, but no specific changes likely, in our view.** On 2 January 2025, BRE closed the Öhlins acquisition for an EV of \$405mn (€395mn, neutral NFP). Overall, we remain unconvinced that the deal fully delivers on strategic and financial criteria. We believe there may be cost synergies, but the game changer would come from cross-selling Öhlins products to auto OEMs. However, Öhlins's track record under its previous owner (Tenneco, a global auto supplier) doesn't seem strong, and any benefits could take time to materialise. Last but not least, the valuation looks pretty full at 13x EV/EBITDA, significantly above BRE (5.2x) and the sector (3.6x). We expect management to provide constructive comments, but don't envisage any specific indications that could change our view.

Key Figures & Ratios	2023A	2024E	2025E	2026E	2027E
Sales (Eu mn)	3,849	3,841	4,044	4,205	4,374
EBITDA Adj (Eu mn)	666	662	700	734	767
Net Profit Adj (Eu mn)	305	257	274	298	318
EPS New Adj (Eu)	0.938	0.803	0.854	0.931	0.993
EPS Old Adj (Eu)	0.938	0.790	0.881	0.929	
DPS (Eu)	0.300	0.257	0.273	0.298	0.318
EV/EBITDA Adj	6.8	5.5	5.3	4.9	4.5
EV/EBIT Adj	10.9	9.3	9.1	8.2	7.4
P/E Adj	10.5	12.3	11.6	10.6	9.9
Div. Yield	3.0%	2.6%	2.8%	3.0%	3.2%
Net Debt/EBITDA Adj	0.7	0.4	0.8	0.6	0.4

Multiples and performance

Market multiples

	EV/EBITDA			EV/EBIT			PE			FCF yield %		
	2024A	2025E	2026E	2024A	2025E	2026E	2024A	2025E	2026E	2024A	2025E	2026E
BREMBO @ our TP	5.3x	5.5x	5.0x	9.0x	9.3x	8.4x	12.7x	11.9x	11.0x	1.8%	5.9%	7.0%
BREMBO @ our e.	5.2x	5.3x	4.9x	8.7x	9.1x	8.2x	12.3x	11.6x	10.6x	1.8%	6.1%	7.2%
BREMBO @ con. e.	5.3x	5.2x	4.5x	8.8x	8.7x	7.2x	12.2x	10.8x	9.5x	1.7%	4.3%	7.8%
FAURECIA	2.6x	2.3x	1.9x	5.5x	4.8x	3.9x	61.3x	4.5x	3.0x	34.2%	54.7%	81.2%
CONTINENTAL	3.6x	3.5x	3.1x	6.5x	6.2x	5.2x	11.7x	8.3x	6.7x	7.7%	8.2%	11.3%
ELRINGKLINGER	3.1x	3.0x	2.5x	7.3x	7.0x	5.1x	160.2x	6.1x	4.3x	14.7%	14.4%	18.7%
AUTOLIV	5.8x	5.5x	4.8x	8.1x	7.6x	6.4x	9.9x	9.1x	7.5x	7.7%	9.3%	10.2%
PLASTIC OMNIUM	3.6x	3.0x	2.7x	7.4x	6.1x	5.1x	8.4x	6.9x	5.8x	15.9%	18.8%	19.7%
NORMA	5.0x	5.1x	4.3x	8.1x	8.3x	6.6x	12.2x	11.6x	8.7x	14.2%	13.2%	13.9%
VALEO	2.5x	2.3x	2.0x	6.5x	5.7x	4.9x	12.2x	5.4x	3.7x	17.0%	18.2%	21.3%
SCHAEFFLER	4.8x	3.2x	2.8x	11.1x	6.7x	5.3x	n.a.	5.3x	3.6x	9.2%	-9.1%	-2.9%
Median	3.6x	3.2x	2.8x	7.4x	6.7x	5.2x	12.2x	6.9x	5.8x	14.2%	13.2%	13.9%
Pre./disc. vs our e.	42%	66%	72%	18%	35%	59%	1%	67%	84%	1240	704	670

Source: Intermonte SIM & FactSet

Performance (total return)

	-1m	-3m	-6m	YTD	-1y	-2y	-3y	-10ay	03/03/23
BREMBO	+3.2%	+7.7%	-3.2%	+8.5%	-10.3%	-20.7%	+14.1%	+52.1%	-24.4%
FAURECIA	-25.6%	-6.9%	-2.6%	-3.7%	-34.4%	-59.0%	-60.9%	-75.0%	-61.8%
CONTINENTAL	-2.0%	+2.5%	+27.4%	+5.4%	+4.5%	+1.7%	+19.9%	-57.2%	-0.1%
AUTOLIV	-10.9%	-13.9%	-5.1%	-10.3%	-24.7%	+1.9%	+39.2%	+66.9%	-1.3%
PLASTIC OMNIUM	-7.8%	+1.7%	+22.2%	+2.6%	-5.0%	-32.9%	-28.5%	-52.6%	-37.4%
NORMA	-18.4%	-12.4%	-5.3%	-7.1%	-10.4%	-42.1%	-43.0%	-64.1%	-43.3%
VALEO	-17.6%	+6.5%	+1.0%	+4.0%	-11.0%	-48.3%	-30.3%	-74.7%	-51.6%
SCHAEFFLER	-5.9%	-6.2%	-0.3%	-1.3%	-24.1%	-15.1%	+10.0%		-22.8%
MARKET (FTSE MIB)	+0.2%	+8.9%	+13.2%	+11.2%	+12.1%	+45.1%	+64.9%	+67.3%	+36.6%
PEERS	-11.2%	-3.5%	+4.9%	-1.0%	-15.4%	-30.0%	-17.4%	-48.4%	-33.6%
BREMBO vs MARKET	+3.0%	-1.2%	-16.4%	-2.6%	-22.4%	-65.8%	-50.9%	-15.2%	-61.0%
BREMBO vs PEERS	+14.5%	+11.2%	-8.1%	+9.5%	+5.2%	+9.3%	+31.5%	+100.5%	+9.2%

Source: FactSet

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	BREMBO		
Current Recomm:	NEUTRAL	Previous Recomm:	NEUTRAL
Current Target (Eu):	10.20	Previous Target (Eu):	9.80
Current Price (Eu):	9.87	Previous Price (Eu):	8.99
Date of report:	14/03/2025	Date of last report:	15/11/2024