BREMBO

NEUTRAL

Sector: Industrials

Price: Eu8.99 - **Target: Eu9.80**

FY24 Guidance Lowered on a Weaker Market

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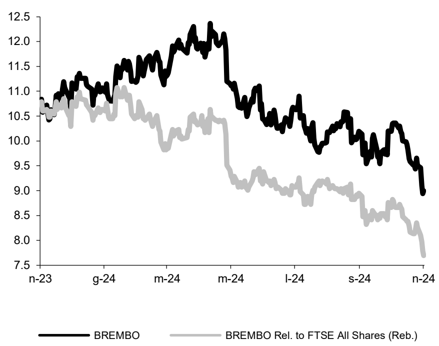
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 10.50 to 9.80
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-8.3%	-3.2%	-3.0%

BREMBO - 12M Performance



Stock Data			
Reuters code:			BRBI.MI
Bloomberg code:			BRE IM
Performance	**1M**	**3M**	**12M**
Absolute	-11.8%	-11.6%	-16.4%
Relative	-10.9%	-17.6%	-33.0%
12M (H/L)			12.37/8.94
3M Average Volume (th):			565.92

Shareholder Data	
No. of Ord shares (mn):	320
Total no. of shares (mn):	320
Mkt Cap Ord (Eu mn):	2,881
Total Mkt Cap (Eu mn):	2,881
Mkt Float - Ord (Eu mn):	1,264
Mkt Float (in %):	43.9%
Main Shareholder:	
Bombassei	53.5%

Balance Sheet Data	
Book Value (Eu mn):	2,194
BVPS (Eu):	6.74
P/BV:	1.3
Net Financial Position (Eu mn):	-295
Enterprise Value (Eu mn):	3,176

BRE reported lower-than-expected results amid decreased revenue growth, profitability and cash generation. 2024 was therefore revised accordingly to incorporate a weaker market outlook. Newsflow on Sensify was incrementally negative, while on Ohlins nothing further was said pending the closing (confirmed in 1Q25). Overall, the release is consistent with our cautious stance on the stock, mainly based on negative earnings momentum, which we confirm as we remain below consensus. TP reduced to €9.8 from €10.5 on lower estimates. Multiples on our figures suggests an average 30% discount vs. history, but we see that as justified by Brembo's lower outperformance vs the industry, its reduced ROCE, and higher rates.

- **3Q24 results below expectations.** Results came in slightly below our/cons estimates due to lower benefit from price vs cost inflation and lower vol&mix. Revenues were €923mn, below our/cons. at €948/953mn, -5% YoY, mainly due to prices (-3%) and Vol&Mix (-1%). Auto was in line at -2% YoY, while all other divisions were negative and weaker than forecast (Motorbikes -7%, Comm. V. -17%, Racing -14%). EBITDA at €150mn vs our/cons. €152/157mn, -4% YoY for a 16.2% margin, with positive but lower-than-expected benefit from price vs cost inflation (+€2mn vs +9 exp.), more negative Vol&Mix (-6 vs -4 exp.) only partly offset by stable and better-than-expected structural costs (+0 vs -6 exp.) while FX was in line (-3). Net income at €41mn vs our/cons. €59/63mn as a consequence of adverse FX rates and a higher tax rate. Net debt closed at €648mn, worse than our/cons. €552/556mn, mainly due to higher NWC (inventories and payables).
- **2024 guidance: -3% EBITDA revision due to weaker environment.** FY24 guidance has been cut across the board, featuring lower growth, margins, and cash generation due to a weaker automotive environment. Revenues are seen in line with FY23 (vs moderate growth prev.), the EBITDA margin at 17% (vs 17.3% prev.), and net debt at €300mn (vs €500mn prev.), but including the €283mn cash-in from the sale of the PIRC stake, which implies lower FCF generation of ~€80mn. CapEx are seen at €400mn or the high end of the previous €350-400mn range, as the company is committed to its plans, notwithstanding market conditions. Overall, the guidance assumes a weak 4Q (revenue -1%, EBITDA -7%) and implies a -3/>-5% revision at EBITDA/net income level.
- **From the call: Sensify appears to be slightly delayed; no details on Ohlins pending closing.** Main messages from the call: i) revenue contribution from Sensify in 2026 (not clear about the length of the possible delay as the previous indication saw the first revenue in 2025 and significant revenue in 2026); ii) no customer announced on Sensify, though we recall management was confident of announcing something in 2H24; iii) no further details on the Ohlins acquisition pending closing, confirmed as expected in 1Q25 (see our last note for our comment, i.e., Ohlins is an interesting acquisition, but does not tick all the boxes).
- **Change in estimates.** As we align our estimates to the new guidance, we reduce EBITDA by -2% and EPS by -8%, further weighed down by higher net financial charges and tax rate. While the gap vs consensus has slightly narrowed, we continue to remain below by more than double digit in 2025-26, assuming lower worth and slower margin progression.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	3,629	3,849	3,850	4,004	4,164
EBITDA Adj (Eu mn)	625	666	656	682	714
Net Profit Adj (Eu mn)	293	305	253	282	297
EPS New Adj (Eu)	0.900	0.938	0.790	0.881	0.929
EPS Old Adj (Eu)	0.900	0.938	0.862	0.910	0.958
DPS (Eu)	0.280	0.300	0.253	0.282	0.297
EV/EBITDA Adj	6.2	6.8	4.8	4.5	4.2
EV/EBIT Adj	10.1	10.9	8.2	7.7	7.0
P/E Adj	10.0	9.6	11.4	10.2	9.7
Div. Yield	3.1%	3.3%	2.8%	3.1%	3.3%
Net Debt/EBITDA Adj	0.8	0.7	0.4	0.3	0.1

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- 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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BUY: stock expected to outperform the market by over 25% over a 12 month period;
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;
SELL: stock expected to underperform the market by over 25% over a 12 month period.
Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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