Milan, 18 October 2024

Italian Equity Research – Company Update/3Q24 Preview

BREMBO

NEUTRAL

Sector: Industrials

Price: Eu10.35 - **Target: Eu10.50**

Consensus Downside Keeps Us On Sidelines; Öhlins Doesn't Tick All the Boxes

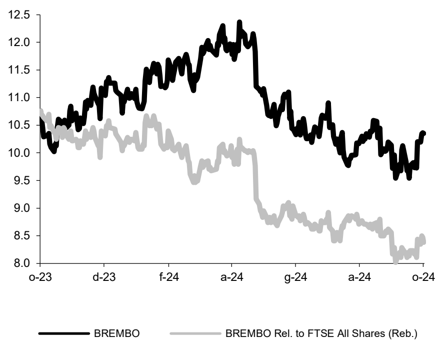
Gianluca Bertuzzo +39-02-77115.429
gianluca.bertuzzo@intermonte.it
Alberto Villa: +39-02-77115.431
alberto.villa@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 10.60 to 10.50
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-2.3%	-1.6%	-0.6%

Next Event

Results Out 7th November

BREMBO - 12M Performance



Stock Data			
Reuters code:			BRBI.MI
Bloomberg code:			BRE IM
Performance	**1M**	**3M**	**12M**
Absolute	6.5%	-3.3%	-3.8%
Relative	2.9%	-4.8%	-27.1%
12M (H/L)			12.37/9.54
3M Average Volume (th):			486.12

Shareholder Data	
No. of Ord shares (mn):	320
Total no. of shares (mn):	320
Mkt Cap Ord (Eu mn):	3,315
Total Mkt Cap (Eu mn):	3,315
Mkt Float - Ord (Eu mn):	1,454
Mkt Float (in %):	43.9%
Main Shareholder:	
Bombassei	53.5%

Balance Sheet Data	
Book Value (Eu mn):	2,217
BVPS (Eu):	6.81
P/BV:	1.5
Net Financial Position (Eu mn):	-230
Enterprise Value (Eu mn):	3,545

With weak 3Q24 results expected, we are cutting our FY forecast (by -2%) on lower global auto production and OEMs' subdued commercial figures. Consequently, we are even further below consensus on 2024-26 (by more than 10%), still expecting positive growth, but at a lower rate and with no margin expansion. In this note we analyse the Öhlins acquisition, which in our view doesn't tick all the boxes due to uncertainty over synergies that can only come far into the future and the high price paid. We therefore confirm our view based on negative earnings momentum. Multiples on our figures suggests an average 30% discount vs. history, justified by Brembo's lower outperformance of the industry, its reduced ROCE and higher interest rates. NEUTRAL; target to €10.5 (from €10.6) after including the valuation of Öhlins in our TP (€-0.4, no explicit estimates pending closing) and estimate cuts, partly offset by a 6-month rollover of the valuation.

- **3Q24 preview: expecting a weak report.** With global auto production expected to be down -5% YoY and weak trends in the Motorcycle and Trucks markets, we expect BRE to report a decline in sales and profits during 3Q, even accounting for a similar outperformance to recent quarters. We estimate revenues of €948mn, -2% YoY, EBITDA of €152mn, -2% YoY and a 16.1% margin (flat YoY), EBIT of €87mn, -8% YoY and a 9.2% margin (-0.6pp), net profit at €59mn, -6% YoY, and net debt at €552mn.
- **2024 outlook: our forecasts are below consensus.** Guidance points to a "moderate" increase in revenues and a "stable" EBITDA margin (17.3% in FY23). In light of negative newsflow for BRE's customers, the cuts forecast to global auto production and weak 3Q commercial figures (premium, high-end and prestige car sales down by -6/-7/-9%), we remain at the low end of the guidance range, assuming +1% sales growth vs. consensus at +2.5%. Our EPS forecast is 5% below consensus.
- **Öhlins acquisition doesn't tick all the boxes.** Last week, BRE announced the acquisition of 100% of Öhlins from Tenneco for ~€370mn. Öhlins manufactures premium suspensions for motorcycles, cars and bikes (75/18/5%), with 2 production plants (Sweden and Thailand), an international footprint (EU/AP/NA 50/35/15%) and 2024E revenues of $144mn, an adj. EBITDA margin of 21-22% (€28-29mn). While the acquisition opens up a new adjacent market, definitely loses the door on speculation of a merger with PIRC (5.6% stake sold entirely at the beginning of October) and is not financially burdensome (net debt/EBITDA 0.7x), we believe the acquisition doesn't tick all the boxes. In particular: i) tangible synergies only seem possible from the cross-selling of Öhlins products to auto OEMs, but we highlight Öhlins's low revenue growth (1% 2018-24 CAGR), even inside a major auto supplier such as Tenneco, and any such synergies could take some time to materialise; ii) the multiple paid (13x EV/EBITDA) is high compared to BRE/the sector, at 5.5/3.5x respectively, limiting the EPS accretion (we estimate ~2% on a pre-synergies basis), and implying a ROCE well below the group level (6% vs. 15% for BRE).
- **Valuation.** We value the stock based on a ROIC/WACC framework, with ROIC of 13%, WACC of 9.2% and TGR of 2.0%, from which we subtract €0.4p.s. for the Öhlins acquisition, on which we do not have explicit forecasts yet, pending closing (1Q25).

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	3,629	3,849	3,890	4,046	4,208
EBITDA Adj (Eu mn)	625	666	667	695	728
Net Profit Adj (Eu mn)	293	305	276	292	307
EPS New Adj (Eu)	0.900	0.938	0.862	0.910	0.958
EPS Old Adj (Eu)	0.900	0.938	0.882	0.925	0.963
DPS (Eu)	0.280	0.300	0.276	0.291	0.306
EV/EBITDA Adj	6.2	6.8	5.3	4.9	4.6
EV/EBIT Adj	10.1	10.9	8.9	8.3	7.7
P/E Adj	11.5	11.0	12.0	11.4	10.8
Div. Yield	2.7%	2.9%	2.7%	2.8%	3.0%
Net Debt/EBITDA Adj	0.8	0.7	0.3	0.2	0.0

Intermonte

DISCLAIMER (for more details go to DISCLAIMER)

IMPORTANT DISCLOSURES

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.
This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.
The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.
This disclaimer is constantly updated on Intermonte's website www.intermonte.it under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the PERFORMANCE web page.
Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.
The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.
Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.
The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Plural Securities LLC, 950 3rd Ave, Suite 1702, NY 10022, USA.

GUIDE TO FUNDAMENTAL RESEARCH

The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- 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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.
Frequency of research: quarterly.
Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.
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.
Explanation of our ratings system:
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

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.
As at 30 September 2024 Intermonte's Research Department covered 125 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (61 in total) is as follows:

BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:
Intermonte is acting as financial advisor to Retex S.p.A. – Società Benefit in relation to the voluntary public tender offer launched on Alkemy S.p.A.
Intermonte is acting as financial advisor to Eagle S.p.A. and intermediary responsible for coordinating the collection of sale requests in relation to the sell-out procedure on Greenthesis S.p.A.
Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Aquafil, Civitanavi Systems, Cy4Gate, Esprinet, GPI, Greenthesis (formerly Ambienthesis), Growens, Illimity Bank, Maire Tecnimont, SAES Getters, Tinexta, Unidata and WIIT.
Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.
Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Alkemy, Anima Holding, Antares Vision, Aquafil, Avio, Banca Ifis, Banca Sistema, Civitanavi Systems, Cyberoo, Cy4gate, DHH, El.En, Elica, Emak, Esprinet, Fimit - Fondo Alpha, Fine Foods, Franchi Umberto Marmi, GPI, Greenthesis (formerly Ambienthesis), IEG, Iervolino & Lady Bacardi Entertainment, IndelB, Intred, Luve, Misitano & Stracuzzi, Mondadori, Notorious Pictures, Omer, Pharmanutra, Relatech, Reply, Revo Insurance, Reway, Saes Getters, Sciuker Frames, Servizi Italia, Sesa, Seri Industrial, Somec, Star7, SyS-Dat Group, Talea, Tamburi, Tinexta, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIIT.
Intermonte SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema.
Intermonte SIM performes as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMIB, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.
Intermonte SIM, through Websim, which constitute the digital division of Intermonte, acts as a Financial Content Provider and/or Specialist and/or Corporate Broker on the following companies: Abitare In, Alkemy, Allcore, Almawave, Banca Sistema, Bifire S.P.A., B&C Speakers, Casta Diva Group, Cleanbnb, Cofle, Crowdfundme, Cube Labs, Cy4gate, Cyberoo, DHH, Digital Bros, Digital Magics, Digitouch, Doxee, Ediliziacrobatica Spa, Eles, Elica, Emak, Energy, Esi, Esprinet, Eviso, Fae Technology, Fiera Milano, Fope, FOS, Franchi Umberto Marmi, Giglio Group, GPI, Green Oleo, High Quality Food, Ikonisys, Intercos, Intred, ISCC Fintech, Lemon Sistemi, Lventure Group, Maps Group, Masi Agricola, Matica Fintec, Misitano & Stracuzzi, Neodecortech, Notorious Pictures, Olidata, Osai Automation System, Racing Force Group, Relatech, Reti, Sciuker Frames, SG Company, Solid World Group, Spindox Digital Soul, Talea, Tamburi, Tesmec, Tinexta, TMP Group, Tps Group, Trendevice, Ulisse Biomed, Xenia Hôtellerie Solution Spa Società Benefit, Wiit.
Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website MiFID
Further information is available