

BREMBO

Sector: Industrials

NEUTRAL

Price: Eu8.44 - Target: Eu8.60

Weaker-than-Expected Results and Guidance in Tough Sector Conditions

Gianluca Bertuzzo +39-02-77115.429

gianluca.bertuzzo@intermonte.it

Alberto Villa: +39-02-77115.431

alberto.villa@intermonte.it

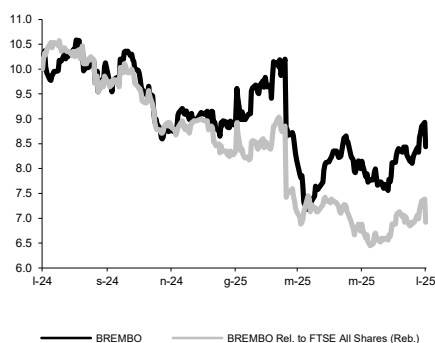
Stock Rating

Rating: Unchanged

Target Price (Eu): Unchanged

	2025E	2026E	2027E
Chg in Adj EPS	-12.6%	-10.8%	-4.2%

BREMBO - 12M Performance



Stock Data

Reuters code: BRBI.MI

Bloomberg code: BRE IM

Performance	1M	3M	12M
Absolute	4.0%	2.9%	-15.6%
Relative	0.3%	-6.1%	-37.7%
12M (H/L)			10.59/7.17
3M Average Volume (th):			586.38

Shareholder Data

No. of Ord shares (mn): 320

Total no. of shares (mn): 320

Mkt Cap Ord (Eu mn): 2,703

Total Mkt Cap (Eu mn): 2,703

Mkt Float - Ord (Eu mn): 1,133

Mkt Float (in %): 41.9%

Main Shareholder:

Bombassei 53.6%

Balance Sheet Data

Book Value (Eu mn): 2,439

BVPS (Eu): 7.50

P/BV: 1.1

Net Financial Position (Eu mn): -780

Enterprise Value (Eu mn): 3,483

Despite indicating that 1Q would be the lowest point of the year, and in the face of marginally better global automotive production, BRE reported a softer set of results in 2Q that fell short of expectations. The company underperformed the industry for the third consecutive quarter, probably burdened by a faltering premium car market and the company-specific customer situation. The top-line trajectory seems to be improving in 2H, but remains subdued, with margins and returns on capital set to remain at levels not seen over the last 10 years. Some progress was noted on Sensify and Coated Discs, but key details are lacking. We confirm our NEUTRAL rating and TP of €8.6, with the reduced ERP offsetting lower estimates.

■ **2Q25 results below expectations.** 2Q25 results fell below our estimates / consensus forecasts, showing a sharper drop in revenues, lower profitability and worse net debt. Weaker results were driven by a larger-than-expected organic fall (-9% vs. -5% exp.), with no QoQ improvement despite an easier comparison: Brembo underperformed the industry for the third quarter in a row, there was a lower contribution from Öhlins (+3% vs. +4% exp.), a slightly higher ForEx headwind (-3% vs. -2% exp.) and negative operating leverage. Revenues were €924mn (vs. our/cons. €970/967mn), down -8% YoY, EBITDA came to €148mn (vs. our/cons. €167/161mn), -15% YoY for a 16.0% margin, net profit was €47mn (vs. our/cons. €64/63mn), -42% YoY, and net debt was €936mn (vs. our/cons. €826/867mn) up from €779mn in 1Q. By segment: Automotive (-8% YoY) and Racing (+46%) came in below expectations due to reduced organic volumes and a lower contribution from Öhlins, while the declines in Motorbikes (-18%) and Comm. Vehicles (-17%) were in line with expectations.

■ **2025 guidance lowered due to ForEx.** While flat revenue trends at constant currency were confirmed, with Öhlins offsetting negative organic growth, FY25 guidance was lowered by ~2% due to harsher ForEx headwinds. This assumes flattish organic growth in 2H (vs. -9% in 1H), which we expect to come on the back of an easier comparison base for automotive created by the de-stocking in 2H last year, as well as improving commercial vehicle and motorbike trends. The EBITDA margin was confirmed above 16%, but with 2H revenue remaining at par HoH we struggle to see much upside from the 16.0% reported in 1H. Net debt is confirmed at €780mn, but this will need tangible FCF improvement in 2H (implicit FY25 FCF: ~€20mn after the €-187mn posted in 1H).

■ **Change in estimates.** We are cutting our EBITDA estimate by 5% on the back of lower organic growth (-4% vs. -3% prev.) due to our forecast of a reduced outperformance, higher ForEx headwinds (-2% vs. -1% prev.), a slightly lower contribution from Öhlins (+4% vs. +5% prev.), operating leverage, while we are cutting EPS by -9% due in part to a higher tax rate.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	3,849	3,841	3,747	3,897	4,053
EBITDA Adj (Eu mn)	666	661	606	637	668
Net Profit Adj (Eu mn)	305	263	202	224	260
EPS New Adj (Eu)	0.938	0.820	0.631	0.698	0.810
EPS Old Adj (Eu)	0.938	0.820	0.723	0.783	0.846
DPS (Eu)	0.300	0.300	0.231	0.256	0.297
EV/EBITDA Adj	6.8	5.6	5.7	5.3	4.9
EV/EBIT Adj	10.9	9.5	10.8	9.9	8.4
P/E Adj	9.0	10.3	13.4	12.1	10.4
Div. Yield	3.6%	3.6%	2.7%	3.0%	3.5%
Net Debt/EBITDA Adj	0.7	0.5	1.3	1.0	0.8

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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 between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIIB40 Index, most of those on the MIBEX 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.

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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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BUY:	32.84%
OUTPERFORM:	38.81%
NEUTRAL:	28.35%
UNDERPERFORM:	00.00%
SELL:	00.00%

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BUY:	53.16%
OUTPERFORM:	29.11%
NEUTRAL:	17.73%
UNDERPERFORM:	00.00%
SELL:	00.00%

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