

# BREMBO

Sector: Industrials

## NEUTRAL

Price: Eu10.28 - Target: Eu10.60

## Guidance Confirmed, but Not Enough to Change View

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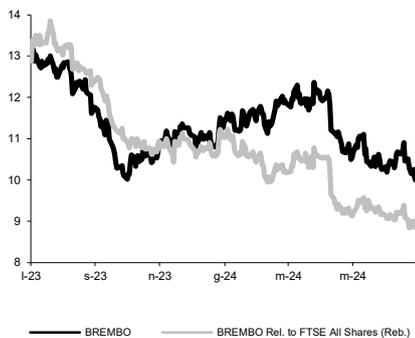
### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 10.80 to 10.60		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	0.4%	-0.8%	-1.5%

### Next Event

Results Out 07/11/2024

### BREMBO - 12M Performance



### Stock Data

Reuters code:	BRBI.MI		
Bloomberg code:	BRE IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	0.2%	-14.1%	-20.4%
Relative	-2.0%	-14.6%	-34.9%
12M (H/L)	13.22/10.00		
3M Average Volume (th):	478.72		

### Shareholder Data

No. of Ord shares (mn):	320
Total no. of shares (mn):	320
Mkt Cap Ord (Eu mn):	3,292
Total Mkt Cap (Eu mn):	3,292
Mkt Float - Ord (Eu mn):	1,444
Mkt Float (in %):	43.9%
Main Shareholder:	
Bombassei	53.5%

### Balance Sheet Data

Book Value (Eu mn):	2,223
BVPS (Eu):	6.83
P/BV:	1.5
Net Financial Position (Eu mn):	-501
Enterprise Value (Eu mn):	3,468

BRE reported 2Q24 results that came in just a touch below expectations on higher structural costs and higher D&A that more than offset better input prices and a lower tax rate. While we feared 2024 guidance was at risk given the weaker environment, BRE confirmed it sees “moderate” revenue growth and “stable” YoY margins but lower FCF on higher CapEx. Overall, this release does not move the needle on our investment case. NEUTRAL confirmed, TP to €10.6 from €10.8 on lower FCF. The stock trades at 5.5x EV/EBITDA NTM vs 6.3x in the last 5Y.

■ **2Q24 results slightly below expectations.** Results slightly below our/cons estimates due to higher operating/structural costs that more than offset better input prices. Revenues were €1.0bn, in line with our/cons, up +1.2% YoY on the back of Vol&Mix (+2.6%) which was partially offset by negative pricing directly linked to raw mat. and other input prices (-1.3%) and a neutral FX effect (-0.1%). EBITDA at €175mn vs our/cons at €178/ 176mn, -1% YoY for a 17.5% margin (-0.3pp YoY) as a positive effect of lower input prices, and Vol&Mix were offset by higher structural costs. Net income was €81mn vs our/cons. €83/84mn on higher D&A only partly offset by a lower tax rate. FCF was €24mn vs our €72mn mainly due to negative NWC dynamics and higher CapEx. Net debt at €622mn vs our/cons at €551/ 591mn, vs €541mn in 1Q24, burdened by dividend payments and share repurchase.

■ **2024 Outlook.** FY24 guidance is confirmed pointing to a “moderate” increase in revenues YoY and a “stable” EBITDA margin (17.3% in FY23). CapEx guidance has been raised to €350-400mn vs €350mn previously to support the Euro7 transition, finally giving some meaning to the €500mn net debt guidance (our/cons. estimate at €448/415mn). The European market is seen as facing adversity during 2H since many OEMs are struggling (i.e. Porsche, Audi, Mercedes-Benz); the US market is assumed stable, while China appears to be negative in 2H. Management sees input prices following a similar trend to those reported in 1H, while “no pricing pressure” is noted on BRE’s products. Overall, we expect consensus estimates to be slightly trimmed towards our figures, implying a -2%/-5% downside to EBITDA/EBIT.

■ **Change in estimates.** We are applying some changes to our forecasts, leading to confirmation of our EPS for 24-26’. We confirm revenues and EBITDA assumptions while higher D&A are offset by lower outstanding shares and tax rate. Net debt is now seen at €501mn vs the previous €448mn due to increased CapEx.

■ **NEUTRAL, TP €10.6.** Overall, this release does not move the needle on our investment case, which is predicated on negative earnings momentum (we believe consensus has downside), multiples not far from the last 5-year average on ROCE below pre-Covid levels, the fact that the contribution from Sensify will start to come through only from 2026 (although management is not worried and is encouraged by OEMs’ current feedback), and the uncertain situation with PIRC that cannot be ignored (although at current prices we do not expect any deal). TP to €10.6 from €10.8 on lower FCF.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	3,629	3,849	3,908	4,064	4,226
EBITDA Adj (Eu mn)	625	666	675	707	739
Net Profit Adj (Eu mn)	293	305	283	296	308
EPS New Adj (Eu)	0.900	0.938	0.882	0.925	0.963
EPS Old Adj (Eu)	0.900	0.938	0.879	0.932	0.978
DPS (Eu)	0.280	0.300	0.282	0.296	0.308
EV/EBITDA Adj	5.7	6.3	5.1	4.8	4.5
EV/EBIT Adj	9.3	10.2	8.6	8.1	7.6
P/E Adj	11.4	11.0	11.7	11.1	10.7
Div. Yield	2.7%	2.9%	2.7%	2.9%	3.0%
Net Debt/EBITDA Adj	0.8	0.7	0.7	0.6	0.5

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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 of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMB40 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

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BUY:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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