

# CNH INDUSTRIAL

Sector: Industrials

**NEUTRAL**

Price: Eu15.05 - Target: Eu16.50

## 4Q Beats Forecasts but Focus Shifts to Slowing 2024 Demand

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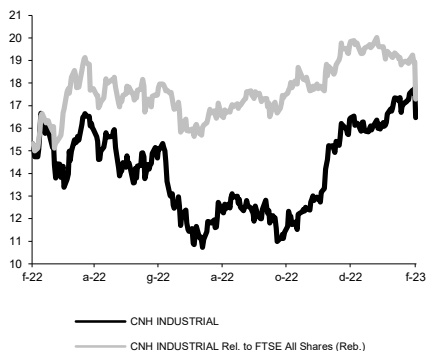
### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 16.10 to 16.50		
	2023E	2024E	2025E
Chg in Adj EPS	5.6%	2.3%	

### Next Event

1Q23 Results Out May 5<sup>th</sup> 2023

### CNH INDUSTRIAL - 12M Performance



### Stock Data

Reuters code:	CNHI.MI		
Bloomberg code:	CNHI IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	1.3%	27.6%	7.4%
Relative	-10.8%	8.9%	9.0%
12M (H/L)	16.27/10.64		
3M Average Volume (th):	2,545.40		

### Shareholder Data

No. of Ord shares (mn):	1,362
Total no. of shares (mn):	1,352
Mkt Cap Ord (Eu mn):	20,498
Total Mkt Cap (Eu mn):	20,498
Mkt Float - Ord (Eu mn):	14,943
Mkt Float (in %):	72.9%
Main Shareholder:	
Exor	27.1%

### Balance Sheet Data

Book Value (\$ mn):	7,879
BVPS (\$):	5.78
P/BV:	2.8
Net Financial Position (\$ mn):	-16,576
Enterprise Value (\$ mn):	20,087

- **Strong 4Q results beat expectations across the board:** CNHI reported 4Q Industrial sales of \$6.35bn, up +31% organic, beating our estimates/Bloomberg consensus of \$5.9bn (guidance \$5.5-5.8bn). Price realisations (+18% again for AG) and recovering volumes both more than offset the rising production costs, as Industrial adj. EBIT grew +80% YoY to \$680mn, a 10.7% margin (+3.1pp YoY) also beating our estimates/consensus by 15%/11%. 4Q adj. EPS was \$0.35 (+28% YoY), in line with expectations amid declining Financial Services profit (guidance \$0.32-0.34). Finally, Industrial FCF also comfortably beat expectations at \$2.05bn, vs. our estimate of \$1.54bn (guidance >\$1.45bn) amid better EBIT and a solid working capital reduction.
- **Increased focus on costs in FY23 as growth slows:** most end markets are seen flattish in FY23 (except North America HHP tractors) and CNHI's order intake slowed markedly in 4Q (tractors -23%, combines -20%), although order books remain well above pre-Covid levels, covering production up to 3Q23. Top line guidance hints at +8% sales growth at mid-point, with pricing still the main driver (c.5-6% implicit contribution, lower than Deere's guidance of +9%) and volumes foreseen contributing a low single-digit increase (vs. +4% at Deere). Slightly improved supply chains support CNHI's target for a positive price/cost contribution again in FY23, although focus will be on cost discipline to deliver margin growth (incremental margin seen in line with the historical level of c.20%), offsetting the ongoing inflation effect. Industrial FCF indicated at \$1.3-1.5bn, down from \$1.6bn at FY22 as R&D spend increases (+\$0.3bn YoY).
- **Some caution on FY24 with AG up-cycle cooling:** FY23 guidance stands above the FY24 targets in CNHI's plan, which remain unchanged for now. This implies a slowdown in demand for machinery next year as the AG up-cycle is expected to end.
- **De-listing from Euronext Milan:** yesterday CNHI announced its intention to transition to a single listing on NYSE. The de-listing of its shares from Euronext Milan is targeted by YE23, although depending on the timing of the roll-out of the changes in Italian listing regulations this could slip to early 2024.
- **Change in estimates:** we are raising our FY23-24E forecasts, mainly to reflect: i) a higher FY23E sales estimate (+5% vs. prev., with a higher FY22A base) and a slightly sharper slowdown in FY24E (still +3% vs. prev.); ii) +0.6pp EBIT margin growth in FY23E (vs. +0.3pp prev.) reflecting a 20% incremental margin; iii) slightly lower FS performance. Our forecasts are aligned with FY23 guidance overall.
- **NEUTRAL confirmed; TP €16.5 (from €16.1):** following another strong set of results in 4Q and a series of record quarters for CNHI, market focus seems to have shifted to the potential cooling of demand expected for 2024. Signs of the expected end of the AG up-cycle are starting to appear, such as the pricing contribution declining from the 2H22 peak (+18% for AG) and expectations for slower end-market demand approaching FY24. The change in our TP reflects: i) higher FY22 cash generation (+€0.4 per share); ii) our enhanced estimates (+€0.6); iii) partial roll-over of SOP valuation model (now 50% based on FY24E, -€0.5). We believe the upcoming de-listing from Euronext Milan may bring some selling pressure, further motivating our confirmed NEUTRAL rating. At our TP, the stock would trade at 11.4x P/E '24E, in-line with the 5-year average NTM+1 multiple.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (\$ mn)	19,496	23,537	25,360	24,576	25,008
EBITDA Adj (\$ mn)	2,056	2,764	3,172	3,075	3,197
Net Profit Adj (\$ mn)	1,706	1,994	2,268	2,180	2,261
EPS New Adj (\$)	1.253	1.464	1.665	1.601	1.660
EPS Old Adj (\$)	1.277	1.456	1.577	1.564	
DPS (\$)	0.319	0.392	0.450	0.480	0.498
EV/EBITDA Adj	10.8	6.4	6.3	6.2	5.7
EV/EBIT Adj	12.5	7.2	7.3	7.3	6.6
P/E Adj	13.1	11.2	9.9	10.3	9.9
Div. Yield	1.9%	2.4%	2.7%	2.9%	3.0%
Net Debt/EBITDA Adj	7.6	6.3	5.2	5.1	4.6