

IVECO Group

Sector: Industrials

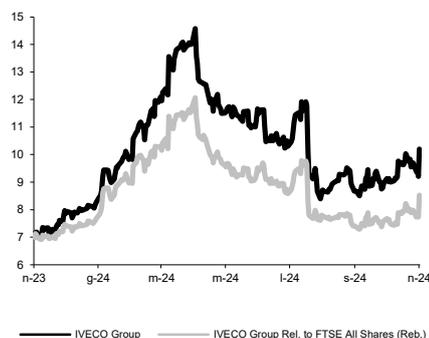
Better than Feared

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 14.80 to 14.20		
	2024E	2025E	2026E
Chg in Adj EPS	8.6%	-7.5%	-7.3%

IVECO Group - 12M Performance



Stock Data

Reuters code:	IVG.MI
Bloomberg code:	IVG IM

Performance	1M	3M	12M
Absolute	11.7%	17.0%	46.1%
Relative	11.2%	10.6%	26.7%
12M (H/L)	14.58/7.02		
3M Average Volume (th):	2,280.13		

Shareholder Data

No. of Ord shares (mn):	272
Total no. of shares (mn):	272
Mkt Cap Ord (Eu mn):	2,778
Total Mkt Cap (Eu mn):	2,778
Mkt Float - Ord (Eu mn):	2,028
Mkt Float (in %):	73.0%
Main Shareholder:	
EXOR NV	27.0%

Balance Sheet Data

Book Value (Eu mn):	2,431
BVPS (Eu):	8.93
P/BV:	1.1
Net Financial Position (Eu mn):	1,941
Enterprise Value (Eu mn):	837

OUTPERFORM

Price: Eu10.20 - Target: Eu14.20

IVG reported EBIT in line with consensus, supported by disciplined pricing, while FCF was better thanks to a faster, but not complete, digestion of the 2Q NWC build-up. FY24 guidance was confirmed, with solid pricing, stronger Bus and Defence growth and OpEx discipline seemingly offsetting lower volumes. The order intake remained low, but management expressed confidence on better momentum due to positive customer feedback. With 2024 set to close essentially on a par with 2023 and an early look at 2025 not suggesting any sharp scenario deterioration, we reaffirm our positive view on the stock. Key to our rating will be higher order intake momentum, ongoing pricing discipline by market participants and FCF delivery. M&A appeal for the Defence unit could unlock further value. TP to €14.2 from €14.8 on lower estimates.

■ **3Q24 results: EBIT in line, net income and FCF better.** 3Q EBIT was in line with consensus, supported by better ForEx & Others, pricing, and lower SG&A and R&D costs, which offset higher product costs (linked to inflation in LatAm and one-off launch costs) and a more negative Vol&Mix. By division, Trucks and Powertrain were weak, partly offset by strong Bus and Defence. Revenues were €3.5bn, -7% YoY, with Vol&Mix -6%, price +2% (mostly in LatAm to cover inflation, solid in EU), ForEx -4%. EBIT was €206mn, -8% YoY, a 6.0% margin. EPS was €0.39 (vs. cons. €0.28) benefitting from lower int. exp. FCF was better (€-286mn vs. -336 exp.) helped by digestion of the 2Q NWC build-up.

■ **2024 guidance confirmed.** Guidance was confirmed: Ind. revenues €15.0bn, -4% YoY, EBIT of €920-970mn (-5/-0% YoY), Ind. EBIT €790-840mn (5.3-5.6% margin) and Ind. FCF €350-400mn (no change in factoring usage). We remind that management embedded a prudent view on 2H (mostly 4Q) pertaining to pricing and volume trends, especially in the M&H Truck segment. Although we believe Trucks volumes will be lower than initially expected, IVG should be able to meet guidance on the back of better pricing net of inflation, strong growth in Bus and Defence, and lower SG&A and R&D.

■ **Order intake: Trucks still weak, but expected to gain momentum.** The book-to-bill ratio for LCVs and M&H improved slightly to 0.68/0.90x vs. 0.64/0.69x in 2Q. However, orders at ~15/9k (tot. ~24k) remained below the recent run-rate, with average deliveries of ~24/10k (tot. ~34.6k) in the last 3 quarters. Management expressed confidence that the order intake for MY24 models will gain momentum in the final stretch of 2024 and into 2025, while assuring pricing discipline will remain strong. This confidence is based on the upgrades to the MY24 line-up and positive feedback received from customers. Bus orders strengthened further, with the backlog covering well into 2026.

■ **A first look at 2025: stable markets, price discipline and spending control.** Management provided a first look at 2025: in the EU (75% of revenues) it expects markets to be flat for LCV and down slightly for M&H. Pricing discipline will be maintained, echoing comments made by industry leaders. Finally, after an in depth-review of the plans, IVG will accelerate implementation of the Efficiency Programme, reprioritising investments and reducing CapEx + OpEx spend without affecting the product plan.

■ **Change in estimates.** We are confirming our 2024 EBIT forecast, assuming a slightly lower 4Q following 3Q results, remaining closer to the low end of the guidance range, while raising our EPS on lower net financial expenses. For 2025, we are cautiously trimming our forecast on the back of lower volumes due to the aforementioned order intake trends, partly offset by better price vs. inflation dynamics, lower OpEx and net financial charges. We are assuming a flattish year as the company navigates this cycle.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	14,124	15,978	14,939	14,926	15,580
EBITDA Adj (Eu mn)	1,232	1,679	1,697	1,711	1,801
Net Profit Adj (Eu mn)	-20	367	441	462	516
EPS New Adj (Eu)	-0.074	1.342	1.621	1.696	1.895
EPS Old Adj (Eu)	-0.074	1.342	1.493	1.833	2.043
DPS (Eu)	0.000	0.220	0.237	0.411	0.474
EV/EBITDA Adj	nm	0.2	0.5	0.3	0.1
EV/EBIT Adj	nm	0.3	0.9	0.5	0.1
P/E Adj	nm	7.6	6.3	6.0	5.4
Div. Yield	0.0%	2.2%	2.3%	4.0%	4.6%
Net Debt/EBITDA Adj	-1.4	-1.1	-1.1	-1.3	-1.5

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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&P500 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:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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

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Emittente	%	Long/Short
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