IVECO Group

NEUTRAL

Sector: Industrials

Price: Eu14.11 - **Target: Eu15.40**

Solid Operating Performance and Defence Unit Upside Now Priced-in

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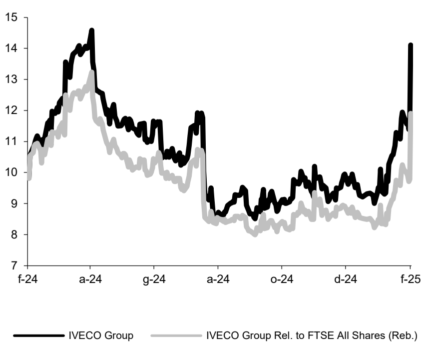
Stock Rating			
Rating:	from OUTPERFORM to NEUTRAL		
Target Price (Eu):	Unchanged		
	2025E	**2026E**	**2027E**
Chg in Adj EPS	3.4%	1.7%	

Next Event
1Q25 Results Out 15th May

IVECO Group - 12M Performance



Stock Data			
Reuters code:			IVG.MI
Bloomberg code:			IVG IM
Performance	**1M**	**3M**	**12M**
Absolute	48.3%	38.3%	42.3%
Relative	42.5%	29.5%	23.6%
12M (H/L)			14.58/8.40
3M Average Volume (th):			3,143.69

Shareholder Data	
No. of Ord shares (mn):	271
Total no. of shares (mn):	271
Mkt Cap Ord (Eu mn):	3,828
Total Mkt Cap (Eu mn):	3,828
Mkt Float - Ord (Eu mn):	2,795
Mkt Float (in %):	73.0%
Main Shareholder:	
EXOR NV	27.0%

Balance Sheet Data	
Book Value (Eu mn):	3,223
BVPS (Eu):	11.88
P/BV:	1.2
Net Financial Position (Eu mn):	-1,842
Enterprise Value (Eu mn):	1,636

While FY24 ended well and FY25 guidance was slightly better than assumed, the main news was the decision to evaluate a spin-off of the Defence unit (IDV). The stock surged on the news, validating our view that a deal would unlock significant value previously overlooked by the market. Also in light of the strong recent performance and the limited upside to our TP, we downgrade the stock to NEUTRAL from Outperform. As the outcome of the spin-off embeds some uncertainties and IVG fundamental performance now more dependent on market development, we believe the risk/reward to be more balanced. TP of €15.4 confirmed.

- **4Q24 results: above estimates.** Results came in above expectations thanks to a stronger contribution from FX & Other, volumes and pricing, partly offset by a worse mix and cost inflation. By division: Trucks and Powertrain (62% and 7% of total) were weak on lower volumes, but better-than-expected, while Bus and Defence (22% and 8% of total) were positive though less than assumed. FY24 FCF was €402mn (vs cons. €358mn).
- **2025 guidance: slightly better than expected, but visibility lower than previous years.** FY25 guidance points to flat industrial revenues at €15.0bn; flat to rising MSD group EBIT at ~€1.0bn (±€25mn); and flat to rising DD FCF of €425mn (±€25mn). These figures are slightly above our / cons. pre-event estimates, reflecting a higher 2024 base as somewhat flattish trends were already envisaged. Key elements:
  - **Volumes:** with the supply chain crisis backlog cleared, FY25 volumes will depend on market trends and IVG's performance. In LCVs, the ongoing transition to MY24 will weigh on 1H, as dealers clear inventories of MY22 vehicles. Orders were ~17k in 4Q, requiring a boost in 2H to reach our FY estimate of 82k (-19% YoY). For M&H, the transition to MY24 vehicles is complete, with growing orders in 4Q at ~12k supporting our estimate (44k, +0% YoY) in a slightly declining market. Bus and Defence backlogs ensure some visibility on growth (+7% and +10% exp.), while Powertrain should remain weak (-6%) due to subdued customer outlooks;
  - **Price&Mix:** prices should hold in Europe with a slight increase at group level to compensate inflation in LatAm. The mix will benefit from the new MY24 line-up and stronger performance of M&H, Bus and Defence vehicles compared to LCVs;
  - **Cost and FX:** in light of cost efficiency programs, we expect OpEx savings, along with contribution from price and FX, to compensate slight cost inflation.
- **Spin-off of Defence (IDV): significant value creation unlocked and now priced-in.** The strong share price reaction post 4Q24 release was mainly driven by the announcement of a potential spin-off the Defence unit (IDV). IDV ended FY24 with revenues of €1.13bn, an EBIT margin of 10% and backlog >€4.5bn. The move aims to simplify the group structure, increase management focus, and create strategic flexibility. Management sees the spin-off as the simplest path, but as the project is still in its early stages no further details were offered (i.e. minimum valuation sought and financial structure). We value IDV at €1.07bn (€4.0/share) based on 8x EV/EBIT, a fair discount vs larger Defence peers (4Y average 11x, current 12.6x). Assuming no deal was priced in prior to the announcement, the potential value creation would have been ~€2.0 per share; given the €2.5 stock surge post-announcement, we see the deal as largely priced in, with further upside dependent on a higher valuation. Ex-Defence, IVG would trade at 4.2x EV/EBIT vs the current 4.7x.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	15,978	15,289	15,208	15,730	16,459
EBITDA Adj (Eu mn)	1,671	1,756	1,765	1,843	1,922
Net Profit Adj (Eu mn)	370	566	537	584	635
EPS New Adj (Eu)	1.353	2.085	1.979	2.152	2.341
EPS Old Adj (Eu)	1.342	1.807	1.914	2.116	
DPS (Eu)	0.220	0.330	0.481	0.538	0.585
EV/EBITDA Adj	0.2	0.6	0.9	0.7	0.3
EV/EBIT Adj	0.3	1.0	1.7	1.2	0.6
P/E Adj	10.4	6.8	7.1	6.6	6.0
Div. Yield	1.6%	2.3%	3.4%	3.8%	4.1%
Net Debt/EBITDA Adj	1.5	1.2	1.0	0.8	0.5

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- 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)

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Frequency of research: quarterly.

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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;

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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:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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