

IVECO Group

Sector: Industrials

OUTPERFORM

Price: Eu10.58 - Target: 14.70

Stronger End to FY23; FY24 Guidance Much Better Than Feared

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Stock Rating

Rating: Unchanged

Target Price (Eu): from 12.50 to 14.70

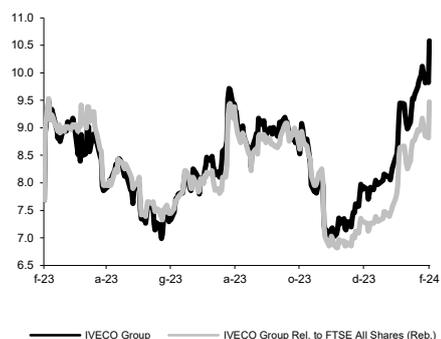
	2024E	2025E	2026E
Chg in Adj EPS	6.9%	5.0%	

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Next Event

 Results Out CMD next 14th of March

IVECO Group - 12M Performance



Stock Data

Reuters code: IVG.MI

Bloomberg code: IVG IM

Performance	1M	3M	12M
Absolute	24.3%	47.3%	37.7%
Relative	21.9%	38.4%	25.8%
12M (H/L)	10.58/6.98		
3M Average Volume (th):	1,983.11		

Shareholder Data

No. of Ord shares (mn): 273

Total no. of shares (mn): 270

Mkt Cap Ord (Eu mn): 2,893

Total Mkt Cap (Eu mn): 2,893

Mkt Float - Ord (Eu mn): 2,112

Mkt Float (in %): 73.0%

Main Shareholder:

EXOR NV 27.0%

Balance Sheet Data

Book Value (Eu mn): 2,724

BVPS (Eu): 10.09

P/BV: 1.0

Net Financial Position (Eu mn): 2,167

Enterprise Value (Eu mn): 690

■ **4Q23 results: well above guidance and expectations.** IVG closed 2023 on a strong note, with operating results and FCF beating forecasts thanks to pricing strength, although the bottom line was burdened by the Argentine peso (ARS). Revenues came to €4.9bn (our estimate/cons. €4.4/4.5bn), +10% YoY, with pricing +8% (vs. +5% exp.), Vol&Mix +19% (vs. +2% exp.) and ForEx -16% (vs. -7% exp.). Adj. EBIT was €264mn (our est./cons. €245/247mn), +27% YoY for a 5.0% margin vs. 4.7% in 4Q22, driven by stronger net pricing that offset higher production costs. Adj. net income was €44mn, -52% YoY, on the back of much higher net financial charges (€196mn vs. €75mn exp.) linked to the ARS devaluation and hyperinflation accounting. FCF was €1.25bn (our est./cons. €1.25/1.13bn) despite higher CapEx. Net cash closed at €1.85bn, slightly below our est./cons. of €1.91/1.95bn due to ARS.

■ **2024 guidance: much better than feared.** IVG indicated 2024 industrial revenues down -5% YoY to of €15.1bn, which thanks to the higher 2023 starting base was in line with expectations. In particular, guidance assumes slightly positive pricing and mix offset by negative industry volumes (LCV flat, M&H, -10/-15%, Bus flat) and negative ForEx due to uncertainty in Argentina. Adj. EBIT is seen at €900-950mn, flat vs. €940mn in FY23 and much better than our est./cons. €866/815mn amid positive net pricing and lower production costs. The industrial adj. EBIT margin is seen flat at 5.3% thanks to stronger Powertrain, Bus and Defence offsetting the slowdown in industry volumes, especially M&H trucks in Europe. FCF is seen at €350-400mn vs. our est./cons. €372/203mn including higher CapEx (€1.0bn vs. €0.8bn) to support the green transition and investments in EVCO (former Iveco-Nikola JV in Germany aimed at electric truck manufacture). All in all, we expect consensus forecasts to increase by 10 to 15%.

■ **From the call: new vehicles; Magirus partnership; Hyundai LCVs; CMD targets.** Further news from the call pointed to positive developments in the equity story. Feedback on new vehicles was positive, especially from new-to-Iveco customers, with an uptick in orders envisaged for 1Q/2Q. New vehicles show a clear improvement on previous versions, enabling pricing (i.e. mix) improvements. The process of finding an equity partner for Magirus is entering its final stages. A deal would be positive for IVG, as Magirus's competitive profile would be reinforced, and any valuation above zero would be SOP-accretive (by ~€0.8 per share if Magirus were valued at ~€70mn). The partnership with Hyundai for the 2.5-3.5t LCV opens a new segment for IVG which targets profitable niches. The CMD should provide greater detail on the different divisions and updated financial targets. We note that the consensus adj. EBIT margin for industrial activities is 5.9% in 2026 vs. the previous target of 5-6%, while IVG already achieved 5.2% in 2023.

■ **OUTPERFORM; target to €14.7.** IVG closed FY23 on a strong note, and more importantly offered FY24 guidance that is much better than feared. The positive price vs. cost inflation trend, a refreshed line-up that offers price&mix opportunities, balanced exposure across segments and management's efforts to improve efficiency are all factors driving improvements in the profitability profile and supporting our positive view on the stock. The potential Magirus transaction and the upgrade to short and medium-term margin guidance are the catalysts we expect to see in the coming months. Target raised from €12.5 to €14.7 on better estimates (+6%). At ~7.0/5.9x NTMA/STMA P/E, the stock is trading at discounts of 40-43% to the historical sector average and 24-30% to peers.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	14,357	16,213	15,735	16,341	16,694
EBITDA Adj (Eu mn)	1,203	1,648	1,699	1,771	-250
Net Profit Adj (Eu mn)	213	336	400	481	519
EPS New Adj (Eu)	0.783	1.229	1.482	1.783	1.920
EPS Old Adj (Eu)	0.783	1.439	1.386	1.697	
DPS (Eu)	0.000	0.220	0.357	0.432	0.467
EV/EBITDA Adj	nm	0.2	0.4	0.2	nm
EV/EBIT Adj	nm	0.4	0.7	0.4	nm
P/E Adj	13.5	8.6	7.1	5.9	5.5
Div. Yield	0.0%	2.1%	3.4%	4.1%	4.4%
Net Debt/EBITDA Adj	-1.4	-1.1	-1.3	-1.4	11.3