IVECO Group

OUTPERFORM

Sector: Industrials

Price: Eu11.74 - **Target: Eu17.70**

Strong 1Q Results; above Guidance Estimates Confirmed

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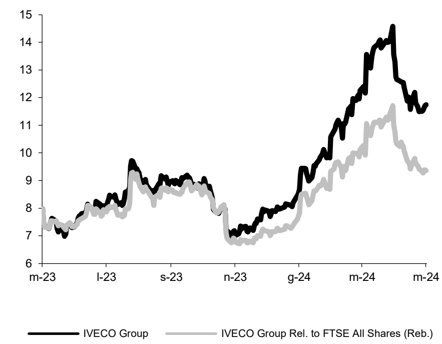
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event:
2Q Results Out 24/07/2024

IVECO Group - 12M Performance



Stock Data			
Reuters code:			IVG.MI
Bloomberg code:			IVG IM
Performance	**1M**	**3M**	**12M**
Absolute	-11.6%	11.0%	47.2%
Relative	-13.4%	0.2%	21.8%
12M (H/L)			14.58/6.98
3M Average Volume (th):			2,182.69

Shareholder Data	
No. of Ord shares (mn):	270
Total no. of shares (mn):	270
Mkt Cap Ord (Eu mn):	3,171
Total Mkt Cap (Eu mn):	3,171
Mkt Float - Ord (Eu mn):	2,315
Mkt Float (in %):	73.0%
Main Shareholder:	
EXOR NV	27.0%

Balance Sheet Data	
Book Value (Eu mn):	2,672
BVPS (Eu):	9.90
P/BV:	1.2
Net Financial Position (Eu mn):	2,213
Enterprise Value (Eu mn):	959

- **1Q24 results smash expectations.** Results were above estimates, with sales and profitability beating forecasts. Group revenues €3.37bn (vs. Interm./cons. at €3.22mn/€3.34mn), in line with recast 1Q23 as positive pricing (+3%) offset negative FX (-3%). Vol&mix just slightly negative as volume growth burdened by adverse group product mix (LCV +32%, but M&H -26% and Bus -7%). Consolidated adj. EBIT at €233mn (6.9% margin; +1.7 pp YoY), vs Interm./cons. at €168mn/€191mn, up +44% YoY on the back of lower production cost and stronger pricing, which more than offset negative vol&mix, SG&A, R&D, and FX headwind. Industrial FCF at €-436mn (vs. Interm./cons. at €-576/€-569mn), was also lower than last year's absorption by €110mn, helped by higher operating results and the reversal of NWC drag caused by a bottleneck at body builders. Net cash closed at €1.28bn.
- **2024 outlook: guidance confirmed.** FY24 guidance was confirmed, with net ind. revenues at ~€15.0bn, down -4% YoY, adj. EBIT/ adj. ind. EBIT of €945/815mn (±€25mn) and ind. FCF of €375mn (±€25mn). The reason for the confirmation of guidance despite the strong 1Q result was caution on the evolution of pricing and volumes in the M&H Truck segment (35% of total) in 2H on a negative market outlook for the segment (-15%). However, we note peers are all providing messages of pricing discipline. On the other hand, the outlook for the LCV market (30% of total) was improved to 0/+5% (vs +0% prev.) with higher resilience given broader end-use diversification. In the Bus and Defence segments (14%/6% of total), the strong backlogs, covering until 1H25 for Bus and more than 4.5y for Defence, bolster management confidence. We therefore confirm our estimates (slightly above top-end of guidance and consensus) pending more visibility on the evolution of the order book and industry pricing.
- **Order for MY24 are coming in "well".** As known, in 2024 IVG will be in the midst of a model changeover in its key LCV and M&H segments. Order books opened recently with backlog purposely shortened to 4 and ~3 months respectively, enforcing tight pricing discipline (prev. ~4.5/4 months and target of 2/2.5 months). MY24 models are well received by customers with 80% and 40% respectively of new orders being for new versions. Both orders and deliveries are expected to gain momentum in 2H as clients start to appreciate the improved capabilities of new vehicles, which we note offer 10% better TCO than previous generation.
- **OUTPERFORM, TP €17.7.** IVG reported another set of strong and above expectation results fully capitalizing on favourable pricing, but also increased industrial efficiency with industrial costs much better than assumed. Though order intake is currently weak, we acknowledge this reflects the model changeover phase and cyclical correction of the M&H truck market. With orders expected to pick-up in the next months, we confirm our rating on the stock as we appreciate the enhanced profitability profile amid management's work to streamline costs and improve the product line-up, offering sustainable mix&price opportunities. We confirm our TP and estimates. The stock trades at 7.0/5.7x PE NTMA/STMA, a 30%/42% discount to current and historical industry averages.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	14,357	16,213	15,587	16,279	16,940
EBITDA Adj (Eu mn)	1,203	1,648	1,758	1,874	1,973
Net Profit Adj (Eu mn)	213	336	417	534	599
EPS New Adj (Eu)	0.783	1.229	1.543	1.979	2.218
EPS Old Adj (Eu)	0.783	1.229	1.543	1.979	2.218
DPS (Eu)	0.000	0.220	0.309	0.482	0.541
EV/EBITDA Adj	nm	0.2	0.5	0.3	0.1
EV/EBIT Adj	nm	0.4	1.0	0.5	0.2
P/E Adj	15.0	9.6	7.6	5.9	5.3
Div. Yield	0.0%	1.9%	2.6%	4.1%	4.6%
Net Debt/EBITDA Adj	-1.4	-1.1	-1.3	-1.4	-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.
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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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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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

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Emittente	%	Long/Short

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