

# IVECO Group

Sector: Industrials

## OUTPERFORM

Price: Eu15.78 - Target: Eu19.50

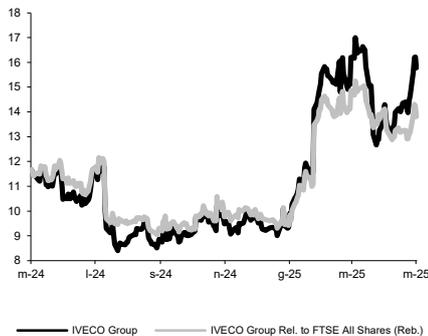
### Defence Momentum and Improved Order Drives the Comeback

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#### Stock Rating

Rating:	from NEUTRAL to OUTPERFORM		
Target Price (Eu):	from 15.40 to 19.50		
	2025E	2026E	2027E
Chg in Adj EPS	4.7%	2.6%	2.7%

#### IVECO Group - 12M Performance



#### Stock Data

Reuters code:	IVG.MI		
Bloomberg code:	IVG IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	10.4%	1.5%	35.2%
Relative	-2.3%	-4.9%	21.2%
12M (H/L)	17.00/8.40		
3M Average Volume (th):	2,413.21		

#### Shareholder Data

No. of Ord shares (mn):	268
Total no. of shares (mn):	268
Mkt Cap Ord (Eu mn):	4,229
Total Mkt Cap (Eu mn):	4,229
Mkt Float - Ord (Eu mn):	3,087
Mkt Float (in %):	73.0%
Main Shareholder:	
EXOR NV	27.0%

#### Balance Sheet Data

Book Value (Eu mn):	3,279
BVPS (Eu):	12.24
P/BV:	1.3
Net Financial Position (Eu mn):	-1,828
Enterprise Value (Eu mn):	5,049

We are upgrading IVG to OUTPERFORM, reversing our February downgrade that followed the rally sparked by the announcement of the IDV spin-off. Since then, investor appetite for defence-related assets has grown markedly, fuelled by accelerating military spending plans. This renewed interest has driven a near doubling in sector valuations, while IVG is now trading only slightly above the level at which we stepped aside. We see our valuation of over €2bn (or €7.9/share) for IDV, above figures cited in press reports, as reasonable in the current market environment, given the discount to peers is even larger than previously. While a sale to the LDO/RHM JV had been our base case, we now view a spin-off as the more likely path.

Our more constructive stance is further supported by the improving order intake, completion of the MY24 vehicle transition, and the reaffirmation of full-year guidance. We are lifting our TP to €19.5 from €15.4, mainly reflecting a higher valuation for the Defence division (+€3.9) alongside other minor adjustments. Excluding Defence, the group would be trading at just 3.2x EV/EBIT—a substantial discount to peers (>50%), which we believe is justified by its lower margins.

■ **1Q25 results: weaker-than-expected, but for a “good reason”.** 1Q results came in below expectations, primarily due to a sharper-than-anticipated drop in volumes for LCVs and less positive pricing. This reflected a faster transition to MY24 LCVs, which on the plus side management says is now complete, with lower production and higher marketing support. By division, Trucks were below, Defence accelerated more than expected, Bus strong and in line and Powertrain weak as expected.

■ **Order intake improving beyond expectations.** As the backlog from the supply chain crisis cleared and with the changeover from MY22 to MY24 vehicles complete in both LCVs and M&H, an improved order intake was anticipated. Orders have risen way beyond expectations, however: LCV/M&H book-to-bill at 1.13/1.29x with orders of ~20/12k hint at a better trend than we previously assumed.

■ **FY25 guidance confirmed.** Despite a weak 1Q, guidance was confirmed as it already embedded a soft 1Q, a gradual recovery in 2Q and a stronger 2H. In light of the improved order intake, focus on cost, discipline on pricing, acceleration in Defence and early signs of recovery in Powertrain, we are now more confident on IVG’s ability to hit guidance. We are therefore now raising our forecast, bringing EBIT in line with the guidance midpoint at €1.0bn, +3% vs. our prev. slightly-below-guidance estimate. The improvement reflects higher estimates for Defence in light of the strong 1Q and increasing production rates, and slightly higher Bus and Powertrain, partly offset by lower Trucks to incorporate weak 1Q, but we are now more confident on future trends.

■ **Strong interest in defence assets and accelerating outlook drives increased valuation for IDV: €2.1bn or €4.0/share.** The structural EU rearmament cycle and the touted increase in NATO spending have driven a sharp re-rating of defence assets. Consequently, we now see greater value in IDV, valuing it at €2.1bn, up from €1.1bn previously (€7.9/share vs. €4.0 prev.) driven by both higher multiples (€+2.8/share) and estimates (€+1.1/share). In particular, we apply a 12.5x EV/EBIT NTMA up from 8.0x previously, but implying a greater discount to defence stocks and closest peer Renk (sector and Renk trading at ~22.5x vs. 12.0x when we downgraded the stock to Neutral in February - discount now ~45% vs. 33%). We still believe the discount is justified by IDV’s field of operation, lower size and profitability. Finally, management confirmed the spin-off by year end while acknowledging preliminary interest from strategic players. In that sense, we note that our valuation is greater than press reports which suggest the LDO/RHM JV would offer €1.5bn, but we believe management may well seek to maximise value for shareholders by pursuing a spin-off at current market conditions.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	15,978	15,289	15,312	15,885	16,622
EBITDA Adj (Eu mn)	1,671	1,756	1,773	1,853	1,933
Net Profit Adj (Eu mn)	370	566	555	592	644
EPS New Adj (Eu)	1.353	2.085	2.072	2.209	2.403
EPS Old Adj (Eu)	1.353	2.085	1.979	2.152	2.341
DPS (Eu)	0.220	0.330	0.505	0.552	0.601
EV/EBITDA Adj	2.0	2.2	2.8	2.6	2.3
EV/EBIT Adj	3.4	3.9	5.1	4.6	4.1
P/E Adj	11.7	7.6	7.6	7.1	6.6
Div. Yield	1.4%	2.1%	3.2%	3.5%	3.8%
Net Debt/EBITDA Adj	1.5	1.2	1.0	0.8	0.4

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- 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 between 5.5%-6.0% 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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As at 31 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM:	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM:	00.00 %
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Emittente	%	Long/Short
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