

IVECO Group

Sector: Industrials

OUTPERFORM

Price: Eu10.87 - Target: Eu15.40

Mix, Bus and Defence Set to Support 2025 Earnings

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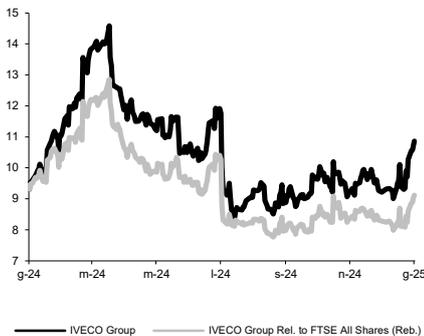
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 14.20 to 15.40		
	2024E	2025E	2026E
Chg in Adj EPS	11.5%	12.9%	11.7%

Next Event

 Results Out 7th February

IVECO Group - 12M Performance



Stock Data

 Reuters code: IVG.MI
 Bloomberg code: IVG IM

Performance	1M	3M	12M
Absolute	17.9%	12.8%	16.7%
Relative	11.2%	8.7%	-2.3%
12M (H/L)	14.58/8.40		
3M Average Volume (th):	2,773.86		

Shareholder Data

No. of Ord shares (mn):	273
Total no. of shares (mn):	273
Mkt Cap Ord (Eu mn):	2,961
Total Mkt Cap (Eu mn):	2,961
Mkt Float - Ord (Eu mn):	2,162
Mkt Float (in %):	73.0%
Main Shareholder:	
EXOR NV	27.0%

Balance Sheet Data

Book Value (Eu mn):	2,916
BVPS (Eu):	10.70
P/BV:	1.0
Net Financial Position (Eu mn):	2,329
Enterprise Value (Eu mn):	632

With 4Q24 results not a major catalyst in themselves, focus will be on the 2025 guidance provided. Our/cons. expectations suggest 2025 will be on a par with/ slightly above 2024 thanks to the mix, with strong Bus and Defence offsetting temporary weakness at LCV and Powertrain. With a strategy aimed at preserving value and orders expected to pick up, we reaffirm our positive view on the stock backed by the enhanced margin profile amid management efforts to streamline costs and improve the line-up. M&A appeal for the Defence unit could unlock further value. TP to €15.4 from €14.2 due to higher operating estimates (+3-4%) and the roll-over to 2025/26, while the EPS increase is explained by the non-devaluation of the Argentinean peso.

■ **4Q24 preview: year to end in line with forecasts.** 4Q24 results should not be a major catalyst by themselves, as guidance has been confirmed and recent messages are supportive. Overall, we see revenues down -12% YoY to €4.23bn, due to weak Trucks, Powertrain and ForEx headwinds only partly offset by solid pricing, Defence and Bus; EBIT at €222mn, -15% YoY for a 5.2% margin, with cost inflation roughly neutral; EPS at €0.20, +40% YoY, due to an easy ForEx comparison after last year's ARS devaluation; FCF of €1.21bn on the usual unwinding of NWC, leading to net cash of €2.0bn.

■ **2025 outlook: new line-up to offset drop in volumes.** For 2025, we forecast revenues and EBIT to remain flat at €15.0bn and €954mn respectively. By division, we see stable Trucks (with M&H compensating LCVs), strong Bus and Defence, supported by their backlogs, offsetting still soft Powertrain due to off-road clients. By driver:

- **Volumes:** -8% driven by weak LCVs (-15%), as IVG is determined to clean dealers' lots of MY22 vehicles to pave the way for a successful transition to MY24, but flat M&H, with the slight market decline to be offset by a catch-up on FY24 underproduction, while the changeover between MY22 and MY24 should have been completed;
- **Mix:** strong high single-digit effect thanks to Defence, Bus, M&H trucks and switch to MY24 vehicles, which we remind have an 8-10% TCO advantage vs. MY22;
- **Price:** marginally positive due to peers' comments on discipline and selectivity on orders;
- **Cost:** we expect minor cost inflation, in line with the pricing contribution, while envisaging some R&D and SG&A headwinds, albeit smaller than in recent years as management reprioritised investments.

■ **Expected order trends: LCVs still subdued, but improving M&H.** Since the unveiling of MY24 vehicles at the end of 2023, orders on LCV/M&H slowed by design to preserve pricing and accommodate a successful phase-out/in (LTM book-to-bill is 0.63/0.65x). With the backlog accumulated during the supply chain crisis essentially zeroed, a key catalyst for the stock would be a recovery in orders. On **LCVs**, we expect orders to remain subdued through 2Q25 as IVG is willing to sacrifice short-term shipments to clear MY22 vehicle inventories. In light of recent sell-through trends (flat through 9M24), an inventory clean-up will necessitate a slowdown in shipments (i.e. orders) which is reflected in our estimates (see above). While this is not an ideal situation, we see the strategy as crucial to preserving value. On **M&H**, the situation seems better on the back of FY24 underproduction (i.e. sell-through should only be down slightly, with IVG gaining market share, while sell-in should be down -25%). We expect orders on M&H to ramp-up soon to over 10k per quarter, supporting our 43k unit sell-in estimate.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	14,124	15,978	14,958	14,955	15,610
EBITDA Adj (Eu mn)	1,232	1,679	1,721	1,747	1,838
Net Profit Adj (Eu mn)	-20	367	492	522	577
EPS New Adj (Eu)	-0.074	1.342	1.807	1.914	2.116
EPS Old Adj (Eu)	-0.074	1.342	1.621	1.696	1.895
DPS (Eu)	0.000	0.220	0.284	0.465	0.529
EV/EBITDA Adj	nm	0.2	0.5	0.4	0.1
EV/EBIT Adj	nm	0.3	0.9	0.7	0.2
P/E Adj	nm	8.1	6.0	5.7	5.1
Div. Yield	0.0%	2.0%	2.6%	4.3%	4.9%
Net Debt/EBITDA Adj	-1.4	-1.1	-1.1	-1.3	-1.5

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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;
- SELL: stock expected to underperform the market by over 25% over a 12 month period.

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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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