

PIAGGIO

Sector: Industrials

OUTPERFORM

Price: Eu4.06 - Target: 4.60

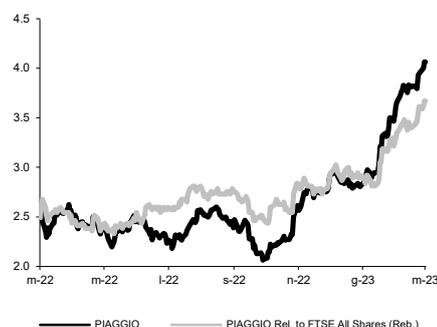
Outstanding APAC and Resilient EMEA Power Optimism on 2023

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 3.80 to 4.60		
	2023E	2024E	2025E
Chg in Adj EPS	22.1%	20.5%	

Next Event
 1Q23 Results Out May 5th 2023

Piaggio - 12M Performance



Stock Data			
Reuters code:	PIA.MI		
Bloomberg code:	PIA IM		
Performance	1M	3M	12M
Absolute	12.3%	39.0%	63.2%
Relative	11.2%	27.8%	52.5%
12M (H/L)	4.06/2.06		
3M Average Volume (th):	761.36		

Shareholder Data	
No. of Ord shares (mn):	354
Total no. of shares (mn):	354
Mkt Cap Ord (Eu mn):	1,438
Total Mkt Cap (Eu mn):	1,438
Mkt Float - Ord (Eu mn):	708
Mkt Float (in %):	49.2%
Main Shareholder:	
IMMSI	50.1%

Balance Sheet Data	
Book Value (Eu mn):	456
BVPS (Eu):	1.29
P/BV:	3.2
Net Financial Position (Eu mn):	-325
Enterprise Value (Eu mn):	1,763

- Final 4Q22 results beat consensus:** outstanding growth in APAC (+63%) was the main driver of the continued solid top line rise in 4Q (+32%/+29% org.), as foreseen in the preliminary release in January. Although still dented by input cost inflation, 4Q margins also beat forecasts, with EBITDA up +29% YoY to €61mn, a 13.3% margin (vs. cons. €55mn/12.0%), EBIT up +57% to €24mn, a 5.2% margin (vs. cons. €19mn/4.2%) and net income up +65% to €14mn (vs. cons. €10mn). Net debt was broadly in line at €368mn, however (our estimate €366, cons. €361mn). PIA will also pay a €0.10 final DPS, i.e. a total FY22 DPS of €0.185 (vs. our €0.17 estimate).
- Current visibility points to demand remaining solid across the board:** volumes growth will be the main driver for 2023, as no material price increases are planned. APAC, and especially the Vietnam, Indonesia, Philippines and Thailand markets, should continue to grow at double-digit rates, while some caution remains on China for now. The good start to the year for PIA's main EU 2W markets (Italy 2W market +28% in Jan-Feb) may provide more grounds for optimism on 2023 ahead of the March-September high season (c.70% of annual volumes historically). Our estimates and consensus previously pointed to a -6/7% volume drop in EMEA, reflecting fears of a potential recessionary scenario undermining 2W demand. A flat 2W market scenario now appears more likely, however. Reportedly positive Jan-Feb market data also bode well for rebounding LCV demand in India.
- Room for ample upward revision to consensus EBITDA:** while no precise guidance was provided, FY23 consensus EBITDA of €312mn was described as "low-hanging fruit", implying ample room for estimates to be raised. Indeed, in addition to the solid demand environment, optimism on PIA's earnings is also fuelled by the visible normalisation of freight costs (c.€15mn of extra costs in 2022) and energy costs (c.€5mn extra in 2022), and a steady tax rate YoY at 33% (previous estimate 35%). Cash generation should remain solid, helped by declining WC YoY (we expect a €35mn positive FCF contribution from WC in FY23) amid falling inventories.
- Further capacity investments in APAC:** PIA is investing c.\$80mn over the next 4 years to increase the Vietnam plant capacity to 400k units (vs. c.250k currently). We see this as a further sign of the strength of local demand. This comes on top of the previous CapEx plan (€150mn p.a.); PIA now sees FY23 CapEx closer to €170mn.
- Change in estimates:** a +22%/+20% revision to our 2023/24E EPS forecasts reflects the operating leverage unlocked by expectations for better 2W volumes in EMEA (now +1% vs. -6% previously) and faster APAC growth (volumes now +20% vs. +12% previously), helped by the c.€20mn YoY reduction in freight/energy costs.
- OUTPERFORM confirmed, target €4.6 (from €3.8):** the stars seem to be aligned for a record-breaking 2023, and we confirm our positive stance on the stock. Multiple supportive growth factors in a positive end-market environment bode well for margin enhancement. Although the stock is at an all-time high and has delivered +45% YTD, we still see room for appreciation looking at multiples based on our new estimates: PIA is trading at 12.7x/10.7x P/E on '23E/'24E, still at a c.10% discount to 3Y average multiples and at a 25% discount to peer Pierer Mobility.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,669	2,087	2,184	2,308	2,425
EBITDA Adj (Eu mn)	241	298	335	363	395
Net Profit Adj (Eu mn)	60	85	114	134	154
EPS New Adj (Eu)	0.168	0.239	0.321	0.378	0.434
EPS Old Adj (Eu)	0.168	0.228	0.263	0.314	
DPS (Eu)	0.150	0.185	0.225	0.265	0.304
EV/EBITDA Adj	6.2	4.2	5.3	4.8	4.3
EV/EBIT Adj	13.3	8.0	9.1	7.9	6.8
P/E Adj	24.2	17.0	12.7	10.7	9.4
Div. Yield	3.7%	4.6%	5.5%	6.5%	7.5%
Net Debt/EBITDA Adj	1.6	1.2	1.0	0.8	0.6

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