

PIAGGIO

Sector: Industrials

OUTPERFORM

Price: Eu2.96 - Target: Eu3.90

Issues Affecting 2H23 Seem Transitory; Recovery Seen in 2024

 Gianluca Bertuzzo +39-02-77115.429
 gianluca.bertuzzo@intermonte.it

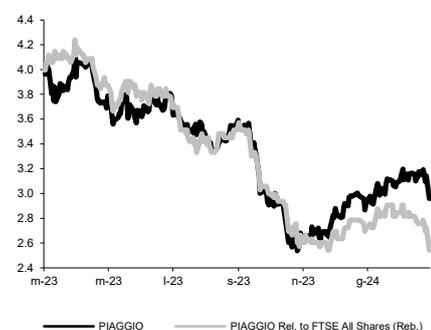
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 3.60 to 3.90		
	2024E	2025E	2026E
Chg in Adj EPS	-8.7%	-6.8%	

Next Event

 1Q24 Results Out 9th of May

PIAGGIO - 12M Performance



Stock Data

Reuters code:	PIA.MI
Bloomberg code:	PIA IM

Performance	1M	3M	12M
Absolute	-4.2%	4.7%	-23.9%
Relative	-10.8%	-5.2%	-40.3%
12M (H/L)		4.10/2.54	
3M Average Volume (th):		882.98	

Shareholder Data

No. of Ord shares (mn):	355
Total no. of shares (mn):	355
Mkt Cap Ord (Eu mn):	1,049
Total Mkt Cap (Eu mn):	1,049
Mkt Float - Ord (Eu mn):	516
Mkt Float (in %):	49.2%
Main Shareholder:	
IMMSI	50.1%

Balance Sheet Data

Book Value (Eu mn):	448
BVPS (Eu):	1.26
P/BV:	2.3
Net Financial Position (Eu mn):	-423
Enterprise Value (Eu mn):	1,471

■ **4Q23 results below forecast due to weak APAC and de-stocking in Europe.** PIA reported 4Q23 results below expectations due to lower two-wheeler volumes, especially in APAC and Europe. Revenues were €368mn (our/cons. €412/415mn), -20% YoY on the back of volumes down -22% YoY. As noted, volume suffered from the steep decline in APAC (-53%) due to a weak China (contagion from the real estate slump) and Vietnam (subdued macro and new anti-corruption rules), and in Europe (-21%), where the group de-stocked dealers to prepare for new models, also in light of new legislation. EBITDA was €56mn (our/cons. €62/60mn), -9% YoY, with a 15.1% margin, up 1.8pp YoY due to lower volumes partly offset by lower central and industrial costs. Net income was €5mn, leading to a FY23 figure of €91mn, +7% YoY thanks to a strong 1H. Net debt closed at €434mn (our/cons. €377/384mn) on adverse NWC dynamics consisting of higher payables.

■ **2024 outlook: management aiming to confirm consensus estimates of MSD EBITDA growth.** For 2024, management is aiming to achieve consensus estimates that point to EBITDA of ~€340mn (+5%), indicating that revenues may be a touch lower than the €2.12bn expected, offset by higher profitability (around 2023 levels of 16.3%). We estimate revenues of €2.06bn (+3% YoY) driven by a marginal volume increase and a positive mix helped by new model launches. The slight volume uptick is driven by India, seen up +5% (27% of group), stable volumes in Europe (43% of group), an increase in Americas (4% of total), but offset by a decline in APAC (-4%, 26% of total), where China and Vietnam are expected to report a weak start to the year before recovering in 2H. EBITDA is now projected at €339mn, +4% YoY for a 16.5% margin, +0.2pp YoY thanks to mix, partly offset by some cost inflation. In terms of net debt, we assume a marginal decline to €424mn with FCF of €82mn covering the €73mn dividend payout.

■ **Change in estimates.** We cut our forecast on the back of lower volumes, especially in APAC, partly offset by lower central costs, resulting in a -4% cut to 24/25 EBITDA. Also in light of higher net financial charges on a rise in net debt, our EPS goes to €0.30/0.35 in FY24/25 or -8% on average compared to the previous estimate.

■ **OUTPERFORM; TP to €3.9.** After a strong start to 2023, PIA reported figures below expectations in 2H23 on the back of weak market trends in APAC and the company-driven de-stocking in Europe. However, we consider both these issues to be transitory, with APAC expected to recover from late 2Q/3Q24 and the Europe de-stocking to be preparatory for new models, protecting pricing and profitability. We therefore confirm our positive view on the stock as we appreciate management's strategy of focusing on brand equity and on profitability, including through efficiencies as evident from the improved and record EBITDA margin for 2023 (16.3%, +2.0pp YoY). Our TP goes to €3.9 from €3.6, with the increase driven by the reduction in the risk-free rate to 4.0% from 4.5% (WACC 9.0% vs 9.3% prev.) and the cut in estimates being offset by the roll-over to 24/25 (from 23/24/25 prev.). In terms of the valuation, we find the stock attractive as it trades at a significant discount to both its history (-30/-40% vs 5/10y average) and peers.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	2,088	1,995	2,060	2,159	2,276
EBITDA Adj (Eu mn)	298	325	340	366	397
Net Profit Adj (Eu mn)	85	91	105	125	147
EPS New Adj (Eu)	0.239	0.257	0.296	0.353	0.414
EPS Old Adj (Eu)	0.239	0.263	0.324	0.379	
DPS (Eu)	0.225	0.205	0.237	0.283	0.331
EV/EBITDA Adj	4.2	5.1	4.3	4.0	3.7
EV/EBIT Adj	8.0	9.1	7.6	6.6	5.8
P/E Adj	12.4	11.5	10.0	8.4	7.1
Div. Yield	7.6%	6.9%	8.0%	9.6%	11.2%
Net Debt/EBITDA Adj	1.2	1.3	1.2	1.1	1.0

DISCLAIMER (for more details go to [DISCLAIMER](#))

IMPORTANT DISCLOSURES

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website www.intermonte.it under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Brasil Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certifies that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Brasil Plural Securities LLC, 545 Madison Avenue, New York 10022.

GUIDE TO FUNDAMENTAL RESEARCH

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.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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.

Explanation of our ratings system:

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

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 December 2023 Intermonte's Research Department covered 117 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (51 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:

Intermonte is acting as financial advisor to SAES Getters in relation to the partial voluntary tender offer on ordinary treasury shares.

Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Cy4Gate, Esprinet, GPI, Greenthesis (formerly Ambientthesis), Growens, Illimity Bank, Maire Tecnimont, SAES Getters, Tinexta, Unidata and WIIT.

Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.

Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Aedes, Alkemy, Anima Holding, Antares Vision, Aquafil, Avio, Banca Ifis, Banca Sistema, Civitanavi Systems, Cyberoo, Cy4gate, DeA Capital, ElEn, Elica, Emak, Esprinet, Expert AI, Fimit - Fondo Alpha, Fine Foods, Franchi Umberto Marmi, Go Internet, GPI, Greenthesis (formerly Ambientthesis), IEG, Iervolino & Lady Bacardi Entertainment, IndelB, Intred, Luvè, Matica Fintec, Mondadori, Notorious Pictures, Omer, Pharmanutra, Reevo, Relatech, Reply, Revo Insurance, Sababa Security, Saes Getters, Salcef, Sciuker Frames, Servizi Italia, Sesa, Seri Industrial, Somec, Talea, Tamburi, Tinexta, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIIT.

Intermonte SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema.

Intermonte SIM performs as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Finenco, FCA, FTMIB, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STI, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.

Intermonte SIM, Intermonte SIM, through Websim, which constitute the digital division of Intermonte, acts as a Financial Content Provider on the following companies: Abitare In, Alkemy, Banca Sistema, Bifire S.P.A., B&C Speakers, Cleanbnb, Crowdfundme, Cy4gate, Cyberoo, Digital Bros, Digital Magics, Doxee, Ediliziacrobatica Spa, Eles, Elica, Emak, Esi, Esprinet, Eviso, Fae Technology, Fiera Milano, Fope, FOS, Franchi Umberto Marmi, Giglio Group, GPI, Intercos, Intred, Lventure Group, Maps, Masi Agricola, Matica Fintec, Neodecortech, Notorious Pictures, Osai Automation System, Racing Force Group, Relatech, Reti, Sciuker Frames, Solid World Group, Spindox Digital Soul, Tamburi, Tesmec, Tinexta, Tps Group, Trendevice, Ulisse Biomed, Wiit.

Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short

© Copyright 2024 by Intermonte SIM - All rights reserved

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of Intermonte SIM are provided to its clients only. If you are not a client of Intermonte SIM and receive emailed, faxed or copied versions of the reports from a source other than Intermonte SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of Intermonte SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid.

Intermonte Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [MIFID](#)

Further information is available