

PIAGGIO

Sector: Industrials

OUTPERFORM

Price: Eu2.86 - Target: Eu3.70

Strong Profitability in 1Q; Growth to Resume from 2H

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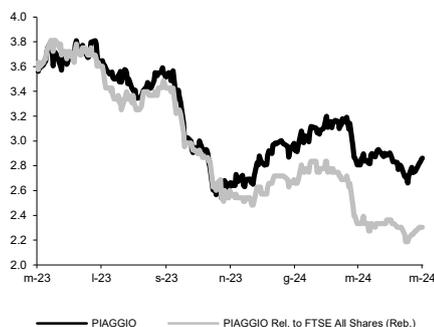
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 3.90 to 3.70		
	2024E	2025E	2026E
Chg in Adj EPS	-7.6%	-3.4%	-3.2%

Next Event

Results Out 29/07/2024

PIAGGIO - 12M Performance



Stock Data

Reuters code:	PIA.MI		
Bloomberg code:	PIA IM		
Performance	1M	3M	12M
Absolute	-0.7%	-8.0%	-21.2%
Relative	-1.9%	-17.9%	-45.1%
12M (H/L)	3.81/2.54		
3M Average Volume (th):	1,009.02		

Shareholder Data

No. of Ord shares (mn):	355
Total no. of shares (mn):	355
Mkt Cap Ord (Eu mn):	1,015
Total Mkt Cap (Eu mn):	1,015
Mkt Float - Ord (Eu mn):	499
Mkt Float (in %):	49.2%
Main Shareholder:	
IMMSI	50.1%

Balance Sheet Data

Book Value (Eu mn):	440
BVPS (Eu):	1.24
P/BV:	2.3
Net Financial Position (Eu mn):	-405
Enterprise Value (Eu mn):	1,419

- 1Q24 results: lower sales, but strong margins.** 1Q24 earnings came in above expectations on the back of higher profitability, as sales were even weaker than forecast. Revenues were €428mn (vs. our/cons. at €463mn/460mn), down -21% YoY, burdened by a -22% drop in volumes (vs. -19% exp.) while ARPU was up +1% (vs. +4% exp., incl. ForEx -1%). Compared to our forecast, the negative surprise is attributable to EMEA (-17% vs. -11% exp.) as de-stocking was larger than assumed in 2 wheelers and the mix was negatively affected by model changeovers in commercial vehicles. APAC was weak, down -43%, but in line with forecasts. EBITDA was €75mn (vs. our/cons. at €69/70mn), down -7% YoY with a margin of 17.6%, up from 14.9% in 1Q23. EBITDA resilience was achieved thanks to lower industrial and central costs, and solid price&mix, which almost entirely offset lower volumes. Net income came to €19mn, down -22% YoY due to slightly higher finance charges and tax rate. Net debt was €498mn vs. €434mn at YE and our/cons. €519/495mn as higher DPO offset higher DOI to avoid potential disruption from the Red Sea conflict.
- 2024 guidance: revenues roughly flat, strong profitability.** Management targets ending the year with roughly flat revenues (vs. our/cons. +3/+2%) while keeping margins at the levels achieved in recent months (EBITDA margin ~17%). All in all, if the decline in sales is less than or equal to 3%, we see EBITDA consistent with current consensus forecasts and flat YoY. Net debt seen at ~€400mn vs. our/cons. €423/441mn.
- APAC showing signs of stabilisation, comparison to ease from 2Q and new comm. vehicle launches in 2H to support EMEA.** We note that management is seeing signs of stabilisation in APAC and expects the market to resume growth by 3Q. In EMEA the comparison base is becoming easier, and volumes should now start to closely follow sell-through numbers, suggesting de-stocking is almost over. On commercial vehicles, the launches planned for 2H should support a recovery.
- Change in estimates:** we are cutting our 2024-26 estimates by -5% on the back of lower volumes, mainly in EMEA, higher net financial charges and D&A, partly offset by lower central and industrial costs. Overall, we are assuming revenues down -1.5% given weaker 1Q sales, a slightly later-than-expected recovery in APAC and some caution in EMEA due to ongoing destocking, but assume an EBITDA margin at 17.1% given the value over volume strategy and good 1Q performance on costs.
- OUTPERFORM; target to €3.7.** Despite strong profitability, PIA's stock is almost flat YTD (-1%) and is trading at near-trough multiples (~4.2x EV/EBITDA and 10x P/E). We attribute this to weak volume and revenue trends due to soft APAC markets (and over-stocking in 2H22/1Q23) and deliberate de-stocking in EMEA. Although 2Q should not be the quarter for positive revenue trends, it should show clear signs of improvement before growth resumes in 2H. We therefore confirm our positive view on the stock as we appreciate management's strategy of focusing on brand equity and profitability, including through efficiency gains, as demonstrated by the improved EBITDA margin, now at record levels. TP to €3.7 from €3.9 on the back of lower estimates.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	2,088	1,995	1,966	2,060	2,173
EBITDA Adj (Eu mn)	298	325	335	361	391
Net Profit Adj (Eu mn)	85	91	97	121	142
EPS New Adj (Eu)	0.239	0.257	0.273	0.342	0.401
EPS Old Adj (Eu)	0.239	0.257	0.296	0.353	0.414
DPS (Eu)	0.225	0.205	0.219	0.273	0.321
EV/EBITDA Adj	4.2	5.1	4.2	3.9	3.5
EV/EBIT Adj	8.0	9.1	7.6	6.6	5.6
P/E Adj	12.0	11.1	10.5	8.4	7.1
Div. Yield	7.9%	7.2%	7.6%	9.5%	11.2%
Net Debt/EBITDA Adj	1.2	1.3	1.2	1.1	0.9

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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)
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- 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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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;

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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emitente	%	Long/Short
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