Intermonte

Milan, 30 July 2024

Italian Equity Research – 2Q24 Results

PIAGGIO

OUTPERFORM

Sector: Industrials

Price: Eu2.55 - **Target: Eu3.20**

Softer Than Anticipated H2 Rebound

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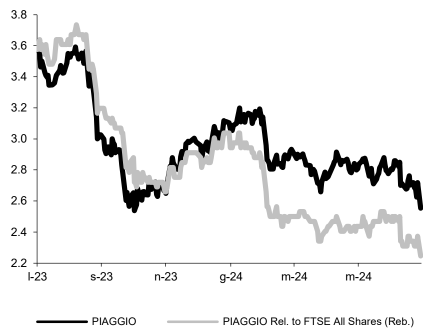
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 3.70 to 3.20
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-15.3%	-10.7%	-9.5%

PIAGGIO - 12M Performance



Stock Data			
Reuters code:			PIA.MI
Bloomberg code:			PIA IM
Performance	**1M**	**3M**	**12M**
Absolute	-8.0%	-8.3%	-26.5%
Relative	-9.4%	-6.5%	-40.1%
12M (H/L)			3.59/2.54
3M Average Volume (th):			755.14

Shareholder Data	
No. of Ord shares (mn):	355
Total no. of shares (mn):	355
Mkt Cap Ord (Eu mn):	905
Total Mkt Cap (Eu mn):	905
Mkt Float - Ord (Eu mn):	445
Mkt Float (in %):	49.2%
Main Shareholder:	
IMMSI	50.1%

Balance Sheet Data	
Book Value (Eu mn):	426
BVPS (Eu):	1.20
P/BV:	2.1
Net Financial Position (Eu mn):	-413
Enterprise Value (Eu mn):	1,319

PIA reported 2Q24 results below our forecast amid lower volumes in EMEA & Americas (62% of revenues) and APAC (19% of revenues), due respectively to de-stocking and weak premium market trends, while India grew but less than expected. More importantly, the rebound envisaged for H2 will be lower than previously assumed as management targets a further reduction in inventory in EMEA, some APAC markets remain soft (i.e. China), and new vehicle launches will not be the silver bullet. Nevertheless, we confirm our OUTP. rating: despite weakening market conditions, we appreciate management's strategy of focusing on brand equity and profitability, including through efficiency gains. Key catalysts for the stock will be the confirmation of the H2 recovery and growth in 2025. TP to €3.2 (-13%) on lower estimates, while the stock trades at 4.2x 2024 EV/EBITDA.

- **2Q24 results in line with consensus but below our forecast.** 2Q24 results were in line with consensus but below our forecasts, mainly on the back of lower volumes in EMEA and APAC for 2-wheelers and in India for Comm. Vehicles (-7%/-33%/+14% YoY vs our -5%/-31%/+15%). Revenues were €562mn vs our/cons. at €578/ 565mn, down -10% YoY as a result of negative volumes at -12% and ARPU +2%. EBITDA was €98mn vs our/cons. €102/98mn, down -11% YoY for a 17.5% margin, up 110bps. The decline was driven by lower volumes only partly offset by lower central costs. Net profit was €33mn, -18% YoY, vs our/cons. €38/33mn on higher net financial charges. Net debt was €408mn, better than our/cons. €460/426mn amid longer payment times to suppliers.
- **2024 outlook: H2 recovery weaker than expected.** Entering results, both our / consensus forecasts assumed a rebound in H2. This was expected mainly on the back of the easy comparison base as, from the end of 2Q23, PIA had started to destock in Europe, and APAC markets had begun to deteriorate. However, management says that the de-stocking will continue in Europe (EMEA & Americas 62% of revenues) and although APAC (19% of revenues) is seen as improving, it is not expected to "recover overall" with some markets remaining weak (i.e. China). In terms of profitability, EBITDA margin is expected to be "stable/slightly up" for the full year which, in light of the 1H improvement of 110bps, suggests a broadly flattish trend YoY in H2. All in all, we still assume a rebound in H2, but lower than previously forecast, with margins also slightly down YoY due to lower operating leverage. We estimate H2 revenue of +4% YoY and EBITDA of €140mn, +5% YoY and a 16.2% margin (flat YoY).
- **Change in estimate.** We are lowering our EPS by -12% on average in 2024/25/26 due to lower volumes, especially in EMEA and APAC amid a lower 1H result and a 24H2 recovery, and higher financial charges.
- **OUTP., TP €3.2.** We confirm our view on the stock as we appreciate management's strategy of focusing on brand equity and profitability, including through efficiency gains. Once the 24 H2/2025 growth trajectory becomes more visible, we believe the shares will outperform the market, also in light of its appealing valuation of 4.2/3.9x EV/EBITDA 24/25 vs 6.2/5.5x on average for the last 10 y.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	2,088	1,995	1,854	1,949	2,062
EBITDA Adj (Eu mn)	298	325	314	339	367
Net Profit Adj (Eu mn)	85	91	82	108	129
EPS New Adj (Eu)	0.239	0.257	0.231	0.305	0.363
EPS Old Adj (Eu)	0.239	0.257	0.273	0.342	0.401
DPS (Eu)	0.225	0.205	0.194	0.244	0.290
EV/EBITDA Adj	4.2	5.1	4.2	3.9	3.5
EV/EBIT Adj	8.0	9.1	7.7	6.6	5.8
P/E Adj	10.7	9.9	11.0	8.4	7.0
Div. Yield	8.8%	8.0%	7.6%	9.6%	11.4%
Net Debt/EBITDA Adj	1.2	1.3	1.3	1.2	1.1

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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)
- 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&PMIB40 Index, most of those on the MIDEX 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.
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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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BUY:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

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

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Emittente	%	Long/Short

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