

PIAGGIO

Sector: Industrials

OUTPERFORM

Price: Eu2.65 - Target: Eu3.60

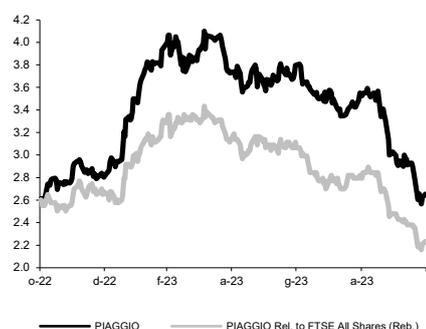
Strategy Focused on Brand Equity and Efficiencies to Drive Strong Margins

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 4.60 to 3.60		
	2023E	2024E	2025E
Chg in Adj EPS	-18.1%	-14.4%	-12.6%

PIAGGIO - 12M Performance



Stock Data

Reuters code:	PIA.MI
Bloomberg code:	PIA IM

Performance	1M	3M	12M
Absolute	-12.3%	-23.6%	6.1%
Relative	-8.9%	-15.9%	-12.9%
12M (H/L)	4.10/2.56		
3M Average Volume (th):	580.67		

Shareholder Data

No. of Ord shares (mn):	355
Total no. of shares (mn):	355
Mkt Cap Ord (Eu mn):	942
Total Mkt Cap (Eu mn):	942
Mkt Float - Ord (Eu mn):	464
Mkt Float (in %):	49.2%
Main Shareholder:	
IMMSI	50.1%

Balance Sheet Data

Book Value (Eu mn):	430
BVPS (Eu):	1.21
P/BV:	2.2
Net Financial Position (Eu mn):	-377
Enterprise Value (Eu mn):	1,319

- **Soft 3Q23 results.** After reporting a very strong 1H23 with revenues and EBITDA up by +11% and +26% YoY respectively, PIA reported a soft set of results for 3Q23.
 - Revenues fell by -21% YoY on the back of weak volumes (-23%) only partly offset by solid ASP +3%, or ~+7% net of FX effect. Volumes were down: in EMEA (-19%, 59% of total) because the group intentionally de-stocked dealers to prepare for new model launches (not a particular problem as the 2W sell-out grew +6% and market share was stable), and in APAC (-42%, 25% of total) due to weak China & Vietnam (around half of the region) amid subdued macro backdrop;
 - Despite the fall in revenues, EBITDA was down only -7% YoY to €78mn (our/cons. est. at €79/80mn) with the margin at a record 17.2% (+2.5pp YoY). The result was achieved thanks to lower unit costs (freight, energy & efficiencies) and a positive price&mix that at least partly offset the negative volume and FX effects.
 - Net income was €21mn (our/cons. est. €24/22mn), -18% YoY, on higher interest expenses and a 34% tax rate. Net debt closed in line with expectations at €389mn.
- **2023 outlook: management confident of double-digit EBITDA growth.** While expectations were more bullish at the start of the year, management realized that market conditions started to deteriorate from April, mainly in APAC. Nevertheless, management feels confident of achieving double-digit EBITDA growth in 2023 at €330mn (our/cons. est. €335/340mn), even on lower sales volumes. Indeed, while the APAC market is expected to remain weak, the self-inflicted 3Q23 de-stocking in Europe gives the company the opportunity to preserve pricing in a more difficult market environment in which peers have started to discount stock, and to prepare for new model launches (compliant with new regulations). Overall, we assume sequentially better results in 4Q (revenue -11%, EBITDA +1%) due to less aggressive de-stocking in EMEA (-1%), an easier comparison base in India (8% of total), but still weak APAC (-39%).
- **New CEO makes positive impression.** Following the death of R. Colaninno in August, PIA's BoD appointed Roberto's sons Michele and Matteo as CEO and Executive Chairman respectively. Michele (CEO), who was already chief executive of global strategy, products, marketing, and innovation, made a good impression during his first conference call: he broadly reiterated the group strategy with the emphasis on value rather than volume and a sharp focus on brand equity.
- **Change in estimates.** We are cutting our EPS by -15% on average between 23-25, mainly on higher interest expenses (~60%) and lower operating estimates (~40%) due to lower market volumes and higher D&A, partly offset by a better ASP and lower cost per unit.
- **OUTPERFORM; TP to €3.6.** After the strong 2022 and 1H23, the weaker macro backdrop is crimping demand, mostly in APAC. Nevertheless, we confirm our positive view on the stock as we appreciate management's strategy of focusing on brand equity (i.e. not discounting vehicles, keeping dealer stock at the right level) and enhancing profitability, including through efficiencies as evident from the strongly improved and record EBITDA margin (2023 >16%). Despite the cut in the TP to €3.6 from €4.6 (~50/50 estimates/WACC), we confirm our OUPF. rating on the almost 40% upside and discount to peers (30% on EV/EBIT, 22% on P/E).

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,669	2,088	2,038	2,148	2,251
EBITDA Adj (Eu mn)	241	298	331	353	381
Net Profit Adj (Eu mn)	60	85	93	115	135
EPS New Adj (Eu)	0.168	0.239	0.263	0.324	0.379
EPS Old Adj (Eu)	0.168	0.239	0.321	0.378	0.434
DPS (Eu)	0.150	0.225	0.210	0.259	0.304
EV/EBITDA Adj	6.2	4.2	4.0	3.7	3.3
EV/EBIT Adj	13.3	8.0	7.2	6.3	5.5
P/E Adj	15.8	11.1	10.1	8.2	7.0
Div. Yield	5.7%	8.5%	7.9%	9.8%	11.4%
Net Debt/EBITDA Adj	1.6	1.2	1.1	1.0	0.9