

PIRELLI & C

Sector: *Industrials*

OUTPERFORM

Price: Eu6.14 - Target: Eu7.60

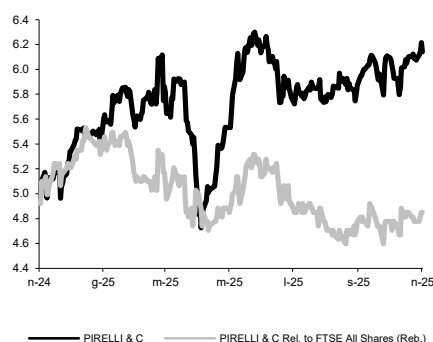
Another Solid Quarter with Stronger Visibility on Guidance

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 7.10 to 7.60		
	2025E	2026E	2027E
Chg in Adj EPS	0.4%	0.4%	0.4%

PIRELLI & C - 12M Performance



Stock Data

Reuters code:	PIRC.MI		
Bloomberg code:	PIRC IM		
Performance	1M	3M	12M
Absolute	0.8%	7.0%	24.8%
Relative	1.2%	2.3%	-1.8%
12M (H/L)	6.30/4.73		
3M Average Volume (th):	1,920.36		

Shareholder Data

No. of Ord shares (mn):	1,000
Total no. of shares (mn):	1,000
Mkt Cap Ord (Eu mn):	6,142
Total Mkt Cap (Eu mn):	6,142
Mkt Float - Ord (Eu mn):	1,682
Mkt Float (in %):	27.4%
Main Shareholder:	
Marco Polo International Italy Srl	37.0%

Balance Sheet Data

Book Value (Eu mn):	5,784
BVPS (Eu):	5.97
P/BV:	1.0
Net Financial Position (Eu mn):	-1,606
Enterprise Value (Eu mn):	7,748

PIRC delivered another set of solid results with guidance confirmed and becoming even more visible. No news on corporate governance, but we remain confident a solution will be found despite the timing remaining uncertain. Although the overhang from that situation is likely to persist, with a 20% discount to peers on EV/EBIT, we reiterate our positive view on PIRC as we appreciate its exposure to more resilient demand and strong execution. TP to €7.6 from €7.1 due to a lower risk-free rate (3.5% vs 4.0% prev.).

■ **3Q25 results: marginally better.** PIRC reported solid and marginally better-than-expected results supported by a solid commercial performance, stronger-than-anticipated efficiencies offsetting FX, cost inflation and the impact of tariffs.

- **Revenues €1.70bn, in line vs our/cons 1.70/1.70**, -2% YoY with organic growth +2.4% (o/w volume -1.5%; price/mix +3.9%), FX -4.3% and scope -0.4% (sale of Däckia AB, tyre distribution in Sweden). High-Value volumes up +5% (vs +5% exp.), reflecting a slight outperformance by PIRC vs its reference market (+3%), while Standard Value was down ~-14% (vs ~-13% exp.) as PIRC continued to focus on more profitable products and channels, especially in South America (12% of 2024 revenue);
- **Adj. EBIT €277mn, a bit better than our/cons. 274/272mn**, +1% YoY for a 16.3% margin, as higher efficiencies and lower raw material headwinds more than offset slightly lower volume, the contribution of price&mix, and a higher FX headwind. Adj. net income €153mn, -2% YoY, vs our €150mn.
- **Net debt €2.54bn vs our/cons. 2.53/2.54**, improving from €2.68bn in 1H25, reflecting FCF of €144mn vs our 147.

■ **2025 guidance confirmed with minimal tweaks to drivers.** FY25 guidance was confirmed with minimal tweaks to volumes at +0.5% vs +1% prev., price/mix at +3.5/4.0% vs +3.0/3.5%, ForEx at -4% vs -4.5/-4.0% prev. and scope at -0.5% vs 0% prev. On the tariff front, the €60/30mn gross/net impact has been confirmed based on today's rate scenario, with marginal upside from a lower rate in Brazil (now at 25% while discussions are ongoing). Guidance points to revenues at €6.75bn (±0.05, vs our/cons. 6.76/6.76), the EBIT margin at ~16.0% (vs our/cons 15.9/15.9%) for EBIT of ~€1.08bn, and FCF of ~€550mn (vs our/cons. ~541/553mn).

■ **From the call. 2026 outlook:** too early to give precise figures, but HV seen still growing MSD, SV to reflect reduction of presence in unprofitable segments, and OEM production volatile; raw material could be a tailwind especially in 1H, but likely offset by annualization of tariff effect. **Corporate Governance:** government working to resolve the issue. Management not considering an extraordinary transaction funded with shares to dilute the Chinese presence; **Capital Allocation:** M&A not part of strategy, while strong cash flow generation offers optionality beyond deleverage; **Inventories:** normalized across geographies and products, except for winter tyres in EU but due to seasonality; **Competition:** strong in the SV segment in Europe and South America, while position of Tier1 strong in the >19" market; **Debt Management:** convertible bond set to expire in mid-December is in the money (strike price at €5.85, conversion ratio 17.1 with 85.5mn shares to be issued, 8.5% of current NOSH).

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	6,650	6,773	6,755	6,850	7,065
EBITDA Adj (Eu mn)	1,446	1,520	1,547	1,568	1,604
Net Profit Adj (Eu mn)	579	580	584	610	659
EPS New Adj (Eu)	0.579	0.580	0.584	0.610	0.659
EPS Old Adj (Eu)	0.579	0.580	0.582	0.608	0.657
DPS (Eu)	0.198	0.250	0.250	0.273	0.303
EV/EBITDA Adj	4.8	4.9	5.0	4.8	4.4
EV/EBIT Adj	6.9	7.0	7.2	6.8	6.2
P/E Adj	10.6	10.6	10.5	10.1	9.3
Div. Yield	3.2%	4.1%	4.1%	4.4%	4.9%
Net Debt/EBITDA Adj	1.6	1.3	1.0	0.8	0.6

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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 between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEIMIB40 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.

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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:	32.06%
OUTPERFORM:	39.69%
NEUTRAL:	27.49%
UNDERPERFORM:	00.76%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (77 in total) is as follows:

BUY:	50.65%
OUTPERFORM:	29.87%
NEUTRAL:	18.18%
UNDERPERFORM:	01.30%
SELL:	00.00%

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